Capital Improvements Program

The Capital Improvements Program (CIP) Budget supports construction projects, such as the development of park land, the construction of sewer pump plants, the acquisition of land for City use, the installation of traffic signals or street lighting systems, and the construction and remodeling of City facilities. These funds are derived from various sources, including sewer and water fees, a one half-cent local sales tax for transportation improvements (TransNet and TransNet Extension), development impact fees, sale of City-owned property, and State and federal grants. The issuance of bonds is typically made for large and costly projects such as deferred maintenance, sewer and water treatment plants, pump stations, and pipe replacement or rehabilitation.

Overview of the Fiscal Year 2009 Annual CIP Budget

The Fiscal Year 2009 Annual CIP Budget totals $587.0 million. This is an increase of $95.3 million or 19.4 percent from the Fiscal Year 2008 Annual CIP Budget of $491.6 million. The increase in the Fiscal Year 2009 Proposed CIP Budget is primarily due to an increase in funding for capital projects addressing deferred maintenance needs.

Deferred maintenance and Americans with Disabilities Act (ADA) obligations are two of the eight significant areas identified in the Five-Year Financial Outlook. The Annual CIP Budget includes $99.7 million for deferred maintenance projects for facilities, streets, storm drains, and sidewalks funded by proceeds from land sales, Proposition 1B funds, and financing[1]. This is a significant increase from the $30.0 million budgeted in Fiscal Year 2008 and reflects enhanced efforts to address the City's estimated $800-$900 million backlog of deferred maintenance needs. The Fiscal Year 2009 Annual CIP Budget includes approximately $11.0 million for ADA improvements funded by proceeds from land sales and Community Development Block Grants (CDBG). This is a reduction of $1.3 million from the $12.3 million budgeted in Fiscal Year 2008 due to a reduction in CDBG funding available for ADA improvements. In addition, the Annual CIP Budget includes $29.8 million of TransNet Extension cash and commercial paper funding for transportation projects.

Water and sewer projects in the Fiscal Year 2009 Annual CIP Budget are funded by water and sewer rates. On February 26, 2007, City Council approved water and sewer rate increases. Water rates will increase 6.5 percent each year through Fiscal Year 2011. Sewer rates increased 8.75 percent in May 2007 and May 2008, and will increase 7 percent in May 2009 and May 2010. The revenues generated from these rate increases are projected to fund $585.0 million of water projects and $648.0 million of sewer projects over this time period.

Table 1 and the chart following show the total Fiscal Year 2009 Annual CIP Budget by department. The greatest increases in the Fiscal Year 2009 Annual CIP Budget are in the General Services Department for deferred maintenance capital projects. The CIP Budget identifies $7.6 billion in total projected CIP project costs through Fiscal Year 2019 for continuing, new, and future projects. Of this amount, $2.3 billion is currently unidentified funding, including $545.4 million in projects that are fully unfunded.

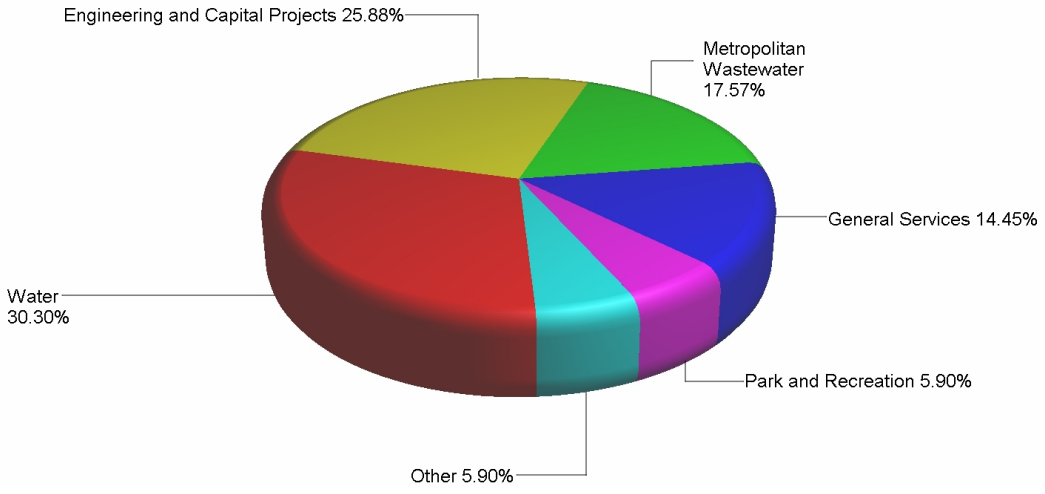
[1] The City Attorney has raised some concerns over the legality of the proposed financing structure. The financing is expected to be implemented upon successful resolution of the legal concerns.

