

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL/  
COUNTY BOARD OF SUPERVISORS

**FROM:** Larry D. Lisenbee

**SUBJECT:** 2006-2007 ADOPTED CAPITAL  
BUDGET AND 2007-2011 ADOPTED  
CAPITAL IMPROVEMENT  
PROGRAM OVERVIEW

**DATE:** August 14, 2006

Approved



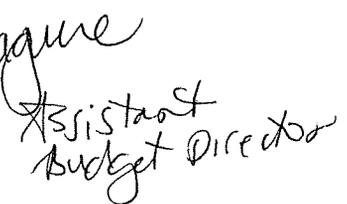
Date

8/16/06

In preparation for the annual City of San José - County of Santa Clara meeting scheduled for August 31, 2006, the attached document highlights the 2006-2007 Adopted Capital Budget and 2007-2011 Adopted Capital Improvement Program for the City of San José. This summary provides a broad overview of the City's entire capital budget. In the future, it is recommended that staff from both agencies consider a process to coordinate the identification and review of those projects that are of mutual interest.

For additional information the City's capital budget, please refer to the 2006-2007 Proposed Capital Budget document that is available in hard copy or on-line at the City's website ([www.sanjoseca.gov](http://www.sanjoseca.gov)). The Adopted Capital Budget is scheduled to be released at the end of August/early September timeframe.

  
for Larry D. Lisenbee  
Budget Director

  
Assistant  
Budget Director

Attachment

# 2006-2007 ADOPTED CAPITAL BUDGET & 2007-2011 ADOPTED CAPITAL IMPROVEMENT PROGRAM

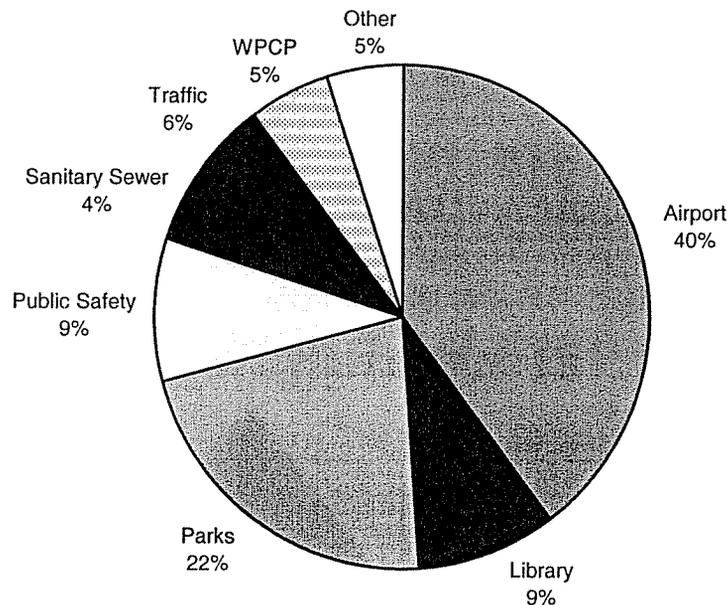
## HIGHLIGHTS

The capital investments planned over the next five years are substantial with a 2006-2007 Adopted Capital Budget of \$1.38 billion and a 2007-2011 Adopted Capital Improvement Program (CIP) of \$2.89 billion. This marks the sixth year that the annual budget exceeds \$1 billion and the five-year plan is in the multi-billion dollar range. The 2006-2007 Adopted Capital Budget also reflects an increase of 18% from the 2005-2006 Adopted Capital Budget of \$1.17 billion and the 2007-2011 CIP is 37% higher than the 2006-2010 Adopted CIP of \$2.10 billion. The increases from last year are primarily the result of revisions to the timing of Airport improvements.

The City is now in the second half of the *Decade of Investment*, which is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities, primarily as a result of voter-approved bond measures that will generate a total of \$599 million for these purposes. The expansion of the Airport will deliver a facility that meets the needs of both customers and the airlines in a cost effective manner. Substantial investments in the City's utility infrastructure are also underway, designed to ensure the continued safe and efficient operation of these facilities and the capacity to address future growth.

