2004-2005 Capital Budget

2005-2009 Capital Improvement Program

City Manager's 2004-2005 Budget Message

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Del D. Borgsdorf
CITY MANAGER

April 27, 2004

HONORABLE MAYOR AND CITY COUNCIL:

I am pleased to present the 2004-2005 Proposed Capital Budget and the 2005-2009 Proposed Capital Improvement Program (CIP) for the City of San José. The Budget and CIP presented in this document are intended to guide the City in the planning, scheduling, and budgeting of capital improvement projects during the next five-year period. This overview provides a summary of the significant issues and projects by each City Service Area (CSA) and capital program, proposed for the next five-year period.

The 2005-2009 Proposed CIP was developed in coordination with all of the City Service Areas (CSAs) and City departments responsible for capital projects. As required by City Charter, this document is also being filed with the Planning Commission for its review and comment to the City Council.

The 2004-2005 Proposed Capital Budget totals $1.01 billion, a decrease of 25% ($338 million) from the 2003-2004 Adopted Capital Budget, which totaled $1.35 billion. The 2005-2009 Proposed CIP totals $3.29 billion. This is a 19% decrease from the $4.05 billion included in the 2004-2008 Adopted CIP. While this CIP is smaller than the one adopted last year, it is still one of the largest in the City's history, continuing the "Decade of Investment" that is transforming much of the City's infrastructure. Even with these reductions, the City is entering the fourth year in which the annual capital program has topped $1 billion, and the Five-Year CIPs have been in the multi-billion dollar range. To put this level of investment in perspective, the total annual capital budgets leading up to this period were well under this billion dollar figure and it was not until 1998-1999 that the annual budget in the last decade broke the $500 million mark. Up until 1999-2000, the annual capital budgets were approximately one-quarter to one-half of the amounts budgeted in the last few budget cycles. It should be noted, however, that a relative few major initiatives are largely responsible for the healthy size of the CIP. These include the expansion of the San José International Airport and the renovation and expansion of the City's parks and community centers, libraries, and public safety facilities. Many of the remaining programs are either flat or down slightly from prior CIP funding levels.

As was the case last year, the expansion of the Airport is by far the largest component of the overall CIP. Approximately 42% of the 2004-2005 Capital Budget and 63% of the Five-Year CIP are dedicated to improvements at the Mineta San José International Airport. In the near term, the focus of this program will be compliance with federal security mandates. The largest of these security

projects is the North Concourse Building, which includes a permanent automated in-line explosive detection system and associated security screening space. For the remaining non-security capital projects, the Airport Master Plan provides the overall framework for the expansion. The timing of the Airport Master Plan build-out will ultimately depend on certain economic factors, such as passenger activity levels and revenue collections.

As a result of the voter-approved bond measures, major investments also continue in parks, community centers and libraries. In November 2000, General Obligation Bond measures were approved to support library projects ($212 million), and parks projects ($228 million). The City's public safety facilities are also undergoing major renovations and expansions as a result of the voter-approved Public Safety Bond Measure in 2002 that authorized the issuance of General Obligation Bonds in the amount of $159 million for public safety projects. This CIP allocates $402.9 million from these sources to continue building new library, parks and public safety facilities, as well as renovating and expanding many of the existing library and park facilities and fire stations.

Significant capital investments in the City's utility infrastructure also continue in this CIP, including major renovations to the Water Pollution Control Plant, and the expansion of the water and sanitary sewer systems into the Edenvale and North Coyote Valley areas.

Major Objectives of the Proposed Capital Budget

- *Construct safe and effective City facilities that meet the needs of our community*
- *Stimulate the economy*
- *Plan for the future growth and development of the City*
- *Ensure we can operate the facilities we construct*
- *Deliver projects promised to the public*
- *Protect City assets*
- *Deliver capital projects on-time and on-budget*

It is important to note that these capital investments are being made at a time of severe economic difficulty for the City and the region as a whole. This level of funding is possible only because a number of the programs have dedicated revenue sources that are not tied directly to the economy or reflect voter-approved General Obligation Bonds that have provided an influx of resources to improve our libraries, parks and public safety facilities.

For those programs that do rely on economically sensitive revenue sources, the amount of funding available will be dramatically less than was available during the peak in the late 1990s through 2000-2001. The Traffic Capital Program, which derives a significant portion of its funding from the development-related Construction Excise and Building and Structure Construction Taxes, is the most significantly impacted by the current economic conditions. Its development-related revenues have experienced a drop of between 40-50% from the peak in 2000-2001. Because this drop-off in revenues was correctly assumed in the development of the last few CIPs, however, the lower collection levels have not resulted in a major dismantling of previous five-year plans.

OPERATING BUDGET IMPACT

One of the major challenges in dealing with the contradiction between the availability of funding to improve our infrastructure and the daunting General Fund operating budget shortfalls has been to balance the need for the new and expanded facilities and the ability to operate and maintain these facilities. At the Council's direction on February 17, 2004 as part of the 2003-2004 Mid-Year Budget Review, the Administration has again evaluated the capital projects with significant General Fund operating impacts and included in this Proposed CIP specific recommendations to further defer a number of projects that would have a negative impact if completed in the next few years.

The Administration applied the following criteria to determine which projects would be recommended for deferral. The goal was to limit additional operating and maintenance costs over the next three years (2004-2005 through 2006-2007).

- ✓ The annual General Fund operating and maintenance costs exceed $25,000 per year
- ✓ The construction contract for the capital project has not yet been awarded
- ✓ There are no matching funds that would be jeopardized by deferring the project

After careful analysis of the capital projects with operating and maintenance costs, proposed schedule changes and other cost reduction strategies in the Library, Park and Community Facilities, Public Safety, and Traffic capital programs have been included in this CIP to lessen the General Fund operating budget impacts over the next three years.

