



Office of the Independent Budget Analyst

**A Citizen's Guide to the Capital
Improvement Program, Recent and
Ongoing Improvements Efforts,
and Important Next Steps**

**Presentation to the
Infrastructure Committee
January 28, 2013**



Introduction

- A Citizen's Guide to the Capital Improvements Program (CIP) – CIP 101
- Recent and Ongoing Efforts to Improve the CIP
- Important Next Steps



Citizen's Guide – CIP 101

- Our office developed *A Citizen's Guide to the Capital Improvement Program* to provide a solid foundation of knowledge on the CIP. We issued an updated version on January x, 2013 to reflect Council district changes.
- This Guide can be used in conjunction with our *Citizen's Guide to the City's Operating Budget* which provides an outline of how the monies coming into the City will be spent to operate and maintain City functions and services.
- The Guide to the CIP includes both a full version and a Quick Look or summary version and can be found on our website: <http://www.sandiego.gov/iba/>.



Citizen's Guide – CIP 101

- The City's CIP is a complex process—it involves various players and funding sources, is largely decentralized, and differs across departments and asset types.
- Understanding the CIP process is important to facilitate valuable public input, including enabling citizens to:
 - provide thoughtful input on infrastructure needs and existing capital improvement projects;
 - establish realistic expectations for CIP funding constraints, restrictions, and competing priorities; and
 - help to identify and support future financing efforts.



What is Infrastructure?

- Infrastructure includes the basic physical structures, systems, and facilities needed to provide services to residents and for the functioning of a community and its economy.
- Different entities are responsible for installing and maintaining the infrastructure that they own and operate and that is within their boundaries or jurisdiction.

Infrastructure within City's Area of Responsibility

- ✚ Airports (Brown and Montgomery Fields)
- ✚ Miramar Landfill
- ✚ Fire Stations
- ✚ Libraries
- ✚ City Parks & Recreation Centers
- ✚ Police Departments
- ✚ Water and Sewer Systems
- ✚ City Buildings
- ✚ QUALCOMM Stadium
- ✚ City-owned Real Estate
- ✚ Storm Drain System
- ✚ Streets, Sidewalks, Street Lights, and Traffic Signals



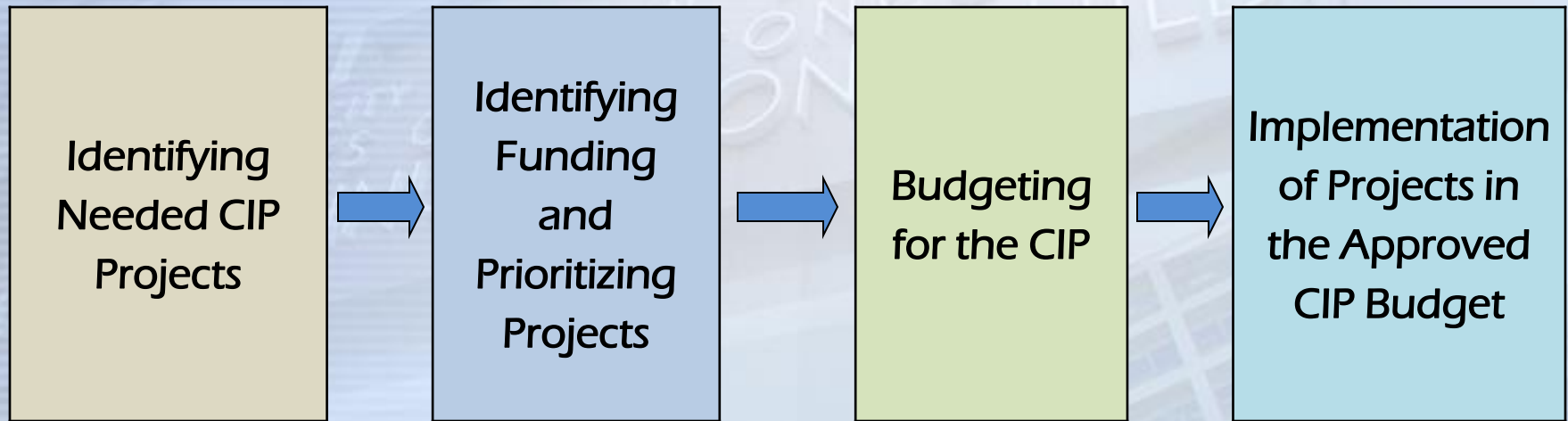
What is a CIP?

