



## CAPITAL IMPROVEMENT PROGRAM PROCESS IMPROVEMENTS

### I. Focus on Technology

- **Accept bids online**
  - There will be a focus on bringing the program into the 21<sup>st</sup> Century.
  - Currently the City opens up bids in person and manually scores them.
  - This process lends itself to human error.
  - Constructors may incorrectly fill something out and it will be rejected and City staffers may add something incorrectly.

**EXAMPLE:** A recent CDBG funded project, Memorial Pool in Logan Heights, had numerous federal bidding forms that were required for the bids to be accepted. However, the first time around all of the bidders failed to fill out the forms correctly, which resulted in a re-bid and delayed the project 3 months. An online bidding system would help avoid these problems because the accuracy of the bidders' documents would be evaluated before they submit their bid.

- **Digitize paperwork required to execute a contract**
  - This common sense, easy solution could result in \$1 million in savings annually program wide, a reduced process time of 2-4 weeks, and speed up project delivery.

### II. Increase Efficiency

- **Streamline environmental review for small projects to reduce bureaucracy**
  - Give Engineering and Capital Projects the authority to conduct environmental review from Development Services Department for simple projects to eliminate duplicative environmental reviews. This will save on average 2-3 weeks and thousands of dollars per project.

**EXAMPLE:** Several recent projects were delayed for weeks due to a lack of dedicated CIP review teams and authority. For example, Sewer & Water Group Job 785 in Clairemont Mesa was delayed from obtaining a minor addendum to the Mitigated Negative Declaration and was delayed by over 4 months.

- **Increase average public works contract size to utilize economy of scales**
  - Over 50% of CIP Projects are less than \$1 million (median), which results in higher CIP delivery costs due to duplication of common activities, such as contract procurement. Combining CIP projects into larger contracts that have an average value of \$5 million will allow the City to better utilize economy of scales and save roughly \$1 million - \$2 million program wide annually (5%-24% per project).
- **Streamline contract procurement to get projects done quicker**
  - Increase usage of an efficient contracting process, job order contracts, to expedite the amount of projects the City is able to execute. Further expedite project delivery by up to 20% by expanding the innovative project procurement method Multiple Awards Construction Contract to Facilities and Stormwater Projects.

- **Better coordinate paving efforts with Public Utilities and Undergrounding Program to expedite road repair**
  - Immediately repave streets after underground projects by including it as part of the underground project. This will allow the City to pave streets faster.
  - Current City practice is for a road to be slurry sealed after a water or sewer job. But many times the road is in disrepair and should be repaired with asphalt overlay. Water and Sewer funds cannot be used to pay for road repair beyond the current road's condition. Now the City will provide the Public Utilities department with the funds to do the necessary road repair.

### **III. Better Cash Management to Spend Money Quicker and Smarter**

- **Amend the appropriations ordinance to move money faster that is sitting idle in completed projects**
  - At the end of a project, there is a warranty period that can last up to a year. A project is not technically closed until this warranty period is over. However, funds sit in the bank account until the project is closed. Money should move into priority projects as soon as the project is completed.

**EXAMPLE:** Memorial Pool Improvements (Project S00970) is technically completed and has approximately \$900,000 in funds sitting in the account. Currently, the CFO cannot transfer those funds into high priority projects even though the project is complete.

- **Better track projects to move money more efficiently.**
  - **Improve financial oversight with semiannual CIP budget monitoring reports**
    - ◆ Financial Management will implement semi-annual monitoring reports and prepare one Council action to reallocate money that is not being spent to projects that are moving quicker.
  - **Pooled Project Contingencies**
    - ◆ City projects usually have 5% contingency even though on average projects only need 2%. This means millions of dollars are just sitting in accounts and not being used. Pooled contingency means you would have one centralized account that projects could use if needed.
  - **Implementing a Commercial Paper Program**
    - ◆ This will improve the timely execution of large contracts and lower the instances where the City is paying more interest on debt than it is earning. The City has historically encumbered cash that may not be spent for years on a project.
    - ◆ Commercial Paper is a financial tool that guarantees a cash commitment without actually having cash sit unused in an account.

**EXAMPLE:** Many times large, federal transportation projects require a local grant match requirement, but also require the federal funds are spent first. This means that City money is sitting in accounts for years until the federal money is spent first. Now, with Commercial Paper, the City can guarantee it will have money in the future without having actual cash locked up.

- **Encumbrance Process Improvements**
  - ◆ Currently, the City waits until all of the funds are available before awarding a contract even if the first stage of the project will not utilize significant funds. This locks up millions in projects that won't be spent in the fiscal year. Changing this policy, with the appropriate internal controls will allow funds to move more quickly.

## PLANNED STREET REPAIR FISCAL YEAR 2016

- At the State of the City, Mayor Faulconer committed to San Diegans that street repair would be his highest infrastructure priority
- This proposal reflects San Diegans’ priorities, as documented through the extensive community outreach performed by the office of Infrastructure Committee Chair Mark Kersey.
- In Fiscal Year 2016, the City will repair over 300 miles — double the miles repaired in Fiscal Year 2014.
- This makes good on the Mayor’s promise in the State of the City address to double the City’s road repair efforts.
- The repairs will be financed with a combination of ongoing revenue — Transnet, Gas Tax and Prop. 42 — and bond financing.
- Data from the most recent City survey in 2011, revealed that 35% of the streets were in good condition, 40% were in fair condition, and 25% were in poor condition.
- This commitment works to reverse this trend. The City is currently studying the condition of streets and we will know by December how they have changed from 2011.