The CIP is comprised of 15 capital programs. Following is a breakdown of the major programs:

**2006-2007 Adopted Capital Budget  
Use of Funds (\$1.38 billion)**



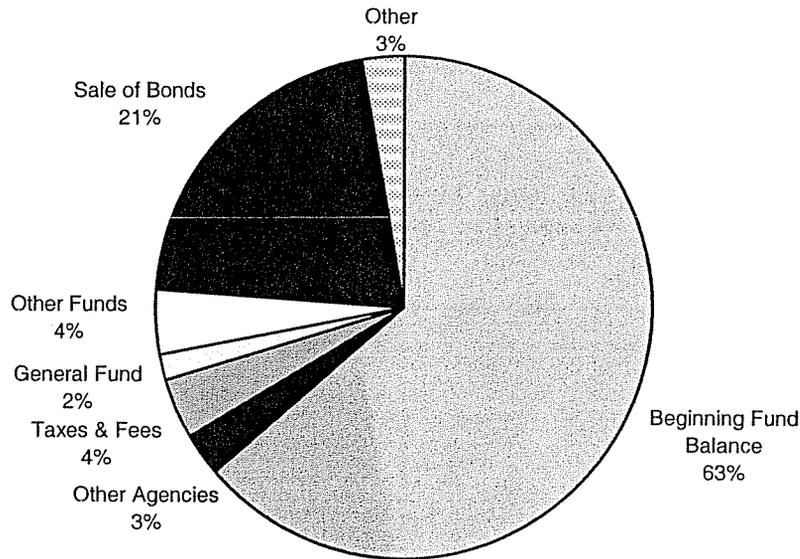
# City of San José

## Capital Budget Highlights

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The Capital Budget is supported by a combination of funding sources as shown on the chart below.

**2006-2007 Adopted Capital Budget**  
**Source of Funds (\$1.38 billion)**



### Capital Program Overview

Following is a brief summary of each of the City's 15 capital programs.

#### *Airport Capital Program*

The Adopted Airport Capital Program reflects the revisions to the implementation of the Airport Master Plan that were approved by the City Council on November 15, 2005. This plan was revised based on the finding from a three-day workshop held in September 2005 with Airport stakeholders. Two key findings resulted from this workshop: first, air passenger demand volume originally projected for the year 2010 (17.6 million) is now projected to be reached in 2017 and second, the continued implementation of the Master Plan needs to be limited to \$1.2 to \$1.5 billion. Input from a variety of stakeholders was used to develop a facility that will meet the community and customers' needs as well as keep costs low.

The \$417.8 million Terminal Area Development, Phase I is the largest project in the Adopted CIP. This project includes Terminal A improvements, the first half of Terminal B, a Temporary Terminal C passenger processing facility, the demolition of Terminal C, roadway improvements, landscaping and signage. A number of these projects are scheduled for award in fall 2006. The Airport CIP includes several other major projects including the completion of the North Concourse, a consolidated rental car facility, public parking improvements, and airfield improvements.

# City of San José

## Capital Budget Highlights

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### *Civic Center Capital Program*

This program is responsible for constructing the new City Hall and associated parking facilities. The 2007-2011 Adopted CIP includes funding to complete the off-site parking garage as well as the purchase of furniture, fixtures, and equipment for City Hall. In addition, interest earnings on the Civic Center Construction Bonds have been allocated to City Hall capital enhancements (\$2.2 million) and a Reserve for Neighborhood Capital Improvements (\$4.3 million).

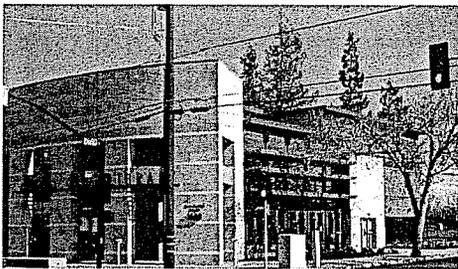
### *Communications Capital Program*

This program provides reliable, necessary public safety and non-public safety-related communications equipment. A total of \$5.9 million is allocated to the Equipment Replacement and Upgrade project. In addition, \$4.8 million is programmed for the COPS 2003-2004 Interoperable Communications Grant that will upgrade the microwave network for the City of San José and Santa Clara County and establish links in north, south, and west areas of Santa Clara County to provide complete communications coverage.

