



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch

SUBJECT: See Below

DATE: February 3, 2025

Approved

Date:

2/4/25

COUNCIL DISTRICT: Citywide

SUBJECT: Annual Report on the Measure T Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Program Proceeds and Allocations for Fiscal Year 2023-2024

RECOMMENDATION

Accept the Measure T Community Oversight Committee Annual Report on the Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Program proceeds and allocations for Fiscal Year 2023-2024.

SUMMARY AND OUTCOME

Consistent with its City Council-approved responsibilities, the Measure T Community Oversight Committee (COC) prepared the Fiscal Year (FY) 2023-2024 annual report for the Measure T - The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Program (Measure T). (**Attachment** – San José Community Oversight Committee (COC) 2018 Measure T Disaster Preparedness, Public Safety, and Infrastructure Bond Program Annual Report for Fiscal Year 2023-2024.) The COC reviews and reports on the expenditure of Measure T bond proceeds to ascertain consistency with the voter-approved purposes for the funds and reviews and forwards the annual audit of the financial statements of the San José Public Safety and Infrastructure Bond Projects Fund as well as reviews the Director of Finance’s annual report on the amount of Measure T bonds issued (page 110 in the City of San José Annual Comprehensive Financial Report for the year ended June 30, 2024¹) and reviews the amount of ad valorem tax collected for each prior FY ending June 30. In

¹ <https://www.sanjoseca.gov/home/showpublisheddocument/116553/638687454573570000>

addition, the COC reviews the status of projects funded with Measure T bonds and forwards a status report on the pending Measure T projects. In its report, the COC provided general observations, comments, and specific recommendations regarding the level of spending of the Measure T authorized funds.

Acceptance of this report concludes the COC's review of the expenditure of proceeds of Measure T bonds and the status of projects funded by the bond program in FY 2023-2024.

BACKGROUND

On November 6, 2018, the voters of San José passed Measure T with over 70% of the electorate voting yes. The measure authorizes the City to issue up to \$650 million in general obligation bonds for infrastructure projects.

As part of the Measure T bonds program, City Council was required to appoint a committee comprised of residents of San José to provide community oversight over the expenditure of the Measure T bonds. The measure also required that the size, composition, and specific responsibilities of the committee be determined by a City Council action prior to the issuance of any Measure T bonds. On June 18, 2019, the City Council approved the resolution establishing the size, composition, and specific responsibilities of the committee. The responsibilities of the Measure T COC include the following:

- 1) Review the expenditure of the proceeds of Measure T bonds to ascertain consistency with the voter-approved purposes for the funds;
- 2) In connection with the review of expenditures of Measure T bonds, review and forward to the City Council an audit of the Measure T bonds financial statements as well as review the Director of Finance's annual report on the amount of Measure T bonds issued, and review the amount of ad valorem tax collected for each prior FY ending June 30; and
- 3) Review the status of projects funded with the proceeds of Measure T bonds and forward a status report on the pending Measure T projects to the City Council.

The COC has been preparing and reviewing the annual report on the bond program proceeds and allocations through an ad hoc committee. The committee requested a motion to approve this report pending the format changes discussed during its meeting on January 16, 2025. The motion was passed by the committee unanimously.

ANALYSIS

The attached annual report represents the COC report to City Council on the Measure T bonds program for City Council review and acceptance.

The COC provided general observations, recommendations, and comments regarding the authorized funds, status, and planning of Measure T projects. The major concerns highlighted in the report are the level of spending of Measure T authorized funds and the potential risk of public safety project overruns, given that as of June 2024, those projects were still in the early stages of design or development. The COC report also discussed further analysis of the allocation, status, and results of the Measure T expenditures as reported in the audited financial statements of the San José Public Safety and Infrastructure Bond Projects Fund.

The annual report from the COC also provides the following recommendations for City Council to consider.

1. Prioritize the public safety projects slated to receive Measure T funds.
2. Continue communication with COC district representatives to facilitate communication of the results of the COC's Measure T oversight.
3. Continue to work to appoint individuals to the open committee seats, recognizing how important it is to have a full representation on the committee.

EVALUATION AND FOLLOW-UP

The bond program proceeds and allocations and the status reports on the project expenditures and performance of the Measure T bond program are reported on a bi-annual basis to the COC and City Council. The next Measure T bond program update will be presented to City Council in March 2025.

COORDINATION

This memorandum and the COC's annual report on the Measure T bond program proceeds and allocations have been coordinated with the City Attorney's Office, the City Auditor's Office, the City Manager's Budget Office, and the Finance Department.

PUBLIC OUTREACH

On November 7, 2024, the COC conducted a public hearing to review the expenditures and the audited financial statements for the FY ending June 30, 2024. Staff from the City Auditor's Office, the Finance Department, and a representative from Macias Gini &

HONORABLE MAYOR AND CITY COUNCIL

February 3, 2025

Subject: Annual Report on the Measure T Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Program Proceeds and Allocations for Fiscal Year 2023-2024

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O'Connell, the City's external financial auditor, attended the public hearing to answer questions from the COC. Department of Public Works staff also presented the bond expenditures and the progress of projects. The COC conducted a second public meeting on January 16, 2025, to review and approve the COC report.

This memorandum will be posted to the City's Council Agenda website for the February 25, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

The Measure T COC approved the audited Financial Statements as identified in its corresponding memo and annual report.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

MATT LOESCH
Director of Public Works

For questions, please contact Sal Kumar, Deputy Director, Public Works Department, at sal.kumar@sanjoseca.gov.

ATTACHMENT – San José Community Oversight Committee (COC) 2018 Measure T Disaster Preparedness, Public Safety, and Infrastructure Bond Program Annual Report for Fiscal Year 2023-2024

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

16 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 stated in the Independent Accountant’s report (Attachment 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). This COC report provides a further analysis of the allocations, status, and results of Measure T expenditures (refer to COC matrix, attachment 2, FY 2023-2024 COC Oversight Project Item Comparison Matrix).
- d. DPW issued a June 30th semi-annual Measure T status update in a report to council dated September 3, 2024 (refer to attachment 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). 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) 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.

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

Project Name	19/20 Initial Budget	Current Total Project Budget (FY 24/25)	Estimated Projected Overages	Comments
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	
Total	122,080,000	192,407,000	-70,327,000	
Reserves				
36,420,000	Sources			
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)			

- 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, 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).

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 ⁽¹⁾	June 30, 2024 Encumbrances by Program Category ⁽²⁾	Total Audited Use of Funds Plus Encumbrances at June 30, 2024 ⁽³⁾	Revised Life-of-Category Expected Expenditures per DPW as of October 2024 ⁽⁴⁾	Percent of Funds Spent vs Total Expected Spending ⁽⁵⁾	Percentage of Each Measure T Program Category Unspent as of 6-30-24 ⁽⁶⁾
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 ⁽⁷⁾	53.1%	46.9%
Storm Sewer	11,061,772	3,934,310	14,996,082	54,100,000 ⁽⁸⁾	27.7%	72.3%
Municipal Improvements	55,623,180		55,623,180	58,072,495 ⁽⁹⁾	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 ⁽¹⁰⁾	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 2, FY 2023-2024 COC Oversight Project Item Comparison Matrix) 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	Open
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:

Attachment 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

Attachment 2. FY 2023-2024 COC Oversight Project Item Comparison Matrix

Attachment. 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

**CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE
BOND PROJECTS FUND
(A Fund of the City of San José)**

Independent Auditor's Reports,
Financial Statements,
Other Supplementary Information and
Independent Accountant's Report

For the Year Ended June 30, 2024

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
For the Year Ended June 30, 2024

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Independent Auditor's Report

City Council and
Members of the Measure T Community Oversight Commission
City of San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Safety and Infrastructure Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City of San José, as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 2, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying statement of revenues, expenditures, and change in fund balance by fiscal year for the period from July 25, 2019 through June 30, 2024, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended June 30, 2024 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended June 30, 2024 is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Fund's financial statements as of and for the period from July 25, 2019 through June 30, 2023, which are not presented with the accompanying financial statements. In our reports dated November 17, 2020, November 3, 2021, October 18, 2022, and October 13, 2023, we expressed unmodified opinions on the Fund's financial statements. The audits were conducted for the purpose of forming opinions on the financial statements as a whole. The information for the period from July 25, 2019 through June 30, 2023 has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the period from July 25, 2019 through June 30, 2023 is fairly stated, in all material respects, in relation to the financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 on our consideration of the City's internal control over the Fund's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.



Walnut Creek, California
October 17, 2024

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CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND

(A Fund of the City of San José)

Balance Sheet

June 30, 2024

Assets

Restricted assets:

Investments held with fiscal agents	\$ 150,452,481
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Total assets	<u>\$ 150,452,481</u>
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Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 10,697,604
------------------	---------------

Accrued salaries, wages and payroll taxes	127,827
---	---------

Due to the City of San José	<u>23,434,859</u>
-----------------------------	-------------------

Total liabilities	34,260,290
-------------------	------------

Fund balance:

Restricted for Public Safety and Infrastructure Bond projects	<u>116,192,191</u>
---	--------------------

Total liabilities and fund balance	<u>\$ 150,452,481</u>
------------------------------------	-----------------------

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND

(A Fund of the City of San José)

Statement of Revenues, Expenditures, and Change in Fund Balance

For the Year Ended June 30, 2024

Revenues:

Investment income	\$ 8,342,769
-------------------	--------------

Expenditures:

Public safety	18,620,324
---------------	------------

Traffic	59,740,220
---------	------------

Storm sewer	6,580,336
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Municipal improvements	477,266
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Park & community facilities	2,022,932
-----------------------------	-----------

Total expenditures	<u>87,441,078</u>
--------------------	-------------------

Change in fund balance	(79,098,309)
------------------------	--------------

Fund balance, beginning of year	<u>195,290,500</u>
---------------------------------	--------------------

Fund balance, end of year	<u><u>\$ 116,192,191</u></u>
----------------------------------	-------------------------------------

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1 – BACKGROUND

On November 6, 2018, registered voters of the City of San José (City) 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 for, without limitation, the following categories of projects.

- The upgrade of 911 communications, police, fire and paramedic facilities to improve emergency and disaster response;
- Repair deteriorating bridges vulnerable to being damaged in an earthquake;
- Repaving local and neighborhood streets and potholes in the worst condition;
- Preventing flooding and water quality contamination; and
- Repair or replace critical infrastructure that is likely to reduce long-term spending on operations or maintenance.

