



San José Community Oversight Committee (COC) Measure T Annual Report for Fiscal Year 2021-2022

Measure T COC Report to the City Council

March 7, 2023

The Measure T COC's annual report covering the most recent fiscal year ended June 30, 2022, was provided to the City Council on February 13, 2023. The following is a summary of the report.

COC Findings and Conclusions FY2021-2022

The bond issuance and related expenditures for the fiscal year ended June 30, 2022 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.

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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

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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 2021-2022 was \$72,736,192. The Total Measure T Audited Use of Funds for FY 2019 through FY 2022 was \$200,409,861. The funds were allocated and expended for each of the Measure T program categories as detailed in the following table.

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FY 2019-2020, 2020-2021, & 2021-2022 Measure T: Disaster Preparedness, Public Safety, and Infrastructure Bond Program Audited Use of Funds

Measure T Program Category	FY 2019-2020 Measure T Audited Use of Funds (Dollars)	FY 2020-2021 Measure T Audited Use of Funds (Dollars)	FY 2021-2022 Measure T Audited Use of Funds (Dollars)	Total Measure T Audited Use of Funds (Dollars)
Traffic	2,930,649	40,383,406	44,766,871	88,082,948
Public Safety	906,296	31,390,243	23,971,159	56,316,536
Storm Sewer	809,388	612,967	996,203	2,418,558
Municipal Improvements	47,494,159	3,036,312	2,676,047	53,204,518
Parks & Community Facilities	60,280	49,969	327,912	387,301
Total	52,200,772	75,472,897	72,736,192	200,409,861

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General Observations and Comments

1. **Persistent Low Rate of Measure T Spending Versus DPW's Planned Spending.** There has been a persistent low rate of Measure T spending versus DPW's planned spending (refer to Table 7-1 of the COC's full report to the City Council for further detail)

FY 2019 through FY 2022 -- planned spending	\$ 481.7 million
FY 2019 through FY 2022 -- actual spending (plus encumbrances)	\$ 231.8 million
Actual spending as a percentage of planned spending	48.1%

- a. The bond indenture requires that 85% of any money received be spent within three years of issuance in order to qualify for the bonds' requisite tax exemptions. If the city's historical rate of spending worsens, this tax exemption could become jeopardized.
- 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.

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General Observations and Comments (Cont.)

- 1. Measure T Projects Master Project Plan/Schedule.** Through June 30, 2022, DPW had not published a “Master project plan/schedule” for the Measure T projects providing expected start/finish dates for each underlying project. As a result, it has not been possible for the COC to conclude whether DPW is on-track to complete all Measure T projects in accordance with each project’s original scope, its planned completion date, and within its originally anticipated budget.

In December 2022, DPW provided the COC with project-level budget updates showing an expected, aggregate budget deficit of \$26 million for all currently in-process Measure T projects (refer to attachment 3 to the COC’s report to the City Council for further detail).

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Specific recommendations

1. **Publish a “Master Project Plan/Schedule”.** DPW should publish a “Master project plan/schedule” beginning with DPW’s next semi-annual report to the Council on June 30, 2023, containing vital project-level information schedule and current spending plan; every six months thereafter, DPW should provide an updated report to the Council.

COC believes this semi-annual report will greatly assist the COC in performing its mandated oversight and will be an invaluable resource to the City Council in any required decision-making regarding the appropriate expenditure of remaining Measure T funds.

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Specific recommendations (Cont.)

- 2. Fill Vacant COC Seats.** As of the date of this report, five vacant Measure T COC seats (out of a total of 15 designated seats) still remain (four district seats, 3, 5, 8 and 10, and one citywide seat - environmental issues). Because of the number of unfilled seats, the COC has, at times, been unable to muster the quorum necessary to conduct COC business.

COC believes the Measure T COC and the city's other 24 active commissions play a significant role in city government giving residents an official capacity in which to provide input on local policies and decisions. The COC urges the City Council to fulfill its obligations to the city and its electorate by expeditiously moving to fill these empty seats.

To ensure continued communication and liaison with their respective Districts, 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 implementing recommendation 2, immediately above