



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch

SUBJECT: SEE BELOW

DATE: February 5, 2024

Approved

Date

2/8/24

SUBJECT: ANNUAL REPORT ON MEASURE T DISASTER PREPAREDNESS, PUBLIC SAFETY, AND INFRASTRUCTURE GENERAL OBLIGATION BOND PROGRAM PROCEEDS AND ALLOCATIONS FOR FISCAL YEAR 2022-2023

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 2022-2023.

SUMMARY AND OUTCOME

Consistent with its City Council-approved responsibilities, the Measure T Community Oversight Committee (COC) prepared the Fiscal Year (FY) 2022-2023 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 2022-2023.) 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 Measure T bonds financial statements as well as 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, 2023¹) and the amount of ad valorem tax collected for each prior FY ending June 30. In 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.

¹ <https://www.sanjoseca.gov/home/showpublisheddocument/107521/638372784259670000>

Acceptance of this report concludes the Measure T COC review of the expenditure of proceeds of Measure T bonds and the status of projects funded by the bond program in FY 2022-2023.

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 the Director of Finance's annual report on the amount of Measure T bonds issued and 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 and addressing the committee members comments through an ad hoc committee. The committee requested a motion to approve this report pending the draft changes discussed during its meeting on January 9, 2024. 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 project overruns with many projects in early stages of design or development as of June 2023. 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.

In response to the COC's observation in section 3.a.(1) of the attached report regarding the reduced level of spending, staff has committed to review the proposed spend down for the remainder of the current FY as well as future FYs. With several projects starting construction in FY 2023-2024 and FY 2024-2025, the program will see a ramp up in spending. Once construction contracts are awarded, these projects will encumber large amounts of funding from Measure T. However, these encumbrances will not be shown in the annual City of San José Public Safety and Infrastructure Bond Projects Fund financial statements as actual money spent, but as commitments. In the upcoming March 2024 Measure T status report to City Council, staff will include its findings of the cause of the delayed expenditures as well as the plan for future expenditures.

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 2024.

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 2, 2023, the COC conducted a public hearing to review the expenditures and the audited financial statements for the FY ending June 30, 2023. Staff from the City Auditor's Office and the Finance Department, and a representative from Macias Gini & O'Connell, the City's external financial auditor, attended the public hearing to answer questions from the COC.

HONORABLE MAYOR AND CITY COUNCIL

February 5, 2024

Subject: Annual Report on Measure T Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Program Proceeds and Allocations for Fiscal Year 2022-2023

Page 4

Department of Public Works staff also presented the bond expenditures and the progress of projects. The COC conducted a second public meeting on January 9, 2024, to review and approve the COC report.

This memorandum will be posted to the City Council Agenda website for the February 27, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

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 Katherine Brown, Assistant Director, Public Works Department, at katherine.brown@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 2022-2023

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

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

18 January 2024

**SUBJECT: San José Community Oversight Committee (COC) 2018 Measure T
Disaster Preparedness, Public Safety, and Infrastructure Bond Program
Annual Report FOR FISCAL YEAR 2022-2023**

Accept this Fiscal Year 2022-2023 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, 2023 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. The low rate of Measure T spending relative to DPW's planned spending continues to be a concern. \$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 slated for issuance in July 2024. Through the first four years of Measure T's existence and operation (July 2019 through June 2023), only 59.2% of the issued bond proceeds have been spent while just 40.1% 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. As articulated in last year's report to city council, the COC has the same concerns, reiterated here for convenience and emphasis:
 - (1) Under Internal Revenue Service (IRS) rules, tax-exempt bonds are required to expend 85% of the respective tranche within three years to maintain the bonds' tax-exempt status. Measure T's first issuance of \$239.9 million occurred in July 2019, with a second issuance of \$200.5 million in July 2021, for a total of \$440.3 million in Measure T tax-exempt bonds issued to date. The July 2019 issuance has met the 85% spending requirement, with \$219.4 million of \$239.9 million expended through June 30, 2023, 91.5% of the respective Measure T Bonds tranche. However, only 17.5% of the July 2021 tranche has been expended through June 30, 2023, an approximate \$35.0 million of the \$200.5 million issued. To avoid adverse tax consequences, the City must spend an additional \$135.4 million prior to

July 2024. If the City does not achieve this targeted spending amount within the time frame mandated by IRS rules, the bonds' tax-exempt status may be jeopardized. Refer to item 5 in the "Supplemental Document to the Measure T Agenda for November 2, 2023 – Response to Questions" prepared by Staff and provided to the COC (attachment 1).

- (2) 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 item c. (1) below, one project has 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 the Charcot issue, please refer to item 4 in the "Supplemental Document to the Measure T Agenda for November 2, 2023 – Response to Questions" prepared by Staff and provided to the COC (attachment 1).
- b. A total of twenty-seven Measure T projects (twenty-two actual projects with general category "Admin" line items removed from the count) are statused in the independent accountant's report (attachment 2). This COC report provides a further analysis of the allocations, status, and results of Measure T expenditures (refer to COC matrix, attachment 3).
- c. DPW issued a June 30th semi-annual Measure T status update in a report to council dated September 25, 2023 (refer to attachment 4). This semi-annual report satisfies one of the COC's prior recommendations having to do with the timing and frequency of DPW reports to council. A brief recap of two Measure T projects will further illustrate the COC's concerns as set forth in item a. (2) above:
 - (1) DPW's semi-annual report provides an update on the status of one of Measure T's identified storm sewer projects - Charcot storm drain (formerly designated as the Charcot pump station). This project has been rescoped and broken into two packages, one of which will be funded with Measure T funds while the other will have to await funding from other sources, if and when such alternative funding becomes available.
 - (2) Since the issuance of DPW's semi-annual status update on September 25, 2023, one of Measure T's public safety projects, the relocation of Fire Station 23, has been defunded due to an inability to locate a suitable site coupled with an expected lack of future resources available from Measure T. Funding previously allocated to this project (approximately \$16.5 million) has been reallocated to other public safety projects that have been experiencing, or are expected to experience, cost overruns.
 - (3) ***Given the number of Measure T projects that are in their very early stages or have yet to even commence, the risk to the city of further project rescoping, shelving and/or defunding seems fairly high. Most previously unallocated project category reserves have now been allocated and/or reallocated as per the COC's matrix (attachment 3). Any further delays and/or future cost overruns are likely to have dire consequences for completion of the remaining scheduled projects. The Measure T program category most likely to be negatively affected is public safety. Refer to Table 3-1, below.***

- (4) *The COC further recommends that the city council consider prioritizing the public safety projects slated to receive Measure T funds. 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. Table 3-1, below, identifies those public safety projects most at risk. 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 that as of June 30, 2023, after taking into account use of the reserves required to close the project cost gaps indicated in the table below, DPW estimates that there remain only \$6.9 million in public safety project reserves to cover any and all additional unidentified/unanticipated future cost overruns (refer to attachment 4).*

Table 3-1. Public Safety Projects at Financial/Budget Risk

Measure T Projects	Project Location by Council Districts ¹	Project Implementation Phase ²	Initial Life of Project Total Estimated Expenditure ³ (\$)	Revised Life of Project Total Estimated Expenditure as of October 2023 (\$)	Potential Delta (expected overrun/underrun) ⁴ (\$)
Fire Station No. 32 - New	7	DESIGN	17,000,000	19,077,000	(2,077,000)
Fire Station No. 36 - New	7	SCOPING/CEQA/ PROPERTY ACQUISITION	17,000,000	18,036,000	(1,036,000)
Police Dept. Training Center - Relocated	CW	DESIGN	45,000,000	58,486,000	(13,486,000)
Police Dept. Air Support Unit Hangar - New	CW	DESIGN	8,400,000	17,743,000	(9,343,000)
911 Call Center - Upgrade/New	CW	DESIGN	-	6,182,000	(6,182,000)
Police Dept. Headquarters Upgrade	CW	SCOPING/CEQA/ PROPERTY ACQUISITION	-	6,250,000	(6,250,000)

1. Within the project dashboard located in the Construction Projects and Record Search on the City's website
2. As per DPW's Status Report issued on September 25, 2023
3. Original budget identified for the project
4. Expected Overrun/underrun (Difference between Initial Life of Project and Revised Life of Project)

- d. \$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 25, 2023 report to city council (attachment 4) and as articulated in items 2 and 3 in the "Supplemental Document to the Measure T COC Agenda for November 2, 2023 – Response to Questions" (attachment 1).
- e. At its November 2nd meeting, the COC raised a number of questions which were directed to staff for further research and response. All of the COC's questions and Staff's responses thereto are attached to this report as a "Supplemental Document to the Measure T COC Agenda for November 2, 2023 – Response to Questions" and are incorporated herein as a part of the COC's annual report to city council. *This document was previously referenced in connection with the COC's comments regarding items a. (1) and a. (2) above.*

4. STATUS OF PRIOR YEAR RECOMMENDATIONS

- a. As recommended in the COC's report to council dated January 13, 2023, DPW has implemented our primary recommendation to provide council with a master project plan/schedule update on a semi-annual basis. The first of such semi-annual reports, prepared as of June 30, 2023, was provided to council in a report dated September 25, 2023. As stated in its recommendation last year, COC believes this semi-annual report will greatly assist the COC in continuing to perform 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.
- b. While significant progress has been made in filling previously vacant COC seats, there still remain three vacancies (out of a total of fifteen appointed positions) – Districts 7, 10, and Citywide-business. We recognize and appreciate the Council's important, ongoing effort in this regard but would once again like to emphasize the importance of having a fully-seated COC and are hereby encouraging the City Council to appoint three 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, 2022, through June 30, 2023.

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. The 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 2023.

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 2022-2023 was \$60,307,154. The Total Measure T Audited Use of Funds for FY 2019 through FY 2023 was \$260,717,015.

