



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Ed Shikada
Albert Balagso

SUBJECT: SEE BELOW

DATE: July 23, 2007

Approved

Date

7/31/07

COUNCIL DISTRICT: City-Wide
SNI AREA: N/A

**SUBJECT: DEFERRED MAINTENANCE AND INFRASTRUCTURE BACKLOG -
STAFF ANALYSIS AND RECOMMENDED NEXT STEPS IN RESPONSE TO THE
PARK MAINTENANCE SUBCOMMITTEE PROPOSALS**

RECOMMENDATION

Accept this staff report and recommended next steps to reduce deferred maintenance and infrastructure backlog and direct staff to continue to analyze infrastructure conditions and funding options and bring forward recommendations to Council in the Fall of 2007.

OUTCOME

This report will brief the City Council on the recent interdepartmental work efforts on the reduction of the deferred maintenance and infrastructure backlog including recent work efforts by the Park Maintenance Sub-Committee.

EXECUTIVE SUMMARY

On February 20, 2007, the City Council held a joint Priority Setting Session with Senior Staff to develop three-year goals. One of the goals identified was to reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve infrastructure. June 20, 2007, the Park Maintenance Subcommittee, comprised of community leaders and 2 Commissioners each from the Parks and Planning Commissions, presented a proposal to the Rules Committee asking for direction to staff to explore options such as seeking voter approval of a parcel tax or an increase to the Conveyance Tax to generate additional revenues for parks operations and maintenance needs. The Rules Committee did not take specific action on this proposal since there is a concurrent interdepartmental effort that is already underway to develop citywide strategies to reduce the deferred maintenance on a broader range of infrastructure, including parks, roads, building facilities, and other assets. The Rules Committee instead asked

that a status report be presented on the citywide effort to the full Council in August. The citywide effort is in response to the Mayor's March Budget message directive to create a two-year deferred infrastructure work plan to identify needs, priorities and funding options. Staff will be presenting a status report to the Transportation & Environment (T&E) Committee in August 2007, and based on input from the T&E Committee and the Council and Senior Staff retreat scheduled to be held on September 4, 2007, a comprehensive implementation strategy and funding recommendation will be presented to the full Council in the Fall of this year. Thus, staff is recommending that Council wait to act upon the Park Maintenance Subcommittee proposal until it is able to evaluate parks needs in the citywide context later this year.

BACKGROUND

The City's facilities consist of numerous buildings, parks, trails, pools, streets, water, sewer and storm systems as well as an International Airport and a large Water Pollution Control Plant. In addition to fixed or stationary assets, the City also owns major equipment such as fleet vehicles and computers. Some of these assets are approaching the end of their life cycle and the need to replace, rehabilitate and upgrade them is becoming critical. Even in the case of facilities that have been recently upgraded or constructed, regular maintenance is essential to ensure the facilities and their major components meet life cycle expectancies.

The Mayor's March Budget Message for fiscal year 07-08 was approved by Council on March 20, 2007. Based on the work done in the Budget Priority Setting Session by the Council and Senior Staff on February 20, 2007, the Budget Message identified reduction of the City's deferred maintenance and infrastructure backlog as one of the City's five key priorities and a three year goal. Staff was directed by Council to present a Two-Year Infrastructure Work Plan to the Transportation and Environment (T&E) Committee in May 2007, which has been completed. Staff is currently working on assembling a comprehensive funding and implementation strategy to present to the Transportation and Environment (T&E) Committee in August 2007. Based on input from the T&E Committee, staff will then bring forward funding and implementation recommendations to Council in late Fall 2007.

Several other related efforts are underway for specific programs such as the draft Transportation Maintenance Master Plan which is slated for a T&E status report in October 2007 and the funding strategies for the Water Pollution Control Plant which is also slated to go to the T&E Committee this September.

ANALYSIS

To address the complexity and magnitude of the City's assets, staff has grouped them into thirteen discrete programs: Airport, Building Facilities, Convention Center and other Cultural Facilities, City Facilities operated by community organizations, Fleet, Parks, Open Space and Pools, Technology, Transportation Infrastructure, Sanitary Sewer System, Service Yards, Storm Sewer Systems, Water Pollution Control Plant and Water Utility System. Several of these programs are currently pursuing varying strategies to address their maintenance and

infrastructure condition and needs and are exploring various funding mechanisms, some examples of which are given below.

Parks, Open Space and Pools:

As mentioned previously, based on the Priority Setting Session on February 20, 2007, the Mayor's March Budget message identified five key priorities as the City's three year goals. While reducing deferred maintenance and infrastructure backlog was identified as being one of them, providing full funding for parks, pools, community centers and libraries, including maintenance operation and development was also identified as another key priority.