Capital Improvements Program

TABLE 1 FISCAL YEAR 2009 ANNUAL CIP BUDGET BY DEPARTMENT COMPARED TO FISCAL YEAR 2008			
DEPARTMENT	**FY 2008 [1]**	**FY 2009 FINAL**	**CHANGE BETWEEN FY 08 - FY 09**
Airports	$ 1,800,000	$ 2,400,000	$ 600,000
City Comptroller	$ 16,300,000	$ 6,825,624	$ (9,474,376)
City Planning and Community Investment	$ 3,203,949	$ 1,894,000	$ (1,309,949)
Development Services	$ 150,000	$ -	$ (150,000)
Engineering and Capital Projects	$ 146,926,837	$ 151,885,792	$ 4,958,955
Environmental Services	$ 5,823,000	$ 6,607,194	$ 784,194
Fire-Rescue	$ 4,776,346	$ 21,000	$ (4,755,346)
General Services	$ 26,950,000	$ 84,812,544	$ 57,862,544
Library	$ -	$ 600,000	$ 600,000
Metropolitan Wastewater	$ 100,678,956	$ 103,118,352	$ 2,439,396
Office of the Chief Information Officer	$ 3,324,548	$ 3,341,763	$ 17,215
Park and Recreation	$ 30,600,251	$ 34,629,253	$ 4,029,002
QUALCOMM Stadium	$ 750,000	$ 750,000	$ -
Storm Water	$ 4,777,099	$ 12,205,000	$ 7,427,901
Water	$ 145,575,252	$ 177,869,077	$ 32,293,825
TOTAL	**$ 491,636,238**	**$ 586,959,599**	**$ 95,323,361**

[1] Fiscal Year 2008 amounts have been revised to reflect restructuring and re-assignment of capital projects among departments, primarily resulting from the Engineering and Capital Projects BPR.

Fiscal Year 2009 Annual CIP Budget– $587.0 Million



Highlights of the Fiscal Year 2009 Annual CIP Budget by Department

For additional information on budgeted capital projects, please refer to the individual department sections in Volume III of the Fiscal Year 2009 Annual Budget.

Airports

The Department's Fiscal Year 2009 Annual CIP Budget is $2.4 million. Projects for Brown and Montgomery Fields are funded by a variety of sources, including revenue from leases, landing fees, parking fees, fuel flowage fees, and Federal Aviation Administrative (FAA) grants.

City Comptroller

The Department's Fiscal Year 2009 Annual CIP Budget is $6.8 million, all of which is for the Enterprise Resource Planning System (ERP).

City Planning and Community Investments

The Department's Fiscal Year 2009 Annual CIP Budget is $1.9 million. Downtown parking projects account for $1.5 million. The Chollas Lake South Branch Phase I Implementation project will receive $394,000 in state grants.

Engineering and Capital Projects

The Department's Fiscal Year 2009 Annual CIP Budget is $151.9 million. This includes $60.0 million from the Undergrounding Surcharge Fund for new projects for utilities undergrounding, City-owned street lighting and resurfacing of roadways impacted by the undergrounding of utilities and to augment funding for underground conversion projects associated with the California Public Utilities Commission Rule 20A. In Fiscal Year 2009, approximately 24 miles of dry utilities will be placed underground. Other significant allocations of the Department's CIP Budget include:

- $11.0 million for ADA improvements
- $7.4 million for 43rd Street and Logan/National Avenue Intersection
- $5.0 million for State Route 163 and Friars Road
- $2.4 million for Otay Truck Route Widening Phase III
- $1.8 million for Aldine Drive and Fairmount Avenue – Slope Restoration
- $300,000 for First Avenue Bridge over Maple Canyon – Rehabilitation

