



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Hans F. Larsen
Jennifer A. Maguire

**SUBJECT: ROUTE 101 IMPROVEMENTS
I-280 TO YERBA BUENA ROAD**

DATE: 08-01-11

Approved

Date

8/12/11

COUNCIL DISTRICT: 5, 7, 8
SNI AREA: K.O.N.A.
Tully/Senter
West Evergreen

RECOMMENDATION

1. Approve a funding agreement for the Route 101 from I-280 to Yerba Buena Road project providing funding in the amount of \$4,200,000 from the City of San José to the Santa Clara Valley Transportation Authority.
2. Adopt the following Appropriation Ordinance Amendments in the Building and Structure Construction Tax Fund:
 - a) Increase the appropriation to the Department of Transportation for the Route 101/Tully Interchange Upgrade by \$500,000.
 - b) Decrease the Ending Fund Balance By \$500,000

OUTCOME

The recommended action facilitates implementation of the Route 101 freeway improvements between I-280 and Yerba Buena Road in the City of San José by providing the necessary funds to:

- Complete construction of the Phase I project (101/Tully interchange upgrade) by Spring 2012.
- Complete the design for the Phase II project (101/Capitol Expressway to 101/Yerba Buena interchanges).

Completing the design for the Phase II project ensures the timely expenditure of State funds recently approved by the California Transportation Commission for the construction of Phase II.

Overall, the project will improve traffic safety, relieve traffic congestion, improve local access to the East San José and Evergreen areas of San José, and enhance the local economy through the creation of construction jobs.

BACKGROUND

The Santa Clara Valley Transportation Authority (VTA), in cooperation with the City of San José and Caltrans, has developed a project to relieve severe traffic congestion along Route 101 from the I-280 interchange to Yerba Buena Road (Project). Due to funding limitations, the Project has been developed in two phases as shown in Attachment A.

Phase I includes reconstruction of the Route 101/Tully interchange and widening of southbound Route 101 between Story Road and Capitol Expressway. Construction began in November 2010, and is expected to be complete in the Spring 2012. The total cost of the Phase I project is \$45 million.

Phase II will construct highway and interchange improvements from Capitol Expressway to Yerba Buena Road to include reconfiguring the interchange at Capitol Expressway, adding a southbound auxiliary lane between the Capitol Expressway and Yerba Buena Road, constructing a separate Yerba Buena Road off-ramp from southbound U.S. 101 and constructing a northbound slip on-ramp from the northbound collector –distributor road. The estimated total cost of Phase II is \$38 million.

On April 14, 2009, the City of San José and VTA executed a funding agreement whereby the City contributed \$4,000,000 toward the design of Phase I. The agreement also specified, subject to future City Council appropriation, that the City would contribute an additional \$6,000,000 toward the construction of Phase I, for a total City contribution of \$10 million. The City has already provided VTA with the \$4,000,000 for the design of Phase I. The proposed funding agreement, the subject of this memorandum, seeks to provide VTA with \$2.6 million for Phase I construction and \$1.6 million for Phase II design as explained below.

ANALYSIS

Since the execution of the City/VTA funding agreement on April 14, 2009, a number of events have occurred that have significantly advanced the development of the Project. These events include:

- VTA received American Recovery and Reinvestment Act (ARRA) funds for Phase I in the amount of \$4.356 million. These funds were applied to the Phase I construction portion of the Project and an equivalent amount of VTA's Local Program Reserve funding was reallocated from Phase I to begin the design work for Phase II.

- The construction cost of Phase I was reduced by approximately \$12 million from the Engineer's Estimate of \$35.7 million to a contractor's bid price of \$23.5 million. As a result, the construction funding requirements of the various Phase I funding sources was adjusted based on a pro-rated formula. To the City, this means that the estimated contribution of \$6 million toward the construction of Phase I was reduced by \$3.4 million to \$2.6 million.
- On June 23, 2011, VTA announced that the California Transportation Commission approved the use of \$24 million of State Proposition 1B funds toward the construction of Phase II. While this amount is less than the \$31 million needed to construct Phase II, VTA is in the process of both identifying other funding sources and reviewing the scope of the Phase II project for cost savings opportunities.

With the increased revenue to the Project associated with the ARRA and State funding, and the construction cost savings to Phase I, this memorandum recommends adjusting the City's previous funding plan in a manner that best supports the completion of the overall Project.

As summarized in the table below, the City's original \$10 million funding contribution toward Phase I is reduced to a total amount of \$6.6 million with the reduced construction cost. Of the \$3.4 million cost savings to the City (the difference between \$10 million and \$6.6 million), it is recommended that \$1.6 million of these savings be allocated to supplement VTA's contribution to complete the design development of Phase II.

