



News from
Interim Mayor Todd Gloria
City of San Diego

NEWS RELEASE

For immediate release: October 24, 2013

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\$120 Million of Infrastructure Projects Proposed for Bond
City Council will Consider Bond for Streets, Storm Drains, Libraries, Fire Stations

SAN DIEGO, CA (October 24, 2013) – Interim Mayor Todd Gloria today unveiled a list of proposed projects which could be completed with an anticipated \$120 million infrastructure bond that is expected to be considered by the City Council in January 2014.

“This infrastructure bond will help us improve our neighborhoods to levels San Diegans deserve,” said Interim Mayor Gloria. **“Repairing streets, storm drains and replacing failing aging facilities with bond funds is fiscally responsible and community focused.”**

The Interim Mayor was joined by Councilmembers Marti Emerald and Mark Kersey, Director of Public Works Tony Heinrichs, and City Engineer James Nagelvoort for the announcement at Fire Station 17 in City Heights, which could be replaced with a new facility should the bond be approved.

“As Chair of the City’s Public Safety and Neighborhood Services Committee, I am pleased that with this bond we will start to implement the needs listed in the Citygate report,” said Councilmember Emerald. **“Going forward, I urge my Council colleagues to work together to build the necessary safety infrastructure and immediately address existing service deficiencies. As one of the busiest engine companies in the City, the expansion of Fire Station 17 will provide safe neighborhoods for our residents.”**

The infrastructure bond is proposed to also include \$43,460,000 for street resurfacing. Other projects on the proposed list include design for the Skyline Library, San Ysidro Library, San Carlos Library, and Skyline Fire Station, design and land acquisition for the Home Avenue Fire Station, and replacement of Fire Station 22 in Point Loma and Fire Station 5 in Hillcrest, among other necessary improvements.

“The backbone of our community is infrastructure, and we have to invest in it if we’re going to thrive,” said Councilmember Kersey. **“This bond is a funding surge to reverse the accelerated deterioration of our streets and sidewalks, streetlights and storm drains, parks, and libraries.”**

The City of San Diego has a backlog of deferred capital projects of at least \$898 million. To help address the streets, storm drains, and facility needs, the City previously issued three bonds. Further, on March 20, 2012, the City Council adopted a funding plan for a preferred multi-year capital program. The plan calls for capital and maintenance expenditures of \$719.9 million over the next several years. By the end of Fiscal Year 2014, the allocation for deferred capital will be \$18.4 million higher than anticipated, demonstrating the focus of Interim Mayor Gloria and the City Council on rebuilding San Diego.

“The proposed project list was developed to address the most critical needs in San Diego. It is clearly not a list of every improvement or every investment necessary, and I look forward to the input of City Councilmembers and our neighbors to ensure we’re focusing these potential bond funds appropriately,” said Interim Mayor Gloria.

The proposed project list will be discussed by the City Council’s Infrastructure Committee, chaired by Councilmember Kersey, at its meeting at 9:00 a.m. on Monday, October 28. The City Council will consider the infrastructure bond in January 2014.

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Invitation from
INTERIM MAYOR TODD GLORIA

City of San Diego

Todd Gloria
Interim Mayor

Mark Kersey
Councilmember, District Five
Chair, Infrastructure Committee

NEIGHBORHOOD INFRASTRUCTURE WORKSHOPS

- **Thursday, October 24 at 6:00 p.m., District Seven with Councilmember Scott Sherman**
Mission Trails Park Visitors Center, One Father Junipero Serra Trail, San Diego, CA 92119
- **Wednesday, October 30 at 6:00 p.m., District Four with Councilmember Myrtle Cole**
Malcolm X Library Music Room, 5148 Market Street, San Diego, CA 92114
- **Wednesday, November 6 at 6:00 p.m., District Six with Councilmember Lorie Zapf**
Pangea Bakery Café, 4689 Convoy St. #100, San Diego, CA 92111
- **Wednesday, November 13 at 6:00 p.m., District Two with Councilmember Kevin Faulconer**
Cadman Elementary School Auditorium, 4370 Kamloop Avenue San Diego, CA 92117
- **November 20 or 21 at 6:00 p.m., District Nine with Councilmember Marti Emerald**
Workforce Career Center, 3rd Floor Conference Room, 3910 University Avenue San Diego, CA 92105
- **Tuesday, December 3 at 6:00 p.m., District One with Councilmember Sherri Lightner**
Location to be determined.
- **Wednesday, December 11 at 6:00 p.m., District Eight with Councilmember David Alvarez**
Colonel Irving Salomon San Ysidro Community Activity Center, 179 Diza Road, San Diego, CA 92173

