



San José Community Oversight Committee (COC) Measure T Annual Report for Fiscal Year 2022-2023

Measure T COC Report to the City Council

February 27, 2024

The Measure T COC's annual report dated January 18, 2024 covering the most recent fiscal year ended June 30, 2023, was provided to the City Council on February 5, 2024. The following is a summary of the report.

COC Findings and Conclusions FY2022-2023

The bond issuance and related expenditures have been reviewed by the COC to ensure that the proceeds have been:

- Used within the spending categories defined and authorized by Measure T
- Expended on a timely basis to ensure that the municipal bonds issued retain their tax-exempt status.

Measure T COC Report to the City Council

February 27, 2024

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 |

Measure T COC Report to the City Council

February 27, 2024

FY 2019-2020 Through 2022-2023 Measure T: Disaster Preparedness, Public Safety, and Infrastructure Bond Program Audited Use of Funds

| Measure T Program Category | Measure T Audited Use of Funds (Dollars) | | | | |
|----------------------------------|---|--------------|--------------|--------------|----------------------------|
| | FY 2019-2020 | FY 2020-2021 | FY 2021-2022 | FY 2022-2023 | Total FY 2019 thru 2023 |
| Traffic | 2,930,649 | 40,383,406 | 44,770,915 | 40,721,669 | 128,804,617 |
| Public Safety | 906,296 | 31,390,243 | 23,971,159 | 14,614,398 | 70,930,934 |
| Storm Sewer | 809,388 | 612,967 | 998,225 | 2,062,879 | 4,481,437 |
| Municipal | 47,494,159 | 3,036,312 | 2,676,069 | 1,941,396 | 55,145,914 |
| Parks & Community | 60,280 | 49,969 | 329,934 | 966,812 | 1,354,113 |
| Total | 52,200,772 | 75,472,897 | 72,746,302 | 60,307,154 | 260,717,015 |

Measure T COC Report to the City Council

February 27, 2024

General Observations and Comments

1. Continued Low Rate of Measure T Spending Versus DPW's Planned Spending continues to be a concern

- From July 2019 through June 2023, only 59.2% of the \$440.4 million issuance proceeds have been spent.
- The bond indenture requires that 85% of proceeds be spent within three years of issuance in order to qualify for the bonds' requisite tax exemptions. \$135.4 million **NEEDS TO BE SPENT BETWEEN July 2023 and July 2024** to avoid running afoul of IRS regulations, or alternatively, exemptive relief must be sought.
- Delays and/or deferrals of planned spending serve to push out completion of affected Measure T projects and increases the risk of serious cost overruns.

2. Public Safety Projects are at considerable financial/budget risk and are the most likely Measure T projects to be negatively affected by any further delays and/or future cost overruns.

Measure T COC Report to the City Council

February 27, 2024

Public Safety Projects at Financial/Budget Risk

| Measure T Projects | Project Location by Council Districts | Revised Life of Project Total Estimated Expenditure as of October 2023 (\$) | Potential Delta (Expected Overrun/Underrun – Currently Expected to be Funded Through Existing Reserves (\$)) |
|--|---------------------------------------|---|--|
| Fire Station No. 32 - New | 7 | 19,077,000 | (2,077,000) |
| Fire Station No. 36 - New | 7 | 18,036,000 | (1,036,000) |
| Police Dept. Training Center - Relocated | CW | 58,486,000 | (13,486,000) |
| Police Dept. Air Support Unit Hangar - New | CW | 17,743,000 | (9,343,000) |
| 911 Call Center - Upgrade/New | CW | 6,182,000 | 6,182,000) |
| Police Dept. Headquarters Upgrade | CW | 6,250,000 | (6,250,000) |
| TOTAL | | 125,774,000 | (38,374,000) |

Measure T COC Report to the City Council

February 27, 2024

Specific Recommendations

1. Prioritize the Public Safety Projects Slated to Receive Measure T Funds

- Establishing public safety project priorities will enable the city council to make timely midcourse spending corrections, effect necessary project re-scoping, or make important project-shelving decisions, should such action(s) become necessary.

2. Fill Vacant COC Seats

- Four COC seats remain unfilled -- D7, D10, Citywide Labor and Citywide Finance/Accounting; filling these remaining seats will lower the risk of not being able to achieve a required quorum to conduct COC meetings