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 2022-2023 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, 2023 (1)	June 30, 2023 Encumbrances by Program Category (2)	Total Audited Use of Funds Plus Encumbrances at June 30, 2023 (3)	Revised Life-of-Category Expected Expenditures per DPW as of October 2023 (4)	Percent of Funds Spent vs Total Expected Spending (5)	Percentage of Each Measure T Program Category Unspent as of June 30, 2023 (6)
Traffic	128,804,617	12,991,736	141,796,353	331,214,000	42.8%	57.2%
Public Safety	70,930,934	4,706,503	75,637,437	202,474,000 (7)	29.2%	70.8%
Storm Sewer	4,481,437	1,778,906	6,260,343	54,100,000 (8)	10.3%	89.7%
Municipal Improvements	55,145,914	299,200	55,445,114	55,669,922 (9)	99.6%	0.4%
Parks & Comm Facilities	1,354,113	2,186,277	3,540,390	12,950,000	27.3%	72.7%
Total	\$260,717,015	\$21,962,622	\$282,679,637	\$656,407,922 (10)	43.1%	56.9%

1. The aggregate sum of the last four fiscal year's audited financial statements by Measure T program category
2. Per the audited financial statements for June 30, 2023 – 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. Sum of columns 1 and 2
4. Per Measure T COC matrix (see attachment 3) and DPW revised estimates as of October 2023
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 \$647K (last year's number) to \$656K reflects addition of interest earned on unspent bond proceeds and profit on sale of parcel originally purchased for Fire Station 8

9. COC COMMITTEE MEMBERSHIP

A list of the COC members serving during FY 2022-2023 is provided in Table 9-1.

Table 9-1. COC Committee Members Serving During FY 2022-2023

Representing	Committee Member	Representing	Committee Member
D1	Gary Cunningham	D9	Shruti Chandrasekhar*
D2	Carolyn Bauer	D10	Open
D3	Michelle Brenot	Citywide (Labor)	Open
D4	Jai Srinivasan	Citywide (Business)	Joanna Rauh**
D5	Enrique Arguello	Citywide (Finance/Accounting)	Open
D6	Nicholas Cochran	Public Safety	Matt Tuttle
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, 2023 and for the period from July 25, 2019 through June 30, 2023 (Measure T inception-to-date) The report was prepared by Macias Gini & O'Connell LLP (attachment 2).
- The Director of Public Works Measure T, The Disaster Preparedness, Public Safety, and Infrastructure Bond Status Report, dated September 25, 2023 (attachment 4).

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 2022-2023 Independent Accountant's Report detailing the audited use of funds is used in the oversight process and is included as attachment 2.

The Director of Public Works Measure T, The Disaster Preparedness, Public Safety, and Infrastructure Bond Status Report, dated September 25, 2023, 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 4.

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 3 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 4. For each project line item (matrix row) nine items of data are shown in the nine columns of the matrix described in **Table 8.1**. 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	2022-2023 Planned Use of Funds	Planned FY 2022-2023 funding for the item
3	2022-2023 Audited Use of Funds	Audited FY 2022-2023 funds used for the item
4	Total Audited Use of Funds as of June 30, 2023	Total of FY 2019-2020 through FY 2022-2023 Audited funds used for this item
5	Results of Expenditures	Provides details of the accomplishments of the expended funds for the line item
6	Initial Life of Project Total Estimated Expenditure	Provides Initial estimate of the Total Expenditure expected for completing line item
7	Revised Life of Project Total Estimated Expenditure	Provides Revised/New estimate of the Total Expenditure expected for completing line item
8	Potential Delta (Expected overrun /underrun)	Provides the estimate of the Expected Overrun /Underrun for completing this line item. It is the difference between "Initial" and "Revised" Life of Project Total Estimated Expenditure

Attachments:

- (1) Supplemental Document to the Measure T Agenda for November 2, 2023 – Response to Questions
- (2) FY 2022-2023 Independent Accountant's Report Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year for the Period from July 1, 2021 through June 30, 2023
- (3) FY 2022-2023 COC Oversight Project Item Comparison Matrix
- (4) The Director of Public Works Measure T, The Disaster Preparedness, Public Safety, and Infrastructure Bond Status Report, dated September 25, 2023

Supplemental Document to the Measure T COC Agenda for November 2, 2023
Response to Questions Regarding the Auditor's Report and FY22-23

1. Were there any community meetings or an opportunity for the public to comment on the plans in regards to the Community Center/Emergency Shelter projects?

There was not. The Measure T funds can only be used specifically on preparing site as sheltering facilities and each community center was evaluated against the requirement for Emergency Shelter-Ready sites using the American Red Cross Sheltering Handbook and FEMA 453 Risk Management Series Design Guidance for Shelters and Safe Rooms. The scope of the program was strictly providing improvements to prepare the site for shelter use. Therefore, staff did not need to meet with the community since the scope of work was not for specific improvement to the community centers day-to-day operations.

2. At the inception of Measure T funding in July of 2019 and the scoping and approval of Measure T projects by the City Council, what was the overall expected number of miles to be re-paved during Measure T's lifespan?

The City of San Jose's Street Network includes the Major Streets Network (MSN) and the Local & Neighborhood Streets Network (LSN).

In 2019, 420 miles were expected originally expected to be repaved during Measure T's lifespan. Of those 420 miles, 32 miles were from the MSN and 388 miles were from the LSN. These are poor and failed local streets with Pavement Condition Index (PCI) of 49 or less, which would be qualify for rehabilitation maintenance (resurfacing) using Measure T.

However, as pavement condition deteriorates over time, more streets that were in preventive maintenance category (PCI > 49) in 2019 would fall into rehabilitation maintenance, which realistically would require more than the Measure T's original \$300M projection to maintain all CSJ Local Streets in poor and fail conditions by 2028.

To deliver the Local Streets Pavement Program efficiently, DOT strategically divide the City's LSN in to over 135 Pavement Maintenance Zones (PMZs) and prioritize these zones over the life of Measure T (2020-2027) based on their overall conditions. This has proven significant benefits by reducing mobilization costs and shorten project delivery timeline.

DOT also utilizes VTA Measure B for planning, design, and preparation works such as construction of ADA curb ramps and tree pruning while strictly reserves CSJ's Measure T for roadway pavement rehabilitation cost.

As a result, DOT will be able to maintain more than the original 420 miles expected in 2019 using Measure T.

3. What are the actual number of miles paved using Measure T funds in each of the four fiscal years since the initial bond issuance in July 2019, i.e., FY 2020, FY 2021, FY 2022 and FY 2023?

FY	Miles Paved
2020	73.8
2021	88.6
2022	132.8
2023	108.0*
Total	401.1

** 90 miles completed & 18 miles still in progress as of 11/21/2023*

4. With the rescoping of the Charcot project from a pump station into a storm drain, what capabilities/functionality will be lost by going in this direction? Might the pump station project be resurrected at some point in the future, funds permitting?

The rescoping of the Charcot Project was a preferred and cost-effective alternative to solve the issues the City experiences in the area with regards to stormwater. Whether the project was constructed as a storm drain or a pump station, both scopes of the project was going to provide the same capacity to hold large rain events. The storm drain project package 1 alleviates 60% of flooding in the area and package 2 increases that by 20% by redirecting flow to Rincon II. There is currently a temporary pump station that will provide the relief to the storm system in the area within package 2 that will be there until additional funding is provided to complete package 2. The storm drain project removes the need for a permanent pump station.

5. What does the failure to meet the spending requirement might mean to bondholders and/or the City?

Luz Cofresí-Howe, Assistant Director of Finance: Yes, there are Internal Revenue Service (IRS) “spend-down” rules for tax-exempt bonds with which the City must comply to avoid tax implications. The spend-down compliance requirements for tax-exempt bond proceeds, which are regulated under the Internal Revenue Code (IRC) Section 148 (26 USC §148), are complex and may vary. In general, tax-exempt bond issuers have three (3) years to spend down their tax-exempt bond proceeds to avoid negative tax consequences, such as having to rebate arbitrage to the IRS or, in an unusual but possible outcome, loss of the tax-exempt status of a bond issue. A rebate computation and payment to the IRS, if applicable, is generally required to be made at least every five years and upon final redemption or maturity of the tax-exempt bonds. As a best practice, the Debt Management team annually calculates arbitrage – interest earnings on invested tax-exempt bond proceeds in excess of the respective bond yield – to identify any potential repayment of excess interest earnings to the IRS (rebate). The arbitrage calculation is made on a cash basis, with the starting computation date for the arbitrage calculation being the bond issuance date. In the case of the Series 2021 Measure T Bonds, the bond issuance date was July 25, 2019. To ensure the City continues to manage its bonds in compliance with federal requirements, the Finance Department Division of Debt & Treasury Management collaborates with the Department of Public Works and the respective project owner (i.e., Library, Fire) to monitor spend-down rates for individual projects.

If we fail to meet the spending requirement it can be a challenge because it does threaten the exemption status of any bonds.

6. Is a portion of the bonds sold are taxable and not taxable and did it trade at a premium?

The 2019 Measure T debt issuance included both taxable and non-taxable(tax-exempt) bonds and traded at a premium. The table below provides details:

BOND PROCEEDS	GENERAL OBLIGATION BONDS SERIES 2019A-1 (MEASURE T – TAX EXEMPT)	GENERAL OBLIGATION BONDS SERIES 2019A-2 (MEASURE T – TAXABLE)	GENERAL OBLIGATION BOND SERIES 2019B (MEASURE T – TAXABLE)	TOTAL
Par Amount	\$ 141,810,000.00	\$ 32,590,000.00	\$ 65,500,000.00	\$ 239,900,000.00
Premium	33,425,249.80	82,126.80	695,952.75	\$ 34,203,329.35
Total	\$ 175,235,249.80	\$ 32,672,126.80	\$ 66,195,952.75	\$ 274,103,329.35

7. Staff will provide additional information through an email if the \$150 million is a realistic number of spending for the rest of the fiscal year.

Staff is anticipated to spend at least 70% of that funding with plans to rollover the funding to the next fiscal year.

8. As of FY 2022-23, how much money is remaining or unallocated in the Public Safety Reserve? If the reserve has been used up, how much is the shortfall?

As of the end of FY 2022-23 (June 30, 2023), there was \$6,950,000 left in the Public Safety Reserve that has not been allocated.