- ***Library*** – The Library CIP incorporates a schedule change strategy and a cost reduction strategy to defer and reduce General Fund operating and maintenance impacts. Among other results, the schedule change strategy would delay completion of West Side Branch from 2007-2008 to 2010-2011 and accelerate completion of the Willow Glen Branch from 2010-2011 to 2007-2008. This change would allow existing staff from the Willow Glen branch to relocate to the Evergreen branch upon its completion. The opportunities for further deferral of Library projects are limited due to the previously planned staging of staff to complete the library facilities in which staff is reassigned from libraries under construction to newly constructed facilities. In addition to these schedule changes, the Library has also developed a cost reduction strategy that identifies the minimum amount of resources necessary to open a facility.

- ***Park and Community Facilities*** – This CIP recommends delaying the completion dates of eight parks and community center projects to minimize the operating and maintenance costs in the General Fund. These deferrals include five community centers, two parks projects and one skate park. There are currently a number of parks capital projects that are underway that will result in operating and maintenance costs over the next few years. However, because the construction contracts for these projects have already been awarded, these projects are not recommended for deferral as part of the Proposed CIP.

- ***Public Safety*** – The opening dates for three new fire stations scheduled to come on-line during the next three years would be deferred by approximately 12 months each if this recommendation were approved. In addition, the relocation of one fire station is recommended for deferral to align

OPERATING BUDGET IMPACT (CONT'D.)

its schedule with one of the new stations. The schedules for these stations were previously deferred in the last CIP based on the significant operating and maintenance costs associated with these facilities. No Police projects are recommended for deferral because the significant operating budget impacts fall outside the three-year window that was used to determine which projects would be recommended for deferral. However, a strategy to minimize the operating and maintenance costs for the Police facilities has been developed. Under this strategy, the estimated operating and maintenance costs for all projects to be completed over the next few years have been reduced to reflect the minimum funding necessary to open the facilities.

- ***Traffic*** – In developing the Traffic CIP, a concerted effort was made to propose traffic investments that would minimize the addition of significant operating and maintenance costs to the General Fund. As an example, the number of programmed new streetlights was closely evaluated given the associated operating costs.

Combined strategies recommended in this CIP would result in the avoidance of a total of $2.3 million in General Fund operating and maintenance costs in 2005-2006, $6.4 million in 2006-2007, $3.7 million in 2007-2008, and $1.5 million in 2008-2009. A summary of the General Fund operating costs associated with capital projects programmed in this CIP is provided below. These costs incorporate the proposed cost reduction and/or deferral strategies. The operating and maintenance costs that would result if these strategies were not implemented have also been provided for comparison purposes. Costs are shown starting in the year the projects will be finished and for the remainder of the five-year period. Any provisions for projects with operating and maintenance costs in 2004-2005 have been addressed in the Proposed Operating Budget.

The costs displayed in the following chart are for projects that come on line in the future years of the CIP. The operating and maintenance costs for projects that are being constructed by other agencies but operated by the City are also included.

Projected General Fund Operating and Maintenance Costs

Project Title	2005-2006	2006-2007	2007-2008	2008-2009
Fire Facilities	$	$ 1,016,000	$ 5,868,000	$ 9,521,000
Library Facilities	83,000	1,829,000	2,546,000	4,563,000
Parks Facilities	498,000	1,647,000	2,938,000	6,122,000
Parks Facilities-Other Agencies	301,000	929,000	972,000	1,156,000
Police Facilities	29,000	37,000	384,000	729,000
Traffic Projects	141,000	208,000	272,000	358,000
Traffic Projects-Other Agencies	35,000	36,000	36,000	40,000
Total	**$ 1,087,000**	**$ 5,702,000**	**$ 13,016,000**	**$ 22,489,000**
Total without Proposed Schedule Changes	3,403,000	12,080,000	16,723,000	23,974,000
Net Savings	**$ 2,316,000**	**$ 6,378,000**	**$ 3,707,000**	**$ 1,485,000**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

As a framework for its performance-based budget, each of the 15 capital programs has been aligned to a particular CSA. The chart below compares the 2004-2008 Adopted CIP with the 2005-2009 Proposed CIP for each CSA. As can be seen on this chart, the budget for all but one CSA has dropped. This is due in part to the fact that the 2005-2009 Proposed Budget is somewhat understated because it does not include many of the rebudgets that will be brought forward as a Manager's Budget Addendum and incorporated into the Adopted Budget. In addition, some of the major one-time projects, such as the new Civic Center, and many of the General Obligation Bond-funded projects that have accounted for the tremendous growth in the CIP have been expended.

Comparison of 2004-2008 Adopted CIP and 2005-2009 Proposed CIP By City Service Area

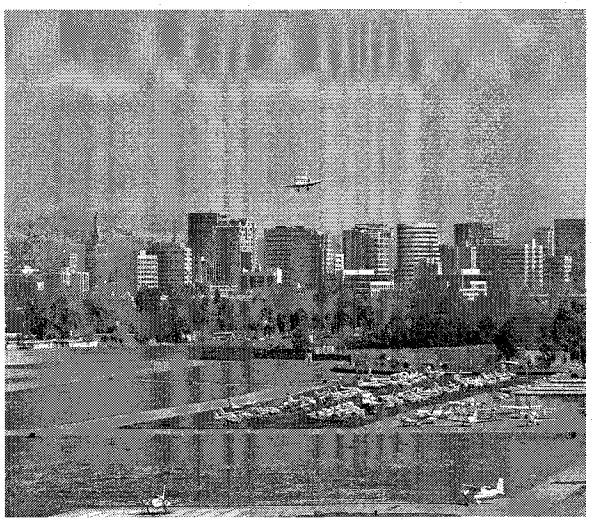
City Service Area	2004-2008 Adopted CIP	2005-2009 Proposed CIP	% Change
Aviation Services	$ 2,572,812,000	$ 2,061,513,000	(20%)
Economic & Neighborhood Development	7,641,000	9,062,000	19%
Environmental & Utility Services	385,995,000	314,323,000	(19%)
Public Safety	170,227,000	155,605,000	(9%)
Recreation & Cultural Services	526,181,000	429,778,000	(18%)
Transportation Services	215,150,000	190,464,000	(12%)
Strategic Support	171,910,000	125,769,000	(27%)
Total	**$ 4,049,916,000**	**3,286,514,000**	**(19%)**

The following discussion of significant issues and projects included in the Proposed CIP is presented by CSA.

