

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Community Oversight Committee COC)  
for the Measure T: Disaster Preparedness,  
Public Safety, and Infrastructure Bond Program.

XX January 2025

**SUBJECT:** San José Community Oversight Committee (COC) 2018 Measure T  
Disaster Preparedness, Public Safety, and Infrastructure Bond Program  
Annual Report FOR FISCAL YEAR 2023-2024

Accept this Fiscal Year 2023-2024 Community Oversight Committee (COC) report on the Measure T Disaster Preparedness, Public Safety, and Infrastructure Bond Program proceeds and allocations and its findings and recommendations.

## **1. COC FINDINGS AND CONCLUSIONS**

The bond issuance and related expenditures for the fiscal year ended June 30, 2024 have been reviewed by the COC to ensure that the proceeds have been used within the spending categories defined and authorized by Measure T and have been expended on a timely basis to ensure that the municipal bonds issued retained their tax-exempt status.

## **2. COC REQUEST FOR ACTION**

This report provides Measure T COC general observations, comments and specific recommendations regarding the level of spending of Measure T authorized funds, the status and planning of Measure T projects, and the number of unfilled seats for the COC.

## **3. GENERAL OBSERVATIONS AND COMMENTS**

- a. \$440.4 million of the three-tranche, \$650 million bond measure have been issued thus far (\$239.9 million in 2019 and \$200.5 million in 2021) with the remaining \$209.6 million currently slated for issuance in July 2025. Through the first five years of Measure T's existence and operation (July 2019 through June 2024), 79% (86% including encumbrances at fiscal year-end) of the issued bond proceeds have been spent while 54% (59% including encumbrances) of the overall contemplated \$650 million issuance have been expended. Refer to Section 8, Table 8-1 for more information on category spending, expected expenditures and relevant percentages. Whenever the city goes forward with the remaining bond issuance, it will be incumbent on DPW to ensure timely spending of proceeds to avoid any risk of running afoul of IRS regulations vis a vis the three-year spending requirement to maintain the issuance's tax-exempt status. This issue has been addressed in considerable detail in prior COC reports to Council.
- b. Delays and/or deferrals of planned spending serve to push completion of affected Measure T projects further out into the future where cost projections and completion timing become less certain and more prone to serious cost overruns due to the simple passage of time coupled with the compounding impact of high inflation. As noted in last year's COC report to council, one project has already been re-scoped (Charcot pump station) and repackaged into two pieces (Charcot storm drain packages 1 and 2) due to funding concerns while another designated Measure T project has been shelved due to site-location difficulties and Measure T funding unavailability (Fire Station 23 re-location). For further information on these projects, please refer to DPW's most recent semi-annual report to Council dated September 3, 2024. Completion of the Charcot second package and Fire Station 23 will depend entirely on the city's ability to secure alternative funding sources inasmuch as no Measure T funds will be available based on DPW's current estimates.

- c. A total of twenty-seven Measure T projects (twenty-two actual projects with general category “Admin” line items removed from the count) are statused in the Independent Accountant’s report (attachment 1). This COC report provides a further analysis of the allocations, status, and results of Measure T expenditures (refer to COC matrix, attachment 2).
- d. DPW issued a June 30<sup>th</sup> semi-annual Measure T status update in a report to council dated September 3, 2024 (refer to attachment 3). COC observations and comments related thereto are summarized below:
  - (1) The number of Measure T projects, primarily public safety projects, that are in their very early stages or have yet to even commence, presents considerable risk to the city. With estimated projected overages of \$70.3 M in total (currently covered by the reserves), further project rescoping, shelving and/or defunding continues to be a cause for concern. Most previously unallocated project category reserves have now been allocated and/or reallocated as per DPW’s reserve reconciliation (refer to Table 3-1 below from DPW’s September 3rd report to Council) leaving little margin for error. Any further delays and/or future cost overruns are likely to have negative consequences for completion of the remaining scheduled projects.
  - (2) The COC again recommends that the city council consider prioritizing the public safety projects slated to receive Measure T funds. As previously noted, DPW is in the very early stages of most of the twelve public safety projects originally approved and scoped for receipt of Measure T funds. Due to the risks of continued inflation, unexpected cost overruns, or other presently unforeseeable circumstances, there can be no assurances that all scheduled public safety projects will be completed on time and within budget. Establishing public safety project priorities will enable the city council to make timely mid-course spending corrections, effect necessary project re-scoping, or make important project-shelving decisions, should such action(s) become necessary. The principal objective of the prioritized spending approach is to avoid arriving at the terminus of Measure T with a number of partially completed public safety projects without the necessary funding sources available for completion. DPW anticipates that the currently estimated cost overruns for each of these listed projects will be covered through the application and use of existing Measure T reserves. It is important to note, however, that as of June 30, 2024, after taking into account use of the reserves required to close currently estimated project cost gaps, DPW estimates that there remain only \$15 million in public safety project reserves to cover any and all additional unidentified/unanticipated future cost overruns.
- e. \$300 million of Measure T bond proceeds have been earmarked for street resurfacing. The city originally identified 420 miles out of San Jose’s 2,519-mile pavement network (1552 miles of local and neighborhood streets; 967 miles of major streets) that were in the worst condition and would be the recipient of Measure T funds. It is important, however, to point out that funding for the city’s ongoing street maintenance/resurfacing program is not limited to Measure T funds but is allocated resources from other funding sources in addition to Measure T. As a result, it is not possible for the COC to draw any conclusions as to the efficacy of actual Measure T spending as it relates specifically to the expected number of miles originally targeted for resurfacing using \$300 million in Measure T funds. Nonetheless, it is important and worth noting that DOT has made substantial progress in achieving their stated resurfacing goals and expects to provide maintenance to all of San Jose’s local and neighborhood streets by 2028 as per DPW’s September 3, 2024 report to city council (attachment 3).