**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, 2023

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, 2023

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	5
Statement of Revenues, Expenditures, and Change in Fund Balance	6
Notes to the Financial Statements	7
Other Supplementary Information:	
Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year For the Period from July 25, 2019 through June 30, 2023	13
Other Reports:	
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 <i>Government Auditing Standards</i>	15
Independent Accountant's Report on Compliance with Measure T	17

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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2023 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, 2023 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, 2022, which are not presented with the accompanying financial statements. In our reports dated November 17, 2020, November 3, 2021 and October 18, 2022, 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, 2022 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, 2022 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 13, 2023 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 13, 2023

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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, 2023

Assets

Restricted assets:

Investments held with fiscal agents	\$ 213,107,643
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Total assets	<u>\$ 213,107,643</u>
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Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 5,424,984
------------------	--------------

Accrued salaries, wages and payroll taxes	66,479
-------------------------------------------	--------

Due to the City of San José	<u>12,325,680</u>
-----------------------------	-------------------

Total liabilities	17,817,143
-------------------	------------

Fund balance:

Restricted for Public Safety and Infrastructure Bond projects	<u>195,290,500</u>
---------------------------------------------------------------	--------------------

Total liabilities and fund balance	<u>\$ 213,107,643</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, 2023

Revenues:

Investment income	\$ 5,071,110
Unrealized gain on investment	14,192
	<hr/>
Total revenues	5,085,302

Expenditures:

Public safety	14,614,398
Traffic	40,721,669
Storm sewer	2,062,879
Municipal improvements	1,941,396
Park & community facilities	966,812
	<hr/>

Total expenditures	60,307,154
--------------------	------------

Change in fund balance	(55,221,852)
------------------------	--------------

Fund balance, beginning of year	250,512,352
---------------------------------	-------------

Fund balance, end of year	\$ 195,290,500
----------------------------------	-----------------------

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, 2023

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 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.

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, 2023, 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 Nos. 32, 36 and 37, police air support unit hangar, police training center relocation, public art – public safety, 911 call center upgrade, bridges, pavement maintenance, Charcot storm drainage, clean water projects, public art – storm sewer, city facilities LED lighting, 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, 2023, 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, 2023

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, 2023. 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, 2023

NOTE 3 – RESTRICTED INVESTMENTS

A summary of the Fund's restricted investments at June 30, 2023 are as follows:

Type of investment	Fair Value	Moody's Credit Risk Rating	Weighted Average Maturity
State of California Local Agency Investment Fund	\$ 197,603,096	Unrated	260 days
Wilmington Trust Money Market Mutual Fund	15,504,547	Aaa-mf	21 days
Total investments	<u>\$ 213,107,643</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, 2023, the Fund has a negative unrestricted pooled balance of \$12,325,680 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, 2023. 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, 2023 was approximately \$25.7 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, 2023 was approximately \$178.4 billion and of that amount, 97.22% was invested in non-derivative financial products and 2.78% 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, 2023

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, 2023

NOTE 4 – COMMITMENTS

At June 30, 2023, the Fund has related outstanding project construction encumbrances as follows:

<u>Project</u>	<u>Amount</u>
Public safety	
Emergency operations center relocation	\$ 2,350,479
Fire station No. 8 relocation	322,197
Fire station No. 23 relocation	9,500
New fire station No. 32	430,255
New fire station No. 37	126,196
Police air support unit hangar	354,161
Police training center relocation	820,433
Public art - public safety	105,077
911 call center upgrade	188,205
Traffic	
Bridges	256,879
Pavement maintenance	12,734,857
Storm sewer	
Charcot storm drainage	1,406,789
Clean water projects	207,117
Public art - storm sewer	165,000
Municipal improvements	
City facilities LED lighting	299,200
Park & Community Facilities	
Community centers/emergency shelters	2,186,277
Total project encumbrances	<u>\$ 21,962,622</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, 2023

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, 2023

	2020	2021	2022	2023	Total
Revenues:					
Investment income	\$ 3,201,017	\$ 1,616,937	\$ 460,961	\$ 5,071,110	\$ 10,350,025
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	12,981,817
Expenditures:					
Public safety					
Emergency operations center relocation	82,346	3,665,164	8,089,855	8,104,435	19,941,800
Fire station No. 8 relocation	63,503	2,472,973	3,025,552	1,112,298	6,674,326
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	109,772
New fire station No. 32	40,316	138,401	4,125,604	1,137,928	5,442,249
New fire station No. 36	7,986	78,384	44,949	294,141	425,460
New fire station No. 37	34,056	1,823,256	5,825,002	152,504	7,834,818
Police air support unit hangar	63,843	138,608	280,338	1,102,396	1,585,185
Police training center relocation	271,570	18,620,490	576,197	1,519,693	20,987,950
Public art - public safety	50,860	225,060	170,734	386,808	833,462
911 call center upgrade	17,877	37,016	347,578	351,000	753,471
PD headquarters upgrade	8,232	19,431	40,623	22,880	91,166
Admin - public safety	307,365	370,912	257,550	385,717	1,321,544
Traffic					
Bridges	823,581	679,065	1,733,451	1,060,791	4,296,888
Pavement maintenance	1,481,453	38,809,769	42,767,059	38,860,270	121,918,551
LED streetlight conversion	520,608	873,614	256,526	772,430	2,423,178
Admin - traffic	105,007	20,958	11,857	28,178	166,000
Storm sewer					
Charcot storm drainage	322,422	154,206	152,034	1,224,983	1,853,645
Clean water projects	455,552	425,697	626,567	752,933	2,260,749
Public art - storm sewer	962	4,896	65,480	53,981	125,319
Admin - storm sewer	30,452	28,168	152,122	30,982	241,724
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	8,273,992
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	1,259,098
Public art - parks	-	-	-	36,802	36,802
Admin - parks	3,013	4,905	11,475	38,820	58,213
Total expenditures	52,200,772	75,472,897	72,736,192	60,307,154	260,717,015
Deficiency of revenues under expenditures	(48,999,755)	(73,855,960)	(69,657,631)	(55,221,852)	(247,735,198)
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)	195,290,500
Fund balance, beginning of period	-	190,951,034	117,139,983	250,512,352	-
Fund balance, end of period	\$ 190,951,034	\$ 117,139,983	\$ 250,512,352	\$ 195,290,500	\$ 195,290,500

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, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2023.

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 13, 2023

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, 2023 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, 2023.



Walnut Creek, California
October 13, 2023

Measure T Public Safety and Infrastructure Bond Fund Planned and Audited Use of Funds FY2022-FY2023											
Projects ⁰	Project Location by Council Districts ¹	Carryover Encumbrance Balance ²	2022-2023 Planned Use of Funds ³	Total Carryover + FY 22/23 Funding ⁴	2022-2023 Audited Use of Funds ⁵	Total Audited Use of Funds as of June 30, 2023 ⁶	Results of Expenditures ⁷	Initial Life of Project Total Estimated Expenditure ⁸	Revised Life of Project Total Estimated Expenditure as of October 2023	Potential Delta (expected overrun/underrun) ¹⁰	Notes
1. Traffic											
1.1 Bridges	CW	\$378,605	\$9,372,000	\$9,750,605	\$1,060,791	\$4,296,888	Staff expenditures associated with completing the construction of deck treatment project at Story Road (including paying out contractor's invoices) and staff time in preparing the design for an additional deck treatment project in Cropley Avenue.	\$ 20,000,000	\$ 19,977,000	\$ 23,000	
1.2 Pavement Maintenance	CW	\$12,961,631	\$51,433,000	\$64,394,631	\$38,860,270	\$121,918,551	Completed maintenance on 157 miles of local and neighborhood streets. Started design on the 110 miles of local streets.	\$ 300,000,000	\$ 300,000,000	\$ -	Staff has identified 388 miles of streets dispersed throughout the City to be resurfaced or reconstructed with the Measure T funding, with a spending plan of \$37.5M per year. City is on track to meet original goal of 388 miles of local and neighborhood streets.
1.3 LED Streetlight Conversion	CW	-	\$5,738,000	\$5,738,000	\$772,430	\$2,423,178	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.	\$ 13,000,000	\$ 10,976,000	\$ 2,024,000	\$1.786M 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	-	\$31,000	\$31,000	\$28,178	\$166,000	Administration costs		\$ 261,000	\$ (261,000)	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 the total bond. The total Measure T admin costs are less than 1% of the entire bond.
1.5 Admin Reserve – Traffic	N/A	-	\$93,000	\$93,000	-	-	Administration costs				
Total Traffic		\$ 13,340,236	\$ 66,667,000	\$ 80,007,236	\$ 40,721,669	\$ 128,804,617		\$ 333,000,000	\$ 331,214,000	\$ 1,786,000	
2. Public Safety										\$ -	
2.1 Fire Station 37	6	\$147,703	\$200,000	\$347,703	\$152,504	\$7,834,818	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	\$ 8,030,000	\$ (1,350,000)	Actual Bid Results came in higher. Allocation from Public Safety Reserve
2.2 Fire Station 8 Relocation	3	\$426,063	\$12,920,000	\$13,346,063	\$1,112,298	\$6,674,326	Project had staff charges to coordinate with Consultant on finalizing the design plans and the procurement. Awarded to DL Falk Construction, Inc. Construction will begin in Oct. 2023 and completed in Jan. 2025.	\$ 16,500,000	\$ 20,377,000	\$ (3,877,000)	Actual Bid Results came in higher. Allocation from Public Safety Reserve
2.3 Fire Station 23 Relocation	4	-	\$5,442,000	\$5,442,000	\$35,165	\$109,772	Staff planned to spend funding to find the ideal location to meet Fire's response time. Due to the limited real estate available that meet the necessary criteria, Staff spent less than needed in their research.	\$ 16,500,000	\$ 4,148,000	\$ 12,352,000	Project was defunded to cover other public safety projects including Police Training Center and remaining of the funding of \$6.95M was placed in a the Public Safety Reserve.
2.4 New Fire Station 32	7	\$529,558	\$10,305,000	\$10,834,558	\$1,137,928	\$5,442,249	Project had staff charges to coordinate with Consultant on design plans and prepare bid documents for procurement. Bids were rejected two times due to non-responsive bids. Staff had to prepare bid documents multiple times to put out for advertisement.	\$ 17,000,000	\$ 19,077,000	\$ (2,077,000)	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. Project will be awarded in December.
2.5 New Fire Station 36	7	-	\$2,183,000	\$2,183,000	\$294,141	\$425,460	Staff charges associated with the purchase of the property from the County of Santa Clara. The purchase was complete in January of	\$ 17,000,000	\$ 18,036,000	\$ (1,036,000)	Difference in costs are associated with projected inflation rates to potentially begin construction in 2025
2.6 Fire Station 20	CW	-	\$100,000	\$100,000	\$9,433	\$4,929,731	Final staff charges associated to closing out the project.	\$ -			Landside serving fire station located at the San Jose Airport. Expected to be replenished by the Budget Office. Life of Project Total Estimated is \$4,929,731
2.7 Emergency Ops Ctr. Relocation (EOC)	CW	\$9,419,248	\$3,818,000	\$13,237,248	\$8,104,435	\$19,941,800	Staff charges associated with managing the construction of the project including paying out contractor's invoices.	\$ 11,500,000	\$ 25,073,000	\$ (13,573,000)	Allocation from Public Safety Reserve
2.8 Police Training Ctr. Relocation	CW	\$2,113,265	\$25,990,000	\$28,103,265	\$1,519,693	\$20,987,950	Staff progressed the design for both the academy and training spaces. Expenditures account for staff time and consultant services for project to finalize the design.	\$ 45,000,000	\$ 58,486,000	\$ (13,486,000)	A portion of this overrun has been reimbursed from the savings obtained from Storm Sewer program and the 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	\$1,036,206	\$8,505,000	\$9,541,206	\$1,102,396	\$1,585,185	Staff charges and consultant services for the design of this project.	\$ 8,400,000	\$ 17,743,000	\$ (9,343,000)	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