AVIATION SERVICES CSA

The Aviation Services CSA includes the Airport Capital Program. This program supports the following CSA outcomes:

- ✓ *The Airport is the Region's First Choice for Air Transportation Services*
- ✓ *Travelers Have a Positive Guest Experience While Using the Airport*
- ✓ *The Airport is Considered to be a "Good Neighbor by the Community*
- ✓ *Businesses Consider the Airport as a Partner in Supporting the Success of the Regional Economy*



CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

AVIATION SERVICES CSA (CONT'D.)

Airport Capital Program

The Airport Capital Program outlined in this CIP is focused on the implementation of security driven projects in the near term, with other projects programmed to coincide with anticipated passenger demand levels. Following is a discussion of major projects and issues.

- ***Timing of the Master Plan Build-Out:*** Since the revenue streams and activity levels at the Airport have remained depressed since the events of 9-1-1, the schedules for most of the demand-driven projects have been adjusted outwards to reflect the demand reality. These schedules will continue to be adjusted as necessary to keep the anticipated demand for services and available revenue streams in alignment.

- ***North Concourse:*** $237.7 million is programmed in the Proposed CIP for this project, which will provide for the baggage screening equipment, security screening space, ticketing and baggage claim operations, holdrooms, and jet bridge gates. This is the largest security-related project in the CIP and will provide the permanent response to the federal Aviation and Transportation Security Act requirements. This project is scheduled to be completed in the 1st Quarter 2007.

- ***Other Security Projects:*** $61.1 million is programmed in the Proposed CIP for a number of other security projects, including the Airline Maintenance Facility, Central Plant Expansion, Air Cargo Screening, Security ID Display Area Improvements, Belly Freight Facility, and various infrastructure improvements, refurbishments and demolitions.

- ***Master Plan Projects:*** Significant expansion projects are programmed to be underway during this five-year period. These projects include the South Concourse and Central Terminal, the Rental Car Garage, the Short-Term Public Parking Garage, and the Double Level Roadway Decks and Ramps.

- ***Expanded ACT Program:*** $45.2 million is programmed in the Proposed CIP to continue the acoustical treatment of approximately 1,200 eligible properties.

ECONOMIC AND NEIGHBORHOOD DEVELOPMENT CSA

The Economic and Neighborhood Services CSA includes the Developer Assisted Projects Capital Program. This program supports the following CSA outcome:

✓ *Safe, Healthy, Attractive and Vital Community*

Developer Assisted Capital Projects Capital Program

The Developer Assisted Capital Projects CIP reimburses residential developers for construction of major City streets and encourages the undergrounding of existing overhead utilities. The objective of this program is to ensure that residential developments within San José include the construction of

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ECONOMIC AND NEIGHBORHOOD DEVELOPMENT CSA (CONT'D.)

public improvements necessary to maintain or improve the infrastructure of the City. Following is a brief summary of the major projects in this CIP.

- ***Underground Utility Program:*** The underground utility projects are prioritized based on several criteria, the most significant of which is how much fee revenue has been collected within the proposed Underground District. The following projects are proposed in this CIP.
  - Park/Naglee – Park (Naglee to Shasta) & Naglee (Park to Bascom) (Rule 20A)
  - Saratoga Ave. – Route 280 to Kiely (Rule 20B)
  - Jackson/Taylor – 4th to 9th Streets (Rule 20 A/B)
  - Ongoing Projects: 4th/5th/6th/7th Streets (Phase II) – bounded by Santa Clara and St. John Streets; Stevens Creek – Calvert to Stern; Guadaulape Gardens and Camden Avenue

- ***Median Island and Center Strip Paving:*** Major reimbursements are scheduled for the Communications Hill and the Dairy Hill projects.

ENVIRONMENTAL AND UTILITY SERVICES CSA

The Environmental and Utility Services CSA includes the Sanitary Sewer System, Storm Sewer System, Water Pollution Control and Water Utility Capital Programs. These programs support the following CSA outcomes:

- ✓ *Reliable Utility Infrastructure*
- ✓ *Healthy Streams, Rivers, Marsh, and Bay*
- ✓ *Safe, Reliable, Sufficient Water Supply*

Sanitary Sewer System Capital Program

The Sanitary Sewer System consists of approximately 2,000 miles of sewer mains ranging in diameter from 6 to 90 inches. The system serves the City, as well as three other jurisdictions, and conveys sewage to the WPCP. The objectives of this capital program are to rehabilitate large diameter sanitary sewers; reduce water inflow and infiltration in sanitary sewers; improve local neighborhood sewers; extend sanitary sewers to new development areas; and incorporate recommendations from the SJ North Interceptor Facility Plan Report. Following is a brief summary of the major projects in this CIP.

- ***Edenvale Sanitary Sewer.*** $18.5 million is programmed in the CIP to complete this sanitary sewer. This project is scheduled to be completed in the 3rd Quarter 2008.

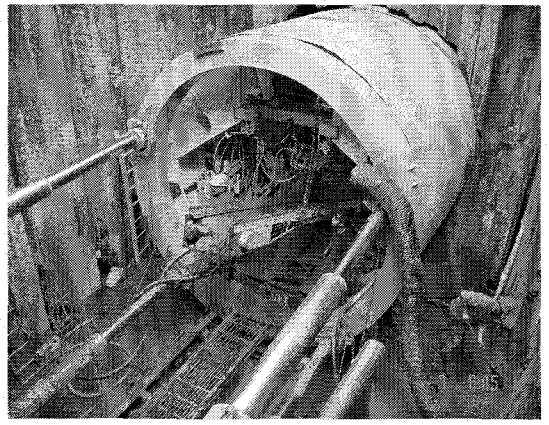
- ***Fourth Interceptor Phase VI and VII:*** $25.5 million is programmed in the CIP. Phase IV is scheduled to start in 2004-2005 and be completed in 2nd Quarter 2008.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