**Table 3-1. FY 23-24 Measure Public Safety Reserves Status**

<b>Project Name</b>	<b>19/20 Initial Budget</b>	<b>Current Total Project Budget (FY 24/25)</b>	<b>Estimated Projected Overages</b>	<b>Comments</b>
Fire Station 8	16,500,000	20,390,000	-3,890,000	
Fire Station 20	-	4,930,000	-4,930,000	Completed
Fire Station 32	17,000,000	22,093,000	-5,093,000	
Fire Station 36	17,000,000	18,036,000	-1,036,000	
Fire Station 37	6,680,000	8,011,000	-1,331,000	Completed
Emergency Operations Ctr	11,500,000	25,072,000	-13,572,000	
PD Training Center	45,000,000	59,042,000	-14,042,000	
PD Hangar	8,400,000	17,742,000	-9,342,000	
911 CC Upgrades	-	6,181,000	-6,181,000	
Police Admin Bldg Upgrades	-	6,250,000	-6,250,000	
Admin Fees	-	2,762,000	-2,762,000	Admin fees and Public Art were not originally budgeted, but required as part of the program.
Public Art	-	1,898,000	-1,898,000	
<b>Total</b>	<b>122,080,000</b>	<b>192,407,000</b>	<b>-70,327,000</b>	
<b>Reserves</b>				
<b>36,420,000</b>	<b>Sources</b>			
36,420,000	Initial Public Safety Reserve Budget			
14,100,000	Transfers: Charcot Drainage, Critical Infrastructure, Envi Protection			
24,503,000	FS 8 land sale, FS 20 GF reimbursement, FS 23 defund (\$12.4M), COI Usage			
10,381,000	Interest Earned thru 22/23			
85,404,000	Total Sources (all funding is put into the Reserves bucket and then later transferred out to the individual project budgets)			
15,077,000	Total Reserves Remaining (Year to Date)			

#### **4. STATUS OF PRIOR YEAR RECOMMENDATIONS**

- a. In last year's COC FY 2022-2023 Annual Report, the COC recommended that the city council consider prioritizing the public safety projects slated to receive Measure T funds. The risks of Inflation, unexpected cost overruns, or other presently unforeseeable circumstances, continue to be a concern that all scheduled public safety projects will not be completed on time and within budget. The prioritizing of the public safety projects is strongly recommended again in Section 3, GENERAL OBSERVATIONS AND COMMENTS of this year's Annual Report.
- b. There are currently four vacancies (out of a total of fifteen appointed positions) – District 7, Citywide-business, Public Safety, and Citywide (Finance/Accounting). Once again, we emphasize the importance of having a fully-seated COC and are hereby encouraging the City Council to appoint four individuals to fill the remaining seats as soon as possible.

#### **5. CONTINUING RECOMMENDATIONS**

To ensure continued communication and liaison with their respective constituencies, District representatives to the COC will again be required to reach out to their respective Councilmembers to offer any support deemed necessary within their given Districts to facilitate communication of the results of the COC's Measure T oversight to that District's constituency. This also serves to reinforce the importance of restated prior recommendation in Section 4, item b, immediately above.

#### **6. BACKGROUND/DETAILS ON MEASURE T**

This report to the Mayor and Council provides the COC findings and recommendations for the Measure T Disaster Preparedness, Public Safety, and Infrastructure Bond Program for the period from July 1, 2023, through June 30, 2024.