Email: infrastructure@sandiego.gov
#RebuildSD





THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 23, 2013 REPORT NO:
ATTENTION: Infrastructure Committee
SUBJECT: Deferred Capital Bond Funded Program Update

REQUESTED ACTION: Approve proposed \$120,000,000 Bond Project List

STAFF RECOMMENDATION: Approve the Proposed List

BACKGROUND:

On November 29, 2006, the City released the Five-Year Financial Outlook – Fiscal Year 2008-2012 which addressed eight (8) significant areas needing improvement to provide the City with short and long term stability. One of these areas was funding for deferred capital improvement needs related to streets, storm drains, and buildings.

The Phase I Deferred Capital bond was utilized to initiate design of deferred capital projects and provide construction funding for many of these projects. While a long term plan to address deferred capital needs was discussed the planning for this initial bond issuance was not set up for a long term series of bond issuances.

Between 2007 and 2011 the City of San Diego undertook an aggressive program to assess the condition of its infrastructure assets. The March 2011 Report to the City council, Report Number 11-037, provides the condition assessments for each asset evaluated. As a result, it was estimated that the City had at least a current backlog of \$898 million for deferred capital projects for streets, general fund buildings and storm drain infrastructure. The backlog for each of these asset classes as of 2011 is defined in Table 1:

Table 1 - Deferred Capital Backlog	
Asset	Backlog (Million)
Streets	\$478
Buildings	\$185
Storm Drains	\$235
TOTAL	\$898

The effort to fully assess the City's assets continues. While the estimate of Deferred Capital needs identified above did consider many assets, it was not inclusive of all facilities or all asset types. The ongoing effort related to Storm Drains has continued and will be updated in the near future. The City Council authorized an additional \$1,000,000 to assess the remaining buildings and update the structures already assessed. The Park and Recreation Department is beginning an assessment of the facilities not covered in the previous assessments. In addition, the Transportation Department is assessing missing sidewalks throughout the City.

On March 20, 2012 the City Council adopted a funding plan to clearly communicate a preferred multi-year deferred capital program. The plan calls for capital and maintenance expenditures of \$719.9 million (i.e. \$410.2 million from capital and \$309.7 million from maintenance and repairs) over the next several years. Enhanced Option B was selected by Council and includes the following:

Deferred Capital Improvement Bond Option B - Enhanced						
	2012	2013	2014	2015	2016	2017
FUNDING OPTION B - ENHANCED (Incremental Cash vs Bonds)						
Deferred Capital Component						
Operations & Mtce		52,700,000	50,000,000	62,000,000	66,000,000	79,040,000
Capital (Debt Service)		5,608,845	11,591,614	17,649,167	24,379,781	31,067,020
Total Budget Appropriations		58,308,845	61,591,614	79,649,167	90,379,781	110,107,020
New Bond Issuance (Net)	75,000,000	80,000,000	81,000,000	90,000,000	84,160,000	84,160,000
Bonds to Cash -Capital Fund ing Ratio	100%	100%	90%	90%	80%	80%
Total Capital/Maintenance Program		127,700,000	130,000,000	143,000,000	156,000,000	163,200,000
Use of Projected Fiscal Year 2012 Surplus		6,900,000				

By end of Fiscal Year 2014 (FY 14) the adopted funding plan shows issuance of \$236,000,000 worth of bonds and the addition of \$6.9 million of FY 12 surplus funds budgeted in FY 13. The actual funding plan going towards deferred capital has been slightly different. In addition to deferred capital bond funds, other funding sources have been allocated to supplement the effort to keep assets from deteriorating further over the next five years. With the proposed Deferred Capital Bond issuance of \$120.0 million this spring and additional funds allocated by Council from Proposition 42 Replacement, Transnet, the General Fund, and the Street Damage Fees the allocation for deferred capital since adoption of Enhanced Option B- is \$18.4 million more than the original plan anticipated. The current allocations are represented in the Table 2 below:

