

Capital Improvements Program Fiscal Year 2011 Summary

The Capital Improvements Program (CIP) budget allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This budget supports the design and construction of a wide range of infrastructure improvement projects and other significant capital infrastructure investments. Projects include the development of park land, construction of water and sewer facilities, acquisition of land for City use, installation of traffic signals or street lighting systems, seismic retrofit of bridges, improvement of street and drainage systems, construction or renovation of City facilities, and acquisition of information technology infrastructure. 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. Bonds are usually issued for large and costly projects with an extended useful life such as sewer and water treatment plants, pump stations, and pipe replacement or rehabilitation, and deferred capital project needs.

Overview of the Fiscal Year 2011 Proposed CIP Budget

The Fiscal Year 2011 Proposed CIP Budget totals \$332.2 million. This is a reduction of \$121.1 million or 26.7 percent from the Fiscal Year 2010 Annual CIP Budget of \$453.2 million¹. The Fiscal Year 2011 CIP budget process incorporates two significant changes which contribute to the reduction between Fiscal Years 2010 and 2011 budgets. Projects are budgeted in the Fiscal Year 2011 Proposed CIP Budget to conform to the Budget Policy (Council Policy 000-02). The Utilities Undergrounding Program, for example, shows a reduction in the CIP budget in Fiscal Year 2011; however, this is the result of only budgeting capital costs in the CIP budget. The majority of costs for this project are payments to San Diego Gas & Electric for project implementation with no resulting City asset and are included in the fund's operating budget. In addition, a new feature has been added to the Fiscal Year 2011 budget to identify and separate funding that requires additional City Council action or is uncertain to be received in the upcoming fiscal year. As a result, many funding sources previously included in the budget, such as financing, grants, land sale proceeds, and certain facilities benefit assessment fees, are now reflected as Fiscal Year 2011 anticipated funding. As these funding sources are received by the City, actions will be taken to City Council to increase the CIP project budget. An additional \$309.8 million of funding for CIP projects during Fiscal Year 2011 is anticipated, not budgeted, and shown under the heading "Fiscal Year 2011 Anticipated" on each applicable project page and in the Financial Summary.

Deferred capital projects and Americans with Disabilities Act (ADA) obligations remain two of the eight significant areas identified in the Five-Year Financial Outlook. Since Fiscal Year 2008, approximately \$142.0 million has been appropriated for facilities, streets, storm drain and other deferred capital projects, funded by proceeds from land sales, bond financing, and Proposition 1B funding. A second request for bond financing is anticipated to come before City Council in late Fiscal Year 2011 or Fiscal Year 2012 to continue efforts to address the City's approximately \$900 million backlog of deferred projects. In addition, \$30.0 million of land sale proceeds has been appropriated to support ADA improvements since Fiscal Year 2008. Until the real estate market improves, the City is not budgeting additional ADA projects in Fiscal Year 2011.

Water and sewer projects in the Fiscal Year 2011 Proposed 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, 7.0 percent in May 2009, and will increase another 7.0 percent

1. The Fiscal Year 2010 Annual CIP Budget excludes grants and other funding sources requiring additional City Council action. This is a change from the Fiscal Year 2010 Annual CIP Budget publication and is due to new requirements resulting from the transition to SAP (OneSD).

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in May 2010. The revenues generated from these rate increases are projected to fund \$521.9 million of water and \$290.1 million of sewer projects over this time period.

The Fiscal Year 2011 Proposed CIP Budget includes \$13.5 million of TransNet Extension cash to support transportation projects. An additional \$16.3 million of Proposition 1B funding is anticipated in late Fiscal Year 2010 or early Fiscal Year 2011 and was authorized by Council Resolution R-305335 on November 12, 2009. Approximately \$15.7 million of facilities benefit assessment and development impact fee funding is included in the Fiscal Year 2011 Proposed CIP Budget to support a variety of projects, including park, storm drain, library, and transportation enhancements. The following table shows the total Fiscal Year 2011 Proposed CIP Budget by asset owning department.

