

# CITY OF SAN JOSE 2017-2018 PROPOSED CAPITAL BUDGET

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## CAPITAL BUDGET GUIDE

The Capital Budget document includes the **City Manager's Budget Message** that outlines significant policy issues by City Service Area (CSA). The **Community Profile** section includes basic City information and data, the roster of elected officials, as well as a listing of significant State and local voter approved initiatives. The **Budget Guide** section provides a flow chart of the City of San José's annual budget process, a capital program organization chart by CSA, this capital budget guide, a glossary of terms, fund descriptions, and an acronyms index. **Summary Information** of expected revenues and expenditures is then presented, along with one-year and five-year comparisons to the prior Adopted Capital Budget and Capital Improvement Program (CIP), and the comparative five-year history of the total CIP. The **Budget Policies and Practices** section includes budgeting policies, the CSA policy framework, significant accounting practices, and information regarding debt service obligations.

### CAPITAL PROGRAMS BY CITY SERVICE AREA

The Capital Budget document includes the following programs organized by CSA:

#### **Community and Economic Development CSA**

- Developer Assisted Projects Capital Program

#### **Environmental and Utility Services CSA**

- Sanitary Sewer System Capital Program
- Storm Sewer System Capital Program
- Water Pollution Control Capital Program
- Water Utility System Capital Program

#### **Neighborhood Services CSA**

- Library Capital Program
- Parks and Community Facilities Development Capital Program

#### **Public Safety CSA**

- Public Safety Capital Program

#### **Transportation and Aviation Services CSA**

- Airport Capital Program
- Parking Capital Program
- Traffic Capital Program

#### **Strategic Support CSA**

- Communications Capital Program
- Municipal Improvements Capital Program
- Service Yards Capital Program

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#### **CSA OVERVIEWS**

Each section includes a brief overview of the Capital Programs contained within that CSA, a performance measures summary, and a listing of all the projects funded within that CSA.

#### **CAPITAL PROGRAMS**

Each capital program is organized as follows:

##### **Program Charts**

The charts at the front of each program illustrate sources and uses of funds in 2017-2018 and the total program allocation for this CIP and the previous four CIPs.

##### **Maps**

The majority of the capital programs include maps that illustrate the location of individual projects programmed in the Five-Year CIP.

##### **Program Overview**

In order to summarize the key elements of the Five-Year CIP, departments prepare a narrative statement for each program. Program Overviews may vary slightly in presentation styles, but all programs include several of the following key elements:

- **Introduction:** This section provides a brief description of the program, including a discussion of the CSA supported by the program and the associated CSA outcomes.
- **Program Priorities and Objectives:** This section discusses how Envision San José 2040 General Plan, Master Plan, and/or major strategic plans guide the CIP development. This section includes a description of how projects were prioritized and tied to the CSA outcomes and performance goals. This section also includes a discussion of the relationship of the program to overall program objectives and adopted standards or service levels. If applicable, this section also discusses how any deferred infrastructure and maintenance backlog is addressed.
- **Sources of Funding:** This section describes the various funding sources for each capital program. The assumptions that were used in arriving at revenue projections and any major changes in revenue streams are also discussed.
- **Program Highlights:** This section describes the major projects included in the Five-Year CIP. The discussion of these projects is often grouped by functional program within each CIP.
- **Major Changes from the 2017-2021 Adopted CIP:** This section summarizes the major changes from the prior Adopted CIP.

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#### **CAPITAL PROGRAMS**

##### **Program Overview** (Cont'd.)

- **Operating Budget Impact:** This section includes a general description of the operating impacts and, if applicable, an attachment that lists the annual operating costs associated with the individual projects included in the capital program. Costs are shown starting in the year the projects will be finished and for the remainder of the five-year period, with the exception of projects that have operating costs in the first year of the CIP. For those first year projects, the operating costs have been addressed in the Operating Budget. The estimated costs for the remaining years of the CIP are provided by departments and have not yet been fully analyzed by the City Manager's Budget Office. The analysis may well result in different costs when the actual budget for the year in question is developed. Additionally, if applicable, this section includes a summary of the fixtures, furnishings, and equipment (FF&E) costs.
- **Council-Approved Revisions to the Proposed Capital Improvement Program:** This section summarizes the changes to the Proposed CIP, as approved by City Council. (This section is only included in the Adopted CIP.)

