

IBA Crash Course

Budgeting for City Infrastructure: The Capital Improvements Program

March 6, 2019



Independent Budget Analyst





Agenda

- Purpose and goal of Crash Course
- What is capital infrastructure?
- Overview of the Capital Improvements Program Budget
- Major Challenges Facing the City
- How San Diego residents can voice infrastructure needs

Purpose of the Crash Course

- Familiarize interested residents on the City's Capital Improvements Program budget
- Inform residents on how they can provide input on infrastructure needs for consideration in the annual budget
- Focus on capital infrastructure as opposed to the maintenance of existing infrastructure

What is Capital Infrastructure?

- Infrastructure is the physical structures and facilities that are needed to provide services to the public
- Spending on infrastructure occurs in two categories:
 - Operating: day-to-day maintenance (e.g. slurry seal maintenance)
 - Capital: periodic improvement projects that result in assets with a useful life of over one year (e.g. street resurfacing)



Infrastructure within the City's Area of Responsibility

- Airports (not SD International)
- Bikeways
- Bridges
- General facilities
- Libraries
- Park and recreation facilities
- Police, fire, and lifeguard facilities
- Most sidewalk improvements
- Storm drainage and flood control facilities
- Streets
- Street lights and traffic signals
- Water and sewer facilities and pipelines

City infrastructure is NOT:

- Trolley
- Rail
- Bus
- Freeways
- San Diego International Airport
- Port of San Diego
- County, state, and federal facilities

What is the Capital Improvements Program (CIP)?

- The CIP is a compilation of the City's capital improvement projects that are implemented over multiple years (over 1,300 active projects)

What are CIP projects?

- Unique construction projects that provide tangible long-term improvements or additions of a permanent nature, such as a new or expanded library