The table below sets forth the amount of PSI Bonds authorized and issued pursuant to Measure T:

	Amount	Date
Voter authorization	\$ 650,000,000	November 6, 2018
Bonds issued:		
Series 2019 Bonds	239,900,000	July 25, 2019
Series 2021 Bonds	200,530,000	July 29, 2021
Total bonds issued	440,430,000	
Authorized but unissued	\$ 209,570,000	

As of June 30, 2024, outstanding projects approved by the City Council to be funded by the bond proceeds include the emergency operations center relocation, Fire Station Nos. 8 and 23 relocations, new Fire Station No. 32, police air support unit hangar, police training center relocation, public art – public safety, 911 call center upgrade, Police Department (PD) headquarters upgrade, bridges, pavement maintenance, Charcot storm drainage, clean water projects, public art – storm sewer, and community centers/emergency shelters.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the changes in financial position of the Public Safety and Infrastructure Bond Projects Fund (Fund) and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024, and the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A capital projects fund (governmental fund) is used to account for the City’s Public Safety and Infrastructure Bond Projects activities. Capital projects funds are used to account for financial resources (e.g., bond proceeds and investment income) that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of land or acquisition and construction of major governmental facilities.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Fund's activity is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fund considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to vacation, sick leave, claims and judgments are recorded only when payment is due.

Restricted Cash and Investments

Cash and investments that are restricted for specified uses by bond covenants or other requirements are classified as restricted. The Fund's restricted cash and investments are held in the City Treasury and in fiscal agent accounts to be spent only on authorized capital projects. The Fund's restricted cash and investments are subject to the requirements of the City's adopted investment policy and bond indentures. The fair value of investments is based on quoted market information obtained from fiscal agents or other sources.

Fund Balance

Under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the balance sheets of governmental funds classify fund balances based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which those funds can be spent. The Fund only has restricted fund balance at June 30, 2024. Restricted fund balance represents amounts when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 3 – RESTRICTED INVESTMENTS

A summary of the Fund’s restricted investments at June 30, 2024 are as follows:

Type of investment	Fair Value	Moody’s Credit Risk Rating	Weighted Average Maturity
State of California Local Agency Investment Fund	\$ 145,055,330	Unrated	217 days
Wilmington Trust Money Market Mutual Fund	5,397,151	Aaa-mf	38 days
Total investments	<u>\$ 150,452,481</u>		

The Fund has investments subject to provisions of the bond indentures of its various bond issues. According to the bond indentures, the Fund is permitted to invest in the City’s cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other investments.

The Fund maintains part of its investments in the City’s cash and investment pool. The amounts held in the City’s investment pool can be withdrawn upon demand. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds on a monthly basis, based on their proportionate shares of the average daily cash balance. As of June 30, 2024, the Fund has a negative unrestricted pooled balance of \$23,434,859 in the City’s cash and investment pool, which is included as a payable to the City of San José on the accompanying financial statements.

Information regarding the characteristics of the entire City’s cash and investment pool can be found in the City’s basic financial statements for the year ended June 30, 2024. A copy of that report may be obtained by contacting the City’s Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113 or can be found at the City’s Finance Department Website at <http://www.sanjoseca.gov>.

Government Code Section 16429.1 authorizes each local government agency to invest funds in the LAIF administered by the California State Treasurer. The total amount recorded by all public agencies in LAIF at June 30, 2024 was approximately \$21.9 billion. LAIF is part of the State’s Pooled Money Investment Account (PMIA). The total amount recorded by all public agencies in PMIA at June 30, 2024 was approximately \$178.0 billion and of that amount, 97.0% was invested in non-derivative financial products and 3.0% in structured notes and asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Fund’s position in the pool.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City’s investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio, and by establishing monitoring procedures.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 3 – RESTRICTED INVESTMENTS (Continued)

Concentration Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Fund. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds and other pooled investments are exempt from this requirement, as they are normally diversified themselves.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. The City's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification. These limits, for investments other than external investment pools and money market mutual funds, range from 10 days to 5 years depending on the investment classification.

Fair Value Measurement Categorization

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The City's investment in Wilmington Trust Money Market Mutual Funds is measured at level 1 inputs, while investments in the City's cash and investment pool and LAIF are not subject to fair value hierarchy.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 4 – COMMITMENTS

At June 30, 2024, the Fund has related outstanding project construction encumbrances as follows:

<u>Project</u>	<u>Amount</u>
Public safety	
Emergency operations center relocation	\$ 882,401
Fire station No. 8 relocation	8,174,938
Fire station No. 23 relocation	4,500
New fire station No. 32	389,970
Police air support unit hangar	8,998,132
Police training center relocation	2,396,780
Public art - public safety	114,629
911 call center upgrade	174,514
PD headquarters upgrade	278,800
Traffic	
Bridges	484,117
Pavement maintenance	6,054,920
Storm sewer	
Charcot storm drainage	565,183
Clean water projects	3,299,127
Public art - storm sewer	70,000
Park & Community Facilities	
Community centers/emergency shelters	<u>1,840,525</u>
Total project encumbrances	<u>\$ 33,728,536</u>

NOTE 5 – GENERAL OBLIGATION BONDS

On July 25, 2019, the City issued Series 2019 General Obligation Bonds (2019 Bonds) pursuant to the fiscal agent agreement with Wilmington Trust. The 2019 Bonds were the first tranche of bonds issued under Measure T, as disclosed in Note 1. Proceeds from the 2019 Bonds in the amount of \$239,900,000 and a bond premium at issuance in the amount of \$34,158,933 were issued for Measure T purposes. The premium was used to pay debt service on the Series 2019 A-2 taxable Measure T Bonds in the amount of \$33,114,340, to pay cost of issuance, and to fund the debt service accounts. The proceeds related to the premium in excess of the amounts necessary to pay debt service on the 2019 A-2 Bonds, cost of issuance, and debt service fund deposits amounted to \$95,698, and was deposited into the Public Safety and Infrastructure Bond Projects Fund for Measure T purposes.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2024

NOTE 5 – GENERAL OBLIGATION BONDS (Continued)

On July 29, 2021, the City issued \$200,530,000 of General Obligation Bonds, consisting of Series 2021A (in the principal amount of \$151,210,000), Series 2021B (federally taxable, in the principal amount of \$8,450,000) and Series 2021C (federally taxable, in the principal amount of \$40,870,000) (collectively, the “2021 GO Bonds”). The 2021 GO Bonds constitute the second round of general obligation bonds issued under the Measure T authorization of \$650,000,000 for Disaster Preparedness, Public Safety, and Infrastructure, approved by the voters in November 2018. The 2021 GO Bonds are secured by a pledge of the City to levy ad valorem property taxes without limitation of rate or amount (except certain personal property which is taxable at limited rates). The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources.

The 2019 and 2021 Bonds related to Measure T are reported in capital projects and debt service funds of the City, and further details can be located in the City’s annual comprehensive financial report.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period from July 25, 2019 through June 30, 2024

	2020	2021	2022	2023	2024	Total
Revenues:						
Investment income	\$ 3,201,017	\$ 1,616,937	\$ 460,961	\$ 5,071,110	\$ 8,342,769	\$ 18,692,794
Unrealized gain/loss on investment	-	-	(14,192)	14,192	-	-
Intergovernmental	-	-	2,331,792	-	-	2,331,792
Other	-	-	300,000	-	-	300,000
Total revenues	3,201,017	1,616,937	3,078,561	5,085,302	8,342,769	21,324,586
Expenditures:						
Public safety						
Emergency operations center relocation	82,346	3,665,164	8,089,855	8,104,435	2,636,828	22,578,628
Fire station No. 8 relocation	63,503	2,472,973	3,025,552	1,112,298	3,789,806	10,464,132
Fire station No. 20 relocation	-	3,774,693	1,145,605	9,433	-	4,929,731
Fire station No. 23 relocation	9,202	25,855	39,550	35,165	32,359	142,131
New fire station No. 32	40,316	138,401	4,125,604	1,137,928	236,692	5,678,941
New fire station No. 36	7,986	78,384	44,949	294,141	9,319	434,779
New fire station No. 37	34,056	1,823,256	5,825,002	152,504	32,743	7,867,561
Police air support unit hangar	63,843	138,608	280,338	1,102,396	4,862,039	6,447,224
Police training center relocation	271,570	18,620,490	576,197	1,519,693	6,021,328	27,009,278
Public art - public safety	50,860	225,060	170,734	386,808	208,343	1,041,805
911 call center upgrade	17,877	37,016	347,578	351,000	219,446	972,917
PD headquarters upgrade	8,232	19,431	40,623	22,880	258,390	349,556
Admin - public safety	307,365	370,912	257,550	385,717	313,031	1,634,575
Traffic						
Bridges	823,581	679,065	1,733,451	1,060,791	3,650,633	7,947,521
Pavement maintenance	1,481,453	38,809,769	42,767,059	38,860,270	55,184,512	177,103,063
LED streetlight conversion	520,608	873,614	256,526	772,430	876,787	3,299,965
Admin - traffic	105,007	20,958	11,857	28,178	28,288	194,288
Storm sewer						
Charcot storm drainage	322,422	154,206	152,034	1,224,983	1,473,416	3,327,061
Clean water projects	455,552	425,697	626,567	752,933	4,844,308	7,105,057
Public art - storm sewer	962	4,896	65,480	53,981	121,548	246,867
Admin - storm sewer	30,452	28,168	152,122	30,982	141,064	382,788
Municipal improvements						
Environment Protection ¹	46,077,538	451,094	261,727	1,184	-	46,791,543
City facilities LED lighting	1,385,703	2,564,706	2,386,732	1,936,851	477,266	8,751,258
Admin - municipal improvements	30,918	20,512	25,588	3,361	-	80,379
Park & community facilities						
Community centers/emergency shelters	6,407	45,064	316,437	891,190	1,993,071	3,252,169
Public art - parks	-	-	-	36,802	-	36,802
Admin - parks	3,013	4,905	11,475	38,820	29,861	88,074
Total expenditures	52,200,772	75,472,897	72,736,192	60,307,154	87,441,078	348,158,093
Deficiency of revenues under expenditures	(48,999,755)	(73,855,960)	(69,657,631)	(55,221,852)	(79,098,309)	(326,833,507)
Other Financing Sources and Uses:						
Bond proceeds	239,900,000	-	200,530,000	-	-	440,430,000
Excess bond premium	50,789	44,909	-	-	-	95,698
Proceeds from the sale of property	-	-	2,500,000	-	-	2,500,000
Total other financing sources and uses	239,950,789	44,909	203,030,000	-	-	443,025,698
Change in fund balance	190,951,034	(73,811,051)	133,372,369	(55,221,852)	(79,098,309)	116,192,191
Fund balance, beginning of period	-	190,951,034	117,139,983	250,512,352	195,290,500	-
Fund balance, end of period	\$ 190,951,034	\$ 117,139,983	\$ 250,512,352	\$ 195,290,500	\$ 116,192,191	\$ 116,192,191

¹ Environmental Protection – FY 2019-2020 transactions include the acquisition of real property located in the Coyote Valley for \$38.3 million and the payoff of the Community Facilities District No. 9 (Bailey/Highway 101) outstanding bonds for \$7.59 million.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

City Council and
Members of the Measure T Community Oversight Commission
City of San José, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Public Safety and Infrastructure Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Fund's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California

October 17, 2024

Independent Accountant’s Report on Compliance with Measure T

City Council and
Members of the Measure T Committee Oversight Commission
City of San José, California

We have examined the City of San José’s (City) compliance with certain provisions of Measure T for the year ended June 30, 2024 as follows:

- Bond proceeds were used to pay for the cost of land or improvement of land of, without limitation, the following categories of projects.
 - The upgrade of 911 communications, police, fire and paramedic facilities to improve emergency and disaster response;
 - Repair deteriorating bridges vulnerable to being damaged in an earthquake;
 - Repaving local and neighborhood streets and potholes in the worst condition;
 - Preventing flooding and water quality contamination; and
 - Repair or replace critical infrastructure that is likely to reduce long-term spending on operations or maintenance.

Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance whether the City complied with the specified requirements, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about the City’s compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City’s compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2024.

Macias Gini & O’Connell LLP

Walnut Creek, California
October 17, 2024

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Measure T Public Safety and Infrastructure Bond Fund Planned and Audited Use of Funds FY2023-FY2024

Final Version

Projects ⁰	Project Location by Council Districts ¹	Carryover Encumbrance Balance ²	2023-2024 Planned Use of Funds ³	Total Carryover + FY 23/24 Funding ⁴	2023-2024 Audited Use of Funds ⁵	Total Audited Use of Funds as of June 30, 2024 ⁶	Results of Expenditures ⁷	Initial Total Project Estimates ⁸	Updated Total Project Estimates as of October 2024	Potential Delta (expected overrun/underrun) ¹⁰	Notes
1. Traffic											
1.1 Bridges											
	CW	\$256,879	\$11,433,000	\$11,689,879	\$3,650,633	\$7,947,521	Staff expenditures associated with completing the construction of deck treatment project at Story Road and Cropley Avenue, deck replacement and installation of upgraded bollards at a pedestrian bridge adjacent to Millbrook Elementary School (including paying out contractor's invoices). In addition, maintenance was performed on 11 bridges, addressing guardrail, concrete spall, soil settlement, and seismic plate repairs.	\$ 20,000,000	\$ 19,977,000	\$ 23,000	
1.2 Pavement Maintenance											
	CW	\$12,734,857	\$50,451,000	\$63,185,857	\$55,184,512	\$177,103,063	Completed maintenance on 108 miles of local and neighborhood streets. Started design on 115 miles of local streets.	\$ 300,000,000	\$ 300,000,000	\$ -	The City originally identified 388 miles in 2017/2018 of local and neighborhood streets to be resurfaced or reconstructed using Measure T funding, with an annual budget of \$37.5 million from 2020 to 2027. However, as pavement condition deteriorates over time, more streets fall into the rehabilitation category for the pavement treatment. Since then, in 2019, 420 miles were expected to be repaved during Measure T's lifespan. Approximately 517 miles have been resurfaced, including 293 miles from the initial 388. The City is currently on track to meet its goals by the end of 2028.
1.3 LED Streetlight Conversion											
	CW	-	\$5,414,827	\$5,414,827	\$876,787	\$3,299,965	With the completion of the PG&E streetlight inventory audit, in July 2021, there is a billing records review under way of over 27,000 streetlight records. Staff time associated with reviewing billing records as a joint effort with PG&E and City Staff. Staff converted 670 fixtures in various areas of the City (mainly in Council Districts 3, 4, and 6).	\$ 13,000,000	\$ 8,578,000	\$ 4,422,000	\$4.3M of this funding has been transferred to City Facilities LED (Line item 4.1) to cover expenses that were spent benefitting both programs.
1.4 Admin – Traffic											
	N/A	-	\$29,000	\$29,000	\$28,288	\$194,288	Administration costs				
1.5 Admin Reserve – Traffic											
	N/A	-	\$64,000	\$64,000	-	-	Administration costs		\$ 269,000	\$ (269,000)	Funds only the Senior Analyst and Accountant positions -- all other positions are direct charge to the capital project. General obligation bonds have a 5% cap on administrative costs. The total Measure T admin costs are less than 1% of the entire bond.
Total Traffic		\$ 12,991,735	\$ 67,391,827	\$ 80,383,562	\$ 59,740,219	\$ 188,544,836		\$ 333,000,000	\$ 328,824,000	\$ 4,176,000	Transferred to the City Facilities LED project in the Muni program
2. Public Safety											
2.1 Fire Station 37											
	6	\$126,196	\$50,000	\$176,196	\$32,743	\$7,867,561	Staff costs and final Contractor's payments to finalize the project closeout. Construction began in September 2020 and fully operational since May 2022.	\$ 6,680,000	\$ 8,011,000	\$ (1,331,000)	Actual Bid Results came in higher. Allocation from Public Safety Reserve
2.2 Fire Station 8 Relocation											
	3	\$322,197	\$13,010,660	\$13,332,857	\$3,789,806	\$10,464,132	Awarded to DL Falk Construction, Inc. Construction began Oct. 2023 and anticipated to be completed Spring 2025. Staff charges for managing the construction, including pay letters and change orders.	\$ 16,500,000	\$ 20,390,000	\$ (3,890,000)	Actual Bid Results came in higher. Allocation from Public Safety Reserve
2.3 Fire Station 23 Relocation											
	4	9,500	\$3,028,000	\$3,037,500	\$32,359	\$142,131	Staff has identified a suitable site for the relocation project and have been in negotiations with the property owners. Expenditures for staff time as it relates to the site search process and required environmental review as part of site selection.	\$ 16,500,000	\$ 4,147,000	\$ 12,353,000	Project was defunded to cover other public safety projects and the remainder was placed in a the Public Safety Reserve. Note: Money has been set aside for land acquisition.
2.4 New Fire Station 32											
	7	\$430,255	\$12,833,375	\$13,263,630	\$236,692	\$5,678,941	Project had staff charges to coordinate with Consultant on design plans and prepare bid documents for procurement. Bids were rejected three times due to non-responsive bids. Staff had to prepare bid documents multiple times to put out for advertisement. Awarded to Gonsalves and Stronck Construction Company June 2024.	\$ 17,000,000	\$ 22,093,000	\$ (5,093,000)	Difference in costs are associated with projected inflation rates as well as the expanded scope to include the dual company per Council direction from June 2022. Additional funding allocated from the Public Safety Reserve.
2.5 New Fire Station 36											
	7	-	\$17,225,000	\$17,225,000	\$9,319	\$434,779	Staff charges associated with the preparation of the master agreement for the consultant for design services.	\$ 17,000,000	\$ 18,036,000	\$ (1,036,000)	Difference in costs are associated with projected inflation rates.
2.6 Fire Station 20											
	CW	-	-	-	-	\$4,929,731	Project completed.	\$ -	\$ 4,929,731	\$ (4,929,731)	Landside serving fire station located at the San Jose Airport. Only \$2.3M was replenished by the General Fund. Total Cost of Project: \$4,929,731
2.7 Emergency Ops Ctr. Relocation (EOC)											
	CW	\$2,350,479	\$2,782,000	\$5,132,479	\$2,636,828	\$22,578,628	Staff charges associated with managing the construction and project close out, including paying out contractor's invoices and change orders.	\$ 11,500,000	\$ 25,072,000	\$ (13,572,000)	Allocation from Public Safety Reserve

Measure T Public Safety and Infrastructure Bond Fund Planned and Audited Use of Funds FY2023-FY2024

Projects ⁰	Project Location by Council Districts ¹	Carryover Encumbrance Balance ²	2023-2024 Planned Use of Funds ³	Total Carryover + FY 23/24 Funding ⁴	2023-2024 Audited Use of Funds ⁵	Total Audited Use of Funds as of June 30, 2024 ⁶	Results of Expenditures ⁷	Initial Total Project Estimates ⁸	Updated Total Project Estimates as of October 2024	Potential Delta (expected overrun/underrun) ¹⁰	Notes
2.8 Police Training Ctr. Relocation	CW	\$820,433	\$46,177,000	\$46,997,433	\$6,021,328	\$27,009,278	Awarded to Midstate Construction December 2023 and anticipated to be completed Spring 2026. Staff finished the design and for both the academy and training spaces; construction commenced in March 2024. Expenditures account for staff time, consultant design services and construction/change order invoices.	\$ 45,000,000	\$ 59,042,000	\$ (14,042,000)	A portion of this overrun has been reimbursed from the savings obtained from Storm Sewer program and public safety reserves. The Total Estimated Expenditures is for full build out of the Police Training & Academy spaces.
2.9 Police Air Support Unit Hangar	CW	\$349,134	\$15,803,000	\$16,152,134	\$4,862,039	\$6,447,224	Construction started January 2024. Staff charges, consultant design services and construction/change order invoices.	\$ 8,400,000	\$ 17,742,000	\$ (9,342,000)	Difference in costs are associated with projected inflation rates as well as the expanded scope to build an essential building. Additional funding allocated from the Public Safety Reserve. Additional funding will be required for the fire foam suppression system and design services.
2.10 Public Safety Reserve	N/A	-	\$8,798,884	\$8,798,884	-	-	Reserve funds carried over from previous issuance.	\$ 36,420,000	\$ 15,077,000	\$ 36,420,000	There is currently \$15.1M remains in the reserve. Interest earning from all programs have been placed into the Public Safety Reserve to help with funding shortfalls.
2.11 Future 911 Call Center Upgrade	CW	\$188,205	\$5,240,000	\$5,428,205	\$219,446	\$972,917	Staff charges and consultant services for the design of this project.	\$ -	\$ 6,181,000	\$ (6,181,000)	Initial estimates were not established at the time of the bond passing. This project is funded from Public Safety Reserve
2.12 Future PD Headquarters Upgrade	CW	-	\$6,158,870	\$6,158,870	\$258,390	\$349,556	Expenditures associated with procuring a vendor to upgrade the gun range and staff charges for preliminary design of the HVAC upgrades and plumbing improvements at the	\$ -	\$ 6,250,000	\$ (6,250,000)	Initial estimates were not established at the time of the bond passing. This project is funded from Public Safety Reserve
2.13 Public Art – Public Safety	N/A	\$105,077	\$937,000	\$1,042,077	\$208,343	\$1,041,805	Funding to cover the public art requirement for this bond	\$ -	\$ 1,898,000	\$ (1,898,000)	Required funding for public artwork no less than 1% of the total amount budgeted for the City's capital improvement project. Exceptions are non-construction or rehabilitation
2.14 Admin – Public Safety	N/A	-	\$318,030	\$318,030	\$313,031	\$1,634,575	Administration costs	\$ -	\$ 2,762,000	\$ (2,762,000)	See note for item 1.4 & 1.5
2.15 Admin Reserve – Public Safety	N/A	-	\$1,082,000	\$1,082,000	-	-	Administration costs	\$ -	\$ -	\$ -	
Total Public Safety		\$ 4,701,476	\$ 133,443,819	\$ 138,145,295	\$ 18,620,323	\$ 89,551,257		\$ 175,000,000	\$ 211,630,731	\$ (21,553,731)	The delta is being covered by some of savings obtained in the Muni Improvements (roughly \$8.2M), the bond issuance fee (\$7.05M), the revenue from selling property to VTA (\$2.8M), interest earnings (\$10.4 M), partial reimbursement of FS 20 (\$2.3M), and the transfer from the storm sewer program (\$5.9M).
3. Storm Sewer											
3.1 Charcot Storm Drain (originally called Charcot Pump Station)	4	\$1,406,789	\$23,620,000	\$25,026,789	\$1,473,416	\$3,327,061	Staff continued to progress the design of the rescope project (from a pump station to a storm drain system). Expenditures account for staff time and consultant services for project design.	\$ 35,000,000	\$ 28,264,000	\$ 6,736,000	Project was re-scoped to construct a less costly storm drain system rather than a pump station. The project savings were reallocated to the Public Safety program. The project will be built in two phases. The funding is available to build phase 1 and to design phase 2.
3.2 Clean Water Projects	CW	\$207,117	\$17,014,739	\$17,221,856	\$4,844,308	\$7,105,057	Staff continued to progress with the scoping, co	\$ 25,000,000	\$ 24,422,000	\$ 578,000	Two projects currently in design/construction phases are the River Oaks Regional Stormwater Capture Project & Vintage Heritage Gardens (to be renamed). Staff in the process of exploring 5 additional sites. To supplement bond funds the City continues to pursue federal and state grants for Green Stormwater Improvements.
3.3 Public Art – Storm Sewer	N/A	165,000	\$187,000	\$352,000	\$121,548	\$246,867	Funding to cover the public art requirement for this bond	\$ -	\$ 527,000	\$ (527,000)	See Note for item 2.3
3.4 Admin – Storm Sewer	N/A	-	\$143,000	\$143,000	\$141,064	\$382,788	Administration costs	\$ -	\$ 887,000	\$ (887,000)	See note for item 1.4 & 1.5
3.5 Admin Reserve – Storm Sewer	N/A	-	\$382,000	\$382,000	-	-	Administration costs	\$ -	\$ -	\$ -	
Total Storm Sewer		\$ 1,778,906	\$ 41,346,739	\$ 43,125,645	\$ 6,580,335	\$ 11,061,772		\$ 60,000,000	\$ 54,100,000	\$ 5,900,000	Transferred to Public Safety Program to help shortfall
4. Municipal Improvements											
4.1 City Facilities LED Lighting	CW	\$299,200	\$227,312	\$526,512	\$477,266	\$8,751,258	Staff expenditures associated with completing the conversion of Park & Trail lights to LED and continued to progress on the conversion of Community Centers & Libraries.	\$ 7,000,000	\$ 11,201,000	\$ (4,201,000)	Shortfall covered by Streetlight LED item 1.3 budget adjustment
4.2 Critical Infrastructure	N/A	-	-	-	-	-	Funding has been shifted to the Public Safety program	\$ 5,000,000	\$ -	\$ 5,000,000	Funding was reallocated to the Public Safety Program
4.3 Admin – Muni Improvements	N/A	-	-	-	-	\$80,379	Administration costs	\$ -	\$ 79,952	\$ (79,952)	See note for item 1.4 & 1.5
Admin Reserve – Muni	N/A	-	-	-	-	-	Administration costs	\$ -	\$ -	\$ -	
4.4 Environment Protection	2	-	-	-	-	\$46,791,543	Planned expenses due to the purchase of the Coyote Valley Property and for the relocation of the tenants.	\$ 50,000,000	\$ 46,791,543	\$ 3,208,457	Savings was reallocated to the Public Safety Program
Total Municipal Improvements		\$ 299,200	\$ 227,312	\$ 526,512	\$ 477,266	\$ 8,751,258		\$ 62,000,000	\$ 58,072,495	\$ 3,927,505	
5. Parks & Community Facilities											
5.1 Community Centers/Emergency Shelters	CW	\$2,186,277	\$7,670,977	\$9,857,254	\$1,993,071	\$3,252,169	Staff continued to progress the design of Camden community centers and construction at Priority Projects 1&3. Expenditures account for staff time, design consultant services and construction costs.	\$ 12,950,000	\$ 12,631,000	\$ 319,000	