Capital Improvements Program

Environmental Services

The Department's Fiscal Year 2009 Annual CIP Budget is $6.6 million. The major projects for Fiscal Year 2009 include:

- $1.8 million for Future Waste Management Disposal and Processing Facilities
- $1.5 million for South Miramar Landfill Slopes
- $1.0 million for South Chollas Landfill – Gas Upgrades
- $480,000 for West Miramar Phase II – Landfill Gas System

General Services

The Department's Fiscal Year 2009 Annual CIP Budget is $84.8 million. The significant allocations of the Department's CIP Budget are:

- $45.4 million for street resurfacing
- $31.8 million for City facilities improvements, including roof replacements and air conditioning and heating upgrades and replacements
- $7.5 million for sidewalk replacement and reconstruction

Metropolitan Wastewater

The Department's Fiscal Year 2009 Annual CIP Budget is $103.1 million. The funding for sewer projects is provided by the sewer rate increase which also supports private financing. The Department's CIP Budget includes the execution of Federal Consent Decree projects. The major projects for Fiscal Year 2009 include:

- $59.1 million for pipeline repair, replacement, and rehabilitation
- $19.5 million for repair and upgrade of pump stations
- $12.8 million for replacement of trunk sewers
- $8.1 million for repair and upgrade of treatment plants

Office of the CIO

The Department's Fiscal Year 2009 Annual CIP Budget is $3.3 million, all of which provides for ongoing master lease payments for the Public Safety Communications Project.

Park and Recreation

The Department's Fiscal Year 2009 Annual CIP Budget is $34.6 million. Park and recreation projects are funded by a variety of sources, including Facilities Benefit Assessment Fees, Park Development Fees, Development Impact Fees, State and federal grants, and City funds. Projects for Fiscal Year 2009 include: Balboa Park, Mission Bay Park, and Mission Trails Regional Park improvements; play area upgrades; joint use fields; accessibility improvements; comfort stations; picnic shelters; sports field and security lighting; and new park development.

Storm Water

The Department's Fiscal Year 2009 Annual CIP Budget is $12.2 million, all of which is for storm drain repair, replacement, and reconstruction.

Water

The Department's Fiscal Year 2009 Annual CIP Budget is $177.9 million and reflects the primary focus on continued funding for the upgrade and expansion of the water system. The funding for water projects is provided by the water rates which also supports financing for the projects. The Department's CIP Budget supports the infrastructure for a reliable water supply and includes projects contained in the Compliance Order from the California Department of Public Health. These projects will meet the requirements of the federal Safe Drinking Act and provide for the needed rehabilitation of aging infrastructure. The following are major projects planned for Fiscal Year 2009:

- $44.0 million for Miramar Water Treatment Plant – Upgrade and Expansion
- $41.6 million for water main replacements
- $36.9 million for Alvarado Water Treatment Plant – Upgrade and Expansion
- $9.3 million for Otay Water Treatment Plant – Upgrade and Expansion
- $8.6 million for Otay Second Pipeline Improvements
- $5.2 million for Rancho Peñasquitos Pump Station
- $2.2 million for the North City Reclamation System
- $1.9 million for security upgrades

Future Outlook for the City's CIP

The Fiscal Year 2009 Annual CIP Budget increased by $95.3 million or 19.4 percent over Fiscal Year 2008. The Mayor is committed to funding ADA improvements and deferred maintenance capital projects for City facilities and other City infrastructure. The CIP Budget identifies over $688.2 million of funding for these capital needs through Fiscal Year 2013.

A CIP prioritization policy (Council Policy 800-14) was adopted for transportation projects in Fiscal Year 2007. Currently, approximately 80 percent of existing transportation projects has been scored in accordance with the detailed requirements in the Council Policy. It is anticipated that all transportation projects will be scored and prioritized by the middle of Fiscal Year 2009, allowing for the use of this prioritization in determining transportation project funding for the Fiscal Year 2010 CIP Budget.

Council Policy 800-14 was revised during Fiscal Year 2008 to incorporate the prioritization of all capital projects. The scoring and prioritizing of all non-transportation CIP projects will require about two years.