The Parks and Recreation Commission and the Planning Commission were significant supporters of the Department's efforts to substantively revise the Parkland Dedication and Park Impact Ordinances in FY 2006-07. An outgrowth of their joint support was the acknowledgement of the reduced level of maintenance the parks system currently receives and the concern that new park development will be maintained at this lower level. In early 2006, the Parks and Recreation and Planning Commissions jointly established a Park Maintenance Subcommittee to address the unmet funding needs for the operations and maintenance of new and existing parks and to increase the financial resources. The Sub-Committee is chaired by Jim Zito, Planning Commissioner, and he is joined by Xavier Campos, Planning Commission Chair, Melanie Richardson, Parks and Recreation Commission Chair, James Kim, Parks and Recreation Commissioner, and two community leaders, Kerri Hamilton and Bob Levy.

The Sub-committee has been meeting for approximately a year and is supported by staff from Parks, Recreation & Neighborhood Services Department. Sub-committee members provide a monthly update to their respective commissions during their usual business meetings. Interested in understanding the Library Department's example, the Sub-committee invited Jane Light, City Librarian, to provide her insights into the library parcel tax measure that was recently approved by the voters for a term of ten years. The library parcel tax revenues replaced the revenues from the Library Benefit Assessment District that expired in FY 2004-05. Jane also discussed the advance polling work that was done to gauge the public's support for a parcel tax. The Friends of the Library and the Library Foundation conducted fundraising efforts for the campaign on the parcel tax measure in 2004. Once the parcel tax was approved, an oversight committee was established that reports annually to Council.

The parcel tax was originally imposed at the annual rate of \$25/parcel for single family residences and varying rates for other types of property uses. The ordinance approved by the voters authorized annual tax rate adjustments based on the Consumer Price Index. Since the voter approval of the library parcel tax, the City Council has approved two CPI adjustments. The rate for single family residences for FY 2007-08 is \$26.27. In FY 2006-07, the library parcel tax revenues were approximately \$6.3M which augmented the \$28M budget from the General Fund. The parcel tax revenue funds approximately 40 staff.

A letter dated June 11, 2007, was sent by the Sub-committee to the Rules Committee on June 20, 2007. The letter outlined two funding strategies that could be explored to provide additional funding for operations and maintenance of parks:

- a.) A citywide parcel tax of \$25 per single family residence to benefit general park maintenance, facilities, recreation services and programs.
- b.) Raising the rates of the Construction Tax or the Conveyance Tax. Since the Construction Tax rate is different depending on the type of structure that is constructed, in the interest of simplicity, the sub-committee recommends that an increase to the Conveyance Tax rate be analyzed. The conveyance tax rate is \$1.65 for every \$500 of property valuation. Any change to the Conveyance Tax would require a 2/3 vote of the voters to approve. The sub-committee would also like staff to explore the possibility of changing the allocation for park maintenance from the current 15% to a greater percentage.

Revenue from the Construction Tax and the Conveyance Tax (C&C) is currently distributed amongst several City programs. In addition to the Parks capital program, C&C funds are dedicated to the Library and Fire Departments, Communications program, Service Yards and Park Yards. It is an important goal of the Sub-committee to not negatively impact the current distribution percentages each of these programs currently receives as it would cause disruption to ongoing operations. As a result, the Sub-committee is asking that staff look into increasing the \$1.65 rate as that would generate additional revenue for every program, provide additional funding for park maintenance, while the remaining balance can still provide funding for capital improvements and repairs.

Transportation Infrastructure:

Staff is currently working on a Transportation Maintenance Master Plan (TMMP) to address the needs in the transportation infrastructure area. An extensive community outreach process is being conducted to obtain input on priorities and to gauge community support for funding some of these priorities. A preliminary estimate of about \$450 million has been developed to address all of the unmet deferred maintenance and infrastructure needs. A draft master plan that will be presented to the T&E Committee in October 2007, will include a summary of community priorities and funding support as well as staff recommendations on implementation strategies along with proposed funding mechanisms.

Water Pollution Control Plant:

Staff is also currently embarking on a master plan for the Water Pollution Control Plant. A preliminary consultant study done in 2006 has already identified about \$997 million in capital improvement needs. The master plan will further evaluate and validate the needs and propose recommended funding strategies.

As part of the staff response to the Mayor's Budget Message direction described in the Background section of this memo, several other programs are also evaluating their budgeting and funding strategies to address unmet maintenance and infrastructure needs. To ensure an organized and effective approach to addressing the City's needs, staff believes that a comprehensive approach is critical in order to enable Council to look at the needs and the proposed funding mechanisms in a citywide context.