- A Capital Improvement Program or CIP is a portfolio of a city's capital improvement projects.
- Capital improvement projects are construction projects that provide tangible, long-term improvements or additions of a fixed or permanent nature, such as a new or expanded library or replacement of aging water pipes.

➤ Decisions made regarding the CIP are very important, because capital improvements projects are generally large and expensive, and the assets they create will likely be required for decades of public use.



Keys to Understanding the City's CIP



- The CIP process is complex, involving various players and funding types.
- The overall process is decentralized and the City does not have one executive-level who is responsible for managing, overseeing, and providing accountability for the entire CIP process.



Keys to Understanding the City's CIP

Many City Department and organizations are responsible for various aspects, including:

- Asset-owning departments
- Financial Management
- CIP Review and Advisory Committee (CIPRAC)
- Public Works-Engineering & Capital Projects (E&CP)
- Development Services
- Office of the City Comptroller

Asset-owning Departments and Divisions

- ✚ Airports
- ✚ Environmental Services
- ✚ Fire-Rescue
- ✚ Library
- ✚ Park & Recreation
- ✚ Police
- ✚ Public Utilities
- ✚ Public Works-General Services
- ✚ QUALCOMM Stadium
- ✚ Real Estate Assets
- ✚ Transportation & Storm Water



Identifying Needed CIP Projects

Asset-owning City departments generally identify needed capital projects based on:

- Policy and direction from the Mayor and Council
- Legal requirements or mandates
- Long- and mid-range plans
- Unfunded needs lists
- Condition assessments and asset management systems
- Staff assessments based on repair and maintenance records, observations, and experience.
- City Council priorities and requests
- Public input through Council Members, planning or advisory committees, and/or budget hearings.

IMPORTANT FACTS:

Much of the funding in the FY 2013 CIP Budget is being spent on projects required to comply with laws or mandates. For example:

- ✚ 62% of sewer funds are for projects needed to comply with a Consent Decree with the U.S. Environmental Protection Agency, and
- ✚ 66% of water funds are for projects needed to comply with a California Department of Public Health Compliance Order.



Finding Funding

Asset-owning department staff work with the Mayor, City Council, and appropriate City Departments to identify funding, but must do so within major constraints:

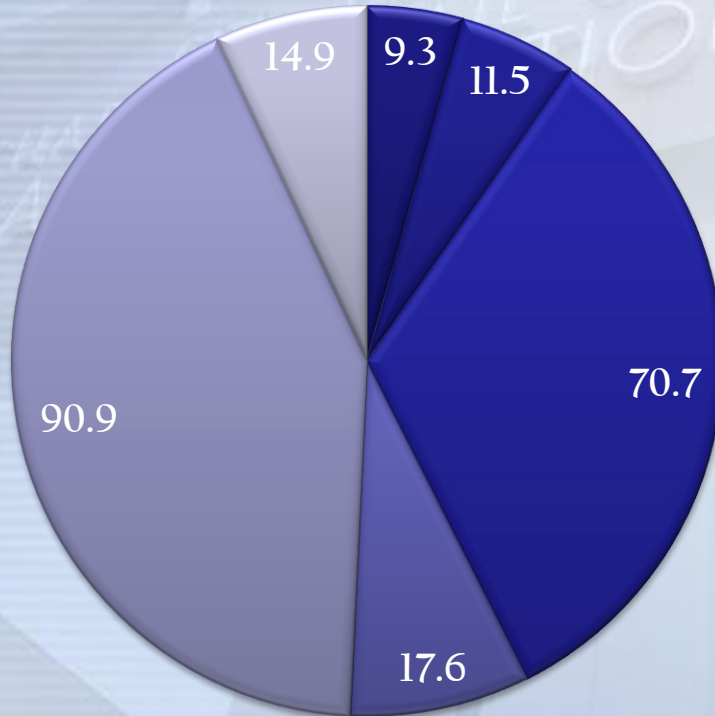
- The General Fund is not a primary source of funding, because it is used to fund the City's core community services.
- Needs greatly exceed available resources so there are competing priorities for limited funds.
- Many of the funding sources for capital improvement projects have specific restrictions on how they can be spent.