Measure T Public Safety and Infrastructure Bond Fund Planned and Audited Use of Funds FY2023-FY2024

Final Version

Projects ⁰	Project Location by Council Districts ¹	Carryover Encumbrance Balance ²	2023-2024 Planned Use of Funds ³	Total Carryover + FY 23/24 Funding ⁴	2023-2024 Audited Use of Funds ⁵	Total Audited Use of Funds as of June 30, 2024 ⁶	Results of Expenditures ⁷	Initial Total Project Estimates ⁸	Updated Total Project Estimates as of October 2024	Potential Delta (expected overrun/underrun) ¹⁰	Notes
5.2 Public Art – Parks	N/A	-	\$74,000	\$74,000	-	\$36,802	Funding to cover the public art requirement for this bond	\$ -	\$ 126,000	\$ (126,000)	See Note for item 2.3
5.3 Admin – Parks	N/A	-	\$30,000	\$30,000	\$29,861	\$88,074	Administration costs	\$ -	\$ 190,000	\$ (190,000)	See note for item 1.4 & 1.5
Admin Reserve Parks	N/A	-	65,000	65,000	-	-	Administration costs				
Total Parks & Community Facilities		\$ 2,186,277	\$ 7,839,977	\$ 10,026,254	\$ 2,022,932	\$ 3,377,045		\$ 12,950,000	\$ 12,947,000	\$ 3,000	
Bond Issuance Fee								\$ 7,050,000		\$ 7,050,000	Transferred to Public Safety Program to help shortfall
Total Planned Expenditures		\$ 21,957,594	\$ 250,249,674	\$ 272,207,268				\$ 650,000,000	\$ 665,574,226	\$ (497,226)	The additional funding added to the overall program comes from the interest revenue earned on the bond (roughly \$10.4M), partial reimbursement for FS 20 (\$2.3M) and the additional funding obtained from the sale of the FS 8 property to VTA (\$2.8M). This funding was added to the Public Safety Program to help cover the remaining shortfall.
Total Audited Use of Funds					\$ 87,441,076	\$ 348,158,091					
Ending Fund Balance											

Sources

⁰ Project name / description

¹ Within the project dashboard located in the Construction Projects and Record Search on the City's website

² Carryover encumbrance balance from prior year.

³ Located in the Adopted Capital Budget under the Measure T 5-year Source and Use

⁴ Carryover encumbrance balance plus the FY 23/24 Source & Use Amount equals the total funding available for the fiscal year.

⁵ Auditor's Report ending June 30, 2024

⁶ Total expenditures from 2019-2024 from the Auditor's Report (total project expenses through 06/30/24)

⁷ Information on expenditures for the FY 23/24 (referencing how column G was spent)

⁸ Original budget identified for the project

⁹ Revised budgets and estimates to complete the project as of October 24, 2024 (includes prior expenditures)

¹⁰ Expected Overrun/underrun (Difference between item# 6 and item# 7)

Highlighted amount will increase following revision.

COUNCIL AGENDA: 10/1/24
 FILE: 24-197289
 ITEM: 2.10



Memorandum

TO: HONORABLE MAYOR
 AND CITY COUNCIL

FROM: Matt Loesch

SUBJECT: See Below

DATE: September 3, 2024

Approved

Date:

9/18/24

COUNCIL DISTRICT: Citywide

SUBJECT: Status Report on the November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond

RECOMMENDATION

Accept the bi-annual status report on the work plan and implementation updates for projects included in the approved 2018 Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond.

SUMMARY AND OUTCOME

The approval of the recommendation provides the City Council with updated information on the status of projects and programs related to the voter-approved 2018 Measure T – The Disaster Preparedness, Public Safety, and Infrastructure Bond, including updates to funding projects within the Public Safety Program. The memorandum provides status updates on all Measure T projects as they progress through the feasibility, design, and construction phases.

BACKGROUND

Measure T, approved by voters in November 2018, provides for the issuance of \$650 million in General Obligation bonds to fund a variety of important infrastructure projects throughout the City. Since the voters approved the bond measure, the City Council has

received annual updates and provided direction on the implementation of the Measure T program. Past updates are linked below for reference ¹²³⁴⁵⁶⁷⁸⁹¹⁰¹¹.

Most recently, on March 26, 2024, Item 2.18¹², the City Council approved a bi-annual report and supplemental memorandum titled *Status Report on the November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond*. The report included the staff update on project work plans and implementation schedules, as well as outlined the projected funding needs for the public safety program.

ANALYSIS

Since the March 26, 2024 report, several significant activities have taken place. The updated schedules for all Measure T projects are described in **Attachment A - Project Implementation Schedules**. Attachment A is the master schedule list, and it will be shared with the Measure T Community Oversight Committee at its November 2024 meeting. The following list provides current project statuses in each of the major program categories.

- 1) **Measure T Community Oversight Committee** – The committee met on May 9, 2024, to review the 2024-2025 Proposed Capital Budget and 2025-2029 Capital Improvement Program, approve the creation of an ad hoc committee, and vote on a new chair and vice chair. The ad hoc committee is comprised of five members that will review and make recommendations to the larger Measure T Community Oversight Committee based on the annual independent auditor's report and annual expenditures of the Measure T Bond funds.

The next meeting will be held in November 2024, to review the auditor's report on the expenditures from fiscal year 2023-2024.

Currently, there are 12 committee seats filled and three vacant seats from District 7, the Citywide - Business, and the Citywide - Finance/Accounting.

¹ <http://files.constantcontact.com/7a210436601/dbd7436a-7b55-4264-b1e4-e25cc8a0b8a3.pdf>

² <https://sanjose.legistar.com/LegislationDetail.aspx?ID=3847489&GUID=DCF04188-1A48-4F02-B12D-24873EAD82E5&Options=&Search=>

³ <https://sanjose.legistar.com/View.ashx?M=F&ID=7319023&GUID=A6FDC251-C03F-4AC5-BF59-75566033BBA0>

⁴ <https://sanjose.legistar.com/View.ashx?M=F&ID=7319022&GUID=0BE80643-A261-4A59-B22B-D50B649E3175>

⁵ <https://sanjose.legistar.com/View.ashx?M=F&ID=7930362&GUID=B1D89BAF-37DB-4CEB-A297-96E19FF240EE>

⁶ <https://sanjose.legistar.com/View.ashx?M=F&ID=8453769&GUID=CC323CC8-820D-408E-84B9-8C2C79491C75>

⁷ <https://sanjose.legistar.com/View.ashx?M=F&ID=8943050&GUID=A6F24606-B5B8-4514-A76F-3ACD0B667913>

⁸ <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4970453&GUID=102628A4-C99B-407D-B9D5-E79441D5784A&Options=&Search=>

⁹ <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5697307&GUID=04EADE87-A463-4DBB-8A3E-EBB6D5C96AC0&Options=&Search=>

¹⁰ <https://sanjose.legistar.com/View.ashx?M=F&ID=11738576&GUID=66879752-3E11-49A0-8333-56C874716A49>

¹¹ <https://sanjose.legistar.com/View.ashx?M=F&ID=12354332&GUID=E97EAD34-02C1-4B15-8D4A-3FAEF3C0D996>