Funding Strategies

In July 2007, senior staff from all relevant departments participated in a half day workshop to identify funding needs as well as type and timing of various potential funding strategies. Staff looked at the possibility of eight distinct funding mechanisms:

- City Budgeting Strategies
- Service Rate Increases
- Impact Fee Increases
- Special Assessment/Community Facility Districts
- Increasing Tax Revenue through increasing rates of existing taxes or imposing new taxes
- Bond Funding
- Public/Private Partnerships
- External Funding Sources

Given the General Fund deficit in the current five year CIP, staff determined that limited General Fund budgeting strategies such as creation of program reserves and sinking funds may make sense for specific programs. However, these strategies can only be a part of a citywide strategy for meeting deferred maintenance and infrastructure needs, as any General Fund strategy would require diverting funds away from other City needs.

Staff has previously discussed with the T&E Committee in May 2007 and with the Rules Committee in June 2007, that they would be exploring the possibility of new funding sources. Staff's focus during the strategy meeting was thus on the feasibility and timing of these new funding sources such as formation of special assessment/community facilities districts, parcel taxes, Construction & Conveyance tax increases, service rate and impact fee increases, bonds, partnership opportunities and grants.

As various programs continue to look at similar types of funding mechanisms in a specific timeframe, it is important for staff to be able to recommend to Council a course that is appropriate for the City as a whole. This entails planning and coordinating preparatory work such as community surveys, master plans, Council approval and communication plans that could lead up to ballot measures or fee and rate increases. Ballot measures for a consolidated State/City election must be transmitted to the County Board of Supervisors and the registrar of voters at least 88 days prior to the election. For a June 2008 ballot measure, the Council approved measure would need to be transmitted to the County no later than March 7, 2008 and for a November 2008 ballot measure, the Council approved measure would need to be transmitted to the County no later than August 7, 2008. Since a short window of time is available to prepare for 2008 ballot measures, it is important to determine which programs might be better candidates for a potential ballot measure particularly after evaluating community support for funding several concurrent initiatives.

The Parks Maintenance Sub-Committee is seeking the City Council's direction on next steps as described in their June 11th letter (see attached):

1. "Review the work and recommendations of the Parks Maintenance Funding Sub-Committee and provide direction to the Sub-Committee on timing, future analysis, and funding including providing input to the Sub-Committee regarding the recommended revenue generating alternatives.
2. Direct staff to provide budgets, data and analysis of parks maintenance and programs most in need of dedicated funding and to help evaluate the efforts necessary to implement subcommittee recommendations to raise targeted funds and improve worker productivity and efficiency.
3. Evaluate the Sub-Committee's work and recommendations as to their viability to obtain voter approval by the residents of San Jose."

In light of the ongoing various citywide efforts on deferred maintenance and infrastructure improvements, staff is recommending that no further action be taken until a comprehensive funding strategy has been presented to Council in Fall 2007.

EVALUATION AND FOLLOW-UP

Staff presented a two-year work plan to the T&E Committee in May 2007 and will present a follow-up report on the status of the citywide effort to the T&E Committee on August 27, 2007. The Parks Maintenance Sub-committee submitted a letter to the Rules Committee on June 20, Rules Committee asked for a status report to Council in August 2007. This report provides a status report on the deferred maintenance and infrastructure report and recommends Council action on the Parks Maintenance Sub-committee letter when staff returns to Council in Fall 2007 with recommendations on a comprehensive funding strategy.

Timeline:

Action	Timeline
Present condition assessment report to T&E Committee	August 27, 2007
Council and Senior Staff Retreat	September 4, 2007
Present a comprehensive funding strategy to Council	Fall 2007

POLICY ALTERNATIVES

Alternative #1: Undertake efforts to further research the feasibility of both Park Maintenance Sub-Committee proposals

Pros: Will address issues related to parks maintenance funding needs

Cons: Council will not be able to make a decision based on the citywide context

Reason for not recommending: It is necessary for the City to set priorities among infrastructure systems given that resources, including the opportunities for new resources, are limited and this will only be possible when a comprehensive funding strategy is presented to Council.

July 23, 2007

Subject: Status Report and Recommendations on Park Maintenance Subcommittee Proposal

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PUBLIC OUTREACH/INTEREST

Although the criteria listed below do not specifically apply to this action, staff has been working on community outreach efforts for specific programs such as community surveys for the Transportation Maintenance Master Plan. As staff continues to develop an overall strategy for reducing the deferred maintenance and infrastructure backlog, further community outreach efforts will be undertaken as appropriate.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

Preparation of this status report has been coordinated with the Departments of Transportation, General Services, Information Technology, Environmental Services, Airport, Finance, Public Works, City Attorney's Office and the Budget Office.