Table 2 – Total Deferred Capital Funding (in millions)						
Funding Source	Enhanced Option B Plan	FY12	FY13	FY14	Total Allocated	Difference (planned Vs Allocated)
Deferred Capital Bond 2012	\$75.0	\$75	-	-	\$75.0	-
Deferred Capital Bond 2A	-	-	\$35.0	-	\$35.0	-35.0
Deferred Capital Bond 2013	\$80.0	-	-	\$120.0	\$120.0*	\$40.0
Deferred capital Bond 2014	\$81.0	-	-	-	-	(\$81.0)
Fiscal Year 2012 Surplus	\$6.9	-	\$8.3	-	\$8.3	\$1.4
Transnet	-	\$14.0	-	\$5.0	\$19.0	\$19.0
Proposition 42 Replacement	-	-	-	\$2.0	\$2.0	\$2.0
Street Damage Fee	-	-	-	\$2.0	\$2.0	\$2.0
Total		\$89.0	\$43.3	\$129.0	\$261.3	\$18.4

*\$120.0 million in Fiscal Year 2014 is being requested at this time.

With regards to the deferred capital bond issuances to date, \$213.3 million has been allocated to assets as defined in Table 3 below:

Table 3 - Deferred Capital Bonds 1, 2 and 2a Summary by Asset Type			
Asset Type	Deferred Capital 1	Deferred Capital 2	Deferred Capital 2a
ADA		\$8,200,000	
Park - Open Space Improvements		\$550,000	
Street Resurfacing	\$47,186,338	\$31,633,200	\$6,550,000
Buildings and other Facilities	\$30,656,383	\$16,396,650	\$13,700,000
Drainage Facilities	\$10,537,669	\$15,567,150	\$5,000,000
Street Lights	\$650,000	\$2,653,000	
Concrete Streets	\$4,717,610		\$9,750,000
Sidewalks	\$9,550,000		
TOTAL	\$103,298,000	\$75,000,000	\$35,000,000

The deferred capital plan was established with a goal to keep storm drain, street, and general fund facility assets from deteriorating further over the next five years. To date some funding has been allocated to projects that were not completely deferred capital. This has occurred in the buildings and other facilities asset type. With Council approval, some buildings were replaced instead of repaired using funds for improvements above and beyond deferred capital needs. In addition, not all deferred capital projects undertaken to date were identified on the original list defining the \$898.0 million deferred capital backlog. The current allocation of bonds appears in Table 4 below:

Table 4 - Deferred Capital Bond Allocation vs. \$898 Million Original Backlog Comparison				
Deferred Capital Bonds (DC)	Total Deferred Capital Bond Funding	Total Projects Included in \$898 Million	Deferred Capital not Included in \$898 million	Expansion/Replacement of Existing Facilities
DC 1 Funds	\$103,298,000	\$65,124,769	\$29,677,010	\$8,317,841
DC 2 Funds	\$75,000,000	\$44,594,252	\$21,060,469	\$9,345,279
DC 2A Funds	\$35,000,000	\$5,150,000	\$14,750,000	\$15,100,000
Total	\$213,298,000	\$114,869,021	\$65,487,479	\$32,763,120
% of Total		54%	31%	15%

The majority of the 145 Deferred Capital Projects identified in the first bond issuance have been completed. Deferred Capital 1 bond funds that have not been spent or encumbered in contracts is \$5.4 million. It is anticipated that over the next six months the Deferred Capital I funds will be fully expended as the remainder of projects get the funding needed to complete them, and construction contracts are closed out. Deferred Capital 2 bond funds have been allocated to 92 projects. To date \$34.6 million has been spent or encumbered in contracts to design or construct projects and Deferred Capital 2A bond funds have been allocated to 18 projects.