Project Types

**Storm Water and
Water Quality**



Airports



Landfill



**Wastewater
System**



Transportation



**Park and
Recreation**



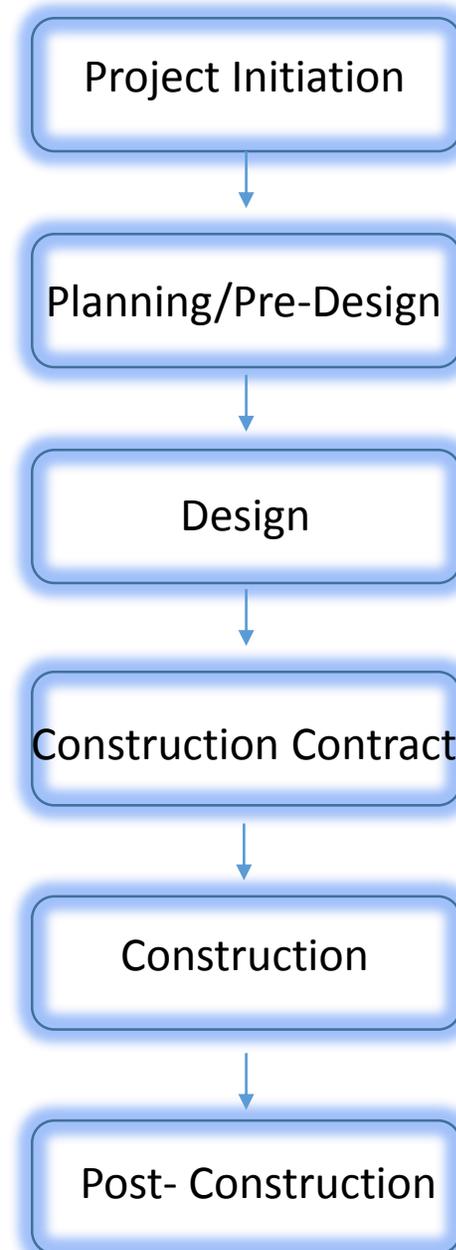
Water System



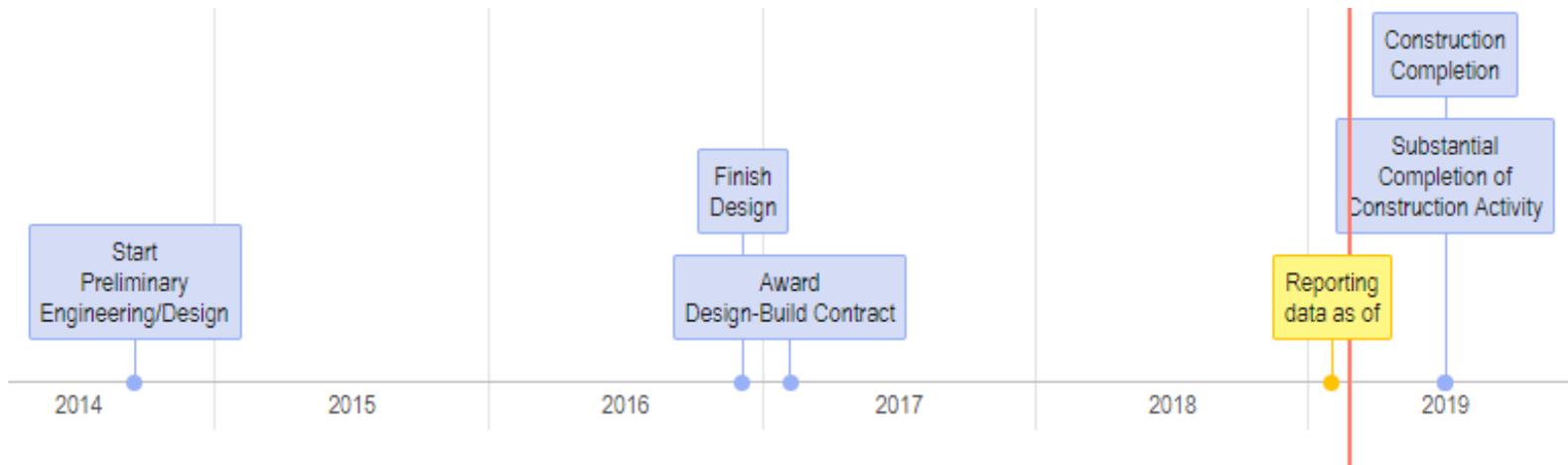
**Buildings and
Structures**



*Projects Take
Multiple Years to
Implement*