- ***84-Inch RCP Interceptor Phase VB and VIB:*** $12.8 million is programmed in the CIP. Phase VB is scheduled for completion in 2nd Quarter 2005.
- ***Neighborhood Sewer Projects:*** The following smaller sanitary sewer projects are programmed to improve conditions in several neighborhoods:
  - East San José ($1.2 million in CIP): Completion scheduled for the 4th quarter 2005.
  - Forest-Rosa Sewer ($2.6 million in CIP): Completion scheduled for the 3rd quarter 2006.
  - Hester-Naglee Area ($565,000 in CIP): Completion scheduled for the 4th quarter 2004.
  - Hobson-Walnut Area ($1.1 million in CIP): Completion scheduled for the 1st quarter 2007.
  - Monterey-Riverside ($2.5 million in CIP): Completion scheduled for the 1st quarter 2007.
  - Rosemary Area ($1.1 million in CIP): Completion scheduled for the 3rd quarter 2006.
  - Willow-Union Trunk ($3.7 million in CIP): Completion scheduled for the 2nd quarter 2007.

Storm Sewer System Capital Program



Rincon Storm System Improvements, Phase II

The purpose of the Storm Sewer System is to collect storm water, separate it from the Sanitary Sewer System, and convey it to nearby creeks and rivers. In accordance with the City's General Plan, the goal of the Storm Sewer System Program is to reduce the risk of drainage-related surface damage and to protect the quality of storm water runoff. The City is responsible for constructing facilities for conveying surface runoff in the City's Urban Service Area to adjacent stream channels. Construction of flood control facilities and the modification and maintenance of stream channels is the responsibility of the Santa Clara Valley Water District and the U.S. Army Corps of Engineers.

A three-year rate strategy was approved by the City Council in June 2002 to increase the Storm Sewer Service Charge rate by 4% to 4.5% annually to ensure the fiscal health of the storm sewer system and continue a modest capital program. This CIP assumes the third year and final year of that three-year strategy but does not assume any rate action for the remainder of the CIP period. Without the implementation of an additional rate increase program, it should be noted, however, that the amount of funding available to transfer from the Storm Sewer Operating Fund to the Capital Fund for capital improvements trails off to an insignificant level by the end of the five-year period. To continue a modest investment in the capital infrastructure and ensure the fiscal health of the Storm Sewer Operating Fund, an additional 4.5% rate increase program for the 2005-2006 to 2007-2008 period will be brought forward for Council consideration next year. If this increase is approved, additional capital projects could then be incorporated into the CIP. Following is a brief summary of the limited number of projects possible in this CIP with the current rate structure.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

- ***Storm Drainage Improvement Projects:*** With the limited resources available, only the following projects can be programmed to address storm drainage problems:
  - Albany-Kiely ($2.0 million in CIP): Completion scheduled for the 4th quarter 2005.
  - Fremont Street ($400,000 in CIP): Completion scheduled for the 4th quarter 2005.
  - Storm Pump Station Replacements ($500,000 in CIP): Completion scheduled for the 2nd quarter 2005.
  - Willow Glen-Guadalupe, Phase II ($2.0 million in CIP): Completion scheduled for the 3rd quarter 2005.
  - Reserve for Alma Storm Drain ($693,000 in CIP): The completion date will be set once the total funding for this project is secured.
  - Chateau Drive Storm Drain Improvement, Phase I ($1.3 million in CIP): Completion scheduled for the 2nd quarter 2007.

- ***Storm Master Plan:*** Master Plan funding of $300,000 is programmed to identify and generate additional future storm projects for areas in need of significant improvements. Staff will focus on targeted areas in the City with known drainage problems.

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 Plant infrastructure and capacity improvement projects. In order to maintain the program represented in this document, a three-year 4.5% rate increase is being recommended in the Proposed Budget to the Sewer Service and Use Charge fee, which has not been increased since 1994. These increases are necessary to fund major capacity improvement projects and critical projects at the Plant. Following is a brief summary of the major projects in this CIP.

- ***Plant Reliability Improvements:*** $57.0 million is programmed in this CIP to improve the Plant's ability to handle wet weather flows and to improve the reliability of several of the Plant's critical systems such as headworks, filtration and major pumping stations. This project, which is scheduled for completion in 2009, will also look at ways to improve the reliability and efficiency of producing recycled water, as well as water discharge to the bay.

- ***Plant Electrical Reliability:*** $20.0 million is programmed in the CIP for major upgrades and replacements of electrical systems. This scope of work includes detailed electrical power distribution system analysis, increasing electrical power reliability by utilizing new technology, improved design, advanced monitoring and increased automation.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

- ***Revised South Bay Action Plan:*** $2.6 million is programmed in this CIP to complete the South Bay Water Recycling (SBWR) facilities in Santa Clara and Milpitas and the extension of a recycled water transmission line to serve the planned Metcalf Energy Center in South San José and the new City Hall. In addition, $600,000 is programmed to develop a plan to ensure industrial users in the service area are recycling their wastewater and/or using SBWR to the largest extent possible.

- ***Alternative Disinfection:*** $4.5 million is programmed in this CIP to design and construct facilities to replace the gaseous chlorine and sulfur dioxide system with liquid sodium hypochlorite and sodium bisulfite system. The presence of large quantities of chlorine and sulfur dioxide poses a high risk of damage in an event of massive sudden release. The proposed replacement system, while increasing operating costs, reduces the risk of a massive catastrophe.

Water Utility System Capital Program

The San José Municipal Water System provides water utility service to approximately 25,000 customers (approximately 100,000 residents) in five areas within the City of San José: Evergreen, North San José, Alviso, Edenvale, and Coyote Valley. Projects in the Proposed CIP include the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. Major projects in the CIP include the following:

- ***North Coyote Valley Water System:*** $700,000 in programmed in this CIP to complete the $7.7 million expansion of the water system to the Coyote Valley. This project is expected to be completed in the 3rd quarter of 2004.

- ***Security Improvements:*** $450,000 is programmed to install additional security equipment at various system facilities.