Measure T Public Safety and Infrastructure Bond Fund Planned and Audited Use of Funds FY2022-FY2023

Draft Version 3 - 11/17/2023

Projects ⁰	Project Location by Council Districts ¹	Carryover Encumbrance Balance ²	2022-2023 Planned Use of Funds ³	Total Carryover + FY 22/23 Funding ⁴	2022-2023 Audited Use of Funds ⁵	Total Audited Use of Funds as of June 30, 2023 ⁶	Results of Expenditures ⁷	Initial Life of Project Total Estimated Expenditure ⁸	Revised Life of Project Total Estimated Expenditure as of October 2023	Potential Delta (expected overrun/underrun) ¹⁰	Notes
2.10 Public Safety Reserve	N/A	-	\$3,700,000	\$3,700,000	-	-	Reserve funds carried over from previous issuance. No planned use for this past fiscal year.	\$ 36,420,000	\$ 14,388,000	\$ 22,032,000	Roughly \$14M is leftover in the reserve after the award of Police Training Center Relocation to the lowest bidder
2.11 Future 911 Call Center Upgrade	CW	\$325,220	\$1,980,000	\$2,305,220	\$351,000	\$753,471	Staff charges and consultant services for the design of this project.	\$ -	\$ 6,182,000	\$ (6,182,000)	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	-	\$1,282,000	\$1,282,000	\$22,880	\$91,166	Staff charges associated with procuring a vendor to upgrade the gun range.	\$ -	\$ 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	\$54,394	\$916,000	\$970,394	\$386,808	\$833,462	Funding to cover the public art requirement for this bond	\$ -	\$ 1,897,000	\$ (1,897,000)	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 maintenance/rehabilitation projects.
2.14 Admin – Public Safety	N/A	-	\$411,000	\$411,000	\$385,717	\$1,321,544	Administration costs	\$ -	\$ 2,787,000	\$ (2,787,000)	See note for item 1.4 & 1.5
2.15 Admin Reserve – Public Safety	N/A	-	\$1,388,000	\$1,388,000	-	-	Administration costs				
Total Public Safety		\$ 14,051,657	\$ 79,140,000	\$ 93,191,657	\$ 14,614,398	\$ 70,930,934		\$ 175,000,000	\$ 202,474,000	\$ (27,474,000)	A portion of this delta is being covered by some of savings obtained in the Muni Improvements (roughly \$8.3M), the bond issuance fee (\$7.05M), the revenue from selling property to VTA (\$2.8M), the revenue from interest earnings (\$3.6M), and the storm sewer program (\$5.9M)
3. Storm Sewer											
3.1 Charcot Storm Drain (originally called Charcot Pump Station)	4	\$1,146,278	\$15,213,000	\$16,359,278	\$1,224,983	\$1,853,645	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 less costly storm drain system rather than a pump station. 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	\$227,961	\$7,145,000	\$7,372,961	\$752,933	\$2,260,749	Staff continued to progress the scoping, community outreach, and design for the two planned future Green Stormwater Infrastructure Projects. Expenditures account for staff time and consultatnt time	\$ 25,000,000	\$ 24,422,000	\$ 578,000	Two projects currently in design/construction phases are the River Oaks Regional Stormwater Capture Project & the City Land South of Phelan. 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	10,000	\$283,000	\$293,000	\$53,981	\$125,319	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	-	\$31,000	\$31,000	\$30,982	\$241,724	Administration costs	\$ -	\$ 887,000	\$ (887,000)	See note for item 1.4 & 1.5
3.5 Admin Reserve – Storm Sewer	N/A	-	\$92,000	\$92,000	-	-	Administration costs				
Total Storm Sewer		\$ 1,384,239	\$ 23,164,000	\$ 24,548,239	\$ 2,062,879	\$ 4,481,437		\$ 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	\$1	\$2,424,000	\$2,424,001	\$1,936,851	\$8,273,992	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	\$ 8,798,000	\$ (1,798,000)	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	-	\$6,000	\$6,000	\$3,361	\$80,379	Administration costs	\$ -	\$ 80,379	\$ (80,379)	See note for item 1.4 & 1.5
Admin Reserve – Muni Improvements	N/A	-	\$96,000	\$96,000	-	-	Administration costs				
4.4 Environment Protection	2	-	\$409,000	\$409,000	\$1,184	\$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		\$ 1	\$ 2,935,000	\$ 2,935,001	\$ 1,941,396	\$ 55,145,914		\$ 62,000,000	\$ 55,669,922	\$ 6,330,078	
5. Parks & Community Facilities											
5.1 Community Centers/Emergency Shelters	CW	\$164,736	\$6,274,000	\$6,438,736	\$891,190	\$1,259,098	Staff continued to progress the design of the proeject at each of the community centers. Expenditures account for staff time and consultant services for proejet design.	\$ 12,950,000	\$ 12,632,000	\$ 318,000	
5.2 Public Art – Parks	N/A	-	\$69,000	\$69,000	36,802	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	-	\$41,000	\$41,000	\$38,820	\$58,213	Administration costs	\$ -	\$ 192,000	\$ (192,000)	See note for item 1.4 & 1.5
Admin Reserve Parks	N/A	-	12,000	12,000	-	-	Administration costs				
Total Parks & Community Facilities		\$ 164,736	\$ 6,396,000	\$ 6,560,736	\$ 966,812	\$ 1,354,113		\$ 12,950,000	\$ 12,950,000	\$ -	
Bond Issuance Fee								\$ 7,050,000		\$ 7,050,000	Transferred to Public Safety Program to help shortfall

Measure T Public Safety and Infrastructure Bond Fund Planned and Audited Use of Funds FY2022-FY2023

Draft Version 3 - 11/17/2023

Projects ⁰	Project Location by Council Districts ¹	Carryover Encumbrance Balance ²	2022-2023 Planned Use of Funds ³	Total Carryover + FY 22/23 Funding ⁴	2022-2023 Audited Use of Funds ⁵	Total Audited Use of Funds as of June 30, 2023 ⁶	Results of Expenditures ⁷	Initial Life of Project Total Estimated Expenditure ⁸	Revised Life of Project Total Estimated Expenditure as of October 2023	Potential Delta (expected overrun/underrun) ¹⁰	Notes
Total Planned Expenditures		\$ 28,940,869	\$ 178,302,000	\$ 207,242,869	\$ 60,307,154			\$ 650,000,000	\$ 656,407,922	\$ (6,407,922)	The additional funding added to the overall program comes from the interest revenue earned on the bond (roughly \$3.6M) 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					\$ 60,307,154	\$ 260,717,015					
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 22/23 Source & Use Amount equals the total funding available for the fiscal year.

⁵ Auditor's Report ending June 30, 2023

⁶ Total expenditures from 2020, 2021, 2022, 2023 from the Auditor's Report

⁷ Information from the Measure T Status Report to Council dated October 17, 2023

⁸ Original budget identified for the project

⁹ Revised budgets and estimates to complete the project as of October 18, 2023

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

COUNCIL AGENDA: 10/17/23
FILE: 23-1379
ITEM: 2.12



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch

SUBJECT: SEE BELOW

DATE: September 25, 2023

Approved

A handwritten signature in blue ink, appearing to be "y. H. Loesch".

Date

10/5/23

**SUBJECT: STATUS REPORT ON THE NOVEMBER 2018 BALLOT MEASURE T –
THE DISASTER PREPAREDNESS, PUBLIC SAFETY, AND
INFRASTRUCTURE GENERAL OBLIGATION BOND**

RECOMMENDATION

Accept the 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 relating to the voter-approved 2018 Measure T – The Disaster Preparedness, Public Safety, and Infrastructure Bond (Measure T). The memorandum provides status updates on all the 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 time 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 reference¹²³⁴⁵⁶⁷⁸⁹.

Most recently, on March 14, 2023, Item 3.4¹⁰, the City Council approved a report titled *Status Report on the November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond*. The report included staff updates on the project work plans and implementation schedules, as well as requested the City Council to make a policy decision about allocating the available funding sources. With \$15,350,000 available from sources such as the Public Safety Program Reserve, unallocated interest earnings, reallocation of funds from the Critical Infrastructure projects, and the savings identified from the Environmental Protection projects, the City Council voted to allocate the funding to bridge the shortfalls within the Public Safety program leaving roughly \$7 million in the Program Reserve for Public Safety. These funds were specifically identified to be used for potential overages pending bid results for the remaining Public Safety projects, with the goal of using any remaining amounts for the design and construction of Fire Station 23. Subsequently, the construction award of Fire Station 8 occurred on August 15, 2023, and the Public Safety Program Reserve was reduced to \$5.3 million to address the funding shortfall for that project.