### *Developer Assisted Projects Capital Program*

This program reimburses residential developers for construction of major City streets and encourages the undergrounding of existing overhead utilities. Reimbursements to developers are scheduled for the Communications Hill and the Dairy Hill projects. In the Underground Utility Program, projects in the following areas are programmed: Saratoga Avenue – Route 280 to Kiely; Jackson/Taylor – 4<sup>th</sup> to 9<sup>th</sup> Streets; Stevens Creek – Calvert to Stern; Camden Avenue – Bascom to Leigh; Evergreen Park – San Felipe Road to Yerba Buena; and Guadalupe Gardens.

### *Library Capital Program*



*Rose Garden Branch Library*

The City's library system is undergoing a major transformation as a result of the November 2000 voter-approved bond measure that approved the issuance of \$212 million in General Obligation bonds to improve the branch library system over a ten year period. This bond measure provided funding for the reconstruction or replacement of 14 of the 17 existing branches and the construction of six new branches. Over the course of the 2007-2011 CIP, the build-out will be completed with the opening of three new branches and completion of ten renovations. In the 2007-2011 CIP, upward

adjustments of \$17.0 million to the bond projects were approved to address recent cost escalation. These increases will be mitigated through the use of interest from bond sales and the Bond Contingency Reserve. Listed below are the new and renovated branches that will be completed over this five-year period.

#### *New Branches*

- Bascom
- Edenvale
- Southeast

#### *Renovated Branches*

- Cambrian
- Hillview
- Santa Teresa
- Calabazas
- Joyce Ellington
- Seventrees
- East San José
- Pearl
- Willow Glen
- Educational

# City of San José

## Capital Budget Highlights

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### *Municipal Improvements Capital Program*

This program provides capital improvements for City facilities that are not funded in other capital programs. The Adopted CIP includes the following ongoing allocations: HP Pavilion Repairs; Fuel Tank Monitoring; Closed Landfill Compliance; and Unanticipated/Emergency Maintenance. Funding has also been rebudgeted from 2005-2006 to complete capital projects. A new General Fund project (Facilities Infrastructure Maintenance Backlog) in the amount of \$1 million was also approved to start addressing the backlog of deferred maintenance in City facilities.

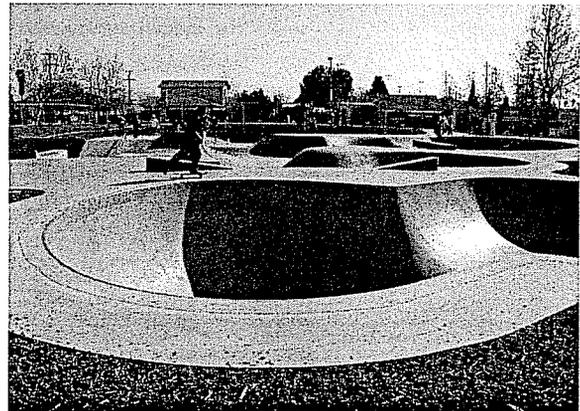
### *Parking Capital Program*

This program maintains and improves existing facilities, upgrades and replaces both on-street and off-street parking equipment, and develops parking facilities. The Adopted CIP includes funding for the 2<sup>nd</sup> and San Carlos Street Garage Seismic Upgrade project; to implement Phase II of the Parking Guidance System that will include roadway signs to direct motorists to the parking facilities; to continue replacing the Parking Revenue Control System at several garages and lots; and to perform ongoing facility improvements.

### *Parks and Community Facilities Capital Program*

This program plans for and implements the acquisition, development, and protection of parks, recreation facilities, and open space to maintain a high quality of life in San José. The program is managed through the use of 17 funds, including 10 Council District funds, a City-wide fund for city-wide/regional facilities, a Parks Bond Fund, and five special purpose funds, as well as contributions from the General Fund and the San José Redevelopment Agency.