Table 1: Fiscal Year 2011 Proposed CIP Budget by Department Compared to Fiscal Year 2010

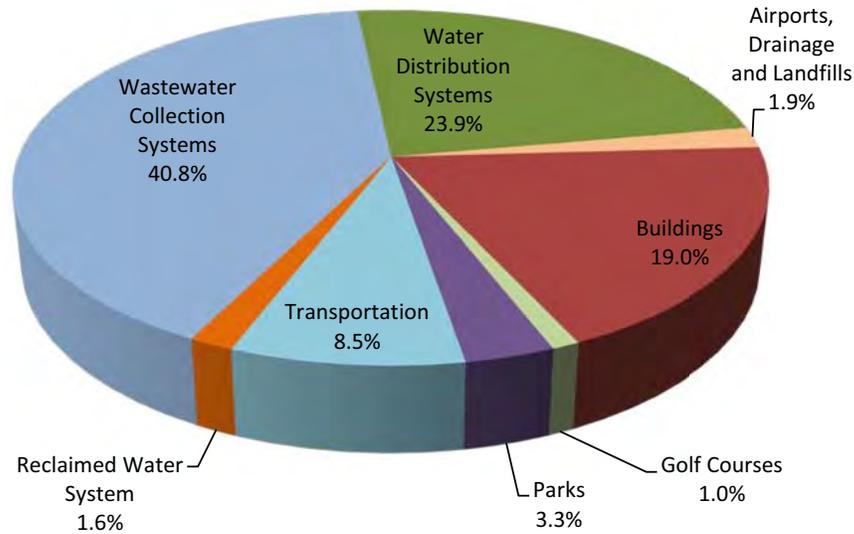
Department	FY 2010 ¹	FY 2011 Proposed	Change Between FY 2010 - FY 2011
Airports	\$ 1,800,000	\$ 1,800,000	—
Chief Financial Officer	9,874,376	—	(9,874,376)
Environmental Services	7,502,194	4,425,000	(3,077,194)
Fire-Rescue	4,100,000	550,000	(3,550,000)
General Services	118,438,138	27,155,605	(91,282,533)
Library	1,410,000	233,000	(1,177,000)
Park and Recreation	23,770,290	15,867,689	(7,902,601)
Public Utilities	283,856,945	279,692,263	(4,164,682)
QUALCOMM Stadium	750,000	750,000	—
Storm Water	1,739,149	1,700,000	(39,149)
Total	\$ 453,241,092	\$ 332,173,557	(121,067,535)

1. The Fiscal Year 2010 Annual CIP Budget excludes grants and other funding sources requiring additional City Council action. In addition, projects have been re-assigned among departments. This is a change from the Fiscal Year 2010 Annual CIP Budget publication and is due to new requirements resulting from the transition to SAP (OneSD).

As reflected in the following chart, water and wastewater projects account for 66.4 percent of the total Fiscal Year 2011 Proposed CIP Budget. Buildings, which include libraries, public safety facilities, pump stations and treatment plants, account for 19.0 percent of the Fiscal Year 2011 Proposed CIP Budget. Transportation projects account for 8.5 percent of the budget.

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Figure 1: Fiscal Year 2011 Proposed CIP Budget



Highlights of the Fiscal Year 2011 Proposed 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 2011 Proposed Budget. The Engineering and Capital Projects Department manages and implements approximately 90 percent of CIP projects. The following project highlights are organized by the department responsible for operating and maintaining the asset once completed.

Airports

The Department's Fiscal Year 2011 Proposed CIP Budget is \$1.8 million. Projects for Brown and Montgomery Fields are funded by a variety of sources, including revenue from leases, parking fees, landing fees, fuel flowage fees, and Federal Aviation Administration (FAA) grants.

Environmental Services

The Department's Fiscal Year 2011 Proposed CIP Budget is \$4.4 million. Major projects for Fiscal Year 2011 include:

- \$1.8 million for Future Waste Management Disposal and Processing Facilities
- \$1.7 million for West Miramar - Phase 2

Fire-Rescue

The Department's Fiscal Year 2011 Proposed CIP Budget is \$550,000 of development impact fee funding for the North Pacific Beach Lifeguard Station. Additional bond financing of approximately \$22.0 million to support deferred capital projects at fire and lifeguard stations is expected in the next tranche of deferred capital project bonds and listed in the CIP budget as "Fiscal Year 2011 Anticipated."