Original City Project Funding

	Phase I	Phase II	Total
Design	\$4.0 M	0	\$4.0 M
Construction	\$6.0 M	0	\$6.0 M
Total	\$10 M		\$10 M

Recommended Revised City Project Funding

	Phase I	Phase II	Total
Design	\$4.0 M	\$1.6 M	\$5.6 M
Construction	\$2.6 M	0	\$2.6 M
Total	\$6.6 M	\$1.6 M	\$8.2 M

As a result of the above discussed revisions, the total City contribution decreases from \$10 million to \$8.2 million, consisting of the original \$4 million agreement for Phase I (design) plus an additional \$4.2 million (\$2.6M for Phase I construction plus \$1.6M for Phase II design), as reflected in the above table.

The recommendation of this memorandum ensures the completion of Phase I through construction as discussed in the original City/VTA funding agreement of April 2009. In addition, utilizing the City's construction cost savings from Phase I and additional revenue

associated with the ARRA funding, the design for Phase II is now fully funded and scheduled for completion in Spring 2012.

In terms of construction of Phase II, the California Transportation Commission's recent commitment of \$24 million of Proposition 1B funding is a major step toward completing the Project. While this funding commitment is still \$7 million short of the estimated \$31 million construction cost of Phase II, project staff continue to investigate other funding sources and identify potential project cost savings to close the gap. Nevertheless, construction of Phase II is planned to begin in Summer 2012, and be completed by late 2013.

EVALUATION AND FOLLOW-UP

City staff will provide quarterly updates on the status of this project to the Transportation and Environment Committee. No further follow-up with the City Council on this matter is expected.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- ✓ **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)**

The recommendation of this memorandum meets the requirements of Criterion 1 and will be posted on the City's website as part of the Council Agenda outreach process.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Department of Planning, Building and Code Enforcement.

FISCAL/POLICY ALIGNMENT

The recommended action aligns with the Transportation and Aviation City Service Area strategic goal related to facilitating efficient operations of the regional freeway system. The adopted Traffic Capital Budget identifies the Route 101 improvements and upgrades of the Tully, Capitol and Yerba Buena interchanges as priority projects for San José.

COST SUMMARY/IMPLICATIONS

The 2011-2012 Adopted Budget includes funding of \$3.7 million for this project. With the total projected cost for the Phase I construction and Phase II design totaling \$4.2 million, a budget augmentation of \$500,000 is required. In 2010-2011, funding of \$1.0 million for this project was not expended. A portion of the unexpended allocation (\$500,000) was rebudgeted into 2011-2012, leaving a remaining allocation of \$500,000 which was inadvertently not rebudgeted; increasing the Building and Structure Construction Tax Fund 2010-2011 ending fund balance/2011-2012 beginning fund balance by \$500,000. In order to fund the agreement, the full \$1 million rebudget is necessary. Therefore, as part of this memorandum, the recommended action will restore the project's funding by \$500,000 from the Building and Structure Construction Excise Tax Fund's 2011-2012 beginning fund balance.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the agreement recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2011-2012 Proposed Budget Page	Last Budget Action (Date, Ord. No.)
Current Funding Available						
429	6163	Route 101/Tully Interchange Upgrade	\$3,700,000	\$3,700,000	V-707	06/29/2010; Ord. No. 28765
Additional Funding Recommended						
429	6163	Route 101/Tully Interchange Upgrade	\$500,000*	\$500,000		
Total Funding Available			\$4,200,000	\$4,200,000		

* The recommended actions in this memorandum will increase the Route 101/Tully Interchange Upgrade appropriation from the Ending Fund Balance, which currently has a balance of \$1,055,261.

HONORABLE MAYOR AND CITY COUNCIL

08-01-11

Subject: Route 101 Freeway Agreement (Route 280/680 to Yerba Buena Rd.)

Page 6 of 6

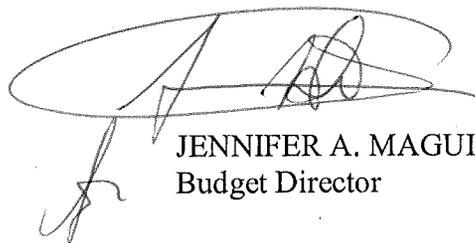
CEQA

Mitigated Negative Declaration, File No. OA05-010.

Acting as Lead Agency, Caltrans prepared an Initial Study and adopted a Mitigated Negative Declaration (MND) in 2005 for the US 101 Operational Improvement Project. The City, acting as a Responsible Agency, can rely upon Caltrans' MND for purposes of informing the City's decision to complete the proposed agreement with VTA.

/s/

HANS F. LARSEN
Director of Transportation

A handwritten signature in black ink, appearing to read 'J. Maguire', is written over a horizontal line. The signature is somewhat stylized and loops back to the right.

JENNIFER A. MAGUIRE
Budget Director

For questions please contact Ray Salvano, Division Manager for Regional Transportation Projects, at 975-3706.

Attachment

Attachment A

U.S. Operational Improvements Project