➤As a result, there is relatively little discretionary funding and some departments have more available funding than others.



CIP Funding Sources – FY 2013

Millions of Dollars



- Development Impact Fees
- General Fund
- Sewer Fund
- TransNet Extension Fund
- Water Fund
- Other

“Other” includes Airports Fund, Developer Funding, Energy Conservation Program Fund, Golf Course Enterprise Fund, Maintenance Assessment Districts, Mission Bay Improvements Fund, OneSD/ERP Funding, Park Service District Funds, Refuse Disposal Fund, Regional Park Improvements Fund.



Funding Sources

FY 2013 Funding Sources

Airports Fund
Developer Funding
Development Impact Fees
Energy Conservation Program Fund
Golf Course Enterprise Funds
Maintenance Assessment Districts
Mission Bay Improvements Fund
OneSD Funding
Park Service District Funds
Refuse Disposal Fund
Regional Park Improvements Fund
Sewer Funds
TransNet
Water Fund

Other funding sources:

- Federal and State Grants
- Capital Outlay Fund
- Facilities Benefit Assessment
- Municipal Bonds
 - Revenue Bonds
 - General Obligation (GO) Bonds



Prioritizing Projects

- Asset-owning department staff provide a ranking for each project based on [Council Policy 800-14](#) which includes guidelines and weighted factors, for example
 - impact to health and safety (25%),
 - impact of deferring the project (15%), and
 - community investment (10%).
- Public Works-Engineering & Capital Projects (E&CP) Department staff refine the priority score during project implementation.
- Given funding constraints, CIP projects typically do not compete across different project categories, funding sources, or project phases.



Budgeting for the CIP

The annual CIP budget is the City's mechanism for getting projects approved and implemented.

- The majority of the CIP budget has funded ongoing projects and only a small portion has been available to begin new projects.
- Given funding constraints and competing priorities, the City has a significant backlog of deferred capital projects.



➤ The CIP budget includes ongoing projects and new projects started in the current fiscal year, but does not include new projects starting in later fiscal years or all unfunded needs.



Budgeting for the CIP – FY 2013

Department or Division	Prior Years	Adopted Budget	Future Years	Total
Airports	\$ 13.7	\$ 2.4	\$ 15.8	\$ 31,949.7
Department of Information Technology	39.0	1.1	-	40,125.0
Environmental Services	94.5	4.6	11.1	110.1
Fire-Rescue	40.0	1.0	85.2	126.2
Library	209.7	-	126.7	336.4
Office of the Chief Operating Officer	1.0	-	-	1.0
Park & Recreation	230.5	10.7	416.9	658.1
Police	3.3	-	2.2	5.5
Public Utilities	1,264.2	161.6	1,237.9	2,663.8
Public Works-General Services	60.8	3.6	149.8	214.2
QUALCOMM Stadium	1.5	-	3.8	5.3
Real Estate Assets	0.6	-	-	0.6
Special Promotions	1.7	-	-	1.7
Transportation & Storm Water	1,001.4	30.0	1,464.9	2,496.3
Total	\$ 2,961.9	\$ 214.9	\$3,514.2	\$6,691.1