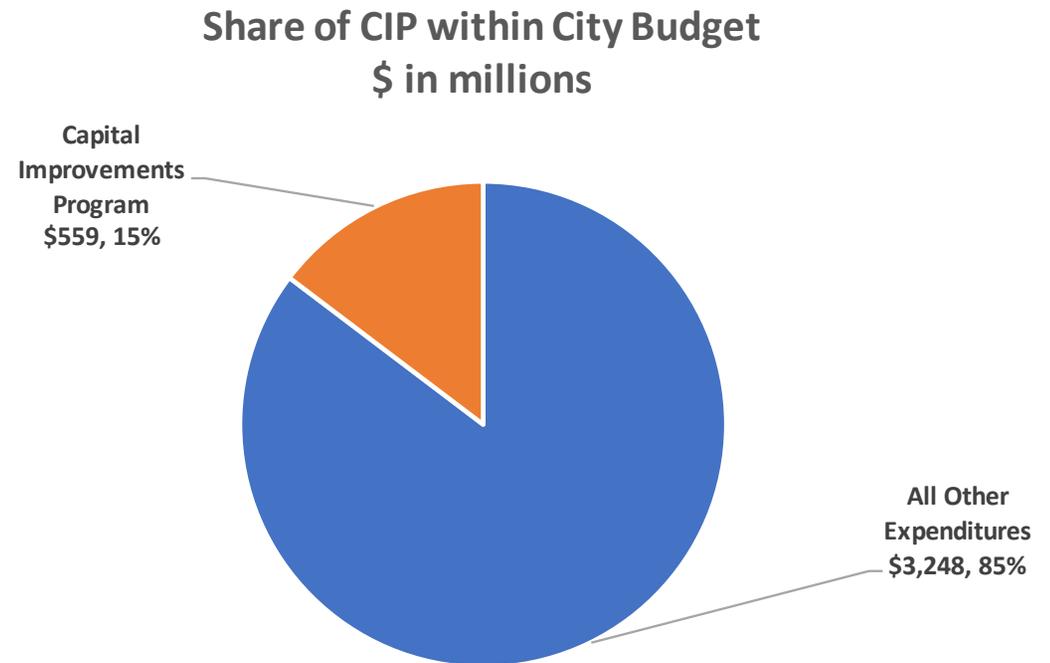
Case Study: San Ysidro Library



Capital Improvements Program (CIP)

FY 2019 Adopted Budget

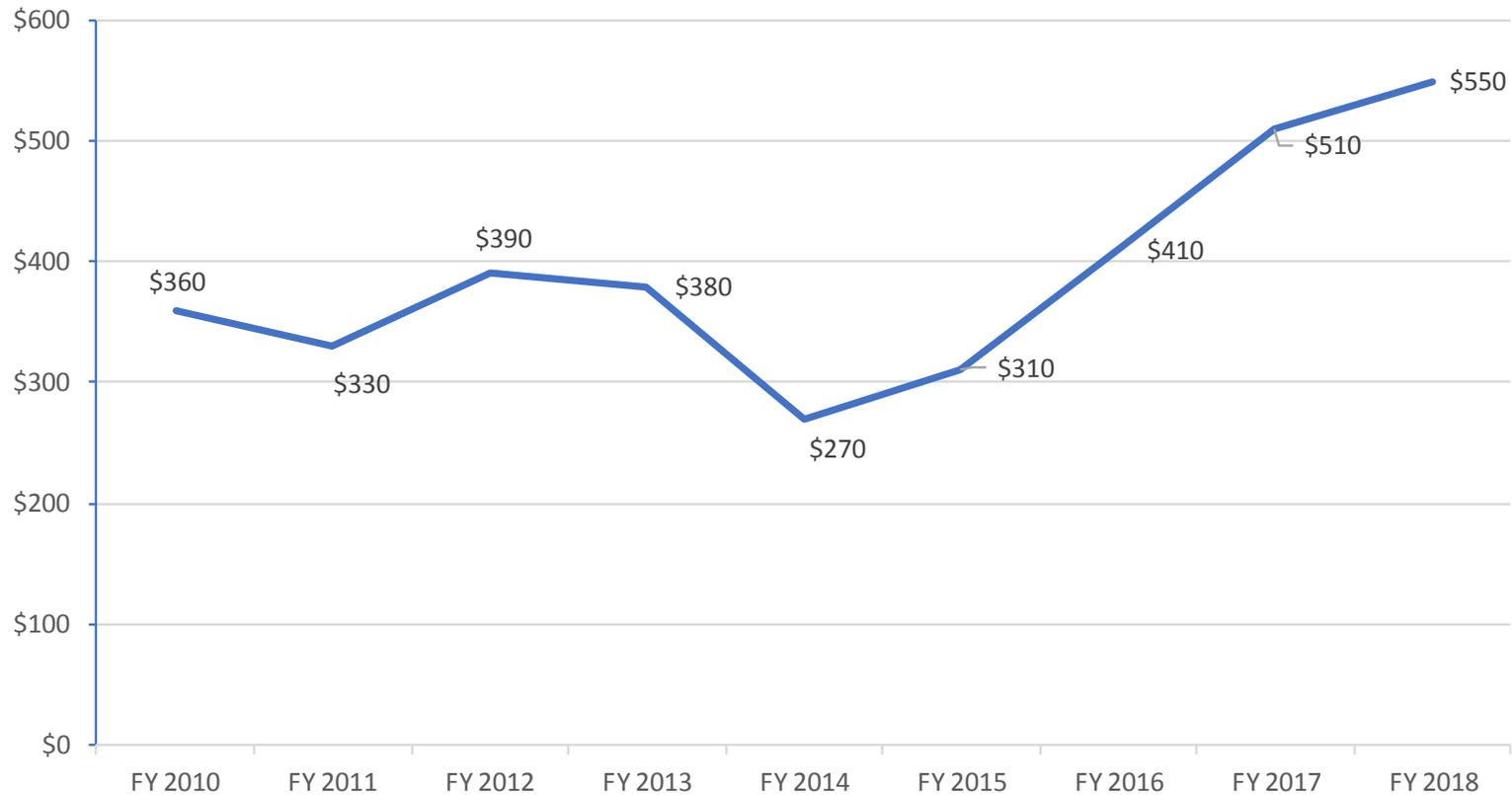
- Comprises 15% of the City's annual expenditures
- Total CIP: \$9 billion
- Includes funding appropriated in prior fiscal years, current year, and funding needed in future years