CEQA

Not a project



Ed Shikada
Deputy City Manager



Albert Balagso
Director, Parks, Recreation & Neighborhood Services

For questions please contact Ashwini Kantak, Acting CIP Action Team Leader at (408) 535 8147 and Julie Mark, Acting Assistant Director, PRNS, at (408) 535 3582.

Attachment

RECEIVED
San Jose City Clerk

June 11, 2007

2007 JUN 12 A 11: 31

Honorable Mayor and City Council
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Subject: Recent Work and Status of the Parks Maintenance Funding Subcommittee

Dear Honorable Mayor and City Councilmembers:

Early in 2006, the Parks & Recreation and Planning Commissions held a study session focused on the PDO/PIO fees and criteria used by the Department of Parks, Recreation and Neighborhood Services (PRNS) in determining their recommendations for land dedication. One criterion that was discussed was the availability of operations and maintenance funds needed to operate new and existing parks. At that study session, the joint Commissions decided to create a subcommittee to explore the possibility of identifying reliable and sustainable funding sources to supplement the existing PRNS operations and maintenance budget. The Mission Statement, for the Parks Maintenance Funding Subcommittee (Subcommittee) is attached for review.

The Subcommittee is comprised of two Planning Commissioners, Jim Zito (Subcommittee Chair) and Xavier Campos; two Parks and Recreation Commissioners, James Kim and Melanie Richardson; and two community members, Kerri Hamilton and Bob Levy. PRNS staff attended meetings and provided logistical support.

The Subcommittee has been meeting monthly for approximately one year with the task of identifying sustainable funding sources to be used to ensure City parks and recreational programs are maintained. The process has included an in-depth review of PRNS' budget, study of the successful parcel tax assessment used by the Library to support its operation, and investigation of other possible sustainable funding sources. The Subcommittee has invited union representatives, members of the community and City Council staff to join us and share their views on occasion.

This letter is to provide information and seek feedback on the recent work of the Subcommittee. The Subcommittee is requesting input and direction from the City Council in the following three areas:

1. Review the work and recommendations of the Parks Maintenance Funding Subcommittee and provide direction to the Subcommittee on timing, future analysis, and funding, including providing input to the Subcommittee regarding the recommended revenue generating alternatives.
2. Direct City staff to provide budgets, data and analysis of parks maintenance and programs most in need of dedicated funding and to help evaluate the efforts necessary to implement Subcommittee recommendations to raise targeted funds and improve worker productivity and efficiency.
3. Evaluate the Subcommittee's work and recommendations as to their viability to obtain voter approval by the residents of San Jose.

The City of San José has approximately 1,644 developed acres comprising the regional and neighborhood parks. In 2000, the cost budgeted to adequately maintain a developed acre of parkland was \$15,000. Approximately \$9,800 is being appropriated by the City Council per developed acre for upkeep and maintenance now. This funding is approximately \$5,200 short to adequately maintain an acre of parkland and does not take into consideration inflation that has occurred over the past five years. To fund maintenance of developed park acres at \$15,000 per acre, the City of San José would require an additional \$8.5 million per year in funding.

The urgency of increasing funding for parks maintenance is compounded by the fact that PDO/PIO funding is being used to build new parks, thereby adding to the number of new parks to be maintained by City workers. Critical to this effort is the need to determine an appropriate funding recommendation that the general public will accept and support among the many options available. The information below is provided as examples of the potential data that needs to be gathered, analyzed and considered. Polling would also need to be conducted to determine the public opinion regarding specific options that may raise fees collected by the City.

1) Proposing a citywide parcel tax.

A citywide parcel tax that could be used to underwrite and support the recreational programs and facilities being offered by the City. A \$25.00 parcel tax through a Benefit Assessment District would potentially generate an additional \$6.2 million per year. This is the amount generated by the Library's assessment district at a rate of \$25.00 per parcel. The money collected under PRNS' Benefit Assessment District could go toward general park maintenance and/or for facilities, recreation services and programs.

2) Raising the Construction and Conveyance (C&C) Tax and reallocating them to provide more funding for parks operations and maintenance without impacting other programs.

Potential changes to the Conveyance Tax, recognizing that it will require a citywide vote to change both the current percentage distribution and rates to fund park maintenance. The current rate of the Conveyance Tax is \$1.65 per \$500 valuation of property transferred by sale. To be able to adjust for an \$8.5 million annual shortfall, one option is a Conveyance Tax increase by \$1.00 (to a total \$2.65) per \$500 valuation, which would provide a potential \$8.5 million additional revenues for park maintenance. Currently 15% of the Parks allocation of C&C tax revenue is dedicated to maintenance; the committee recommends revisiting the allowable percentage for maintenance purposes without jeopardizing the remaining funds in the parks capital program to fund needed repairs and improvements.

