

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

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CAPITAL IMPROVEMENTS PROGRAMMING	Effective Date September 29, 2004		

1. POLICY

- 1.1 The Financial Management (FM) Director is responsible for preparing a proposed Capital Improvements Program (CIP) for review by the City Manager, City Planning Commission and the City Council. The proposed program is prepared from project proposals submitted by operating departments. Operating departments are responsible for implementing the approved program. The FM Department exercises financial control and monitors implementation progress.
- a. It is the Financial Management Department's, as well as the operating department's responsibility to be familiar with the restrictions of any funding source that is requested to fund a CIP and to follow those restrictions as set forth by the corresponding regulations and/or guidelines, which may include, but not be limited to, Municipal Codes, City Charter, State and Federal regulations and laws.
- 1.2 Applicable to all capital improvement program improvements: To be considered a capital improvement program improvement, the improvement must have a useful life in excess of one year, extend the initial estimated useful life of the asset or increase usable capacity or improve functionality of the asset. Whereas, maintenance/repair expenditures are recurring costs that do not increase an assets useful life or increase its capacity or functionality. Maintenance/repair expenditures either put an asset back into operating condition or maintain it.
- a. "Capital assets are tangible and intangible assets acquired for use in operations that will benefit more than a single fiscal year." GASB No. 34, Paragraph 19.

(Supercedes Administrative Regulation 1.60, Issue 9, effective August 25, 1993)

Authorized

(signed by John J. Torell)

Auditor & Comptroller

(signed by Michael J. Aguirre)

City Attorney

(Signed by Bruce A. Herring)

City Manager

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- 1.3 The Capital Outlay Funds shall be used exclusively for the acquisition, construction and completion of permanent public improvements, including public buildings and such initial furnishings, equipment, supplies, inventory and stock and will establish the public improvement as on ongoing concern. This fund may also be used for the acquisition, construction and completion of real property, water and sewer mains and extensions, and other improvements of a permanent character and also the replacement or reconstruction of the same but not the repair or maintenance thereof.
- a. Charges to Capital Outlay Fund for furnishing and equipping will be limited to the initial furnishing and equipping of a new public facility. Once the public facility has been placed in full operation, further furnishings and equipment for such facility will not be provided from the Capital Outlay Fund.
 - b. The Capital Outlay Fund may be used to provide the initial furnishing and equipping of a new public facility constructed or acquired from bond monies or other methods of financing. The cost of additions to public buildings and the initial furnishing and equipping of such additions are proper charges to the Capital Outlay Fund.
 - c. If the reconstruction of an existing building or improvement extends the useful life of the basic structure or improvement in excess of one year, deferring the replacement of the building or improvement or extends the useful life of the asset or increases usable capacity or improves functionality of the asset, the expenditures may be made from the Capital Outlay Fund.
 - d. Projects not considered capital in nature should not be appropriated into the Capital Improvement Program. Maintenance/repair expenditures are recurring costs that do not increase an asset's useful life or increase its capacity or functionality. These expenditures either put an asset back into operating condition or maintain it. An expenditure that does not extend the useful life of the basic structure or improvement and is only to bring the building or improvement or parts thereof to a sound or good state after decay, injury, or other damage, must be considered to be for repair and cannot be made from the Capital Outlay Fund.
 - e. Improvements may be constructed with Capital Outlay Funds on non-City owned property only when the City's interest in and control over the land on which the improvement is to be constructed is the same as or of longer duration than the useful life of the improvement.
 - f. The exclusive use of the Capital Outlay Fund for permanent public improvements is realized only when the improvement is actually constructed. Therefore, any payments made from the fund for a project that has been abandoned must be reimbursed to the fund.

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- 1.4 Gas Tax funds programmed for capital improvements are apportioned under Sections 2106 and 2107 of the California Streets and Highways Code. Allocation of these funds is covered by Council Policy 200-2.
- 1.5 Bond funds may be expended only for the purposes outlined in the specific bond issue approved by the voters.
- 1.6 Sewer and Water funds shall be programmed for permanent improvements in the City's sewer and water systems.
- 1.7 Special Park Fee funds shall be administered under the provisions of Ordinances 63.0401.
- 1.8 Funds received from other agencies shall be expended in accordance with the regulations of the agency providing the funds.
- 1.9 Facilities Benefit Assessment funds shall be administered in accordance with Ordinance 0-15318 and may be expended only for projects included in Council-approved community financing plans.
- 1.10 Development Impact Fees may be expended only for Council-approved projects located within or serving the communities in which the fees are collected.
- 1.11 The Capital Outlay Revolving Fund may be used to fund outside consultant contracts, provided the consultant services are necessary to the preliminary design phase. Some examples of preliminary design studies are aerial surveys, biological, hazardous material surveys, cultural resource surveys, geotechnical evaluations, needs analysis and other preliminary design studies. The Revolving Fund will not be used as an alternative to programming a preliminary design phase. The use of the Revolving Fund for outside consultant contracts will require FM approval and will be considered only under unusual circumstances.