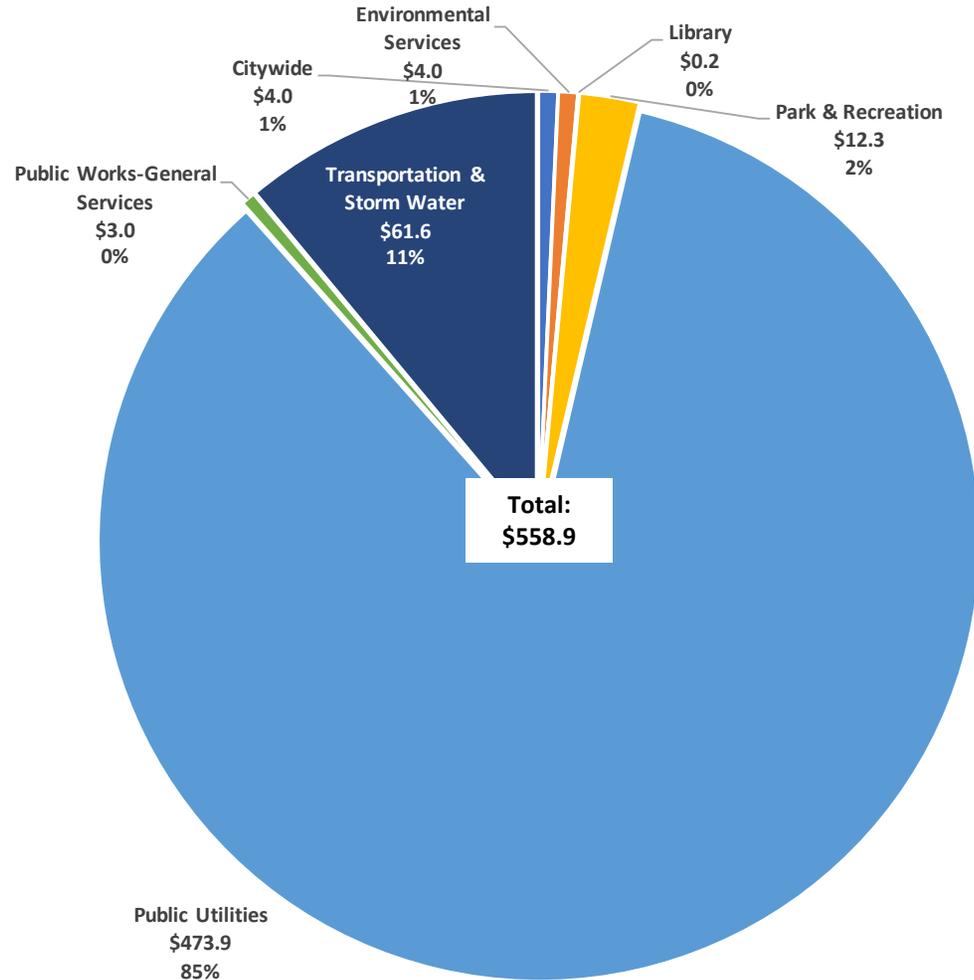
City Spending More on Capital Infrastructure