¹² <https://www.sanjoseca.gov/home/showpublisheddocument/112066/638520560075330000>

- 2) **Public Safety Projects** – Pursuant to direction from the City Council on March 26, 2024, the Measure T program allocates \$211.6 million to complete public safety projects. Site selection, land acquisition, and scoping for majority of projects have been completed and many of the projects are either in design or construction. Now that many projects have moved into the construction phase, staff has a clear understanding of the spending and funding need. A summary of current activities in the Public Safety category is below. The updated schedules for all Public Safety projects are shown in **Attachment B** - Public Safety Project Estimated Schedules.
- (a) **New Fire Station 37** – The construction project was awarded on June 30, 2020 to Gonsalves & Stronck Construction Company, in the amount of \$8,715,600 and began construction in September 2020. The project has been fully operational since May 2022 and received its Certificate of Occupancy in July 2023.
- (b) **Relocated Fire Station 8** – The construction project was awarded on August 15, 2023 to the lowest responsive bidder, DL Falk Construction, Inc., in the amount of \$10,526,000. The project began construction in October 2023 with final completion anticipated in spring of 2025.
- (c) **New Fire Station 32** – The project was awarded to the lowest responsive bidder, Gonsalves & Stronck Construction Company, on June 18, 2024, in the amount of \$12,867,777 which includes space for a dual company as well as the installing a rooftop solar photovoltaic system. The project required an additional \$3 million from the Public Safety program reserve to cover the additional costs for the dual company area of the project. The project began construction in August 2024 with final completion anticipated to be spring of 2026.
- (d) **Relocated Fire Station 23 (Land Acquisition Only)** – This project includes a budget of \$4.1 million, dedicated solely to the purchase of a property for the future relocated fire station. A suitable site for Fire Station 23 has been identified and staff have engaged the landowner in negotiations. To support property acquisition, the project needs to complete an environmental review under the California Environmental Quality Act and gain approval from City Council. California Environmental Quality Act review will begin upon completion of the project schematic design package, which is anticipated to be completed by October 2024. The California Environmental Quality Act review process is estimated to take up to 12 months. Staff anticipates returning to City Council with recommendations for the potential acquisition of the property once the project's California Environmental Quality Act analysis is complete, which is anticipated in the calendar year 2025.

The project will need an additional \$15 million to continue with the design and construction. In order to proceed with the design of Fire Station 23, staff will need to prioritize the remaining public safety projects and identify program savings or other funding opportunities, such as grants or funding in the General Fund and Fire Construction and Conveyance Tax Fund. The relocation of Fire Station 23 will improve coverage within the city limits and accounts for planned developments in North San José. Fire Station 23 is the fourth priority fire station approved by City Council in the June 18, 2019 memorandum [Measure T – New Fire Station Placement Prioritization \(Item 8.1\)](#), and is the last fire station in need of land acquisition.

- (e) **New Fire Station 36** – The site has been selected and land has been acquired at the intersection of Capitol Expressway and Tuers Road for the construction of Fire Station 36. The project is currently fully funded. Staff anticipates starting the design process once an architect consultant is selected in fall of 2024.
- (f) **Fire Station 20 – Aircraft Rescue and Firefighting Facility** – Fire Station 20, located at the southwest portion of the San José Mineta International Airport, replaced the older existing Aircraft Rescue and Firefighting Facility station. The project was completed at the end of March 2022, with the newly expanded fire station officially online and operational. Project acceptance occurred in September 2022.
- (g) **Police Training and Academy Facility** – The City acquired 300 Enzo as the site for the relocated Police Training and Academy in March 2021. The project was awarded on December 5, 2023, to the lowest responsive bidder, Midstate Construction, in the amount of \$28,748,000. The project construction start date was March 11, 2024 and final completion is anticipated for spring 2026. Originally, the project was expected to be completed late 2025, however the project schedule has been impacted due to unforeseen conditions within the existing building discovered during the course of construction.

Through project planning and design, the project funds were augmented from program reserves and other projects in the amount of \$24.7 million. The project bids came in lower than expected. Therefore, roughly \$9.3 million has been replenished to the program reserve for Public Safety.

- (h) **Emergency Operations Center** – The project, in conjunction with the Fire Department Training Center, was awarded on January 12, 2021 to Zovich Construction, Inc. in the amount of \$54,105,000. The project received a temporary Certificate of Occupancy in February 2024 and was extended

through November 2024, with minor punch list items remaining to be completed prior to final project acceptance. The City Manager's Office of Emergency Management staff has relocated to their new offices in Building 1. Building system trouble shooting is underway for Building 2, prior to being fully operational to support emergency events. The Emergency Operations Center is anticipated to be fully operational by end of September 2024. The ribbon-cutting ceremony occurred on March 28, 2024.

- (i) **9-1-1 Call Center Renovation** – This project will provide improved working conditions and a more efficient space for dispatch personnel to handle the increasing number of calls. This project will also allow the City to take advantage of the changing methods and technologies the public utilizes to call for 9-1-1 service. The 9-1-1 Call Center renovation will expand into the space previously used for the Emergency Operations Center. The 9-1-1 Call Center renovation project is anticipated to be awarded in January 2025 with construction starting in March 2025 and reaching substantial completion by early 2026 calendar year.

- (j) **Police Air Support Unit Hangar** – The location of this project is 1114 Coleman Avenue, at the southwest corner of the airport property, on the corner of Coleman Avenue and Airport Boulevard, next to the recently completed Aircraft Rescue and Fire Fighting Facility (Fire Station 20) described above. The project was awarded on November 7, 2023, to the lowest responsive bidder, DL Falk Construction, Inc., in the amount of \$12,660,000, and included the bid alternate for the construction of the second aircraft hangar bay for a future fixed-wing aircraft. The project began construction in January 2024 with final completion anticipated in spring 2025.

Later this year, Staff will bring forward a council memorandum requesting approval to increase the construction contingency for the work associated with the installation of a foam fire suppression system. This will enable the Police Department to conduct maintenance and repair work within the hangar as needed.

A third hangar space could be added to house the possible acquisition of a second fixed-wing aircraft. As a separate project, staff will examine the third hangar space expansion in the future should funding be identified and pending prioritization of resources with other Measure T public safety projects.

- (k) **Police Headquarters Infrastructure Upgrades** – Staff completed preliminary scoping exercises, working closely with the Police Department to

identify potential projects to be completed at the Police Administration Building. The highest priority projects identified include improvements to the plumbing throughout the facility and to the existing gun range target system. As part of the March 14, 2023 update, City Council approved increasing the project budget to \$6.3 million to address these high-priority projects.

The target system replacement for the existing gun range at the Police Administration Building has been completed. Staff is currently working on the preliminary design for the plumbing system and HVAC improvements at the existing gun range. The goal is to advance to the comprehensive design phase in November 2024. Both projects are expected to begin construction in March 2026 and achieve substantial completion by the end of April 2027.

- (l) ***Program Reserve for Public Safety*** – Initially, \$36.42 million of the Measure T Public Safety and Infrastructure Bond funds were set aside in the reserve for various projects, including: Police Administration Building Upgrades, 9-1-1 Call Center Upgrades, rehabilitation of various fire stations, as well as a contingency for Public Safety projects. Subsequently, funding has been allocated to various public safety projects once the scopes were defined or to offset higher costs of construction awards. Offsetting the use of the reserve was \$9.3 million of savings from the Police Training Center construction bids coming in lower than anticipated, prior year's interest earnings of \$4.5 million and project savings (\$231,000). A total of \$11.1 million was added to the reserve, bringing it to \$18.1 million. The goal of the reserve will be allocated for the design and construction of Fire Station 23; however, these funds could potentially be used for Measure T priority projects pending bid results.

3) **Pavement and Bridge Maintenance**

- (a) ***Street Resurfacing Projects*** – The City's 2,519-mile pavement network includes 967 miles of "major streets" and 1,552 miles of "local and neighborhood" streets. The Measure T program designated \$300 million for the repair or rehabilitation of local and neighborhood streets in the worst condition. In 2019, 420 miles were originally expected to be repaved during Measure T's lifespan. However, as pavement condition deteriorates over time, more streets fall into the rehabilitation category for pavement treatment. To deliver the pavement program efficiently, staff divided stretches of roadways into zones and prioritized these zones based on overall conditions. This has proven to have significant benefits by reducing mobilization costs and shortening the project delivery timeline.

The Department of Transportation has resurfaced 517 miles of roadway since 2020 utilizing Measure T funds. A map that shows the locations of these 517 completed miles can be found in **Attachment C** – City of San José 2020-

2024 Local Streets Measure T Streets. Department of Transportation continues to provide updated memoranda every spring to share tentative construction plans with the public.

In the 2024 construction season, the Department of Transportation plans to complete maintenance on 183 miles of San José local and neighborhood streets, of which 116 miles are programmed to be resurfaced and 1,160 associated curb ramps are to be constructed with the annual \$37.5 million Measure T allocation. In the 2025 construction season, the Department of Transportation plans to maintain 212 miles of San José streets, including 178 miles of local and neighborhood streets. Out of the 178 miles of local and neighborhood streets, 90 miles will be funded by Measure T.

- (b) ***Bridge Repair and Rehabilitation Projects*** – The Measure T program allocated \$20 million for City-owned bridges that are designated as structurally deficient and could be vulnerable in an earthquake or other disaster. To address as many bridge projects as possible, staff is implementing a delivery strategy aimed at leveraging multiple funding opportunities, such as Measure T and the Highway Bridge Program federal-aid funding, which consists of Bridge Investment Credits.

Caltrans has approved \$2,994,130 in Bridge Investment Credits for the City. The City can use the credits as a matching fund for any future federal-aid bridge projects. Staff anticipates additional approval of approximately \$2 million in 2025. Staff completed the rehabilitation work for 45 bridges and plan to rehabilitate an additional nine bridges by the end of summer 2024 and apply for Bridge Investment Credits upon completion of the projects.

To optimize Measure T funds and maximize the opportunity for grant funding, staff engaged a consultant to assess the City's bridge inventory using prioritization factors to provide major bridge rehabilitation project recommendations. The consultant found that bridges in San José are in better condition than anticipated and staff reviewed the consultant's recommendations with respect to prioritization. Staff established a three-year Bridge Maintenance Program with a budget of \$14.8 million. Maintenance work includes deck overlay, deck rehabilitation, deck replacement, joint replacement, and substructure preservation. The three-year plan is to help spend down the funding from the bridge program in compliance with bond issuance and expenditure requirements of Measure T funds.

The Highway Bridge Program funding is evolving with the recent passage of the federal Infrastructure Investment and Jobs Act. Staff will be ready to apply for grant funds as soon as funding becomes available, as the bridge investment credits do not expire. Staff will continue to work with counterparts

at Caltrans to maximize grant opportunities and advocate for the increased availability of program funds. The Department of Transportation will continue delivering bridge maintenance projects as scheduled and provide further information as it becomes available.