The Parks and Recreation Bond Projects Fund provides a significant amount of resources to address capital needs in the City's various park facilities. On November 7, 2000, City voters approved Measure P, a \$228 million General Obligation Bond for park and recreational facilities improvements. This bond program provides funding to renovate 69 neighborhood parks, renovate six community centers, add 3 new community centers, build new sports complexes, expand the City's trail system at five locations, and enhance four regional park facilities, including a major renovation of Happy Hollow Park and Zoo. Over the course of this CIP, four community centers will be renovated or built, sports fields will be developed, Happy Hollow Park and Zoo will be renovated, and several City trails will be expanded. Similar to the Library Capital Program, the 2007-2011 CIP includes upward adjustments of \$15.5 million to the budgets for the Parks Bond projects to address recent cost escalation. These increases will be mitigated through scope management, allocations of interest from bond sales, and the use of the Bond Contingency Reserve. In addition, supplemental funding of \$18.3 million from Construction and Conveyance Tax Funds, the Park Trust Fund, and the Redevelopment Agency will be used to complete the community center projects and the Happy Hollow Park and Zoo renovation.



*Plata Arroyo Skatepark*

## City of San José Capital Budget Highlights

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### *Parks and Community Facilities Capital Program (Cont'd.)*

Listed below are the Parks Bond Projects in the 2007-2011 CIP:

- Bascom Community Center
- Coyote Creek Trail  
(Phelan Avenue to Idlewood Court)
- Emma Prusch Memorial Park
- Guadalupe River Trail Reach VI  
(Woz Way to Willow Street)
- Happy Hollow Park & Zoo
- Los Gatos Creek Trail Reach IV
- Mayfair Community Center
- Roosevelt Community Center
- Soccer Complex
- Softball Complex
- Solari Community Center



*Camden Community Center*

### *Public Safety*

This program constructs, maintains and improves facilities and equipment that support the delivery of effective emergency services. The construction of a new police substation, a new public safety driver training center, four new fire stations including a developer-funded station, a renovated 9-1-1 communications dispatch center, the relocation of six existing fire stations, and the rebuilding of one fire station at its current location will provide the infrastructure to help meet this goal.

The major investment in Public Safety infrastructure is possible because the voters approved Measure O, the “9-1-1, Fire, Police, Paramedic and Neighborhood Security Act” Neighborhood Security Act Bond Measure in March 2002. This bond measure authorized the City to issue General Obligation Bonds in an amount not to exceed \$159 million. All of the bond-funded projects are scheduled to be underway in this CIP. The budgets for many of these projects were increased to address recent cost escalation. Total fire station increases amounted to \$8.5 million, and increases to the Driver Safety Training, Police Substation, and West and South Community Policing Centers totaled \$2.5 million. These increases were mitigated through the use of interest from bond proceeds and the Bond Contingency Reserve.

Following are the Public Safety Bond projects in the Adopted CIP.

- 9-1-1 Communications Dispatch Center
- Driver Safety Training Center
- Fire Station Upgrade
- Fire Training Center Improvements
- New Fire Stations 34 (Berryessa), 35 (Cottle and Poughkeepsie), and 37 (Willow Glen)
- Rebuild Fire Station 2 (Alum Rock Avenue)
- Relocate Fire Stations 12 (Calero), 17 (Cambrian), 19 (Piedmont), 21 (White Road), and 25 (Alviso)
- Relocate Station 24/Construct Station 36 (Silver Creek/Yerba Buena)
- South, East, and West Community Policing Centers
- South San José Police Substation

# City of San José

## Capital Budget Highlights

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### *Public Safety (Cont'd.)*

A turnkey Fire Station on Communications Hill is currently scheduled to be constructed in 2006-2007 and operational in 2007-2008. The CIP includes funding from developers for the associated apparatus and equipment. The CIP also includes funding to support many of the infrastructure needs in the Fire Department, including fire apparatus replacement and repair, facilities improvements, hose replacement, emergency response maps, handheld radios, heavy rescue airbags, traffic control equipment, general tools and equipment, computer replacement, records management, and data analysis.