##### **Source and Use of Funds**

Various Source and Use of Funds Statements are included for all programs. The Source of Funds (Combined) displays the capital revenues by funding source for each year of the Five-Year CIP. The Use of Funds (Combined) displays the capital expenditures by line-item for each year of the five-year period. The Source and Use of Funds Statements display major categories of capital revenues and expenditures by fund for each year over the five-year period. The current year revenues and expenditures are also displayed on the Source and Use of Funds Statements, but are not reflected in five-year totals because the Five-Year CIP relates to the upcoming five years rather than the current year.

Line items are generally grouped into two categories: construction projects and non-construction expenditures. Construction projects include items such as land acquisition, design, construction, and equipment associated with a project. Non-construction items include payments to other agencies, reserves, studies, transfers, equipment not associated with a specific project, and overhead-related expenses.

##### **Detail of Capital Projects**

The Detail Pages provide information on individual capital projects that are budgeted in 2017-2018, including a project description and a breakdown of the project cost elements and funding sources.

Recurring detail pages applicable to the majority of capital programs, such as Public Art or Capital Program and Public Works Department Support Service Costs, are only listed on the respective Source and Use Statement summaries and explained in detail in this section of the Capital Budget Guide.

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### CAPITAL PROGRAMS

#### Detail of Capital Projects (Cont'd.)

##### Detail of Construction Projects

Following are explanations for each section of the Construction Projects detail page:

- CSA: Lists the City Service Area (CSA) associated with the project.
- CSA Outcome: Lists the outcome(s) for the CSA supported by the project.
- Department: Lists the department responsible for the project.
- Location: Lists the address or physical location of the project.
- Council Districts: Identifies the location of the project by Council District.
- Appropriation: The appropriation number for the project.
- Initial Start Date/Initial End Date: Lists the initial start date which is the first quarter in which charges will be/were charged against the appropriation, based on the calendar year; lists the Initial End Date which is the completion date that is defined as the beneficial use date of the project, based on the calendar year.
- Revised Start Date/Revised End Date: Lists the revised (if applicable) start and completion dates, which are defined as the first quarter in which changes will be/were changed against the appropriation and the beneficial use date of the project, based on the calendar year.
- Initial Project Budget: The total project budget as it appeared in the first year the project had funds appropriated.
- FY Initiated: The first fiscal year the project had funds appropriated.
- Description: The description outlines what the project will provide and includes details such as the size of a new facility; the types of amenities to be provided; information on whether the project renovates an existing site or is a new facility; the change in capacity of a new or improved system; the number of square miles improved or the physical boundaries of the improvement; and the type of system improvements.
- Justification: The project justification states why the project is necessary.
- Notes: This section provides additional information or clarification about the project.

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#### CAPITAL PROGRAMS

##### Detail of Capital Projects (Cont'd.)

##### Detail of Construction Projects (Cont'd.)

- Major Cost Changes: This section identifies the CIP (or fiscal year if the change did not occur as part of the annual budget process) in which the change occurred followed by a brief explanation of the change.
- Expenditure Schedule: Provides a breakdown of the project costs by fiscal year by cost element, including: General Administration; Project Feasibility Development; Property and Land; Design; Bid & Award; Construction; Post Construction; Equipment, Materials and Supplies; Public Art; Maintenance, Repairs, Others. The costs are summarized by fiscal years as follows:
  - The “Prior Years” column is the total expended for the project in prior fiscal years.
  - The “FY 17 Est” column includes all expenses and encumbrances estimated through the end of the current fiscal year.
  - The FY 18 through FY 22 estimate columns provide expenditure estimates for each year of the Five-Year CIP. These figures match the expenditure figures in the five-year Use of Funds Statement. A “5 Year Total” column reflects the total amount of expenditures that are expected during the Five-Year CIP only. In addition to the “5 Year Total,” a “Beyond 5 Years” column is included to reflect costs that are expected to be incurred beyond the Five-Year CIP period. The “Project Total” column reflects all prior, current, and future year expenditures.