Status and Reallocation of Deferred Capital Funds

A project list with funding and project status is provided in Attachment A. The list provides four groups of projects: projects complete or under construction, projects which will have construction contracts issued before April 2014, projects which will have construction contracts issued before January 2015, and projects which will be awarded after that point. It is important to point out that the program goal is to award contracts for more than 80% of the \$75.0 million Deferred Capital Bond 2 before the issuance of Deferred Capital Bond 3, and expend all the Deferred Capital Bond 2 funds before the three year expenditure requirement occurs in July 2015. In addition, adjustments to the current project list are recommended. Staff is currently routing a request to move funding from projects that cannot spend the funds allocated to date within the three year time frame to projects that can. By moving these funds the construction of Fire Station 22 and the South Mission Beach Lifeguard Tower will be accelerated by six to eight months and the expenditure requirements for the bonds will be accomplished by April 2014. The projects that funding will be reallocated from are the San Ysidro Library and the Skyline Library. Funding to replace the reduction in these two libraries is recommended to be replaced with Deferred Capital 3 Bond funds and is included on the Proposed Project List (Attachment A). It is important to note that both library projects will have expended significant amounts of bond funds and must be completed in order to meet the bond fund requirement that all expenditures result in a capital asset. In addition, the San Ysidro Library appears to be eligible for CDBG funding which may be used to complete land acquisition and/or construction.

Project Delivery and Streamlining

Given the commitment to provide long term financing for Deferred Capital several program management strategies are being implemented. Since 2008 significant improvements have been implemented to assure the expenditures using Deferred Capital Bonds will proceed quicker. On a project level the phase funding of the various projects provides for “shovel ready” projects when the next bond is issued. The first couple of bond issuances require a higher focus on asset types that are quick to move to construction and a plan for how to ramp up the expenditure schedule. The reason for this is the fact that each project is unique and constructed with various levels of design, environmental permitting, contract award processes and community input. Public Works has outlined how long “typical” projects should take from initiation of planning to completion of construction which is required to develop program scheduling that expends the funds necessary for sequential bond issuances. Relatively simple projects, such as asphalt overlay or the replacement of an existing roof, can be accomplished within a 12 to 18 month time frame because no design is necessary and limited permitting is required. Adding a simple design element can add six to eight months to a project schedule due to the need to award a design contract and the time needed to develop the design. For projects with complex designs and community input, such as fire station or library, the project schedule may require 30 to 42 months to complete. Procurement of a design contract can take between 3 and 12 months depending on the process chosen, community input, design, permitting and the bid and award process can take up to two years, and construction typically requires between 9 and 15 months. Choosing projects and phasing those projects in a manner that coincides with the bond expenditure expectations is critical to the success of the program.

To further enhance delivery of these projects and others several Municipal Code changes are being proposed to the City Council. The increase in the Job Order Contract Task limits and consultant contract limits for Capital Improvement Program related projects will provide the ability to accelerate the award of the construction phase of these projects. These Municipal Code changes were reviewed by and recommended for approval by the Infrastructure Committee in September 2013 and will be brought to council in October and/or November 2013. These changes in combination with the municipal code changes already enacted, the program phasing mentioned above and City resources currently available provide the capacity needed to deliver the bond program within the federal tax guidelines governing use of tax exempt bond funds.

The goal going forward is to be able to design and permit enough work such that approximately 80% of the funds from the next bond issuance can be used for construction, leaving 20% to begin design, administration and permitting of projects that will get construction funding in the next bond issuance, or other fund sources such as CDBG. With a program strategy of using approximately 80% of each bond issuance for construction, and the balance for design and permitting, it is possible to expend enough of each bond issuance to be able to move forward with the next bond issuance within 12 to 18 months.

DISCUSSION:

The issuance of Deferred Capital Bond 3 is expected to occur in FY 14 and will be coordinated with the issuance of the Five Year Outlook in November 2013. This timing will allow Council to consider how much should be financed given the other City wide priorities outlined in the Five Year Outlook. Attachment A provides a list consistent with the adopted Deferred Capital Financing

plan. The total amount financed would be \$120.0 million and will fund the construction of projects already designed by previous Deferred Capital Bond Issuances, begin the design for new deferred capital projects and provide funding for land acquisition and design of two new Fire Stations. The addition of the Home Avenue Fire Station and the Skyline Fire Station are essential facilities. The 2011 Citygate *Fire Service Standards of Response Coverage Deployment Study for San Diego Fire-Rescue*, adopted by City Council, reflects the addition of the Home Avenue/805 and Skyline Drive/Sychar Road fire stations as the first and fourth priorities, respectively. These fire stations will address ‘critical service gaps’ in coverage. The projects identified on the list include all the projects in Attachment A, plus funding for “shovel ready” projects previously designed with Deferred Capital Bond funds and \$4.7 million for Americans with Disabilities Act projects.