### *Sanitary Sewer System Capital Program*

This program rehabilitates large diameter sanitary sewers, reduces water inflow and infiltration in sanitary sewers, improves local neighborhood sewers, and extends sanitary sewers to new development areas. Major projects in the Adopted CIP include: the Phases VA and VB of the Edenvale Sanitary Sewer; Phases VI and VII of the Fourth Interceptor; Phases VIB, VII, and VIIA of the 84-Inch RCP Interceptor; and the Central Interceptor Sewer. Neighborhood sewer improvement projects include Almaden Road, Alum Rock Avenue, Julian-Sunol Area, Monterey-Riverside, and Union/Almaden Oak.

### *Service Yards Capital Program*

The objective of the Service Yards Capital Program is to maintain and improve the existing conditions at the Service Yards by implementing projects to reduce safety hazards, increase efficiencies, and provide necessary equipment and materials for operations. While ongoing funding is allocated to address general capital improvement needs, the majority of funding in this capital program is set aside for the Central Service Yard Phase II project. This project began in 2005-2006 and is expected to be completed in 2007-2008.

### *Storm Sewer System Capital Improvement Program*

The purpose of the storm sewer system is to collect storm water and convey it to nearby creeks and rivers. In conjunction with the Sanitary Sewer System CIP, the Storm Sewer System CIP will remove cross-connections between the two systems.



*Willow Street Storm Pump Station Project*

With the limited resources currently available, the major storm drainage improvement projects programmed in the Adopted CIP are as follows: Albany-Kiely Storm Drainage Improvement, Phases III and IV; Chateau Drive Storm Drain Improvement, Phases I and II; Outfall Rehabilitation; Ross -- Guadalupe Storm Drain Improvements; Storm Drainage Improvements – Special Corridors; Storm Pump Station Rehabilitation and Replacements; and Willow Glen-Guadalupe, Phase III.

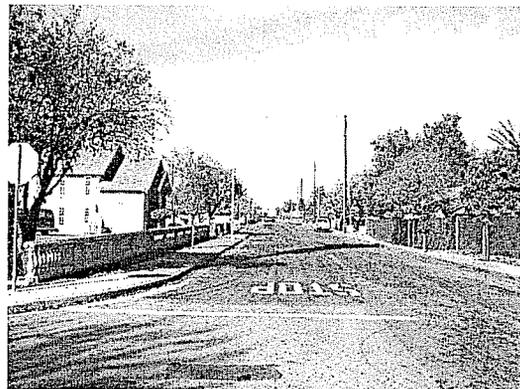
## City of San José Capital Budget Highlights

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### *Traffic Capital Program*

The mission of the Traffic Capital Program is to implement a safe, efficient, and environmentally sensitive surface transportation system, consistent with the goals and policies of the City's General Plan. In the 2007-2011 Adopted Traffic CIP, \$242.3 million is allocated for the purposes of expanding and enhancing the transportation system. These resources are programmed to ensure that the transportation system supports the economic competitiveness of San José and provides residents with safe and attractive street facilities in their neighborhoods.

The investments approved as part of the 2007-2011 Adopted CIP include funding for the build-out of the major street network (\$19.1 million); enhancements to the environment (\$1.4 million); maintenance activities (\$43.7 million); an array of operations and safety projects at the neighborhood level, including traffic calming, bicycle and pedestrian facilities, and new traffic signals (\$52.7 million); rehabilitation projects (\$12.6 million); funding to support the City's contribution to regional highway and transit systems (\$6.4 million); and planning and engineering for local and regional projects (\$21.2 million); and reserves and transfers (\$82.9 million).



*Towers Lane*

During 2004-2005, the Santa Clara Valley Transportation Agency (VTA) updated its 30-year regional transportation master plan referred to as Valley Transportation Plan 2030 (VTP 2030). The plan includes an inventory of projects eligible for future regional transportation grant funding. To support the City's Council-adopted priorities in the VTP 2030, a reserve of \$24.9 million has been established. Several of the investments in the Adopted CIP provide advance engineering to bring projects to a state of readiness to help them compete for regional funding. This strategy of proactively planning to leverage new State and federal funds is a continuation of the Traffic Program's successful record in leveraging significant grant funds by investing in upfront planning.

The Adopted CIP also includes \$5.3 million in one-time funds from the General Fund to be used to address a portion of the significant backlog of transportation maintenance needs. The funding has been allocated to street resurfacing (\$3.0 million), traffic safety enhancements (\$1.8 million), and neighborhood appearance improvements (\$500,000).