Expenditures from FY 2010 to FY 2018, \$ in millions



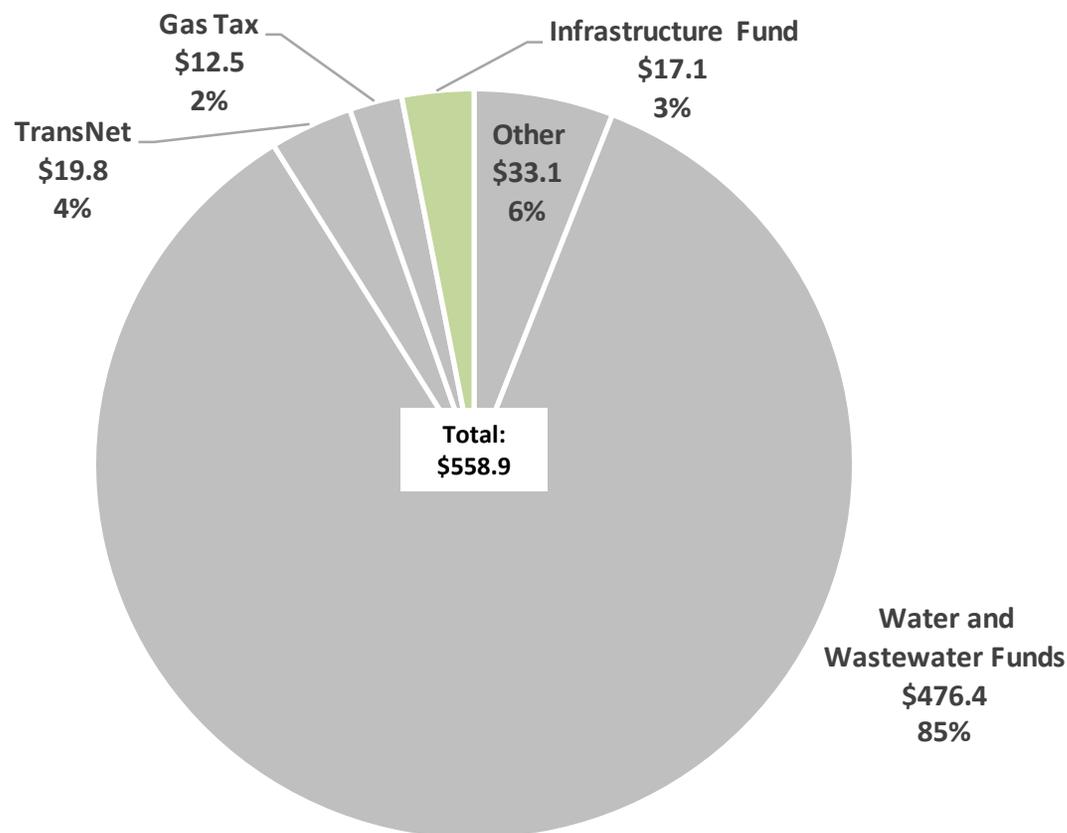
- CIP expenditures have grown steadily since FY 2014

Capital Budget for FY 2019, \$ in millions



- 85% of the Adopted Budget funds Public Utilities Department projects, which are supported by fee-paying customers