On November 6, 2018, registered voters of the City of San José approved Measure T, the San José Public Safety, and Infrastructure Bonds, authorizing the issuance and sale of general obligation bonds (PSI Bonds) not to exceed \$650,000,000 to be used to fund the cost of land or improvement of land of, without limitation, the following categories of projects: Traffic, Public Safety, Storm Sewer, Municipal Improvements, and Parks & Community Facilities.

The COC was authorized because of the approved San José City's Measure T bond measure that provided for Community Oversight of the expenditure of the bonds.

On June 18, 2019, the City Council approved the resolution establishing the size, composition, and specific responsibilities of the COC.

The Measure T Community Oversight Committee serves as an advisory committee to the City Council, with responsibilities to include the following: (1) Review the expenditure of Measure T funds to ascertain consistency with the voter approved purposes for the funds; (2) In connection with the review of Measure T expenditures, review and forward to the City Council an audit of the Measure T Bonds Financial Statements for the fiscal year ending June 30th as well as the Director of Finance's annual report on the amount of Bonds issued and the amount of ad valorem tax collected for each prior fiscal year ending June 30th; and (3) Review the status of projects funded with Measure T funds and forward a status report on the pending Measure T projects to the City Council.

**7. BOND PROCEEDS AND TAX EXEMPTION REQUIREMENTS**

IRS rules require 85% of the bond proceeds for the Measure T projects must be expended within the three years of bond-issuance to remain tax exempt. The three-year window was reached for the first bond-issuance in July 2022; the three-year window will be reached for the second bond-issuance in July 2024. DPW staff has been closely tracking Measure T expenditures to ensure the bond proceeds are spent in accordance with the IRS tax-exempt guidelines for municipal bonds. Table 7-1 provides the Measure T yearly bond history from 2018 through 2024.

**Table 7-1. Measure T: Disaster Preparedness, Public Safety, and Infrastructure Bond Proceeds**

2018	Bond Authorized	\$650.0 M
2019	Bond Issued	(\$239.9M)
2021	Bond Issued	(\$200.5M)
Total Bonds Issued to date		(\$440.4M)
Remaining Bond Issuance		\$209.6M

## 8. AUDITED USE OF FUNDS

San José City’s 2018 Measure T: Disaster Preparedness, Public Safety, and Infrastructure Bond Program Audited Use of Funds for FY 2023-2024 was \$87,441,076. The Total Measure T Audited Use of Funds for FY 2019 through FY 2024 was \$348,158,090.

The funds were allocated and expended for each of the Measure T program categories as detailed in Table 8-1, below.

**Table 8-1. FY 2019-2020 Through FY 2023-2024 Measure T Audited Use of Funds Vs Planned Spending and Total Expected Expenditures by Major Category**

Measure T Program Category	Measure T Audited Use of Funds for Fiscal Years June 30, 2019 Through June 30, 2024 <sup>(1)</sup>	June 30, 2024 Encumbrances by Program Category <sup>(2)</sup>	Total Audited Use of Funds Plus Encumbrances at June 30, 2024 <sup>(3)</sup>	Revised Life-of-Category Expected Expenditures per DPW as of October 2024 <sup>(4)</sup>	Percent of Funds Spent vs Total Expected Spending <sup>(5)</sup>	Percentage of Each Measure T Program Category Unspent as of 6-30-24 <sup>(6)</sup>
Traffic	188,544,836	6,539,037	195,083,873	328,824,000	59.2%	40.8%
Public Safety	89,551,257	21,414,664	110,965,921	208,616,615 <sup>(7)</sup>	53.1%	46.9%
Storm Sewer	11,061,772	3,934,310	14,996,082	54,100,000 <sup>(8)</sup>	27.7%	72.3%
Municipal Improvements	55,623,180		55,623,180	58,072,495 <sup>(9)</sup>	95.6%	4.4%
Parks & Comm Facilities	3,377,045	1,840,525	5,217,570	12,947,000	40.3%	59.7%
Total	\$348,158,090	\$33,728,536	\$381,886,626	\$662,560,110 <sup>(10)</sup>	57.6%	42.4%

- (1) The aggregate sum of the last five fiscal year’s audited financial statements by Measure T program category
- (2) Per the audited financial statements for June 30, 2024 – represents year-end contractual obligations/encumbrances by program category not included as a financial liability in the year-end audited use of funds calculation
- (3) The sum of columns 1 and 2
- (4) Per Measure T COC matrix (see attachment) and DPW revised estimates as of October 2024
- (5) Column 3 divided by column 4
- (6) Column 4 minus column 3 divided by column 4 (or 100% minus column 5).
- (7) Planned spending revision due to defunding Fire station 23 and reallocation of available reserves to other program categories
- (8) Planned spending revision due to Charcot project re-scoping
- (9) Planned spending revision due to environmental project savings and category reserve transfer to public safety
- (10) Increase in revised life-of-category expenditures from \$656MM (last year’s number) to \$663MM reflects the addition of interest earned on unspent bond proceeds

**9. COC COMMITTEE MEMBERSHIP**

A list of the COC members serving during FY 2023-2024 is provided in Table 9-1.