4) Light Emitting Diode (LED) Outdoor Lighting Projects

(a) **City Facilities LED Lighting Projects** – As staff evaluated the outdoor lighting inventory, the number of fixtures needing to be converted for City-owned facilities grew by over 1,000. In addition, the cost for the fixtures is higher than originally anticipated. **Table 1** below lists the City-owned facilities in conversion priority order, provides details about the total number of fixtures, as well as the number of fixtures that have been converted to date for each category utilizing Measure T funding. The Public Works Department was able to find two funding sources to cover the remaining 1,045 outdoor facility lights. Staff was able to secure \$500,000 from the Community Development Block Grant program through the Housing Department to address the exterior and interior lighting at the following 10 fire stations; 3, 5, 7, 16, 18, 20, 26, 30, 34, and 35. An additional \$2.4 million was shifted from the LED Streetlights Conversion project to complete the conversion of all City facilities. This work is estimated to be completed by June 2026. Staff will continue to coordinate with project managers to ensure all new future developments are scoped to include the new LED lighting and controllers in the base design.

**Table 1
City Facility Lighting Conversion Status as of August 2024**

Facilities	Converted	Remaining	Total
Parks and Trails	3,488	38	3,526
Community Centers	1,229	54	1,283
Libraries	1,328	0	1,328
Fire Stations	422	269*	691
Cultural Facilities	212	509	721
San José Police Department	534	60	594
Corporation Yards	419	0	419
Lighted Sports Facilities	165	115	280
Number of Fixtures	7,797	1,045	8,842

*Lighting conversion funded by the Community Development Block Grant. All other conversions will be funded by Measure T.

Lighting Controls for City Facilities – To date, there have been 4,836 nodes installed. Staff is working to install the remaining 4,006 nodes, for a total of 8,842 nodes citywide, of which Measure T has funded a large portion

of these controllers. These nodes are currently being installed at the existing retrofitted sites listed in **Table 1** as well as new City facility projects as they come online. There are roughly 1,100 exterior fixtures at new City facilities (i.e., the Emergency Operation Center, Fire Training Center, Municipal Water office buildings, new parks, and fire stations), and staff anticipates purchasing the remaining controllers as sites are completed and as funding becomes available.

- (b) **LED Streetlight Conversion Projects** – Most of the streetlights have been successfully converted either by City crews or through Pacific Gas and Electric Company’s (PG&E) “Turnkey Conversion” project. There are roughly 3,000 lights remaining to be converted, which are unique ornamental, or post-top lights, primarily in the downtown neighborhoods and business districts.

With the completion of the PG&E streetlight inventory audit in July 2021, there is also a billing records review under way of over 27,000 streetlight records. The billing records are reviewed as a joint effort with PG&E and City staff. The billing records are to be reviewed and confirmed by PG&E in 2024. It is likely to result in a decrease in the City’s streetlight inventory.

A total of \$2.4 million of the funding from the LED Streetlight Conversion project was reallocated as part of the 2024-2025 Adopted Budget to fund the completion of the LED conversion of the City-owned facility lighting. The total funding remaining within the LED Streetlight Conversion project will be \$5.3 million and utilized to convert the ornamental lights as the bulbs burn out. To date, just under 1,000 ornamental lights have been converted in various areas throughout the City. In addition, staff will continue to perform investigations to determine how many streetlight poles require ground wire within the system. Once those locations are determined, the work will fall into the deferred maintenance infrastructure backlog and funding will need to be identified. Staff will also continue to conduct further research on the lighting controller market and work with the industry to develop a solution that meets the City’s need for efficient management of the streetlight network. This research will also include taking advantage of the emerging Internet of Things functionality to provide additional community-serving benefits, such as emergency response and management, energy conservation, and public safety. Staff will explore alternative funding strategies and availability, such as potential grants, to fund the lighting controls once an appropriate product is identified.

- 5) **Clean Water and Green Stormwater Infrastructure Projects** – The Measure T program has dedicated \$25 million for this category of projects. Each of the projects are being developed in conjunction with the Green Stormwater Infrastructure Plan that was approved by the City Council on September 10, 2019. Staff identified the River Oaks Regional Stormwater Capture Project as

one of the top priority projects in the Green Stormwater Infrastructure Plan. The project was awarded on June 13, 2023, to Andrew M. Jordan Inc., dba A & B Construction, in the amount of \$10,999,618. The project started in September 2023 and is anticipated to be completed in winter 2024.

Initially, the City Land South of Phelan Regional Stormwater Capture Project was identified as the next priority project to be completed under Measure T and was approved by City Council in the June 28, 2022 Measure T update. In January 2024, City staff further evaluated the remaining amount of Measure T funds, constructability, construction costs, and long-term operation and maintenance costs of this project. It was estimated the project could cost upwards of \$29 million and require another 1.5 years of design and permitting before starting construction in late 2025. With the extended schedule, design constraints, increase in cost, and the complexity of the project, staff determined that the City Land South of Phelan project was no longer feasible. Instead, staff is pursuing a smaller regional project that requires less permitting with a more straightforward design located within Kelley Park near the Happy Hollow parking lot, known as the Vintage Heritage Regional Stormwater Capture Project.

To evaluate the viability of the Vintage Heritage Regional Stormwater Capture Project, staff used the previously established evaluation criteria that consider cost effectiveness, potential partnership, technical feasibility, social/community/equity benefits, and water supply/flood protection. After evaluating the project, staff found, when comparing this project to the City Land South of Phelan, the construction costs and operation and maintenance costs will be significantly less while simultaneously meeting goals set in the Green Stormwater Infrastructure Plan. This project will collect runoff from approximately 80 acres of the surrounding neighborhood. The project offers a high degree of water quality benefit addressing pollutant reduction and trash reduction, while also expanding usable green space for the public. This smaller Regional Stormwater Capture Facility started design in May 2024, with anticipated construction completion in November 2025.

Staff developed a feasibility study that identified five new regional stormwater capture facilities to clean stormwater run-off in the City of San José. From these five sites, two have been prioritized to proceed forward to being design. These projects will collect a combined total runoff of up to approximately 300 acres within the San José region. Similar to the Vintage Heritage Regional Stormwater Capture Project, these projects will provide green stormwater infrastructure benefits to the community, ranging from water quality to flood reduction while reducing generated pollutants. These projects are anticipated to begin design in fall 2024 with construction completed in summer 2027. Staff anticipates utilizing approximately \$12 million of Measure T funds for the River Oaks Regional Stormwater Capture Project, approximately \$3.5 million for the Vintage Heritage

Regional Stormwater Capture Project location, and approximately \$9 million for one or two smaller regional stormwater capture facilities.

- 6) **Storm Drain Improvement Projects for the Charcot Area** – The Storm Drain Improvement Projects for the Charcot area will provide flood protection in the area east of Zanker Road between East Trimble Road and East Brokaw Road. Originally envisioned as a new storm pump station at Charcot Avenue and Hartog Drive, this project was re-scoped to construct a new and less costly storm drain system that connects to the existing Rincon Pump Station II, which outfalls to the Guadalupe River. This revised project approach provides similar levels of flood protection while saving the City significant costs for building, operating, and maintaining a new pump station. The project will be constructed under two packages, due to its size and complexity. Package one will install approximately 4,200 linear feet of a combination of 54-inch fiberglass-reinforced concrete pipe and 72-inch to 96-inch diameter storm pipe along Charcot Avenue and Bering Drive. Package two will be designed to install approximately 3,100 feet of 60-inch to 96-inch diameter storm pipe along East Brokaw Road and Rodgers Avenue.

Staff is in the process of executing the contract for package one, which will use all the available Measure T budget for this project at approximately \$24 million. Package two design is scheduled to be completed by the end of calendar year 2024; however, there will not be sufficient funding available for construction. Package one alleviates approximately 60% of flooding in the area and package two will increase that by 20% of the total amount by redirecting flow to Rincon II Pump Station. There is currently a temporary pump station at Charcot Avenue and Hartog Drive that will provide relief to the storm system in the package two project boundaries that will be in operation until additional funding is identified to complete the construction of package two. Staff has discussed with Valley Water the need for the temporary pump station and will continue to seek a potential partnership to complete the construction of package two. Staff will also look into pursuing grant opportunities to obtain funding.

Package one was awarded on June 18, 2024 with the construction bid amount of \$18.2 million. This project is scheduled to begin construction in November 2024, with an anticipated completion end of 2025. Package two is currently at 60% progress design with anticipated design completion by the end of calendar year 2024; the construction will be on hold until funding is identified.

- 7) **Environmental and Flood Protection Projects** – On November 6, 2019, City Council approved the purchase of approximately 672 acres of real property in Coyote Valley.
- 8) **Community Center/Emergency Shelters** – The City Emergency Operations Plan includes the coordination of mass care and sheltering facilities. These

facilities will be retrofitted to provide basic human needs, including food, water, shelter, and security. While the operation of an emergency shelter is considered an emergency protective measure under the Stafford Act, facilities identified for such a purpose are required to meet basic facility standards. These standards include per capita allowances for space, feeding, and personal hygiene.

The Priority 1 project, which includes the Roosevelt, Mayfair, Bascom and Seven Trees Community Centers, was awarded on April 4, 2023, to the lowest responsive bidder, City Building, Inc., in the amount of \$1,938,436. The project started construction in June 2023 and is anticipated to be completed in November 2024.

The Priority 2 project, which includes Camden Community Center, was awarded on June 18, 2024, to the lowest responsive bidder, City Building Inc., in the amount of \$4,599,178. The project is anticipated to start construction October 2024 and is anticipated to be complete in July 2025.

The Priority 3 project, which includes the Berryessa, Almaden, and Evergreen Community Centers, was awarded on June 13, 2023, to the lowest responsive bidder, City Building, Inc., in the amount of \$1,198,780. The project began construction in September 2023 and is anticipated to be completed in January 2025.

After further review of the improvements needed at Cypress Community Center, the Priority 4 project, staff put the design on hold until after the Camden Community Center Project was awarded, due to the anticipated costs exceeding the current budget. The Camden Community Center Project was awarded on June 18, 2024. The Parks, Recreation, and Neighborhood Services Department decided to focus on Camden Community Center rather than Cypress Community Center. The focus shift on Camden Community Center is due to it being the largest community center, will be the department's dedicated Department Operations Center, and is historically one of the most used shelter sites during emergency situations. Cypress Community Center may still be considered as part of a public-private partnership housing redevelopment project site that will build a new facility; however, the Parks, Recreation, and Neighborhood Services Department is currently not pursuing that option and will reevaluate in the future. Any emergency shelter work would be added to the scope of the project, if and when the public-private partnership housing redevelopment project is completed.

- 9) **Public Art** – The public art budget for each capital program is shown in **Table 2** below and included in the 2024-2025 Adopted Capital Budget and the 2025-2029 Adopted Capital Improvement Program. The allocation for public art may be refined as the scopes for the projects are completed. The first public art project

completed was an exterior ceramic mural and interior window treatment for Fire Station 37 by artist Sam Tubiolo. The artwork on the exterior of the Fire Department Training Center/Emergency Operations Center has also been completed by Bay Area artist Johanna Poethig, as well as the second phase of public art projects at the Fire Department Training Center/Emergency Operations Center that addressed the building interior, which commissioned 31 local artists. The installation of public art by Bay Area artist Gordon Huether for the Police Department Memorial was completed in November of 2023. Additional public art projects are in the planning phase for Fire Stations 8, 32, and 36 as well as a perimeter fencing project at the River Oaks Regional Stormwater Capture Project and mural projects at parks and community center facilities, such as the memorial mural at the Mayfair Community Center by artist Jessica Sabogal.