- ***Rehabilitation and Replacement Projects:*** Several rehabilitation and replacement projects are scheduled in this CIP, including the Edenvale Well #13 Rehabilitation ($250,000), Water Valve Rehabilitation ($250,000), Villa Vista Reservoir Rehabilitation ($250,000), Taffy Drive Main Replacement ($250,000), Reservoir System Seismic Retrofit ($300,000), Remington Drive Main Replacement ($520,000), and Norwood Pump Station Replacement ($800,000).

- ***System Development Projects:*** Several projects are designed to provide more capacity or better coverage, such as the Nortech Parkway East Loop Main ($750,000), the North First Street Parallel Main ($1.0 million); and the Montague Turnout ($325,000 to start this $5.9 million project).

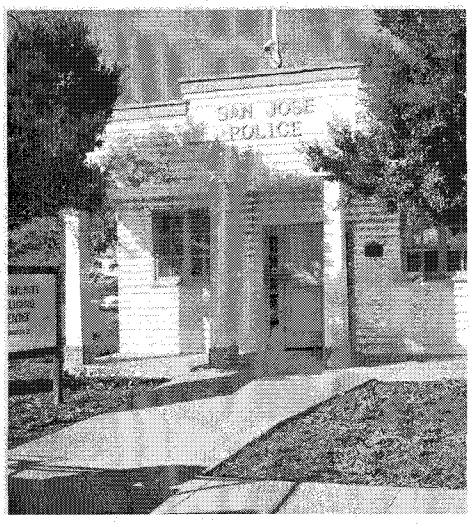
- ***Recurring Projects:*** Several ongoing projects are programmed to maintain the system and address system growth, including System Maintenance/Repairs ($2.2 million in CIP), Infrastructure Improvements ($2.1 million in CIP), Meter Installations ($1.5 million in CIP), and Service Installations ($1.8 million).

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

PUBLIC SAFETY CSA

The Public Safety CSA includes the Public Safety Capital Program, which supports the following CSA outcome:

✓ *The Public Feels Safe Anytime, Anywhere in San José*



North/Central Community Policing Center

Public Safety Capital Program

The objective of the Public Safety Capital Program is to provide, maintain and improve facilities and equipment that support the delivery of effective emergency services to residents and visitors. The construction of a new police substation, five new fire stations and the relocation of four existing fire stations will provide the infrastructure to help meet this goal.

The major overhaul of the Public Safety infrastructure included in this CIP is possible only because the voters in San José supported investments in these facilities. On March 5, 2002, 71.7% of voters approved Measure O, the "9-1-1, Fire, Police, Paramedic and Neighborhood Security Act" (Neighborhood Security Act Bond Measure). This bond measure authorized the City to issue General Obligation Bonds in an amount not to exceed $159 million to fund both Police and Fire Department capital improvements.

All of the projects funded by the Neighborhood Security Act Bond are scheduled to be underway during this five-year period. These projects include the construction of a South San José Police Substation, four new fire stations, four community policing centers, and a driver safety training facility. The program also includes the relocation of four fire stations, the remodeling of 20 fire stations and the 9-1-1 Communications Dispatch Center, and the reconstruction of a new Fire Training Center. As discussed under the Operating Budget Impact section of this budget message, the schedules for two of the new bond-funded fire stations (Fire Stations 34 and 35), one of the bond-funded fire station relocations (Fire Station 12) and the Communication Hill Fire Station (Fire Station 33) are recommended to be deferred by 12 months each to minimize significant General Fund operating and maintenance costs. Following are major highlights of the Proposed CIP.

- ***Public Safety Bond Projects:*** The bond projects are listed below with the proposed completion dates in parenthesis.
  - South San José Police Substation: Completion scheduled for the 4th quarter 2008.
  - Driver Safety Training Center: Completion scheduled for the 4th quarter 2006.
  - 9-1-1 Communications Dispatch Center: Completion scheduled for the 1st quarter 2006.
  - South Community Policing Center: Completion date TBD.
  - East Community Policing Center: Completion date TBD.
  - North/Central Community Policing Center: Phase II completion scheduled for the 3rd quarter 2006.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

PUBLIC SAFETY CSA (CONT'D.)

- West Community Policing Center: Completion scheduled for the 1st quarter 2006.
- New Fire Station 34 (Berryessa): Recommended deferral from 2nd quarter 2006 to 2nd quarter 2007.
- New Fire Station 35 (Cottle and Poughkeepsie): Recommended deferral from 2nd quarter 2007 to 2nd quarter 2008.
- New Fire Station 36 (Silver Creek/Yerba Buena): Completion scheduled for the 2nd quarter 2008.
- New Fire Station 37 (Willow Glen): Completion scheduled for the 2nd quarter 2009.
- Relocate Fire Station 12 (Calero): Recommended deferral from 2nd quarter 2007 to 2nd quarter 2008 to match Fire Station 35 schedule.
- Relocate Fire Station 17 (Cambrian): Completion scheduled for the 3rd quarter 2006.
- Relocate Fire Station 23 (Northeast San José): Completion scheduled for the 4th quarter 2006.
- Relocate Fire Station 25 (Alviso): Completion scheduled for the 3rd quarter 2006.
- Fire Training Center: Completion scheduled completion 3rd quarter 2007.
- Fire Station Upgrades: Various completion dates.

It should be noted that the Fire Department is currently conducting an extensive re-evaluation of scheduled bond projects on the eastside of San José. Although not yet complete, this analysis could result in schedule and bond project changes that would better utilize the available bond proceeds and more effectively provide emergency services to the area, while minimizing operating and maintenance impacts. If appropriate, a revised plan will be brought forward either as a Manager's Budget Addendum as part the 2004-2005 budget process or during 2004-2005.

- ***Communications Hill Fire Station (Fire Station 33):*** The Communications Hill Specific Plan states that developers must build a turnkey fire station in order to complete initial development of Communications Hill. In addition, the developers have agreed to purchase fire apparatus, tools and equipment for the new station. This fire station is now scheduled to open in the summer of 2007. This reflects a delay of 12 months from the schedule presented in the 2004-2008 Adopted CIP in an effort to minimize the General Fund impact.