To more accurately reflect future costs, an inflation factor has generally been added each year, depending on the type of expenditure and the fiscal year.

- Funding Source Schedule: The name of each fund contributing to the funding of the project is shown. The total in each year of the Funding Source Schedule matches the total in each year of the Expenditure Schedule.
- Annual Operating Budget Impact: This section lists, if applicable, a preliminary estimate for operating and maintenance costs that will be incurred within the next five-year period. These cost estimates are provided by the appropriate department and have not been verified by the City Manager’s Budget Office. The amount that is actually budgeted does often vary from these estimates. The information included in this section is also summarized in the Program Overview. For projects that are scheduled to be completed in the first year of the CIP, the operating costs for the first year are not reflected because they have already been addressed in the Operating Budget. The following components are included in this section:

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### CAPITAL PROGRAMS

#### Detail of Capital Projects (Cont'd.)

##### Detail of Construction Projects (Cont'd.)

- *Debt Service:* Debt service related to this particular project/facility for each of the five years.
- *Maintenance:* The funding required to maintain the project/facility.
- *Operating:* The operating costs associated with the project/facility.
- *Cost Offset:* Revenues associated with the project/facility or operating efficiencies.

Public Art is an ongoing construction project included in the various funds that supports the various capital programs. This item is not accompanied by a detail page. The following is a brief description of the project.

- **Public Art:** This allocation funds the construction and administration of public art in the capital programs. In compliance with the Council adoption of the revised Public Art Master Plan on March 13, 2007, one percent of all construction project funding is required to be allocated to public art, excluding funding for seismic and ADA retrofits, maintenance and operations, facility replacement, non-construction projects (such as studies), or affordable housing. The exclusion of public art for the Water Pollution Control Plant is also being considered by the City Council on May 9, 2017. This exclusion is assumed in the CIP. Expenditures in this allocation will be subject to the legal revenue restrictions for the use of funds as it pertains to public art.

##### Detail of Non-Construction Projects

It should be noted that the information provided for the Non-Construction Projects detail page is abbreviated and includes:

- CSA
- CSA Outcome
- Department
- Council Districts
- Appropriation
- Description
- Notes
- Expenditure Schedule
- Funding Source Schedule

Several non-construction expenditure categories which are common to more than one program do not have a Capital Project Detail Page. These expenditure categories are described below.

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## CAPITAL BUDGET GUIDE

### CAPITAL PROGRAMS

#### Detail of Capital Projects (Cont'd.)

#### Detail of Non-Construction Projects (Cont'd.)

- **Transfer to the City Hall Debt Service Fund:** These allocations cover the Program's share of City Hall and City Hall Garage Debt Service costs for capital-supported staff occupying City Hall.
- **Capital Program and Public Works Department Support Service Costs:** This allocation funds capital program and Public Works Department (PWD) support service costs. Capital program costs include costs such as the Capital Project Management System, the bid and award process, and updates of policies and specifications. PWD support service costs include management, staff and technical support, fiscal services, and procurement services.
- **Infrastructure Management System:** This allocation provides funding to develop and maintain Geographic Information System maps of the City's transportation infrastructure and integrates maps into the various Infrastructure Management Systems.

#### Summary of Projects that Start After 2017-2018

This summary includes those projects that have funding budgeted starting after 2017-2018.

#### Summary of Projects with Close-Out Costs Only in 2017-2018

This summary includes those projects that are near completion with only minimal costs to finish the project budgeted in 2017-2018. These costs typically include inspection services and program management.

#### Summary of Reserves

This summary includes earmarked funding identified for specific projects. An allocation may be set aside until such time as sufficient resources are available to fund the project.

#### Explanation of Funds

Two capital programs, Airport and Water Pollution Control, include further descriptions of the funding structure that support their programs.