**Table 2
Public Art Budget Allocation**

Program	Total
Public Safety	\$ 1,897,000
Storm Sewer	\$ 527,000
Parks and Community Facilities	\$ 126,000
Total	\$ 2,550,000

EVALUATION AND FOLLOW-UP

Staff will provide City Council with the next bi-annual program update in spring 2025.

COST SUMMARY/IMPLICATIONS

As the Measure T program evolves, project budgets are recommended for modification, as appropriate, as they proceed through site selection, design, and construction.

Attachment D - 2025-2029 Adopted Capital Improvement Program – Measure T Fund demonstrates Measure T funding of \$131.0 million in the 2024-2025 Adopted Capital Budget and \$284.5 million for the five-year 2025-2029 Adopted Capital Improvement Program. Vis-à-vis Measure T debt, \$440.4 million of the three-tranche, \$650 million in Measure T bonds have been issued thus far (\$239.9 million in 2019 and \$200.5 million in 2021). It is anticipated the third and possibly final tranche of the Measure T bonds will be issued in summer 2025, but it will be dependent on estimated project activities.

With regard to Internal Revenue Service rules that tax-exempt bonds expend 85% of the respective tranche within three years of issuance, staff is making a good faith effort to progress with various projects and have been diligently documenting the project

delays that have occurred since the beginning of the program. Staff is also working to expedite spending by reviewing projects that can move forward faster. Staff will evaluate actual spending and anticipated project expenditures to determine the timing of the third and final tranche of Measure T bonds.

Attachment E – Measure T Expenditures shows the actual year-to-date Measure T expenditures through June 2024. As previously discussed, the Program Reserve for Public Safety may not be sufficient to complete the remaining public safety projects. Staff will need to prioritize the remaining public safety projects and identify program savings or identify other funding opportunities such as grants.

As noted in the 2025-2029 Five-Year Forecast and Revenue Projections, several of the Measure T projects will incur significant operating and maintenance costs in the future, including the new fire stations, the Police Training Center and corresponding activation of the South San José Police Substation, and the 9-1-1 Call Center Renovation. This would also necessitate adding staff in the Fire, Police, and Public Works Departments to help support the additional facilities and expansions. Preliminary estimates for the operating and maintenance costs for the Measure T projects coming online during the next five years range from approximately \$7.3 million in 2025-2026 to \$26.0 million in 2028-2029 when the majority of the Measure T projects will be completed.

The preliminary annual operating and maintenance costs for Fire Station 32 (approximately \$12.0 million for dual company), Fire Station 36 (\$7.0 million for single company), the Police Training Center, and corresponding activation of the South San José Substation (\$7.0 million) will be brought forward for City Council certification prior to awarding a contract for construction or recommended for certification as part of the Proposed Capital Improvement Program. In March 2008, the City Council approved Budget Principle #8 that stated capital improvement projects “shall not proceed for projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact.” Annual costs for other Measure T projects, such as the upgrades at the Police Headquarters, will be brought forward as part of future budget processes once their scopes have been refined.

Aside from the operating and maintenance costs, future funding is required to outfit the new facilities with the necessary furnishings, fixtures, and equipment – including new fire apparatus – that are not eligible to be paid with Measure T general obligation bonds. Based on preliminary information, the furnishings, fixtures, and equipment for the fire stations, Police Training Facility and Academy, Police Hangar, 9-1-1 Call Center Renovation, and Emergency Operations Center is estimated to cost approximately \$6.0 million within the next five years. It is anticipated that refinements of these estimates, as well as determining funding for furnishings, fixtures, and equipment, will be completed prior to bringing them forward for consideration by the City Council in any given year.

HONORABLE MAYOR AND CITY COUNCIL

September 3, 2024

Subject: Status Report on the 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond

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COORDINATION

This memorandum, work plan, and implementation schedules have been coordinated with the City Attorney's Office, the City Manager's Budget Office, Office of Economic Development and Cultural Affairs, the City Manager's Office of Emergency Management, and the departments of Finance, Fire, Parks, Recreation, and Neighborhood Services, Police, Transportation.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the September 24, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

The Measure T Community Oversight Committee will hold its next meeting in November 2024 to review and discuss the 2023-2024 external audit report findings.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

Matt Loesch
Director of Public Works

HONORABLE MAYOR AND CITY COUNCIL

September 3, 2024

Subject: Status Report on the 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond

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For questions, please contact Sal Kumar, Deputy Director of Public Works Department, at Sal.Kumar@sanjoseca.gov.

ATTACHMENTS:

Attachment A – Project Implementation Schedules

Attachment B – Public Safety Project Estimated Schedules






Attachment C – City of San José 2020-2023 Local Streets Measure T Streets

Attachment D – 2025-2029 Adopted Capital Improvement Program – Measure T Fund

Attachment E – Measure T Expenditures

Attachment A
Project Implementation Schedules

Bond Project List Category	Proposed Projects Scope and Locations	2024	2025	2026	2027	2028	2029
Pavement Projects	388 Miles of Street Repair (approx. 58 mi./year)	[Gantt bars showing project progress across years 2024-2029]					
Public Safety Projects	Fire Station No. 37 - New	COMPLETED					
	Fire Station No. 8 - Relocated	[Gantt bar from 2024 to 2025]					
	Fire Station No. 32 - New	[Gantt bar from 2024 to 2026]					
	Fire Station No. 23 - Relocated	[Gantt bar from 2024 to 2025]					
	Fire Station No. 36 - New	[Gantt bar from 2024 to 2028]					
	Various Fire Stations - Rehabilitation	NOT APPLICABLE					
	911 Center - Upgraded/New	[Gantt bar from 2024 to 2025]					
	Emer. Operations Ctr. - Upgraded/New	COMPLETED					
	Police Headquarters - Infrastructure needs	[Gantt bar from 2024 to 2027]					
	Police Dept. Training Center - New/Relocated from South Substation	[Gantt bar from 2024 to 2025]					
Police Dept. Air Support Unit Hangar - New at Airport	[Gantt bar from 2024 to 2025]						
Environmental Protection Projects	Flood Control, open space and environmental protection of lands such as Coyote Valley	COMPLETED					
Storm System Conveyance & Flood Prevention Projects	Charcot Area Storm Drain Improvement Phase I	[Gantt bar from 2024 to 2025]					
	Charcot Area Storm Drain Improvement Phase II	[Red bar from 2024 to 2029]					
Clean Water and Green Stormwater Infrastructure (GSI) Projects	River Oaks Regional Stormwater Capture Project	[Gantt bar from 2024 to 2025]					
	Vintage Heritage Regional Stormwater Capture Project	[Gantt bar from 2025 to 2026]					
Bridge Repair and Rehab Projects	Various bridge overpasses to be seismically retrofitted or repaired.	[Gantt bars from 2024 to 2029]					
LED Lighting - Streetlights	Replacement of both standard and decorative streetlights to LEDs to reduce ongoing General Fund impacts.	[Gantt bar from 2024 to 2027]					
LED Lighting - City Facilities	Replacement of outdoor lights in city facilities to reduce ongoing General Fund impacts.	[Gantt bar from 2024 to 2026]					
Community Center/Emergency Shelters	Upgrading community centers/emergency shelters and parks facilities to support public safety.	[Gantt bars from 2024 to 2029]					
	Priority 1 (Roosevelt, Mayfair, Bascom, Seven Trees)	[Gantt bar from 2024 to 2025]					
	Priority 2 (Camden)	[Gantt bar from 2024 to 2026]					
	Priority 3 (Berryessa, Almaden, Evergreen)	[Gantt bar from 2024 to 2025]					

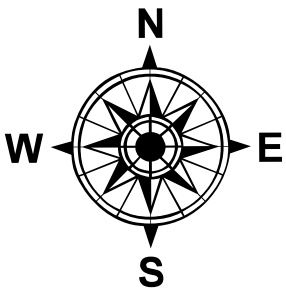
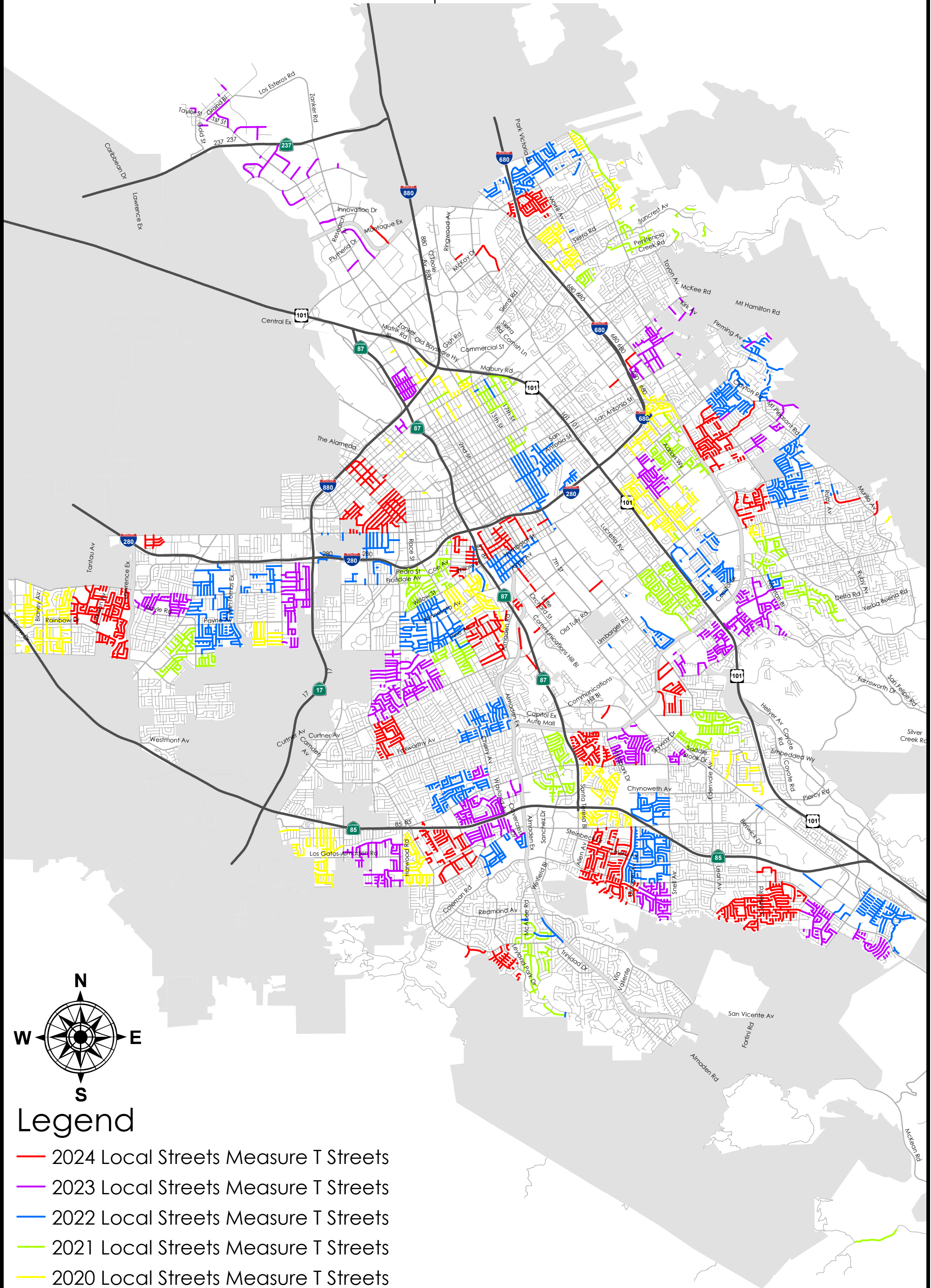
	ON HOLD: Project is on hold due to funding constraints
	PROJECT SELECTION PROCESS AND IDENTIFICATION: Evaluation of Options
	SCOPING/CEQA/PROPERTY ACQUISITION: Consultant Process, Feasibility & Envir Studies
	DESIGN: Consultant Selection, Design and Bid/Award
	CONSTRUCTION: Construction, Commissioning, Beneficial Use / Occupancy, Acceptance