Funding Sources in the Adopted FY 2019 CIP Budget, \$ in millions



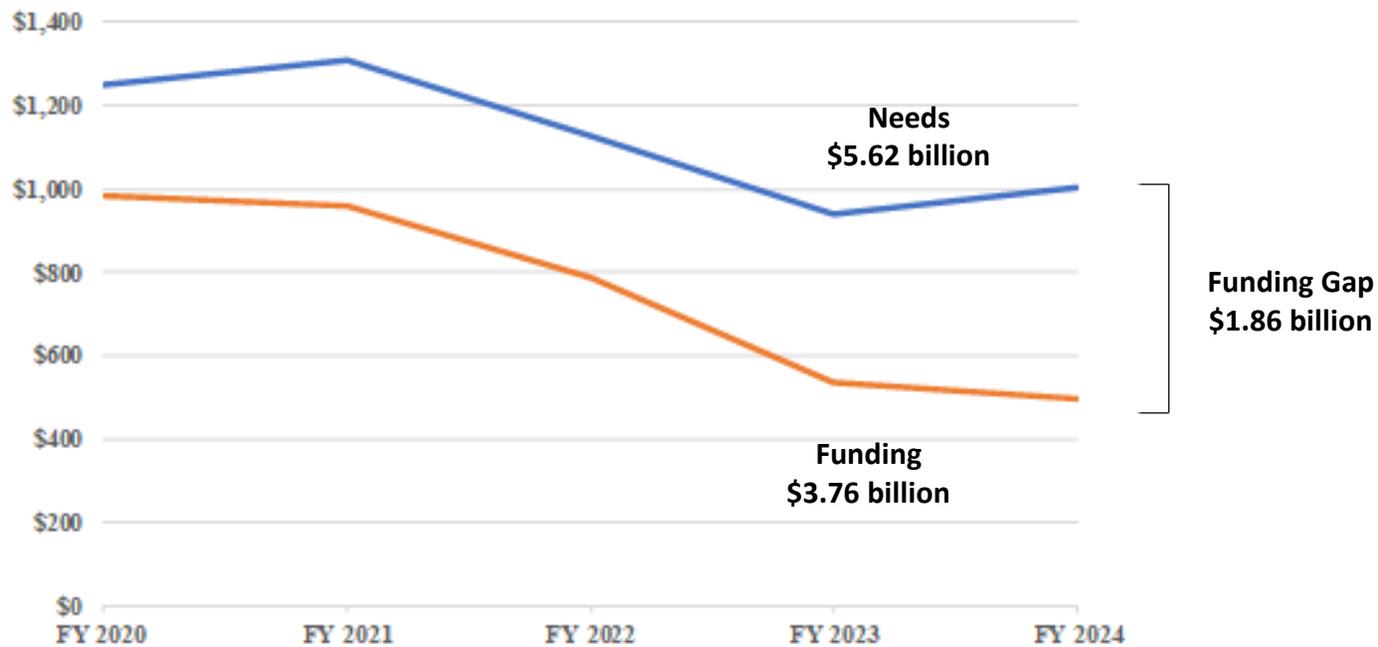
- The green section shows the amount of discretionary funding added to the CIP through the FY 2019 Adopted Budget

CIP Provides Core Services and Advances key Initiatives

- Climate Action Plan
- Public Safety
- Quality of Life



Future CIP Needs and Funding Gap, \$ in millions



- This figure shows capital needs and identified funding from the Mayor's most recent Five Year Capital Infrastructure Planning Outlook
- Capital needs exceed revenue by \$1.9 billion over the time period
- Pure Water Project is a major driver of capital needs and revenue



Summary of Total Projected Capital Needs, Funding, and Gap in FY 2020-2024

(\$ in millions)

Asset Type	Need	Funding	Gap	Percent of Needs Funded
Storm Water	\$ 775.1	\$ 55.3	\$ 719.8	7.1%
Existing Facilities	379.1	127.6	251.5	33.7%
Streetlights	209.0	7.1	201.9	3.4%
Parks	205.4	21.6	183.9	10.5%
Sidewalks	153.4	28.6	124.8	18.6%
Traffic Signals and ITS	147.1	35.6	111.5	24.2%
Bike Facilities	129.3	5.1	124.2	3.9%
Streets and Roads - Modification	110.9	51.5	59.3	46.5%
Bridges	84.3	31.2	53.1	37.0%
New Libraries	18.0	4.1	13.9	22.6%
New Lifeguard Stations	17.3	-	17.3	0.0%
New Fleet Facilities	-	-	-	-
New Police Stations	-	-	-	-
Streets and Roads - Pavement	222.5	222.5	0.0	100.0%
New Fire Stations	125.0	125.0	0.0	100.0%
General Fund Asset Total	\$ 2,576.3	\$ 715.2	\$ 1,861.1	27.8%
Pure Water	\$ 1,426.7	\$ 1,426.7	-	100%
Water	855.8	855.8	-	100%
Wastewater	650.8	650.8	-	100%
Landfills	49.4	49.4	-	100%
Parks - Mission Bay Improvements	45.1	45.1	-	100%
Airports	13.8	13.8	-	100%
Golf	3.0	3.0	-	100%
Stadium	0.8	0.8	-	100%
Enterprise Fund Asset Total	\$ 3,045.3	\$ 3,045.3	-	100%

What are Storm Water Needs?