ANALYSIS

Since the March 14, 2023 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 requested by the Measure T Community Oversight Committee at the last annual review and it was shared with the committee in June 2023. The following list provides current project statuses in each of the major program categories:

- 1) **Measure T Community Oversight Committee** – The committee met on June 8, 2023 to 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. During this meeting, staff presented the 2023-2024 Adopted Capital Budget and

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=04EAD87-A463-4DBB-8A3E-EBB6D5C96AC0&Options=&Search=>

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

2024-2028 Capital Improvement Program to the Measure T Community Oversight Committee members.

The next meeting will be held in November 2023 to review the auditor's report on the expenditures from fiscal year 2022-2023. Currently, there are 13 seats filled and two vacant positions from District 7 and District 10.

- 2) Public Safety Projects** – Pursuant to direction from the City Council on March 14, 2023, the current approved Measure T program allocates \$207.1 million to complete public safety projects. Site selection, land acquisition, and scoping are continuing for several projects and are significant factors in ensuring these projects are delivered within the funding allocation. A summary of current activities in the Public Safety category is described below. The updated schedules for all public safety projects are described in **Attachment B - Public Safety Projects Schedule**.

(a) New Fire Station 37 – The project was awarded on June 30, 2020, to Gonsalves & Stronck, Inc., in the amount of \$8,715,600, and began construction in September 2020. The project received the Certificate of Occupancy in July 2023 and has been fully operational since May 2022.

(b) Relocated Fire Station 8 – The 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 will begin construction in October 2023 with final completion anticipated in January 2025.

(c) New Fire Station 32 – The City acquired property located at 1138 Olinder Court, along the northeast corner of Olinder Court and Felipe Avenue. This station was originally envisioned to be a single-company station, but after further evaluation, it was determined the new station would be better served as a dual-company station to accommodate the service demands in this area.

The project was initially advertised in March 2023. However, three of the four bids were either deemed non-responsive or withdrawn and due to the high non-responsiveness, all bids were rejected. The project was re-advertised in July 2023 but again the bids received were deemed non-responsive and all bids were rejected. The project was advertised in late September 2023 and scheduled to be awarded in winter 2023-2024, with construction expected to begin in early spring 2024.

(d) Relocated Fire Station 23 – The Fire Station 23 project has a budget of \$4 million, focusing the funds solely on the purchase of a property for the future build of the relocated fire station. The project will need an additional \$15 million to continue with the design and construction. Staff will need to prioritize the remaining public safety projects and identify program savings, or identify other funding opportunities such as

grants or funding in the General Fund and Fire Construction and Conveyance Tax Fund in order to proceed with the design of Fire Station 23. Should funding resources be identified, City staff could start the design in June 2024 with a tentative contract award in 2027.

Fire Station 23 is intended to replace the existing station located on Capitol Avenue at Via Cinco de Mayo. Staff anticipates acquiring a location further from the Milpitas border before the end of the fiscal year, as identified in the informational memorandum dated September 18, 2023 (See **Attachment C** - Measure T Fire Station 23 Land Acquisition). 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 station as approved by City Council in the June 18, 2019 memorandum [Measure T – New Fire Station Placement Prioritization \(Item 8.1\)](#).

- (e) **New Fire Station 36** – The site has been selected at the intersection of Capitol Expressway and Tuers Road for the construction of Fire Station 36. The project is currently fully funded. However, as the estimates of the remaining public safety projects continue to increase due to construction price escalation, staff is concerned that sufficient funding may not be available to complete this project. Currently, the design process is on hold as staff focuses on progressing other public safety projects. Staff anticipates starting the design process in early 2024, pending the bid results for the Police Training and Academy Facility, new Fire Station 32, Police Air Support Unit Hangar, and the 9-1-1 Call Center Renovation projects. Staff will continue to update the City Council on this project in future Measure T updates.
- (f) **Fire Station 20 – Aircraft Rescue and Firefighting Facility** – Fire Station 20, located at the southwest area of the Airport, replaced the older existing Aircraft Rescue and Firefighting Facility station in that area. During construction, the City took the opportunity to add a landside bay to the project, increasing operational efficiency to the Fire Department's emergency response to the surrounding area. The project was completed at the end of March 2022, with the newly expanded fire station officially online and operational.

As directed by the City Council-approved Mayor's March Budget Message for Fiscal Year 2020-2021, \$4.6 million in Measure T funds were used to expand Fire Station 20 to include landside operations. Another \$1.2 million of Measure T funds generated from interest earnings were allocated to this project in the 2019-2020 Annual Report due to higher than anticipated costs. A transfer of \$2.3 million from the General Fund in 2021-2022 partially replenished the \$4.6 million advanced for this project. The remaining \$2.3 million may be replenished in a future budget process though a specific funding source has not yet been identified.

- (g) Police Training and Academy Facility** – The City acquired 300 Enzo as the site for the Police Training and Academy in March 2021. The project is currently being advertised with bid opening scheduled to occur in October 2023. Staff expects to award the project in December 2023 with construction starting in January 2024.

As part of the March 14, 2023 memorandum, the project budget was increased by \$9.8 million to match the Engineer's Estimate for the full build out of the project. After this increase, there is now approximately \$68.3 million allocated for the project. As staff refined the estimates for the project prior to advertisement, it is anticipated that the project may have an additional shortfall of \$5.5 million. The shortfall is due to the added need to incorporate repairs and replacement of the roof to the project scope highlighted and made worse by the intense storms that occurred earlier this year. Staff will return to City Council after bids are received for this project, to report on bids and potential funding needs. Staff is committed to ensuring all training and academy spaces are built at 300 Enzo to facilitate the full opening of the South Substation to the public as its original intended purpose.

- (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 construction is nearing completion with the project reaching beneficial use in October 2023.
- (i) 9-1-1 Call Center Renovation** – This project will provide improved working conditions and a more efficient space 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 currently occupied by the existing Emergency Operations Center; therefore, construction is expected to start after the Emergency Operations Center relocates to the new facility at the Central Service Yard. The project is anticipated to be awarded in winter of 2023-2024 and construction starting in the spring of 2024.
- (j) Police Air Support Unit Hangar** – The location of this project is at the southwest corner of the Airport property, near Coleman Avenue and Airport Boulevard, next to the recently completed Aircraft Rescue and Fire Fighting Facility (Fire Station 20) described above. The project is anticipated to be awarded in October 2023 with construction starting at the end of 2023.

As part of the March 14, 2023 memorandum, the project budget was increased by \$5.7 million to match the Engineer's Estimate for the build out of the base bid and Bid-Alternate No. 1, providing two hanger bays for the Police Air Support Unit. After

this increase, there is now approximately \$16.6 million allocated for the project. As staff refined the estimates for the project prior to the advertisement period, it was identified that the project may have an additional shortfall of \$1 million to fully construct the project as identified in the March 14, 2023 report to City Council. Staff will return to City Council to report on bids in November 2023.

- (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. Initial estimates identified a need of approximately \$11.7 million to address all backlogged infrastructure projects. The highest priority projects identified include improvements to the plumbing throughout the facility and improvements 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 range at the Police Administration Building has completed the procurement process and staff issued a purchase order to InVeris Training Solutions for \$147,850. This work is expected to be completed within this fiscal year. Staff will start the preliminary design for the plumbing system improvements at the end of this year. Staff may need to re-scope or re-evaluate the commitments for the plumbing system project pending bid results for the Police Training and Academy Facility, new Fire Station 32, Police Air Support Unit Hangar, and 9-1-1 Call Center Renovation projects.

- (l) Program Reserve for Public Safety** – Originally, \$36.4 million of the Measure T funds were set aside in the reserve for various public safety projects, including Police Headquarters Infrastructure Upgrades, rehabilitation of various fire stations, as well as a contingency for Public Safety projects. After the budget actions and policy decisions made on March 14, 2023, approximately \$6.95 million remained unallocated. Subsequently, the bids for the Fire Station 8 Relocation Project came in higher than anticipated and the funding gap of \$1.7 million was addressed by utilizing the Program Reserve for Public Safety. The [2022-2023 Annual Report](#) contains a recommendation to allocate \$4.5 million in unallocated interest earnings from the various Measure T Capital Programs to this reserve to ensure there is additional funding available to award the remaining public safety projects, bringing the total amount in the reserve to \$9.7 million. Staff will return to City Council to seek approval on the use of the reserve should there be a shortfall once the bids are open for the Police Training and Academy Facility, new Fire Station 32, 9-1-1 Call Center Renovation, and Police Air Support Unit Hangar projects.

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 designates \$300 million for the repair or rehabilitation of local and neighborhood streets in the worst condition. Staff identified over 700 miles of streets dispersed throughout the city to be resurfaced or reconstructed with this funding.

The Department of Transportation (DOT) has resurfaced 342 miles since 2020 utilizing Measure T funds. A map that shows the locations of these 342 completed miles can be found in **Attachment D - City of San José 2020-2023 Local Streets Measure T Streets**. Combined with funding from Santa Clara Valley Transportation Authority 2016 Measure B, DOT has resurfaced a total of 369 miles of streets in poor condition since 2019.

Funds from Measure T, in combination with annual allocations from State Gas Taxes, Santa Clara Valley Transportation Authority 2016 Measure B and other funding sources, are expected to ensure the appropriate and prescribed maintenance to all local and neighborhood streets in the city by 2028, while providing the appropriate maintenance to keep the major street network in good condition. DOT continues to provide updated memorandums every spring to share tentative construction plans with the public.

In the 2023 construction season, DOT planned to complete maintenance on 157 miles of San José local and neighborhood streets, of which 107 miles were programmed to be resurfaced and 995 associated curb ramps were constructed with the annual \$37.5 million Measure T allocation. In the 2024 construction season, DOT plans to maintain 266 miles of San José streets, including 182 miles of local and neighborhood streets. Out of the 182 miles of local and neighborhood streets, 110 miles will be funded by Measure T.