2. CAPITAL IMPROVEMENTS PROGRAM AND BUDGET

The CIP covers an eleven-year period, including the budget year and the ten succeeding years. The annual budget ordinance appropriates funds for expenditures scheduled in the budget year. The City Manager has responsibility for the annual preparation of a citywide, eleven-year capital improvements program. This program is essentially a prioritized listing of needed capital projects, together with funding estimates and a schedule for their phased completion.

The CIP is a principal means to implement the City's Progress Guide and General Plan and adopted community plans for the orderly physical growth and development of San Diego. Accordingly, Council Policy No. 800-6 provides for Planning Department participation in the development of the CIP and further requires that the CIP be submitted through the Planning Commission to the City Council for adoption (City Charter, Section 41).

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2.1 City projects are to meet:

- a. Applicable City’s Progress Guide and General Plan Guidelines
- b. Adopted Community Plans provisions

1. City projects that require a Community Plan Amendment (CPA) must have the CPA initiated as part of the review process of the CIP project. The CPA may be initiated by:

- A. The annual budget review and approval process when a CPA is identified for those CIP projects that require it and a City Council Resolution is adopted that approves the initiation(s).
- B. A mid-year City Council action on a CIP project when the CPA is identified as required for the CIP project and a City Council Resolution is adopted that approves the initiation.
- C. Separate action of the Planning Commission or City Council pursuant to Section 122.0103 of the Land Development Code.

2. For clarification, but not limited to these exceptions, community plan amendments are not required for libraries, police stations, fire stations and parks when:

- A. The subject project is placed exactly as shown/located in the community plan and meets the recommendations in the plan.
- B. The subject project is located in an area designated for public use/utilities and meets the general intent and/or recommendations of the plan.
- C. The subject project is consistent with the community plan as discussed in the text but not shown on the map. For example, “There should be a Library in the following vicinity: south of I-94, north of Imperial Avenue, east of I-805 and west of Euclid.”
- D. Parks: A pocket park/mini park that is no more than 2 usable acres in size where no athletic programming is proposed.

c. The Land Development Code

1. Land Development Code ordinance requirements for grading permits and public improvement drawings are under the jurisdiction of the City Engineer.

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2. Development permits are not required for City projects unless the project is subject to the historical resource regulations; is subject to the coastal overlay zone; or, is subject to the environmentally sensitive lands regulations.
3. Rezoning actions are not required for City projects.
4. CIP projects should attempt to meet local zoning regulations for consistency with adjacent development. Zoning requirements for parking, landscaping, and other development regulations should be complied with unless compliance affects the ability of the development project to meet capital improvement program goals.
 - A. CIP projects that deviate from zoning and other development regulations should meet any of the following findings:
 - i. There are special circumstances or conditions applying to the project or its site that are unique to a public project and do not apply.
 - ii. The aforesaid circumstances or conditions are such that the strict application of the requirements would not allow the construction of the public facility.
 - iii. The aforesaid circumstances or conditions are such that the strict application of the requirements and modifications of the improvement as designed would alter the programmed need of the improvement.
 - iv. Circumstances or conditions are such that the strict application of the requirements would provide an unsafe condition.
 - v. The granting of the exception will meet the general purpose and intent of the applicable regulations and will not be detrimental to the public welfare.
 - vi. The granting of the exception will not adversely affect the Progress Guide and General Plan for the City of San Diego or the adopted community plan for the area.

Note: The sponsoring CIP Department via the applicable Division Deputy Director (DD) will take responsibility for making these findings. The subject DD will provide a memorandum to Development Services Department (DSD) prior to the exception being granted and be accountable for explaining the findings at the appropriate hearing(s).

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- d. Americans with Disabilities Act (ADA) and California Building Code (CBC) Provisions
- e. Federal and State Environmental Regulations

3. PROCEDURES

3.1 Capital Improvement Project Proposals

General Capital improvement projects are introduced into the programming process through approval of capital improvement project proposals by the Assistant City Manager or Deputy City Managers (DCM). A detailed project description and justification are required.

- a. Projects scheduled for construction should have sites or rights-of-way acquired and construction plans substantially completed prior to the year in which construction is scheduled.
- b. Projects involving extensive rights-of-way acquisitions, negotiations with other jurisdictions or other problems requiring long lead times will be phased over more than one year.
- c. A preliminary design phase, at up to 30% of the total design cost for some projects, should be programmed for larger, more complex projects in which Project Managers feel that the existing scope of work and accompanying cost estimates are not sufficiently defined.
- d. When it is expected that expenditures approved in a previous budget year are found to be delayed beyond the next fiscal year, the project will be rescheduled. Amounts assigned to such rescheduled projects will be submitted as soon as it becomes apparent that projects must be rescheduled, and by no later than May 31 each year.

3.2 Timing: An approved project proposal is a prerequisite to inclusion in the eleven-year program. Accordingly, a proposal should be initiated as soon as the sponsoring/preparing department concludes that the project should compete for funding during the current eleven-year period. Annually, in July, the FM Director will advise operating departments of the deadline for submission of proposals to be considered for inclusion in the following year's preliminary program. New CIP projects must be submitted by the budget submittal deadline, with the following exceptions:

- a. Community Development Block Grant (CDBG) projects;
- b. Projects added at Council direction or mandated by law or court order;

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c. Projects added at the direction of the City Manager's Office.

