



**Office of the Independent Budget Analyst**

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# **Infrastructure Training Session**

**Presentation for  
City Council Staff  
July 11, 2013**



# Why are we here?

- Addressing infrastructure issues is clearly one of the highest priorities for the City.
- Infrastructure impacts the public health, safety, and the quality of life for San Diego communities, and the City has significant infrastructure challenges.
- As a result, infrastructure is a high-profile (sexy) topic; and we hear about it a lot.
- The City has taken important steps to address infrastructure problems, but this is just the beginning.
- Developing a more comprehensive solution will require Council, Mayor, City staff, and citizens to work together.



# Introductions

- James Nagelvoort, Public Works Department
- Gary Chui, Transportation & Storm Water
- Scott Mercer, Development Services/Facilities Financing
- Theresa Millette, Development Services/Community Planning
- Joe LaCava, Community Planners Committee
- Almis Udrys, CD 5/Infrastructure Committee
- Erin Noel, Office of the IBA





# Training Session Agenda

1. Overview of Infrastructure, Important Next Steps, and Overview of the CIP Process
  - FY 2015 CIP Budget Process
2. Community Planning and Facilities Financing 101
3. Public Input Process for the CIP
  - FY 2014 Results and Lessons Learned
  - Plans for FY 2015
4. Staying Connected/Getting Info on Infrastructure



# A Citizen's Guide to Infrastructure

- Our office issued the Guide on July 9<sup>th</sup>.
  - We changed the title from *A Citizen's Guide to the Capital Improvements Program* to *A Citizen's Guide to Infrastructure*, because infrastructure issues are a top priority for the City and encompass more than the CIP Budget.
  - Understanding infrastructure issues is important to enable citizens to effectively become involved and provide thoughtful input on new and existing capital improvement projects.
  - Ultimately, citizens will play a critical role in helping the City to identify and implement a more comprehensive solution to address infrastructure problems.
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# 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, such as sidewalks, streets, parks, fire stations, police facilities, and water and sewer systems.







# Why is infrastructure important?

- Infrastructure impacts the public health, safety, and the quality of life for San Diego communities as well as the tourism industry which is an important part of the City's economy.
- Decisions made regarding infrastructure projects are very important because they are generally large and expensive, and the assets they create will likely be required for decades of public use.



# What infrastructure is within the City's area of responsibility?

- Different entities are responsible for installing and maintaining the infrastructure that they own and operate and that is within their boundaries or jurisdiction.
- The City is responsible for installing and maintaining a significant number of assets.
- The City is not responsible for the trolley rail, or bus systems which are owned and operated by MTS.

## 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 are the City's responsibilities with regard to infrastructure?

The City's is responsible for:

- the care and upkeep of existing assets, also known as Maintenance & Repair (M&R)
- Rehabilitation or replacement of existing assets, when needed (capital projects).
- Providing needed new or expanded infrastructure (capital projects).

## IMPORTANT FACTS: CIP PROJECTS VERSUS MAINTENANCE & REPAIR

It is important to distinguish CIP projects from maintenance, since maintenance is not part of the CIP Budget and many of the funding sources used for capital projects cannot be used for maintenance.

- ✚ CIP projects provide tangible, long-term improvements, such as constructing a new or expanding an existing library, replacing aging water pipes, or installing a new roof.
- ✚ Maintenance includes ongoing upkeep and repairs, such as patching a roof or painting a building. Maintenance is generally funded by the City's General Fund and some other sources like Prop 42 Replacement Funds for street slurry seal projects.



# What happens when infrastructure assets are not maintained?

- When M&R is not fully funded, it contributes to deferred maintenance and capital costs.
- The City has not fully funded M&R due to tight budgetary constraints and competing priorities.
- As a result the City now has an estimated \$898 million backlog in deferred capital projects just for streets, facilities, and storm drains.

<i>Asset</i>	<i>Estimated Backlog</i>
<i>Buildings</i>	\$ 185 million
<i>Streets</i>	\$ 478 million
<i>Storm Drains</i>	\$ 235 million
<b>Total</b>	<b>\$ 898 million</b>



# What happens when infrastructure assets are not maintained?

- This estimate is anticipated to significantly increase as information is collected in FY 2014 on the condition of City facilities, sidewalks, and park assets.
- Compounding the problem, as assets continue to deteriorate, the cost of repair will exponentially increase and can result in peripheral damage.

➤ The City has taken important steps to better understand the magnitude of deferred capital backlog (condition assessments) and adopted the Five-Year Deferred Capital Funding Plan to begin to address the backlog, but this is just the beginning...





# How can the City effectively maintain infrastructure assets?

## *Core Asset Management Questions:*

1. *What is the current state of my assets?*
2. *What is my required level of service?*
3. *Which assets are critical to sustained performance?*
4. *What are my best operations and maintenance and CIP investment strategies?*
5. *What is my best long-term funding strategy?*

- Asset Management is a recommended practice for effectively and sustainably managing assets at a desired level of service for the lowest life cycle cost.
- It provides needed information on existing assets, such as condition, so that City staff can develop optimal M&R and CIP strategies for assets.