Currently, DOT remains on track to provide maintenance to each of the 1,552 miles of local and neighborhood streets by 2028.

- (b) Bridge Repair and Rehabilitation Projects** – The Measure T program allocates \$20 million for City-owned bridges that are designated as structurally deficient and could be vulnerable in an earthquake or other disaster. In order 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.

Staff recently submitted a new Bridge Investment Credits application package to Caltrans for 17 bridges and has received approval. This project is anticipated to

accumulate approximately \$1.3 million in Bridge Investment Credits. A deck treatment project on Story Road was completed in December 2022. In addition, a deck treatment project on Cropley Avenue was recently awarded and the project reached beneficial use in September 2023.

In order to optimize Measure T funds and maximize the opportunity for grant funding, staff procured 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 recommendations with respect to prioritization.

Due to oversubscription and recent funding shortfalls in the Highway Bridge Program, the eligibility criteria for bridge repairs and replacement have changed and funding is now limited to bridges that are either non-operational or need to be completely replaced. Because the City's bridges all fall outside of this new eligibility criteria, the City's original plan to leverage Measure T and Bridge Investment Credits for up to \$80 million in grant funds is facing challenges. However, the Highway Bridge Program program's funding situation is evolving with the recent passage of Infrastructure Investment and Jobs Act and staff will be ready to apply for grant funds as soon as funding becomes available. Staff will continue to work with counterparts at Caltrans to maximize grant opportunities, and advocate for the increased availability of program funds. DOT 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 actual 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 and provides details about the total number of fixtures as well as the number of fixtures that have been converted for each category utilizing Measure T funding totaling \$8.8 million. As mentioned in prior reports, Measure T funding is not sufficient to fully convert the remaining 1,194 outdoor facility lights. A funding shortfall of \$2.7 million has been identified if all existing outdoor lighting were to be converted to LED. Staff will continue to seek alternative funding solutions as well as work with respective departments such as the Fire Department and the Parks, Recreation, and Neighborhood Services Department. Staff is also coordinating 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 2023

Facilities	Converted	Remaining	Total
Parks and Trails	3,481	45	3,526
Community Centers	1,216	67	1,283
Libraries	1,328	0	1,328
Fire Stations	293	398	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	7,648	1,194	8,842

Lighting Controls for City Facilities – To date there have been 3,465 nodes installed. Staff is working to install the remaining 4,224 nodes, for a total of 7,689 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** – Previous status reports identified that the City owns and maintains approximately 64,400 streetlights. Most of the streetlights have been successfully converted either by City crews or through Pacific Gas and Electric’s (PG&E) “Turnkey Conversion” project. There are roughly 5,000 lights remaining to be converted, which are unique ornamental (or “post-top”) lights, primarily in the downtown neighborhood 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. Once the billing records review is confirmed by PG&E by the end of 2023, it is likely to result in an increase in the City’s streetlight inventory.

As discussed in previous status reports, as part of the PG&E conversion program, a comprehensive inventory of the streetlight assets has been completed. Findings of the PG&E program indicate that a significant portion of the current streetlight poles do not have a ground wire at the fixture head. Staff began its investigations of determining how many streetlight poles have a ground wire within the system by developing a map outlining areas that were upgraded or built within the timeframe

from when the City of San José standard specifications were updated. Based on this initial investigation, roughly 42,000 streetlights were built or converted under the current standard specifications. This leaves roughly 22,000 lights that will require historical plan reviews prior to performing field investigations. Staff will need to identify resources to assist in the continuation of the investigation.

Streetlight Replacement by City Crews - Approximately \$1 million of Measure T funds have been allocated to purchase LED fixtures that have been used by City crews to replace low-pressure sodium and high-pressure sodium streetlight fixtures as the bulbs burn out.

This is being accomplished in a similar manner as described above, where City crews replace burned out lights with new LED fixtures rather than just replacing the bulbs. A total of \$8.2 million of Measure T funding was included in the 2024-2028 Adopted Capital Improvement Program to address burn outs as they occur. This funding was also identified to be potentially shifted to assist in the grounding and lighting controls investigation work that staff continue to pursue.

Lighting Controls for Streetlights - The solicitation for lighting controllers for streetlights is currently on hold pending staff gaining a better understanding of the scope, costs, and benefits of the grounding wire investigation mentioned above. Over the next year, staff will evaluate whether to recommend utilizing the funding for the controllers or for the grounding installation. In the meantime, staff will use this opportunity 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 and takes 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. The Internet of Things describes the network of physical objects—"things"—that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet. It is anticipated that the cost to install controllers on all streetlights, as well as complete the work necessary to bring the streetlights up to current National Electrical Code standards, will be substantially more than what is currently available in the Measure T budget, therefore staff have been diligently looking into alternative funding strategies, such as grants, to supplement the funding available through the Measure T program.

- 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 construction in September 2023 and is anticipated to be completed in June 2024.

Additionally, 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. Preliminary design for the project has been completed and staff are now in the process of selecting a consultant for final design.

Staff anticipates utilizing approximately \$12 million of Measure T funds for the River Oaks Regional Stormwater Capture Project and approximately \$13 million for the City Land South of Phelan Project. As scoping and design of the project progress, and cost estimates are developed for the City Land South of Phelan Project, staff may need to evaluate either reducing the scope or obtaining additional funding if estimates exceed the available budget for the clean water program. If needed, staff will return to the City Council to make a specific project and funding recommendation.

- 6) Storm Drain Improvement Projects for the Charcot Area** – Design has progressed for the Storm Drain Improvement Projects for the Charcot area, which will provide flood protection in the area east of Zanker Road between Trimble Road and Brokaw Road. Originally envisioned as a new pump station, 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 level of flood protection while saving the City significant costs for building, operating, and maintaining a new pump station. The project will be constructed in two packages, due to its size and complexity. Package one will install approximately 4,200 feet of 60-inch to 96-inch diameter storm pipe along Charcot Ave and Bering Drive. Package two will install approximately 3,100 feet of 60-inch to 96-inch diameter storm pipe along East Brokaw Road and Rodgers Avenue.

Staff received recent estimates for package one and the current estimate requires utilizing all the Measure T budget available for this project. Package two will finish design at the end of this year, however, there will not be budget available for construction. Therefore, staff will reach out to Valley Water on a potential partnership to complete the construction of package two. Staff will also look into pursuing grant opportunities to obtain funding.

Staff informed Valley Water of the change in scope and the future use of the existing Rincon Pump Station II and continues to work with Valley Water in moving forward with the project. Currently, package one is anticipated to be awarded late spring 2024 and construction starting in summer 2024. Package two is anticipated to complete design at the end of this year but 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. After the purchase of the property, there was approximately \$3.2 million remaining in the Measure T budget. As approved by City Council as part of the March 14, 2023 memorandum recommendation, these funds were shifted the Public Safety Program to offset the significant shortfalls that are being experienced on multiple projects due to inflation since the inception of the Measure T program.
- 8) **Community Center/Emergency Shelters** – The City’s 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 with final completion anticipated in November 2024.

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 started construction in September 2023 with final completion anticipated in January 2025.

Staff continues to progress the design for the priority 2 project, Camden Community Center, and anticipates awarding the project in early 2024. Additionally, staff plan to start designing the priority 4 project, Cypress Community Center, after the Camden Community Center has been awarded. The Cypress Community Center may still be considered as part of a public-private partnership housing redevelopment project site; however, Parks, Recreation, and Neighborhood Services Department is currently not pursuing that option and will reevaluate this option in the future.

- 9) **Public Art** – The public art budget for each capital program is shown in **Table 2** below and included in the 2023-2024 Adopted Capital Budget and the 2024-2028 Adopted Capital Improvement Program. The allocation for public art may be refined as the scopes for the projects are completed. The artwork on the exterior of the Fire Department Training Center/Emergency Operations Center has already been completed by Bay Area artist Johanna Poethig. A second phase of public art projects at the Fire Department Training Center/Emergency Operations Center will address the building interior and will seek to commission up to 30 local artists. The installation of the public art by Bay Area artist Gordon Huether for the Police Department Memorial was also recently completed.

Additional public art projects are in the planning phase for Fire Stations, 8, 32, and 36 as well as a series of projects at the River Oaks Regional Stormwater Capture Project and at parks and community center facilities.

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 a biannual update, with the next update on the program to occur in early to mid-2024. Construction bids for the Police Training and Academy Facility, new Fire Station 32, Police Air Support Unit Hangar, and the 9-1-1 Call Center Renovation projects are expected to be opened within the next six months. Staff will return to City Council to report on the bids received and award construction contracts for each projects separately. During this time, should the bids come in higher than anticipated and a funding shortfall is identified, staff will seek approval on the use of the remaining unallocated funding of \$5.3 million in the Program Reserve for Public Safety Program.

COST SUMMARY/IMPLICATIONS

As shown in **Attachment E - 2024-2028 Adopted Capital Improvement Program – Measure T Public Safety and Infrastructure Bond Fund, Statement of Sources and Use of Funds**, Measure T funding in the amount of \$150.1 million has been programmed in the 2023-2024 Adopted Capital Budget and a total of \$359.7 million has been programmed for the five-year 2024-2028 Adopted Capital Improvement Program. The third and final bond issuance is anticipated to occur in fiscal year 2024-2025, in the amount of \$209.6 million, which will be programmed in future years. As the Measure T program is evolving, project budgets may be recommended for modification, as appropriate, in future years as they proceed through site selection, design, and construction. In order to maintain a tax-exempt status, per Internal Revenue Service's rules, 85% of the bond proceeds issued for the Measure T projects must be expended within three years of issuance. As such, staff is tracking Measure T expenditures on a monthly basis to ensure the bond proceeds are spent in accordance with the IRS tax-exempt guidelines for municipal bonds. City Council authorized the first issuance of \$239.9 million in General Obligation Bonds on June 25, 2019, for the purpose of providing funds for Measure T projects for the first two years of the program. On June 22, 2021, City Council authorized the second issuance of General Obligation

Bonds in the amount of \$200.5 million to provide funds for the continuation of projects.