Preparing Department The department in whose program budget the project will appear is responsible for preparing the capital improvement project proposal.

e. The preparing department will obtain land acquisition cost information from the Real Estate Assets Department (READ). Departments shall allow a minimum of 45 days lead-time for obtaining land acquisition costs.

f. Preparing departments that receive engineering support from the Engineering and Capital Projects Department (E&CP) will obtain engineering and construction cost information from the E&CP.

3.3 Use of City Owned Land between Departments If the department in whose program budget the project will appear does not own the land where the improvement will be placed, the Director of the land owning department shall be informed and accepting of the improvement prior to official programming of the project.

3.4 Routing Capital improvement project proposals will be routed to FM upon approval of the respective DCM. The original of the approved project proposal will be retained by the preparing department. A copy of the approved proposal will be forwarded to FM and to any other department whose operations will be affected by the project. The E&CP will be furnished copies of approved project proposals initiated by their client departments. The Planning Department will be furnished copies of project proposals initiated by all departments via FM. The Planning Department coordinates the approval of the Planning Commission.

3.5 Program Preparation As indicated above, projects are introduced into the program through capital improvement project proposals. Annually through preparation of the proposed budget, the FM Director will request operating departments to submit updated descriptions and financial and scheduling data for those projects introduced into the program in a prior year that are to be included in the proposed eleven-year program. In preparing this information, operating departments will use updated land acquisition costs provided by the READ. Operating departments that receive engineering support from the E&CP will use updated information provided by them. Costs will represent budget year costs regardless of the year in which the project is scheduled. FM will include an inflation allowance reserve for each year of the eleven-year plan except the budget year.

3.6 Financing

a. General The CIP will, for each project, indicate the planned funding source for budget year and future year expenditures. The program will also indicate the actual funding source for prior year expenditures.

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Continuing Appropriations Expenditures that are approved in the current year budget, but that do not actually end up expended in the current budget year, will be handled as continuing appropriation amounts, provided expenditure is expected during the next year.

- b. Annual Allocations: Continuing appropriations of annual allocation projects should not typically revert to fund balance unless otherwise directed by the City Manager.
- c. Budget Controls Funds assigned to a project in the approved budget remain assigned to that project until Council authorizes expenditure or other disposition of the funds. Requests for Council Action (Form CM-1472) covering preparation of resolutions authorizing expenditure of funds for construction contracts will also provide for the transfer of residual funds to applicable fund reserves. In the case of projects limited to site acquisitions, provision for transferring residual funds to applicable fund reserves will be included in the CM-1472 requesting expenditure authorization for the acquisition.
- d. Project Estimating Data: The financial information required to initiate a new project into the CIP via the FM call letter through the DCM approval process or mid-year by Request for Council Action (1472) is:
 - 1. Land Acquisition
 - 2. Design
 - 3. Construction, inclusive of first time furnishings
 - 4. Reimbursements (when applicable)

Note: The records used and assumptions made in preparing the estimated cost for each CIP should be documented and retained within the CIP file. Subsequent adjustments made to the estimates during the life of the project should be documented and the reasons for budget changes should be recorded and retained in the file.

- 3.7 Once the project is programmed via the budget cycle or mid-year via a 1472, the on-line (AMRIS) accounting is established by the Deputy Director who subsequently generates a PA700 with typical information as applicable:
 - a. Pre-lim Engineering
 - b. Construction Engineering
 - c. Professional Services
 - d. Construction

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- e. Equipment and furnishings
- f. Contingencies
- g. Land Acquisition
- h. Other
- i. The total cost of the project
- j. The CIP project number(s) and fund(s) assigned

Note 1: The PA700 is generated by the DD requesting the accounting breakdown. Auditors will sign the PA700 and return it upon processing on line (AMRIS) and FM is copied. No other distribution is required.

Note 2: If a cost estimate sheet accompanies the 1472 showing the same information as the typical PA700 language, the estimate sheet will substitute for the PA700. However, in the event that an Auditor's Certificate is not generated when a 1472 is routed, a PA700 will need to be processed.

- 3.9 Program Implementation The eleven-year CIP approved by Council each year indicates a schedule for each project. This schedule specifies the fiscal year in which each phase of the project is to be accomplished. The CIP Budget scheduling language should indicate the year in which construction is expected to begin and end. It is incumbent upon managerial departments to implement projects in accordance with Council-approved schedules, or promptly advise DCMs of the circumstances that make the schedules unfeasible or doubtful. The current standardized scheduling tool is Primavera.
- 3.10 CIP Removal A project is removed from the programming document when it is anticipated to be complete in the current fiscal year as opposed to the new programmed year.

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APPENDIX A

Legal References

City Charter, Section 41
City Charter, Section 77
City Charter, Section 103.1a
Council Resolution 181319
Ordinance No. 10239
Ordinance No. 11341
Council Policy 200-2
Council Policy 800-6

Forms Involved

Form FM-2 Capital Improvements Project Proposal
Form FM-600 Capital Improvements Project Proposal

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