### *Water Pollution Control Capital Program*

The San José/Santa Clara Water Pollution Control Plant (WPCP) is a regional wastewater treatment facility serving eight tributary sewage collection agencies, including municipalities and sanitary sewer districts. This CIP focuses on preserving the WPCP infrastructure and capacity improvement projects. The Adopted CIP includes funding to complete the \$89 million Water Pollution Control Plant Reliability Improvements project, which was awarded in 2005 and is scheduled to be completed in 2008. This project will improve the Plant's ability to handle wet weather flows, improve the reliability of several of the Plant's critical systems; and look at ways to improve the reliability and efficiency of producing recycled water, as well as water discharge to the bay. The Plant Electrical Reliability project has \$55 million programmed in the CIP for major upgrades and replacements of electrical systems.

**City of San José**  
**Capital Budget Highlights**

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*Water Utility System Capital Program*

The San José Municipal Water System provides water utility service to approximately 26,500 customers (approximately 104,000 residents) in five areas within the City of San José: Evergreen, North San José, Alviso, Edenvale, and Coyote Valley. Major projects in the Adopted CIP include: rehabilitation and replacement projects (Forestwood Drive Main Replacement, Water Valve Rehabilitation, Villa Vista Reservoir Rehabilitation, Reservoir System Seismic Retrofit, and Norwood Pump Station Replacement); System Development projects designed to provide more capacity or better coverage (Nortech Parkway East Loop Main, the North First Street Parallel Main, and the Montague Turnout); and recurring projects to maintain the system and address system growth (System Maintenance/Repairs, Infrastructure Improvements, Meter Installations and Service Installations).

**General Fund Operating Budget Impact**

The large number of new and expanded facilities brings with them a substantial price tag in terms of General Fund operating and maintenance costs. The 2006-2007 Adopted Operating Budget includes over \$3 million to operate new parks and library facilities that are scheduled to open over the next year. In addition, funding is included to start training fire personnel that will be necessary to staff two new stations that are coming on-line in 2007-2008. This level of investment is expected to increase significantly over the next five years as the remaining bond-funded parks, library, and public safety facilities come on-line.

As detailed below, General Fund operating costs for facilities included in the 2007-2011 CIP will total \$7.5 million in 2007-2008 and climb to \$26.7 million by 2010-2011. (Operating budget adjustments for facilities scheduled to come on-line in 2006-2007 have been incorporated into the Adopted Operating Budget.)

**Projected General Fund Operating and Maintenance Costs**

<b><u>Project Title</u></b>	<b><u>2007-2008</u></b>	<b><u>2008-2009</u></b>	<b><u>2009-2010</u></b>	<b><u>2010-2011</u></b>
Fire Facilities	\$ 4,545,000	\$ 7,195,000	\$ 7,550,000	\$ 10,563,000
Library Facilities	2,825,000	4,514,000	8,428,000	10,256,000
Parks Facilities	232,000	2,159,000	4,529,000	4,896,000
Parks Facilities-Other Agencies	27,000	58,000	124,000	153,000
Police Facilities	26,000	376,000	753,000	789,000
Traffic Projects	(220,600)	(153,600)	(123,600)	(110,500)
Traffic Projects-Other Agencies	99,000	104,000	110,000	115,000
<b>Total</b>	<b>\$ 7,533,400</b>	<b>\$ 14,252,400</b>	<b>\$ 21,370,400</b>	<b>\$ 26,661,500</b>

In the last few years, several strategies were implemented to minimize operating and maintenance costs. These efforts included deferring the completion date for capital projects, using alternative staffing models, moderate reductions in the size of facilities, the development of joint library and community center facilities, and the implementation of capital projects that would reduce costs, such as energy efficient traffic signals.

Given the extent of the actions that have already been taken and the competing trend of rising construction costs, the Adopted CIP did not include significant additional project deferrals. Our focus is to deliver on the commitments to the public in regards to completing the park, library and public safety projects that were approved by the voters and are being funded by General Obligation Bonds. The additional costs associated with these facilities are therefore being factored into the General Fund Five-Year Forecast.