- ***Fire Vehicle Replacement and Equipment:*** Funding from the Fire Construction and Conveyance Tax Fund and the General Fund continues to support many of the infrastructure needs in the Fire Department, including fire apparatus replacement and repair, facilities improvements, hose replacement, emergency response maps, hand held radios, heavy rescue airbags, traffic control equipment, general tools and equipment, computer replacement, records management, and data analysis.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

RECREATION AND CULTURAL SERVICES CSA

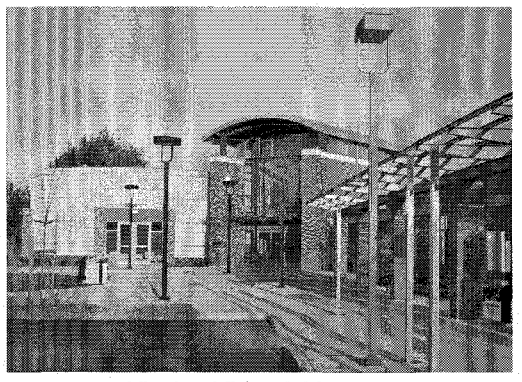
The Recreation and Cultural Services CSA includes the Library and Parks and Community Facilities Capital Programs. These programs support the following CSA outcomes:

✓ *Safe and Clean Parks, Facilities and Attractions*

✓ *Vibrant Cultural Learning and Leisure Opportunities*

✓ *Healthy Neighborhoods and Capable Communities*

Library Capital Program



Vineland 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 in unserved neighborhoods. Major projects in the CIP and issues are discussed below.

- ***Library Bond Projects:*** Over the course of the 2005-2009 CIP, three new branches and twelve expansion/relocation projects will be completed and four others will be under construction. Listed below are the new and renovated branches that will be completed over this five-year period.

  New Branches
  - Alum Rock
  - Tully
  - Edenvale

  Renovated Branches
  - Almaden
  - Berryessa
  - Cambrian
  - East San José
  - Evergreen
  - Hillview
  - Joyce Ellington
  - Pearl
  - Rose Garden
  - Santa Teresa
  - Seventrees
  - Willow Glen

- ***Furniture, Fixtures and Equipment:*** $3.8 million in Construction and Conveyance Tax Funds are allocated to furniture, fixtures and equipment for the new facilities funded by bond proceeds, since the General Obligation bond funding cannot be used for these items. The 2004-2005 allocation of $2.4 million is sufficient to meet the projected need next year.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

RECREATION AND CULTURAL SERVICES CSA (CONT'D.)

- ***Sunset of the Library Benefit Assessment District:*** The Library Benefit Assessment District that is used to fund a large portion of the materials acquisitions sunsets in 2005. Unless this assessment is renewed or an alternative funding source is in place, the overall quality of the library collections will be significantly impacted. If this Assessment District is not renewed, the annual allocation for the acquisition of materials will drop from $3.7 million in 2004-2005 to $1.3 million in 2007-2009 and 2008-2009. At this funding level, it is anticipated that approximately 97,500 books will be acquired in 2008-2009, which represents a steep decline from the actual acquisitions in 2002-2003 of almost 325,000 and will fall well below the target level of 140,000. Efforts are underway to place a measure to renew the assessment on the November 2004 ballot.

- ***Proposed Schedule Changes to Reduce Operating and Maintenance Costs:*** The following schedule changes are recommended to reduce operating and maintenance costs:
  - Accelerate Willow Glen Branch – The completion date for this facility would be accelerated from 2010-2011 to 2007-2008. This would allow staff from the Willow Glen branch to relocate to the Evergreen branch during the renovation of the Willow Glen branch.
  - Defer West Side Branch – The completion date for this facility would be deferred from 2007-2008 to 2010-2011.

Parks and Community Facilities Capital Program

The Park and Community Facilities Development Capital 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. Under the direction of the Parks, Recreation, and Neighborhood Services Department, the program provides oversight of the planning and development for approximately 3,500 acres of parks (regional/city-wide and neighborhood/community) and open space in the City's sphere of influence. In addition, the City has plans for implementation of a trails and greenways system that will provide a 100-mile network of hiking, biking, jogging, and equestrian trails along the Guadalupe River, Coyote and Los Gatos Creeks, and all major feeder streams.

The program is managed through the use of 17 fiscal 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.

The City's Construction and Conveyance (C&C) Tax revenue has historically been the primary source of support for this capital program. However, over the last few years, the Parks Bond Fund has provided 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 will provide funding over a 10-year period to renovate 95 neighborhood park play areas, add a total of 164,000 square feet to nine community and senior centers, renovate 28 park restrooms, build two new sports complexes, expand the City's trail system at five locations, enhance four regional park facilities, including improvements

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

RECREATION AND CULTURAL SERVICES CSA (CONT'D.)

and renovations at Happy Hollow Park and Zoo. The 2005-2009 Proposed CIP includes $122 million for the construction of Bond projects. Over the course of this five-year, seven community centers will be renovated, two sports parks will be constructed, several City trails will be expanded, and three regional parks will be renovated. These projects are listed below with the completion dates in parenthesis.