Attachment F - Measure T Expenditures shows the actual year-to-date Measure T expenditures through June 2023.

As mentioned previously, there is concern that the Program Reserve for Public Safety may not be sufficient to complete the remaining public safety projects due to the impact of continued cost escalations. Staff will continue to research and pursue grants to help fund the remaining public safety projects and will return to City Council to seek approval on the use of the reserve should there be a shortfall.

Staff also identified that there is not enough funding to complete the construction of package two of the Storm Drain Improvement Projects for the Charcot Area as mentioned above. Staff is working diligently to identify scopes of the project that can be separated out as bid alternates. This will give staff the flexibility to award the project and possibly bid alternates based on the received bids. To help identify additional funding sources, staff continues to research and pursue grant opportunities and have been directed to reach out to Valley Water to try to form a partnership such that the City can complete the project in its entirety.

As noted in the 2024-2028 Five-Year Forecast and Revenue Projections, released March 1, 2023, 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, the 9-1-1 Call Center Renovation, and the Emergency Operations Center. This would also include adding staff in the Fire, Police, Public Works, and Information Technology 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 forecast period range from approximately \$500,000 in 2023-2024 to \$21.7 million in 2027-2028, when the majority of the Measure T projects will be completed.

The preliminary annual operating and maintenance costs for Fire Station 32 and 36 (approximately \$11.0 million and \$6.0 million respectively), and the Police Training Center (\$2.0 million) and corresponding activation of the South San José Substation (\$2.7 million) will be brought forward for City Council certification prior to awarding a construction. In March 2008, the City Council approved Budget Principle #8 that states 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 8 and 36, Police

Training Facility and Academy, and the Police Hangar is estimated to cost over \$4.5 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.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 17, 2023 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

The Community Oversight Committee will be holding the next meeting in November 2023 to review the Auditor's Report for the expenditures that occurred in fiscal year 2022-2023.

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 25, 2023

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

Page 16

For questions, please contact Katherine Brown, Interim Assistant Director of Public Works, at (408) 795-1679.

ATTACHMENTS:

Attachment A – Project Implementation Schedules

Attachment B – Public Safety Projects Schedule

Attachment C – Measure T Fire Station 23 Land Acquisition

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

Attachment E – 2024-2028 Adopted Capital Improvement Program Measure T Public Safety and Infrastructure Bond Fund, Statement of Sources and Use of Funds












Attachment F – Measure T Expenditures







Attachment A
Project Implementation Schedules

Bond Project List Category	Proposed Projects Scope and Locations	2023	2024	2025	2026	2027	2028
Pavement Projects	388 Miles of Street Repair (approx. 58 mi./year)						
Public Safety Projects	Fire Station No. 37 - New	COMPLETED					
	Fire Station No. 8 - Relocated						
	Fire Station No. 32 - New						
	Fire Station No. 23 - Relocated						
	Fire Station No. 36 - New						
	Various Fire Stations - Rehabilitation	RESCOPED					
	911 Center - Upgraded/New						
	Emer. Operations Ctr. - Upgraded/New						
	Police Headquarters - Infrastructure needs						
	Police Dept. Training Center - New/Relocated from South Substation						
	Police Dept. Air Support Unit Hangar - New at Airport						
	Environmental Protection Projects	COMPLETED					
Storm System Conveyance & Flood Prevention Projects	Charcot Area Storm Drain Improvement Phase I						
	Charcot Area Storm Drain Improvement Phase II						
Clean Water and Green Stormwater Infrastructure (GSI) Projects	River Oaks Regional Stormwater Capture Project						
	City Land South of Phelan						
Bridge Repair and Rehab Projects	Various bridge overpasses to be seismically retrofitted or repaired.						
LED Lighting - Streetlights	Replacement of both standard and decorative streetlights to LEDs to reduce ongoing General Fund impacts.	COMPLETED					
LED Lighting - City Facilities	Replacement of outdoor lights in city facilities to reduce ongoing General Fund impacts.						
Community Center/Emergency Shelters	Upgrading community centers/emergency shelters and parks facilities to support public safety.						
	Priority 1 (Roosevelt, Mayfair, Bascom, Seven Trees)						
	Priority 2 (Camden)						
	Priority 3 (Berryessa, Almaden, Evergreen)						
	Priority 4 (Cypress)						

	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

Attachment B
Public Safety Projects Schedule

Public Safety Projects	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Fire Station No. 8 - Relocated										
Fire Station No. 32 - New										
Fire Station No. 23 - Relocated										
Fire Station No. 36 - New										
911 Call Center Renovation - Upgraded/New										
Police Training and Academy - New/Relocated from South Substation										
Police Air Support Unit Hangar - New at Airport										

	SCOPING/CEQA/PROPERTY ACQUISITION: Consultant Selection, Programming/Feasibility and Environmental Studies
	DESIGN: Consultant Selection, Design, Review, Permitting
	AWARD AND CONSTRUCTION: Advertise, Bid Opening, Council Award & Contract Execution, Construction
	ESTIMATES: Including refined cost estimates throughout design and final est (1 = initial estimate, 2 = 50% estimate, 3 = 95% estimate, 4 = final estimate/VE)
	BID OPENING: Final project cost will be determined
	ESTIMATED CONSTRUCTION START DATE



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch
Nanci Klein

**SUBJECT: MEASURE T FIRE STATION
23 LAND ACQUISITION**

DATE: September 18, 2023

Approved

Date

9/19/23

INFORMATION

The purpose of this memorandum is to update the City Council on City staff's efforts to acquire a property suitable to relocate Fire Station 23.

BACKGROUND

Measure T, approved by voters in November 2018, provides for the issuance of \$650 million in general obligation bonds to fund various important infrastructure projects throughout the City, including \$175 million for the Public Safety Program.

The relocated Fire Station 23 is intended to replace the existing station located on Capitol Avenue at Via Cinco de Mayo. City staff anticipates acquiring a location further from the Milpitas border to improve coverage within City limits and better serve planned developments in North San José. Fire Station 23 is the fourth highest priority station as approved by the City Council in the June 18, 2019 memorandum Measure T – New Fire Station Placement Prioritization¹.

This relocation project was initially intended to be a co-development partnership with the Departments of Public Works and Housing, constructing both a fire station and an affordable housing complex on the shared lot. Due to the limited availability of funds to purchase the property in its entirety, City staff shifted the focus away from the shared use to solely focusing on property acquisition for a future fire station.

¹ <https://sanjose.legistar.com/View.ashx?M=F&ID=7296426&GUID=8097B35E-F3AA-441B-A951-9B6135862F50>

On March 14, 2023, the City Council approved a report titled Status Report on the November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond Item 3.5². The report included City staff’s recommendation of rescoping the Fire Station 23 project to focus on land acquisition only, using up to \$4.1 million for the purchase of land and associated expenses, and reallocating the remaining funding to cover the other critical public safety projects as needed.

Potential Site Selection

Efforts to find a suitable site has proven to be the most difficult task associated with this relocation project. Properties that provide suitable travel times to the station’s service area are limited and tend to be large parcels that are fully developed or slated for development. Due to the limited supply of suitable sites, staff worked with brokers to find off-market opportunities for site acquisition. City staff identified a potential site located at 1500 Lundy Avenue which fits the necessary parameters needed to comply with the Fire Department’s optimal travel time requirements. Previously, the City considered attempting to acquire the entire 1500 Lundy Avenue property for a project that would have included housing and a fire station. However, the City’s offer is for a portion of the parcel area, approximately 28,350 square feet, located at the southwest corner of Frost Drive and Vennum Drive. This area is unimproved with permanent structures. City staff have been actively negotiating with the property owners since the beginning of 2023. The latest offer package was sent on July 10, 2023, for the purchase price of \$3,360,000, based on a City-commissioned appraisal. The property owners have not yet accepted the offer, but have retained counsel and are in the process of having the property appraised, with an expected completion date of the end of October.

Next Steps

Negotiations are ongoing. Once the property owners receive an appraisal, City staff will meet with them to discuss the terms of a potential property acquisition. If funding resources are identified, City staff would start the design in June 2024 with a tentative contract award in 2027.