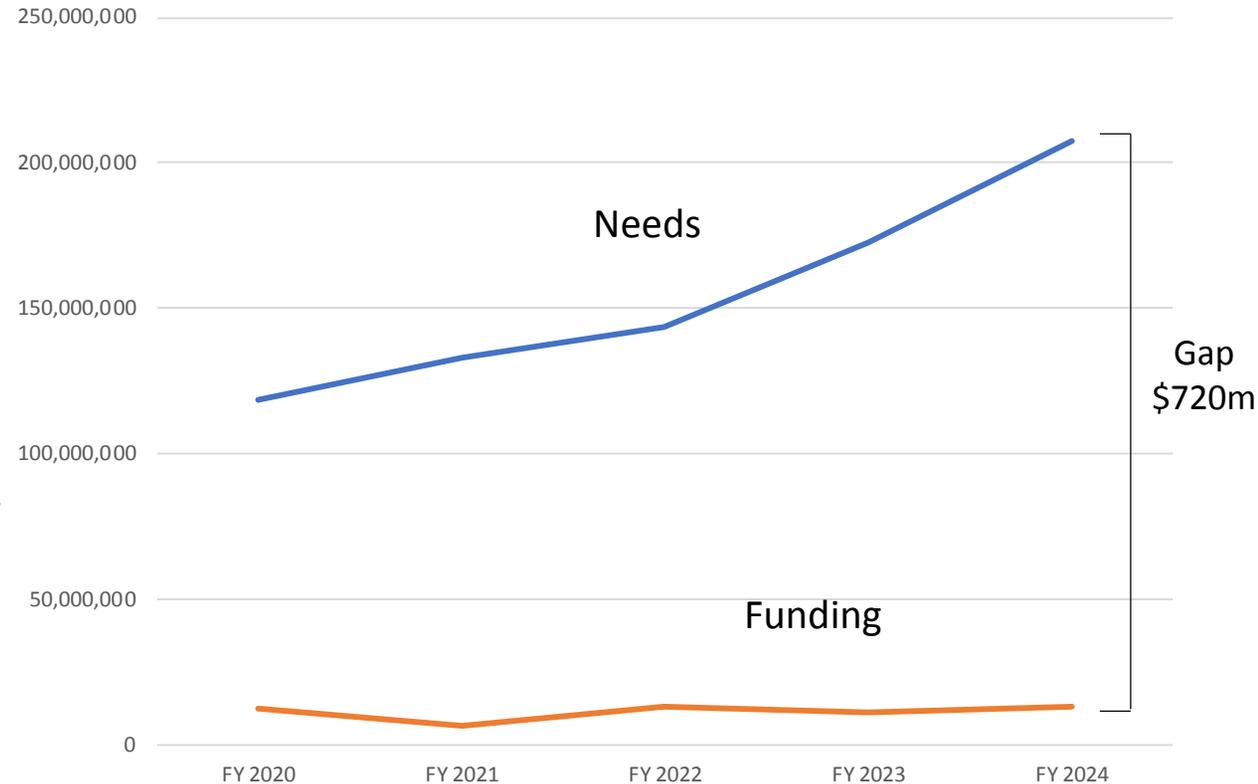
Urban runoff identified as one of the principal causes of water quality problems in most urban areas



- The storm drain system collects and carries rain and other runoff that does not get soaked up into the ground and discharges it into local rivers and beaches to prevent flooding
- Runoff from urban environments can contain pollutants (e.g. trash and chemicals)
- To operate storm water system, federal law requires the City to have a municipal storm water permit from state board to discharge runoff into water bodies
- Permit requires City to comply with strict water quality standards for discharged water
- City estimates \$3.1 billion is needed for projects through 2035 for permit compliance and for flood control projects