**Table 9-1. COC Committee Members Serving During FY 2023-2024**

Representing	Committee Member	Representing	Committee Member
D1	Gary Cunningham*	D9	Shruti Chandrasekhar**
D2	Carolyn Bauer	D10	Emily G Esparza
D3	Michelle Brenot	Citywide (Labor)	Olivia Navarro
D4	Jai Srinivasan	Citywide (Business)	Open
D5	Enrique Arguello	Citywide (Finance/Accounting)	Open
D6	Nicholas Cochran	Public Safety	Open
D7	Open	Environmental Issues	Lee Space
D8	Gilberto Torres		

\*Chair \*\*Vice Chair

**10. COC MEETINGS**

COC meetings were conducted in accordance with SJ City and Brown Act requirements. The Program Manager from the San José City Director of Public Works provided support for meeting logistics including meeting rooms, Zoom calls, agendas, notices, and minutes.

**11. AUDITED DATA AND STATUS REPORT**

The San José City Director of Public Works provided the COC with the following:

- The Measure T Independent Auditor’s Report for the fiscal year ended June 30, 2024 and for the period from July 25, 2019 through June 30, 2024 (Measure T inception-to-date) The report was prepared by Macias Gini & O’Connell LLP (attachment 1).
- The Director of Public Works Measure T, The Disaster Preparedness, Public Safety, and Infrastructure Bond Status Report, dated September 3, 2024 (attachment 3).

**12. OVERSIGHT METHODOLOGY**

Measure T requires community oversight of the measure’s bond proceeds. This includes reporting the measure’s planned proceeds allocation, actual allocations, and the result of the expenditure.

The FY 2023-2024 Independent Accountant’s Report detailing the audited use of funds is used in the oversight process and is included as attachment 1.

The Director of Public Works Measure T, The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Status Report, dated September 3, 2024, is used in the oversight process. The status report provides the status on budget, schedule, and results of the expenditures and is included as attachment 3.

### 13. OVERSIGHT PROJECT ITEM COMPARISON MATRIX AND ANALYSIS

A matrix of the projects was developed and compares those items with data provided in the reports cited in section 12, Oversight Methodology. The results of the comparisons form the findings for each of the project’s planned use of funds, audited use of funds, and the results or outcomes of the expenditures. The matrix is provided as attachment 2 to this report.

The matrix lists all projects to be funded by Measure T set forth by Measure T category, as rows, and is aligned with the projects listed in attachments 2 and 3. For each project line item (matrix row) nine items of data are shown in the nine columns of the matrix described in Table 13-1. Some projects listed may not have had any planned effort for this fiscal year and are noted as such in the matrix.

**Table 13-1. Title and Description of contents of each of the Nine Columns of the Comparison Matrix (attachment 3)**

Column#	Column Title	Description of contents of the column
0	Projects	Project item associated with each Measure T category
1	Project Location by Council Districts	The districts in which this line item is physically located or the districts either impacted by or benefitted from this item
2	2023-2024 Planned Use of Funds	Planned FY 2023-2024 funding for the item
3	2023-2024 Audited Use of Funds	Audited FY 2023-2024 funds used for the item
4	Total Audited Use of Funds as of June 30, 2024	Total of FY 2019-2020 through FY 2023-2024 Audited funds used for this item
5	Results of Expenditures	Provides details of the accomplishments of the expended funds for the line item
6	Initial Life of Project Total Estimated Expenditure	Provides Initial estimate of the Total Expenditure expected for completing line item
7	Revised Life of Project Total Estimated Expenditure	Provides Revised/New estimate of the Total Expenditure expected for completing line item
8	Potential Delta (Expected overrun/underrun)	Provides the estimate of the Expected Overrun /Underrun for completing this line item. It is the difference between” Initial” and “Revised” Life of Project Total Estimated Expenditure

#### ATTACHMENTS:

- (1) FY 2023-2024 Independent Accountant’s Report Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year for the Period from July 1,2023 through June 30, 2024
- (2) FY 2023-2024 COC Oversight Project Item Comparison Matrix
- (3) The Director of Public Works Status Report on the November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond dated September 3, 2024