

Bond Measure T Community Oversight Committee (COC) D1 Update

Gary Cunningham
cunninghamgc6@sbcglobal.net

3 March 2023

On November 6, 2018, registered voters of the City of San José approved Measure T, the San José Disaster Preparedness, 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 Community Oversight Committee (COC) was authorized as a result of the approved San José City’s Measure T bond measure that provided for Community Oversight of the expenditure of the bonds.

The Measure T COC’s annual report covering the most recent fiscal year ended June 30, 2022, was provided to the City Council on February 13, 2023. The following table provides the Measure T yearly bond history from 2018 through 2022.

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

AUDITED USE OF FUNDS

San José City’s 2018 Measure T Bond Program Audited Use of Funds for FY 2021-2022 was \$72,736,192. The Total Measure T Audited Use of Funds for FY 2019 through FY 2022 was \$200,409,861. The funds were allocated and expended for each of the Measure T program categories as detailed in the following table.

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

Measure T Program Category	FY 2019-2020 Measure T Audited Use of Funds (dollars)	FY 2020-2021 Measure T Audited Use of Funds (dollars)	FY 2021-2022 Measure T Audited Use of Funds (dollars)	Total Measure T Audited Use of Funds (dollars)
Traffic	2,930,649	40,383,406	44,770,915	88,082,948
Public Safety	906,296	31,390,243	23,971,159	56,316,536
Storm Sewer	809,388	612,967	998,225	2,418,558
Municipal Improvements	47,494,159	3,036,312	2,676,069	53,204,518
Parks & Community Facilities	60,280	49,969	329,934	387,301
Total	52,200,772	75,472,897	72,746,302	200,409,861

GENERAL OBSERVATIONS AND COMMENTS

1. **Persistent Low Rate of Measure T Spending Versus DPW's Planned Spending.** There has been a persistent low rate of Measure T spending versus DPW's planned spending.

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

- a. The bond indenture requires that 85% of any money received be spent within three years of issuance in order to qualify for the bonds' requisite tax exemptions. If the city's historical rate of spending worsens, this tax exemption could become jeopardized.
 - b. Delays and/or deferrals of planned spending serve to push completion of affected Measure T projects further out into the future where cost projections and completion timing become less certain and more prone to serious cost overruns due to the simple passage of time coupled with the compounding impact of high inflation.
2. **Measure T Projects Master Project Plan/Schedule.** Through June 30, 2022, DPW had not published a "Master project plan/schedule" for the Measure T projects providing expected start/finish dates for each underlying project. As a result, it has not been possible for the COC to conclude whether DPW is on-track to complete all Measure T projects in accordance with each project's original scope, its planned completion date, and within its originally anticipated budget.

In December 2022, DPW provided the COC with project-level budget updates showing an expected, aggregate budget deficit of \$26 million for all currently in-process Measure T projects.

SPECIFIC RECOMMENDATIONS

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

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