By increasing the rate for the Conveyance Tax, it raises the amount of funds to all of the programs that currently receive an allocation. There would be no decrease in the level of support to the Library, Fire, Service Yards, Communications, or Park Yards programs.

These options are only two examples we explored of how the City could evaluate a variety of policy alternatives in order to fund the additional \$8.5 million in park maintenance funding and not diminish the C & C Tax ability to provide capital funding for parks and recreational facilities. We believe that the increased revenue stream from the C & C Tax will provide additional resources to fire, library, communication, service yard and park yard funds, as well as parks maintenance.

Combining a parcel tax that potentially generates \$6.2M, and the potential changes to the C & C Tax would generate approximately \$14.7 million in additional funds for operations and maintenance

expenses associated with PRNS. This assumes the City would maintain its current appropriation to the Departments.

To put this in perspective, for a person buying or selling a home in San Jose for \$750,000, an increase from the current \$1.65/\$500 to \$2.65/\$500 would equate to an additional \$1,500 in collection to the C & C Tax at the time of sale.

After multiple years of funding decreases and diminishing levels of service, the Subcommittee also believes it would be helpful to take the dual-pronged approach of increasing sustainable parks maintenance funding and exploring more efficient uses of available funds. Along with asking voters to approve funding increases, we feel it is necessary to maintain standards that reflect safe and high quality parks. We wish to continue to work with PRNS's dedicated staff to find more ways to efficiently provide enhanced services within budget, and offer the following suggestions:

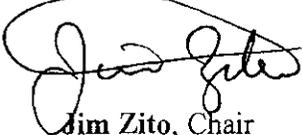
A program to create a more positive workplace culture and to let employees know their work and ideas are important and valued could be explored, whereby management staff periodically surveys employees for their ideas and feedback. We also believe team-building programs could be implemented. The workers' Union could play a role in promoting employee awareness by reinforcing key educational components regarding safe and efficient work techniques, such as how best to implement State laws regulating chemical applications, safety and signage.

The Subcommittee has discussed steps to increase interdepartmental cooperation, since the appropriateness of design and quality of installation will have direct impacts on maintenance needs. Quality design review and installation inspection are critical to the efficient utilization of scarce maintenance resources, especially as it applies to parks and public landscape.

Both Commissions appreciate the recent attention the Council is giving to the issue of parks maintenance and programs funding. As indicated earlier this year, the community has raised this issue as one of its highest funding priorities during the community based budgeting process. Since then the City Council has adopted it as one of the top five funding goals in the 2007 – 2008 proposed City budget.

On behalf of the Planning and Parks and Recreation Commissions, we seek Council's direction and input to fully analyze the options, and to consider if the timing is appropriate to submit any future initiatives to the voters for the February, 2008 ballot. This letter has been approved by the Parks and Recreation Commission at its June 6, 2007 meeting and the Planning Commission at its June 11, 2007 meeting. We respectfully request this item be considered at the June 20, 2007, Rules Committee to be placed on the June 26, 2007 Council Agenda.

Sincerely,



Jim Zito, Chair
Parks Maintenance
Funding Subcommittee



Helen Chapman, Chair
Parks and Recreation
Commission



Xavier Campos, Chair
Planning Commission

Enclosure: Mission Statement

Parks Maintenance Funding Subcommittee of the Parks and Planning Commissions

Mission Statement:

To understand and develop ways to optimize sustainable funding sources in order to ensure San Jose's parks, recreational facilities, and associated programs are operated and maintained in a sustainable manner.

Goal:

To create a plan which ensures that adequate, reliable and sustainable funding sources are identified for all aspects of PRNS maintenance and operations. The plan should allow for uninterrupted operations of current and future City facilities, and for the revitalization of under-utilized PRNS programs and resources.

Objectives:

- Study and understand the current PRNS funding responsibilities for Maintenance, Operations and Community programs.
- Study and understand the current funding sources for PRNS Maintenance, Operations and Community programs.
- Develop a list of targeted programs this Subcommittee will focus on to provide funding.
- Provide rationale for choosing targeted programs over non-targeted ones.
- Research opportunities for sustainable funding sources to ensure adequate funding for targeted programs.
- Ensure outreach to core community groups and neighborhood associations to provide input on our findings.
- Solicit assistance and advice from other organizations and professionals who have undergone similar projects.
- Present our findings to the City Council.