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General Services

The Department's Fiscal Year 2011 Proposed CIP Budget is \$27.2 million. An additional \$129.0 million of funding is anticipated in Fiscal Year 2011 from a variety of sources, including Proposition 1B revenues, grants, donations, facilities benefit assessment fees, land sale proceeds, and the next tranche of deferred capital project bonds. This funding is listed in the CIP budget as "Fiscal Year 2011 Anticipated" and would support various projects such as ADA and transportation improvements. Significant allocations of the Fiscal Year 2011 Proposed CIP Budget include:

- \$7.5 million for the Utilities Undergrounding Program
- \$6.1 million for Torrey Meadows Drive Overcrossing
- \$2.5 million for State Route 163 at Friars Road
- \$1.1 million for the San Diego River Multi-Use Path
- \$1.1 million for Aldine Drive and Fairmount Drive Slope Restoration

Library

The Department's Fiscal Year 2011 Proposed CIP Budget is \$233,000 of development impact fee funding for the Mission Hills and San Carlos Branch Libraries. The Department's major project is the San Diego New Central Library, with a total project cost of \$184.9 million; the budget includes continuing appropriations and anticipated funding from the Centre City Development Corporation, private donations and a lease agreement with the San Diego Unified School District. Anticipated funding in Fiscal Year 2011 for the New Central and other libraries is \$115.8 million.



Park and Recreation

The Department's Fiscal Year 2011 Proposed CIP Budget is \$15.9 million. Park and recreation projects are funded by a variety of sources, including facilities benefit assessment fees, park development fees, development impact fees, and State and federal grants. Projects for Fiscal Year 2011 are located throughout the park system and include children's playground upgrades; accessibility improvements; comfort stations; picnic shelters; sports field and security lighting; new park development; and golf course improvements and upgrades. Additional grant, facilities benefit assessment fees, and other funding of \$19.8 million is anticipated in Fiscal Year 2011.

Public Utilities

The Department's Fiscal Year 2011 Proposed CIP Budget is \$279.7 million. Funding for water and wastewater projects is provided by the rate increases which also support private financing. 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

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of aging infrastructure. The Department's CIP budget also includes the execution of Federal Consent Decree projects for the wastewater system. Major projects for Fiscal Year 2011 include pipeline repair, replacement, and rehabilitation; repair and upgrade of treatment plants; and

- \$72.6 million for Water Main Replacements
- \$68.8 million for Sewer Main Replacements
- \$42.4 million for replacement of trunk sewers
- \$10.1 million for repair and upgrade of pump stations
- \$7.7 million for Water Pump Station Restoration
- \$5.2 million for the Metro Facilities Control System Upgrade
- \$4.7 million for the North City Reclamation System
- \$3.6 million for Miramar Clearwell Improvements
- \$3.0 million MOC Building
- \$2.5 million for Groundwater Asset Development Program
- \$2.4 million for Standpipe and Reservoir Rehabilitations
- \$2.2 million Torrey Pines Rd/La Jolla Blvd Main Replacements
- \$2.0 million for Chollas Building

QUALCOMM Stadium

The Department's Fiscal Year 2011 Proposed CIP Budget is \$750,000 for as-needed projects at QUALCOMM Stadium.

Storm Water

The Department's Fiscal Year 2011 Proposed CIP Budget is \$1.7 million, all of which is for storm drain repair, replacement and reconstruction. Projects for Fiscal Year 2011 are pursuant to the National Pollution Discharge Elimination System (NPDES) Permit; mitigating the risk of storm drain failure by replacing corrugated metal pipe with reinforced concrete pipe; repairing damage to streets caused by extraordinary storm events, and enhancing drainage capacity at various locations in the City. The Department will begin construction on Best Management Practices to reduce pollutants and ensure compliance with Total Maximum Daily Load (TMDL) requirements. Additional funding of \$19.1 million from financing and grants is anticipated in Fiscal Year 2011.

Future Outlook for the City's CIP

The CIP budget identifies \$6.9 billion in total projected CIP project costs through Fiscal Year 2017 for continuing, new and future projects. Of this amount, \$1.3 billion is currently unidentified funding. In contrast to prior CIP budget publications, projects estimated to begin in Fiscal Year 2012 or beyond and projects that require identification of funding in order to begin are not included in this CIP budget. These projects will be included in future CIP budget publications.

The Mayor is committed to funding ADA improvements and deferred capital projects for City facilities and other City infrastructure and work continues on deferred capital and ADA projects funded in prior years. A second issuance of bond financing is anticipated to support additional deferred capital projects. Revenue from the sale of underutilized real estate assets will be budgeted for additional ADA projects as the real estate market improves and revenue is realized.

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