Projects	First Estimate	Adv	Bid Opening	Award	Const	Beneficial Use	Comments
Fire Station 8	-	4/26/23	6/1/23	8/15/23	10/5/23	<i>Mar-25</i>	Awarded to DL Falk. Currently in Construction.
Police Air Support Unit Hangar	-	7/12/23	9/7/23	11/7/23	1/16/24	<i>Mar-25</i>	Awarded to DL Falk. Currently in Construction.
Police Training and Academy Facility	-	8/30/23	10/19/23	12/5/23	2/27/24	<i>Mar-26</i>	Awarded to Midstate Construction. Currently in Construction
Fire Station 32 Re-Bid 4	-	3/20/24	4/25/24	6/18/24	Aug-24	<i>Mar-26</i>	Awarded to Gonsalves & Stronck Construction Company. Currently in Construction
9-1-1 Call Center Renovation	-	10/23/24	12/4/24	1/21/25	3/3/25	<i>Feb-26</i>	
Fire Station 36	<i>Mar-25</i>	<i>Jan-26</i>	<i>Feb-26</i>	<i>Mar-26</i>	<i>July-26</i>	<i>Apr-28</i>	RFP to be issued Fall 2024.

Dates in grey shaded area are actual dates that occur in the past
Dates italicized are the estimated dates



CITY OF SAN JOSE 2020-2024 LOCAL STREETS MEASURE T STREETS



Legend

- 2024 Local Streets Measure T Streets
- 2023 Local Streets Measure T Streets
- 2022 Local Streets Measure T Streets
- 2021 Local Streets Measure T Streets
- 2020 Local Streets Measure T Streets

CITY OF SAN JOSE
2025-2029 ADOPTED CAPITAL IMPROVEMENT PROGRAM
Measure T Public Safety and Infrastructure Bond Fund (498)

STATEMENT OF SOURCE AND USE OF FUNDS

Program	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	5-Year Total
<u>SOURCE OF FUNDS</u>						
Beginning Balance*	\$74,927,084	(\$56,097,000)	\$61,977,000	\$6,104,000	\$3,901,000	\$74,927,084
Financing Proceeds						
Traffic		159,000,000				159,000,000
Public Safety		28,870,000				28,870,000
Storm Sewer		15,700,000				15,700,000
Parks & Community Facilities		6,000,000				6,000,000
Total Financing Proceeds		\$209,570,000				\$209,570,000
Total Sources	\$74,927,084	\$153,473,000	\$61,977,000	\$6,104,000	\$3,901,000	\$284,497,084
<u>USE OF FUNDS</u>						
<u>Traffic</u>						
Bridges	3,300,000	2,600,000	1,900,000	1,900,000	3,901,000	13,601,000
Pavement Maintenance	39,898,200	37,500,000	37,500,000			114,898,200
LED Streetlight Conversion	1,500,000	1,500,000	2,297,000			5,297,000
Admin – Traffic	22,000					22,000
Admin Reserve – Traffic	42,000					42,000
Total Traffic	\$44,762,200	\$41,600,000	\$41,697,000	\$1,900,000	\$3,901,000	\$133,860,200
<u>Public Safety</u>						
Emergency Operations Center	1,200,000					1,200,000
Fire Station 37	8,000					8,000
Fire Station 8 Relocation	2,928,000					2,928,000
Fire Station 23 Relocation	330,000	3,539,000				3,869,000
New Fire Station 32	7,430,000	2,483,000				9,913,000
New Fire Station 36	1,200,000	8,040,000	8,000,000	303,000		17,543,000
Police Training Center Relocation	23,363,000	10,557,000				33,920,000
Police Air Support Unit Hangar	2,490,000	100,000				2,590,000
911 Call Center Upgrades	4,927,000	108,000				5,035,000
Police Administration Building Upgrades	473,000	5,084,000				5,557,000
Public Safety Reserves	18,092,884	0				18,092,884
Public Art - Pub Safety	676,000	0				676,000
Admin WC - Public Safety	372,000	0				372,000
Admin Reserve - Public Safety	710,000	0				710,000
Total Public Safety	\$64,199,884	\$29,911,000	\$8,000,000	\$303,000		\$102,413,884
<u>Storm Sewer</u>						
Storm Drain Improvements at Charcot Ave	11,723,000	12,748,000				24,471,000
Clean Water Projects	2,600,000	4,450,000	6,171,000			13,221,000
Public Art – Storm Sewer	40,000	5,000	5,000			50,000
Admin – Storm Sewer	132,000					132,000
Admin Reserve – Storm Sewer	250,000					250,000
Total Storm Sewer	\$14,745,000	\$17,203,000	\$6,176,000			\$38,124,000

CITY OF SAN JOSE
2025-2029 ADOPTED CAPITAL IMPROVEMENT PROGRAM
Measure T Public Safety and Infrastructure Bond Fund (498)

STATEMENT OF SOURCE AND USE OF FUNDS

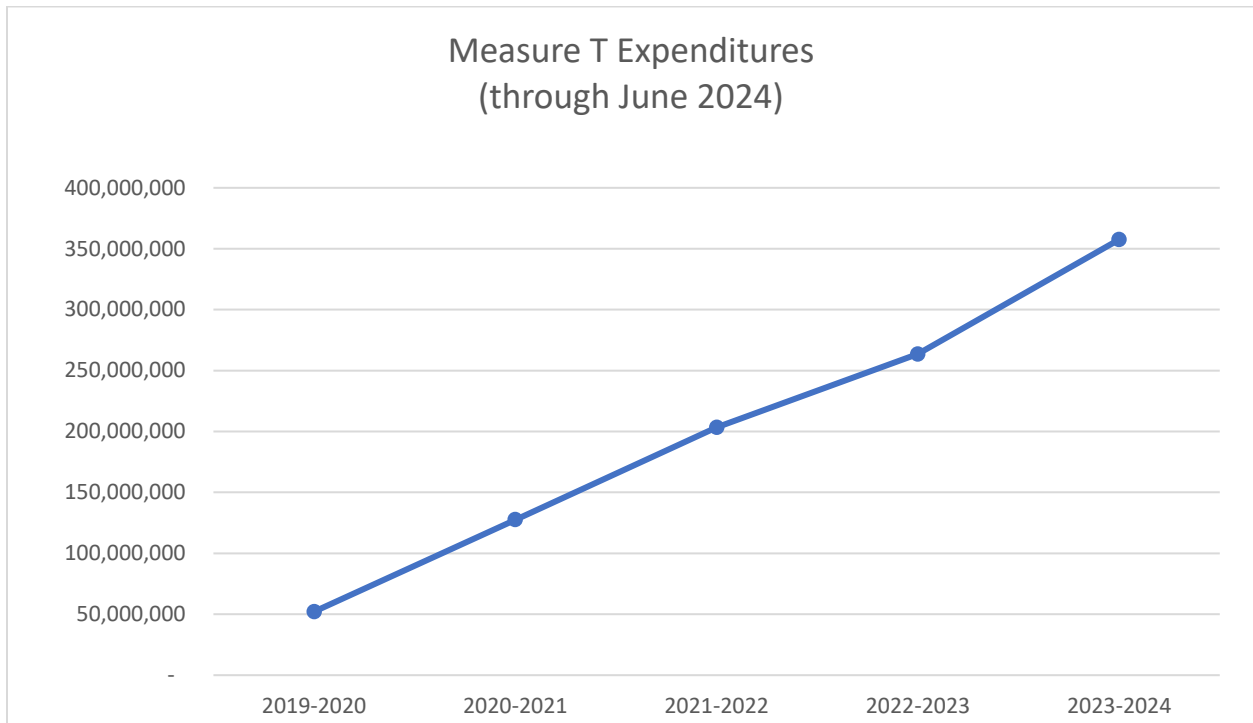
Program	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	5-Year Total
<u>Municipal Improvements</u>						
City Facilities LED Lighting	1,200,000	1,200,000				2,400,000
Total Municipal Improvements	\$1,200,000	\$1,200,000				\$2,400,000
<u>Parks & Community Facilities</u>						
Community Centers/Emergency Shelters	\$6,000,000	\$1,582,000				\$7,582,000
Public Art – Parks	15,000					15,000
Admin – Parks	29,000					29,000
Admin Reserve Parks	73,000					73,000
Total Parks & Community Facilities	\$6,117,000	\$1,582,000				\$7,699,000
Total Expenditures	\$131,024,084	\$91,496,000	\$55,873,000	\$2,203,000	\$3,901,000	\$284,497,084
Ending Fund Balance**	(\$56,097,000)	\$61,977,000	\$6,104,000	\$3,901,000	\$ -	\$ -
Total Uses	\$74,927,084	\$153,473,000	\$61,977,000	\$6,104,000	\$3,901,000	\$284,497,084

*The 2025-2026 through 2028-2029 Beginning Fund Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

**The 2024-2025 through 2027-2028 Ending Fund Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of the same funds.

Originally, the final bond issuance was planned for 2023-2024 but will be deferred to summer 2025. This results in a 2023-2024 Ending Fund Balance over-expended on a budgetary basis by \$56.1 million; however, there is a sufficient cash balance in this fund to cover expenditures in 2024-2025 and once the bonds are issued in 2025-2026, the Ending Fund Balance becomes positive.

Attachment E - YTD Measure T Expenditures



Fiscal Year	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Expenditures*	\$52,143,312	\$75,472,897	\$75,736,192	\$60,341,925	\$93,838,949

*excludes encumbrances