/s/
MATT LOESCH
Director, Public Works

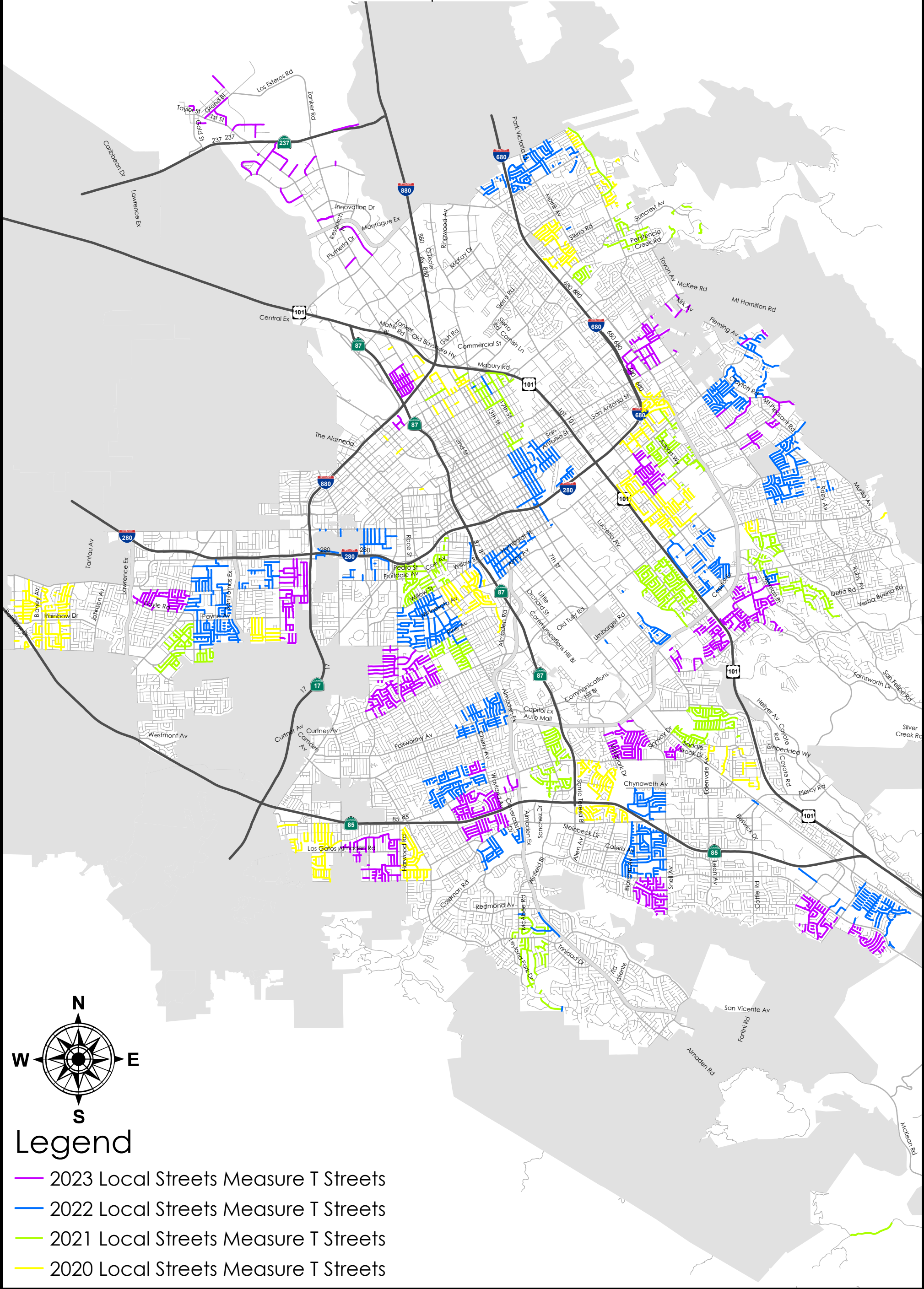
/s/
NANCI KLEIN
Director, Economic Development
and Cultural Affairs

For questions, please contact Katherine Brown, Interim Assistant Director of Public Works, at (408) 795-1679, or Kevin Ice, Senior Manager of Real Estate Services, Office of Economic Development and Cultural Affairs, at (408) 535-8197.

²<https://sanjose.legistar.com/View.ashx?M=F&ID=11738576&GUID=66879752-3E11-49A0-8333-56C874716A49>



CITY OF SAN JOSE
2020-2023 LOCAL STREETS
MEASURE T STREETS



CITY OF SAN JOSE
2024-2028 ADOPTED CAPITAL IMPROVEMENT PROGRAM

Measure T Public Safety and Infrastructure Bond Fund (498)

STATEMENT OF SOURCE AND USE OF FUNDS

Program	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	5-Year Total
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SOURCE OF FUNDS

Beginning Balance*	\$150,117,114	(\$78,727,329)	\$76,592,671	\$38,592,671	\$592,671	\$150,117,114
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	\$150,117,114	\$130,842,671	\$76,592,671	\$38,592,671	\$592,671	\$359,687,114
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USE OF FUNDS

Traffic

Bridges	\$8,000,000	\$4,000,000				\$12,000,000
Pavement Maintenance	37,651,000	37,500,000	\$37,500,000	\$37,500,000		\$150,151,000
LED Streetlight Conversion	5,036,827	3,138,000				\$8,174,827
Admin – Traffic	29,000					\$29,000
Admin Reserve – Traffic	64,000					\$64,000
Total Traffic	\$50,780,827	\$44,638,000	\$37,500,000	\$37,500,000		\$170,418,827

Public Safety

Emergency Operations Center	\$2,500,000					\$2,500,000
Fire Station 8 Relocation	\$12,014,000	\$388,000				\$12,402,000
Fire Station 23 Relocation	3,013,000	1,000,000				\$4,013,000
Fire Station 37	50,000					\$50,000
New Fire Station 32	12,867,000	371,000				\$13,238,000
New Fire Station 36	17,136,000	386,000				\$17,522,000
Police Training Center Relocation	46,034,000	385,000				\$46,419,000
Police Air Support Unit Hangar	14,625,000					\$14,625,000
911 Call Center Upgrades	5,174,000					\$5,174,000
Police Administration Building Upgrades	5,785,870					\$5,785,870
Public Safety Reserves	6,950,000					\$6,950,000
Public Art - Pub Safety	970,000	22,000				\$992,000
Admin WC - Public Safety	318,030					\$318,030
Admin Reserve - Public Safety	1,082,000					\$1,082,000
Total Public Safety	\$128,518,900	\$2,552,000				\$131,070,900

Storm Sewer

Storm Drain Improvements at Charcot Ave	\$23,335,000	\$1,492,000				\$24,827,000
Clean Water Projects	17,201,739	3,961,000	\$495,000	\$495,000		\$22,152,739
Public Art – Storm Sewer	189,000	40,000	5,000	5,000		\$239,000
Admin – Storm Sewer	143,000					\$143,000
Admin Reserve – Storm Sewer	382,000					\$382,000
Total Storm Sewer	\$41,250,739	\$5,493,000	\$500,000	\$500,000		\$47,743,739

CITY OF SAN JOSE
2024-2028 ADOPTED CAPITAL IMPROVEMENT PROGRAM

Measure T Public Safety and Infrastructure Bond Fund (498)

STATEMENT OF SOURCE AND USE OF FUNDS

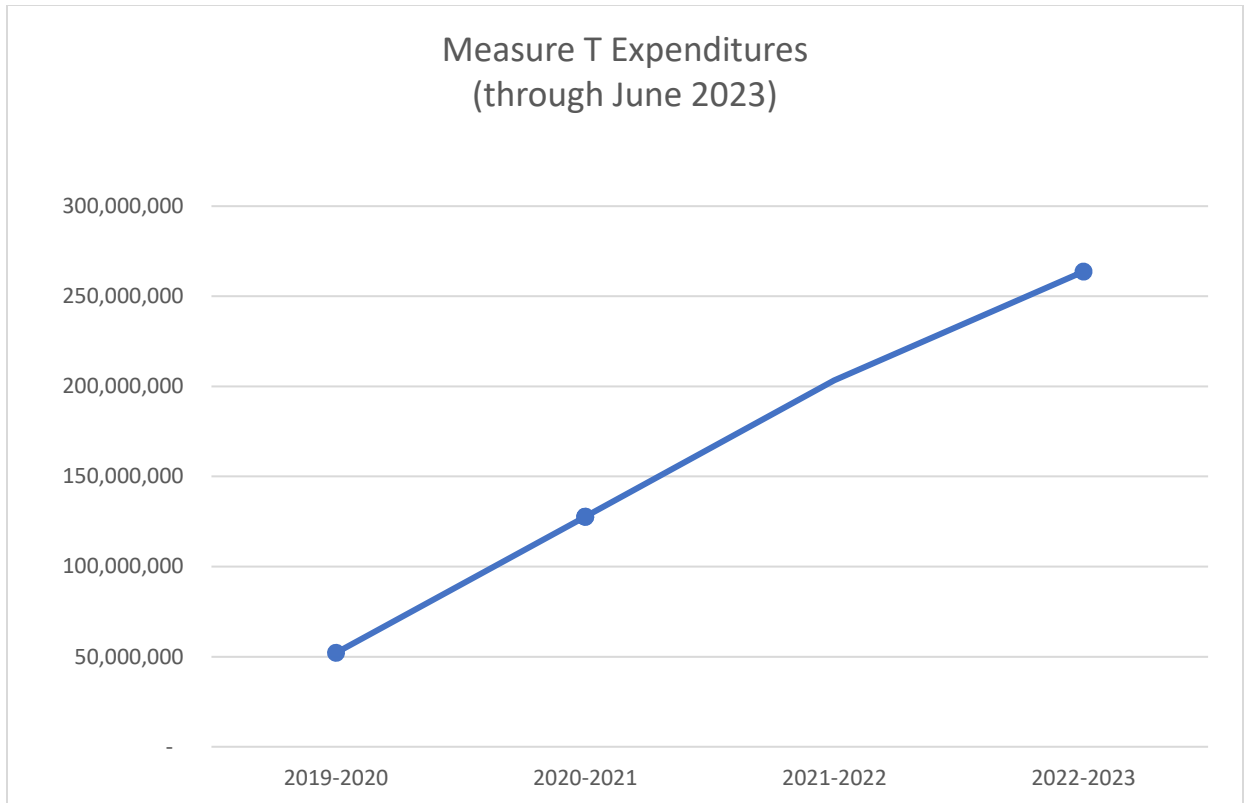
Program	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	5-Year Total
<u>Municipal Improvements</u>						
City Facilities LED Lighting	\$415,000					\$415,000
Total Municipal Improvements	\$415,000	\$0	\$0	\$0	\$0	\$415,000
<u>Parks & Community Facilities</u>						
Community Centers/Emergency Shelters	\$7,709,977	\$1,515,000				\$9,224,977
Public Art – Parks	74,000	15,000				\$89,000
Admin – Parks	30,000	29,000				\$59,000
Admin Reserve Parks	65,000	8,000				\$73,000
Total Parks & Community Facilities	\$7,878,977	\$1,567,000				\$9,445,977
Total Expenditures	\$228,844,443	\$54,250,000	\$38,000,000	\$38,000,000	\$0	\$359,094,443
Ending Fund Balance**	(\$78,727,329) ***	\$76,592,671	\$38,592,671	\$592,671	\$592,671	\$592,671
Total Uses	\$150,117,114	\$130,842,671	\$76,592,671	\$38,592,671	\$592,671	\$359,687,114

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

**The 2023-2024 through 2026-2027 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 2024. This results in the 2023-2024 Ending Fund Balance over-expended on a budgetary basis by \$78.7 million; however, there is a sufficient cash balance in this fund to cover expenditures in 2023-2024 and once the bonds are issued in 2024-2025, the Ending Fund Balance becomes positive.

Attachment F



Fiscal Year	2019-2020	2020-2021	2021-2022	2022-2023
Expenditures*	52,143,312	75,472,897	75,736,192	60,341,925

*excludes encumbrances