- ***Park Bond Projects:***
  - Almaden Community Center (1st quarter 2006)
  - Camden Community Center (1st quarter 2005)
  - Roosevelt Community Center (4rh quarter 2007)
  - Southside Community Center (1st quarter 2006)
  - Solari Community Center (2nd quarter 2009)
  - Mayfair Community Center (1st quarter 2008)
  - Willows Community Center (1st quarter 2008)
  - Almaden Lake Park (2nd quarter 2005)
  - Emma Prusch Memorial Park (3rd quarter 2006)
  - Happy Hollow Park & Zoo (1st quarter 2008)
  - Shady Oaks Sports Park (2nd quarter 2008)
  - Singleton Sports Park (2nd quarter 2008)
  - Coyote Creek Trail-Los Lagos Golf Course to Kelley Park (1st quarter 2007)
  - Guadalupe River Trail-Highway 280 to Curtner Avenue (1st quarter 2006)
  - Los Gatos Creek Trail-Lincoln/Auzerais & Willow/San Pedro (4th quarter 2007)
  - Los Aamitos/Calero Creek Trail (2nd quarter 2007)

With the financial difficulties facing the General Fund, several strategies are recommended to help ensure that the park facilities that are constructed can be operated and maintained. The strategies incorporated into the 2005-2009 Proposed CIP include the following:

- ***Proposed Schedule Changes to Reduce Operating and Maintenance Costs:*** The completion dates for eight projects with significant operating and maintenance costs are recommended to be deferred to minimize these costs over the next few years:
  - Former Fire Station 27 (Recommended deferral from 2nd quarter 2005 to 1st quarter 2008)
  - Guadalupe River Park and Gardens Development (Recommended deferral from 2nd quarter 2005 to 2nd quarter 2006)
  - Hoffman/Via Monte Center (Recommended deferral from 2nd quarter 2005 to 2nd quarter 2007)
  - Mabury Park Development (Recommended deferral from 1st quarter 2006 to 1st quarter 2008)
  - Mayfair Community Center (Recommended deferral from 1st quarter 2006 to 1st quarter 2008)
  - Roosevelt Community Center (Recommended deferral from 2nd quarter 2007 to 4th quarter 2007)
  - Willows Community Center (Recommended deferral from 1st quarter 2007 to 1st quarter 2008)
  - Tamien Station Skate Park (Recommended two year deferral from 2005-2006 to 2007-2008)

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

RECREATION AND CULTURAL SERVICES CSA (CONT'D.)

- ***Reserve for Potential Additional Maintenance Reimbursement:*** As one of the General Fund balancing strategies in the Proposed Operating Budget, a reduction to parks maintenance is recommended. To potentially mitigate this impact, funding in the Parks Construction and Conveyance Tax Fund has been set aside to restore the parks maintenance funds. The Council will have the option of using this reserve to maintain the current level of parks maintenance or redistributing these Parks Construction and Conveyance Tax Funds to each Council District through the normal formula.

- ***CIP Staffing:*** To more accurately reflect the actual resources necessary to deliver this capital program, funding for 2.95 positions in the Parks, Recreation and Neighborhood Services Department that support the capital program will be shifted to capital funds.

- ***Use of One-Time Excess Revenues:*** Construction and Conveyance Tax Receipts are expected to exceed the budgeted estimate by year-end. To help address the 2004-2005 General Fund shortfall, one-half of the additional revenue that would otherwise be distributed to the Parks Capital Program ($1.1 million) is recommended for transfer to the General Fund to help address the budget shortfall. The remaining half is proposed to be spread through the normal formula to the Parks Construction and Conveyance Tax Funds.

TRANSPORTATION SERVICES CSA

The Transportation Services CSA includes the Parking and Traffic Capital Programs. These programs support the following CSA outcomes:

- ✓ *Provide Viable Transportation Choices*
- ✓ *Provide Safe, Efficient, Neighborhood-Friendly Transportation Operations*
- ✓ *Preserve and Improve Transportation Assets to Enhance Community Livability*

Taylor Street Bridge

Parking Capital Program

The Parking Capital Program's primary responsibilities are to maintain and improve existing facilities, upgrade and replace both on-street and off-street parking equipment, and develop parking facilities.

As part of the implementation of the San José Redevelopment Agency's (SJRA's) Strategy 2000 – Greater Downtown Strategy for Development, a Parking Management Plan was developed in 2001 to address both short-term and long-term parking needs. The Parking Management Plan anticipated approximately 3,125 new parking spaces would be needed by 2005 to meet short-term downtown growth and that an additional 1,500 spaces would be needed by 2008 to address future office

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

TRANSPORTATION SERVICES CSA (CONT'D.)

development. Since its approval in 2001, schedules and priorities of projects spelled out in the Parking Management Plan have been significantly impacted by the downturn in the economy as well as by changes in the supply of parking. As a result of the changing environment, the City Council/SJRA Board directed staff, in coordination with the Downtown Parking Board, to track key economic and parking information and report back during the 2004-2005 budget process. This information will be submitted to the City Council as a Manager's Budget Addendum and will include "triggers" that will provide the basis to determine when to move forward on key parking priorities in the Parking Management Plan. In the interim, the Proposed CIP includes a limited number of projects to continue initiatives that are underway and to perform ongoing facility improvements.

Following is a brief summary of the capital-related activity in the General Purpose Parking Fund.

- ***Operating Budget Reserve for Future Facilities***: While not reflected in the Proposed Capital Budget, the Proposed Operating Budget for the General Purpose Parking Fund includes over $8 million in reserve for the construction of future parking facilities.

- ***Parking System Improvements:*** The Proposed CIP includes funding to complete the 3rd 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.

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 2005-2009 Proposed Traffic CIP, $184.7 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 recommended as part of the 2005-2009 Proposed CIP include funding for the build out of the major street network ($27.8 million); enhancements to the environment ($7.7 million); maintenance activities ($32.9 million); an array of operations and safety projects at the neighborhood level, including traffic calming, sidewalk, curb and gutter repair, bicycle and pedestrian facilities, new traffic signals, and street lighting ($42.5 million); rehabilitation projects ($2.2 million); funding to support the City's contribution to regional highway and transit systems ($5.3 million); and planning and engineering for local and regional projects ($26.9 million). Following is a discussion of some of the highlights of the Traffic CIP.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

TRANSPORTATION SERVICES CSA (CONT'D.)

- ***Arterial and Collector Projects:*** The Proposed CIP funds the development of arterial and collector projects throughout the City, including the Senter Road and Oakland Road corridor projects, and the Union Avenue widening project.

- ***Reserve for VTP 2030 Projects:*** During 2003-2004, the Santa Clara Valley Transportation Agency (VTA) updated their 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 plan, an $11.3 million reserve is included in the Proposed CIP to provide necessary local matching funds.