Storm Water CIP Needs and Funding Gap

- The largest funding gap for capital needs - \$720 million over the next five years
- Capital and Programmatic needs for storm water increased significantly when the Regional Water Quality Control Board adopted a new Storm Water Permit with stringent water quality requirements in 2013



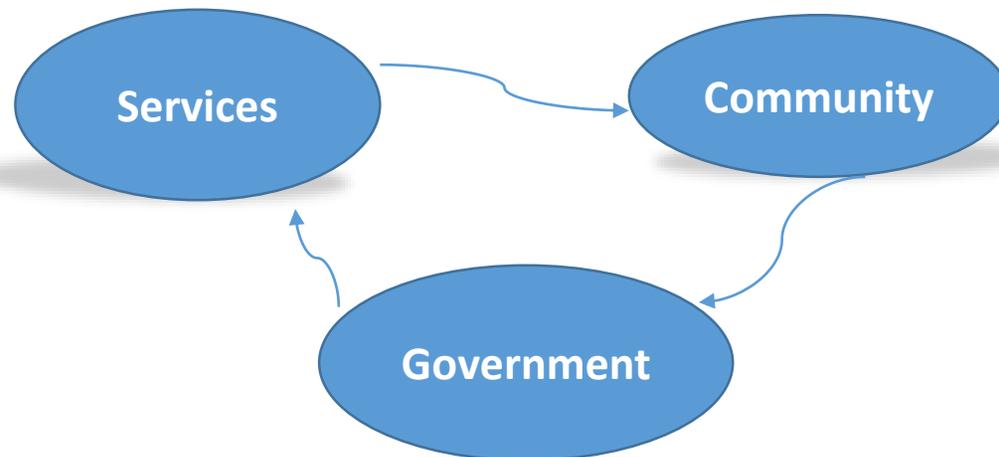
- Noncompliance makes the City subject to fines of \$10,000 per day per violation
- City lacks a dedicated funding source sufficient to address this need
- Storm Drain Fee – 95 cents a month for a single-family home – generates only \$5.7 million per year, and has not been increased since 1996

Options to Address the Funding Gap

Examples of Revenue Options	Challenge
Explore increasing storm drain fee	<ul style="list-style-type: none"> • Political will • 2/3 voter approval
Increase Sales Tax	
General Obligation Bonds	
Increase Transient Occupancy Tax	
Trash Fee	<ul style="list-style-type: none"> • Majority vote to repeal the People’s Ordinance in City Charter
Lease revenue bonds (City’s traditional method)	<ul style="list-style-type: none"> • Debt capacity - City General Fund pays debt (not a tax increase)

Importance of Community Input

- City government serves the community
 - utilities, public safety, roads to drive on, parks, and libraries
- CIP maintains existing services and provides increased services through delivery of construction projects
- Residents know the needs in their communities and can help define priorities





Opportunities for Community Input

Year Round

- Get it Done App

<https://www.sandiego.gov/get-it-done>

- Contact your City Councilmember

<https://www.sandiego.gov/citycouncil>

- Complete online form for questions or comments

<https://www.sandiego.gov/cip-questions>

- Attend community planning meetings

<https://www.sandiego.gov/planning/community/contacts>



Opportunities for Community Input

Budget Process

- Provide public comment during budget review hearings
May 1-8th and evening meetings May 1st and 13th
- Provide input through community planning group
when they solicit input in fall 2019
- Link to budget key dates:
https://www.sandiego.gov/sites/default/files/fy2019key_dates_0.pdf

More Information on the CIP

- IBA report: *A Citizen's Guide to Infrastructure*
<https://www.sandiego.gov/sites/default/files/citizens-guide-to-infrastructure-fy2019.pdf>
- City of San Diego adopted budget, Volume III Capital Improvements Program:
<https://www.sandiego.gov/finance/annual>
- Call our office for additional information: 619-236-6555