# How can the City effectively maintain infrastructure assets?

- The City has several Asset Management efforts underway:
  - *Citywide Asset Management Practices* - Development of standard minimum guidelines for all departments for managing assets and developing an Asset Management plan.
  - *Asset Management System* - Public Utilities started an effort to replace its three existing obsolete and fragmented maintenance management systems with SAP EAM.

➤ Ultimately, Asset Management will provide a sound basis for the City to identify the magnitude of the backlog; prioritize needed capital projects; and effectively focus limited resources.



# How does the City identify needed infrastructure?

Identifying infrastructure needs for existing and new assets should be a collaboration between City staff and members of the public.

- City staff have knowledge, experience, and expertise to identify capital needs as well as an understanding of related legal requirements and Mayoral and Council direction.
- Needed infrastructure is also identified through plans, such as the Regional Transportation Improvement Plan.
- City staff work with communities to identify infrastructure needs to be included in Community and Public Facilities Financing Plans.





# How does the City identify needed infrastructure?

- Public input is necessary for understanding desired levels of service for assets as well as community priorities.
- Members of the public observe and understand the needs in their communities.

➤ Recognizing that thoughtful public input can add great value to infrastructure planning, the City now has a formal public input process on infrastructure needs and priorities through the Community Planners Committee (CPC).



# How do infrastructure needs become funded capital project?

- The City of San Diego has a Capital Improvements Program (CIP) for installing new and replacing or rehabilitating existing infrastructure.
- Currently, the City's mechanism for getting projects approved and implemented is the annual CIP budget process.
- This is because the City currently does not have a Citywide Multi-Year Capital Improvements Plan, but staff recognize the need for such a plan and are in early stages of development.



# Important Next Steps

## Development of Multi-Year Capital Improvements Plan and Financing Strategy

- An overall, transparent view is needed for infrastructure:
  - what projects are planned;
  - what projects are needed (for new and existing infrastructure);
  - what revenue is projected from existing funding sources;
  - what priority projects lack a funding source.

➤ Similar to other cities, San Diego can use its Multi-Year Plan as an analytical tool to identify priority unfunded needs and develop strategies for financing these needs, such as a General Obligation Bond Program or Public-Private Partnerships.





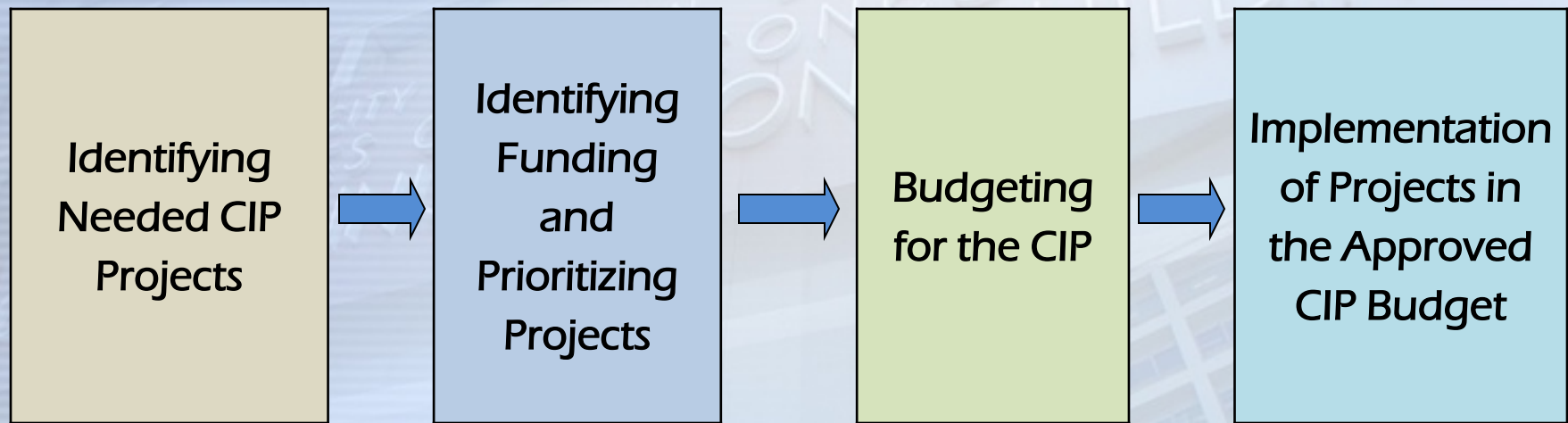
# What is a CIP?

- 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
- 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
- Asset Management (Condition Assessments and Asset Management Systems)
- Staff assessments based on Maintenance & Repair records, observations, and experience.
- City Council priorities and requests
- Public input through Council Members, planning or advisory committees, the new public input process, and/or budget hearings.



# 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.



# 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%).
- Public Works 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.

➤ Public Works staff are currently revising the priority scoring process.





# 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 only a small portion has been available to begin new 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.



# Implementing Projects

- Capital improvement projects frequently are large, expensive, and take multiple years to complete.
- Public Works is primarily responsible for implementation and management of approved projects from the CIP Budget.
- Public Works 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





# QUESTIONS ?

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