- ***Street Maintenance:*** In this Proposed CIP, capital funding for street maintenance totals $30.8 million. In addition, a total of $17.2 million is recommended in the Proposed Operating Budget over the next five years to support street maintenance, bringing the total investment to $48.0 million. On a single year basis, in 2004-2005 a total of $9.5 million is recommended in the capital and operating budgets ($6.1 million and $3.4 million, respectively). This funding level falls well below the $30 million annual investment needed to maintain the aggressive pace set in the 10-Year Street Maintenance Recovery Plan. With the current level of funding available, the streets condition rating is estimated to slip to 84% of streets rated fair or better in 2004-2005 and to 70% by the end of 2008-2009, well below both the current level of 87% and the goal of 97%. Department of Transportation staff will continue to seek funding opportunities to begin addressing this shortfall in coming years.

- ***Transfers to General Fund:*** As part of the General Fund budget balancing plan, the transfers from the Construction Excise Tax to the General Fund for general purposes are expected to increase from $6.8 million in the 2004-2008 Adopted CIP to $9.0 million in the 2005-2009 Proposed CIP. In 2004-2005, the general purpose transfer to the General Fund totals $6.2 million. In addition, $12.5 million will be transferred to the General Fund over the five-year period for street maintenance, slurry seal, and neighborhood tree maintenance activities.

STRATEGIC SUPPORT CSA

The Strategic Support CSA includes the Civic Center, Communications, Municipal Improvements, and the Service Yards Capital Programs. These programs support the following CSA outcomes:

- ✓ *Safe and Functional Public Infrastructure, Facilities, Materials and Equipment*
- ✓ *Effective Use of State-of-the-Art Technology*

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

STRATEGIC SUPPORT CSA

Civic Center Capital Program

The Civic Center Capital Program is responsible for constructing the new Civic Center and associated parking facilities. The new Civic Center includes approximately 530,000 square feet of office and public space and is under construction on a 4.9 acre site located on the south side of East Santa Clara Street, between 4th and 6th Streets. Major components of this project include an 18-story office tower, a council chamber wing, an open public plaza with a rotunda, plus a 372-vehicle underground parking garage to serve the visiting public and some staff. Occupancy of this new facility is planned for mid-2005. The 2005-2009 Proposed CIP includes funding to complete this project as described below.

- ***Civic Center Construction Project:*** $32.3 million is programmed in this CIP to complete the $343 million Civic Center construction project. The off-site parking garage will utilize the majority of the $32.3 million budgeted in this CIP, with the remaining funds allocated to complete the new Civic Center building.
- ***Civic Center Non-Construction Costs:*** In January 2004, the City Council approved the addition of $45.25 million for technology, furniture and equipment to operate this facility in the most effective manner. The Administration is making every effort to bring this cost down by the goal of at least 15%. This CIP assumes that $19.69 million will be spent or encumbered in 2003-2004 and the remaining $25.56 million will be carried over to 2004-2005.

Communications Capital Program

The guiding objective of the Communications Capital Program is the provision of reliable, necessary public and non-public safety-related communications equipment for all City employees that require this equipment for their jobs. A summary of the major projects in this CIP is provided below.

- ***Communications Equipment Replacement and Upgrade:*** $5.7 million is allocated in this CIP to equipment replacement and upgrade, which entails replacing a large portion of the communications equipment over the next five years after careful study and planning.
- ***Police Dispatch Voting Receivers:*** $920,000 is allocated in this CIP to install additional police voting receivers and upgrade signal conditioning devices at existing radio sites. This project will increase radio coverage across adjoining police districts.

Municipal Improvements Capital Program

The Municipal Improvements Capital Program provides capital improvements for City facilities that are not funded in other capital programs. The General Fund typically supports these projects. In light of the financial difficulties facing the General Fund, there are only four ongoing projects in this CIP: HP Pavilion repairs ($500,000); Fuel Tank Monitoring ($250,000); Methane Monitoring and Control (Landfill Projects-$1.25 million); and Unanticipated/Emergency Maintenance ($1.0 million).

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

STRATEGIC SUPPORT CSA (CONT'D.)

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 Debt Service on Central Service Yard Phase I project and the Central Service Yard Phase II project.

- ***Central Service Yard Phase I Debt Service:*** As a General Fund budget balancing strategy, $3.5 million from the Service Yards Construction and Conveyance Tax Fund is allocated to the Central Service Yard Phase I Debt Service for 2004-2005 and 2005-2006. These debt service payments have historically been paid by the General Fund and after 2005-2006, it is assumed that the General Fund will resume these payments.
- ***Central Service Yard Phase II:*** The Central Service Yard Phase II project has been deferred a couple of years to reflect the fact that a portion of the Construction Conveyance Taxes have been used to pay the Central Service Yard Phase I debt service costs as discussed above, thereby reducing the amount of funds immediately available for the project. The Proposed CIP does include, however, a revised plan for the Central Service Yard Phase II project. Under the revised schedule, planning and design for the Phase II project would resume in 2005-2006 with construction scheduled to begin in 2006-2007. The project budget in the Proposed CIP includes a reserve of $35.5 million along with a $200,000 allocation for design work.

MEASURING CAPITAL PROGRAM PERFORMANCE

The approach to capital project delivery is being transitioned from a department level delivery system to a City Service Area delivery system. In 2003-2004, a set of consistent and comprehensive performance measurements was established for the entire capital program. Measures were created in four key measurement areas: schedule (cycle time), cost, quality, and customer satisfaction. These measures are designed to provide uniformity and consistency, provide clear and measurable outcomes, and to encourage CSA teams and departments to consider total requirements for service delivery, including capital facilities and assets. One-year performance targets are presented for each of these performance measures in the Proposed CIP.

CONCLUSION

Despite the severe fiscal challenges facing the City of San José, the 2005-2009 Proposed CIP, while smaller than the 2004-2008 Adopted CIP, is still one of the largest in the City's history. Many of the initiatives started over the last few years will continue over the next five-year period to overhaul much of the City's infrastructure. The expansion of the Norman Y. Mineta San José International