Implementing Projects

- Capital improvement projects frequently are large, expensive, and take multiple years to complete.
- E&CP is primarily responsible for implementation and management of approved projects from the CIP Budget.
- E&CP contracts out a portion of project planning and design and all of construction via various delivery methods:
 - Design-Bid-Build
 - Design-Build (MACC)
 - Job Order Contracting (JOC)
 - Emergency Contracting





Recent Improvement Efforts

- Development and Approval of Deferred Capital Funding Plan – Approved by City Council in March 2012.
- Restructured Contracting Function for Construction and Consultants to Public Works Department – Transfer of Function and staff occurred in the 1st quarter of FY 2012.
- CIP Streamlining and Transparency Improvements – Approved by Council in March 2012 and went into effect on July 1.



Ongoing Improvement Efforts

- Revision of [Council Policy for Prioritizing CIP Projects \(800-14\)](#) – Based on lessons learned from the application of the ranking factors and recommendations from the Office of the City Auditor reports on the CIP, City staff are considering how to revise the ranking factors.
- Public Outreach to Obtain Input for the FY 2014 CIP Budget through the Community Planners Committee (CPC) – E&CP obtained community needs and priorities in November 2012 and is incorporating these needs as appropriate into the FY 2014 CIP budget.



Important Next Steps

The challenges faced by community planning representatives and City staff during the outreach process highlight important next steps:

- Developing a Multi-Year Capital Improvement Plan
 - ❖ Implementing Asset Management Practices Citywide
 - ❖ Establishing a process for public input on community infrastructure needs

➤ Other large cities with successful infrastructure programs, such as San Antonio, Denver, and San Francisco have a plan.

➤ Other local organizations and jurisdictions, such as SANDAG and the County of San Diego have a multi-year plan.



Multi-Year CIP Plan

Steps to developing a Multi-year Capital Plan:

1. Pulling together or linking existing plans, such as Deferred Capital, TransNet, and CityGate.
2. Identifying Citywide infrastructure needs and priorities:
 - *Existing assets* - Optimally, priorities for existing assets should be driven by Asset Management, including:
 - ❖ Establishing desired service levels
 - ❖ Completing inventory of assets
 - ❖ Assessing conditions
 - ❖ Assessing alternative and identifying optimal maintenance and replacement



Multi-Year CIP Plan

2. Identifying Citywide infrastructure needs and priorities (cont.)
 - *New assets* – The need for expanded or additional assets may be identified through reports and plans, for example community or Facilities Financing plans, as well as community input
3. Estimating the investment required to meet those priorities;
4. Projecting revenue from existing funding sources;
5. Identifying other funding opportunities, like grants;
6. Identifying and prioritizing projects that are not funded through these existing sources.



Multi-Year CIP Plan

7. Developing a financing strategy to address remaining unfunded priorities. Important factors include:
 - A stable and united leadership among Mayor, City Council, Business Groups, Public Interest Groups, and citizens.
 - Strong long-term financial capacity for both debt service and operating budget costs.
 - Strong staff capacity to deliver future projects on time and within budget.
 - Solid track record of delivering past and current funded deferred capital projects.
 - Strategic analyses of potential competing issues.



QUESTIONS ?

Infrastructure Committee
January 28, 2013



Parking Lot with Additional Slides



Other Cities' Approaches to Capital Planning

Denver, CO; San Francisco, CA; Houston, TX; and San Antonio, TX – Have been doing capital planning for several years and developed comprehensive plans that generally include:

- an assessment of capital infrastructure needs,
- the investment required to meet those needs,
- funding sources and projected revenue, and
- a strategy for financing projects where annual capital revenue falls short.



Other Cities' Approaches to Capital Planning

Important common themes of these cities' plans:

- Solid information on the condition of capital assets;
- Prioritization of ongoing and preventative maintenance for existing infrastructure;
- Significant public input on community needs;
- Transparency and accountability for the capital process, including how projects are selected and status of projects;
- A strategy for financing capital needs that cannot be funded with available annual revenues; and
- Public involvement and support for financing programs.