Attachment A provides a list of proposed projects consistent with the adopted Deferred Capital Financing plan to date with additional projects. Adoption of the proposed list will provide the project list for future actions related to the issuance of Deferred Capital Bond 3.

FISCAL CONSIDERATIONS:

Selection of a project list has no immediate financial impact. Issuance of bond financing will have an impact on future budgets depending on amount financed, the interest rate at the time of issuance, and additional staffing and operational budgets required for new facilities. Additional staffing for Public Works could be added decreasing the reliance on consultants and reducing project related costs. Discussing the size and amount financed in conjunction with the Five Year Outlook will allow Council and the Mayor to consider how much should be financed given the other City wide priorities identified in the Outlook. In addition, projects on the project list that are only allocated design funds will need to be completed at a later date. Funding design only creates an obligation to complete the project at a later date since all bond proceeds must result in a capital asset.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

- Budget and Finance Committee Report Number 11-037 – Deferred Capital Update
- IBA Report Number 11-63 – Deferred Capital
- Budget and Finance Committee Report Number 12-012 - Deferred Capital Program Update
- Budget and Finance Committee Report Number 12-021 – Infrastructure Condition Update
- Budget and Finance Committee Report Number 12-022 – Deferred Capital Program Update – 2nd Bond Projects List
- City Council Resolution Number 307349 – Deferred Capital Funding Plan
- City Council Report Number 12-025 – 2012 Lease revenue Bonds- 2012 Deferred Capital Improvement Projects Financing and 2002 Fire and Life Safety Bonds Economic Refunding
- City Council Resolution 307352 – Authorizing Bond Proceeds for Deferred Capital II
- Infrastructure Committee report Number 13-10 - Deferred Capital Update
- City Council Resolution 308031 – Authorizing Bond Proceeds for Deferred Capital Iia

Tony Heinrichs, Director
Public Works Department

Scott Chadwick, Chief Operating
Officer

CIPRAC (ADA added) - Deferred Capital Projects - \$120 Million

Project #	Asset Type	Project Name/Description	CD	Total Project Cost	Total DC3 Need	Comments
		Total Deferred Capital Bond 3			\$120,000,000	
TBD	Street	Mission Beach Boardwalk Bulkhead 760 ft from Belmont Park Comfort Station to San Fernando Place	2		\$600,000	Funds Design only, compete for grants to fund construction
S-12005	Street	Midway Street Bluff Repair	1	\$228,883	\$100,000	Fully funds project for Construction
AID00005	Street	Resurfacing of City Streets Annual Allocation	City Wide		\$43,460,000	
	Street	Streets Total	City Wide		\$44,160,000	
S-00787	Facilities	Fire Station 22 - Point	2	\$5,638,000	\$2,600,000	Fully funds project for Construction
S-00791	Facilities	South Mission Beach Station	2	\$4,612,190	\$2,100,000	Fully funds project for Construction
S-00692	Facilities	Skyline Library	4	\$10,000,000	\$2,800,000	Fund Design only, position to get CDBG funding for construction. Land already acquired.
S-00792	Facilities	L.J. Cove Life Guard Station - Construction	1	\$2,104,627	\$250,000	Fully funds project for Construction
S-00788	Facilities	Fire Station #05 (Hillcrest)	3	\$9,070,000	\$8,200,000	Fully funds project for Construction
S-00783	Facilities	Mid-City Fire Station 17	9	\$11,970,000	\$11,200,000	Fully funds project for Construction
S-13022	Facilities	Mission Hills/Hillcrest Branch Library	3	\$16,304,500	\$4,000,000	Additional funding from private donation
S-00802	Facilities	San Ysidro Library	8	\$12,186,000	\$3,000,000	Funds Design only
S-13005	Facilities	University Village Tot Lot	1	\$450,000	\$150,000	Fully funds project for Construction
TBD	Facilities	San Carlos Library	7	\$9,275,000	\$1,000,000	Funds Design only

CIPRAC (ADA added) - Deferred Capital Projects - \$120 Million

Project #	Asset Type	Project Name/Description	CD	Total Project Cost	Total DC3 Need	Comments
TBD	Facilities	Skyline Fire Station	4	\$9,150,000	\$1,000,000	Funds Design only
TBD	Facilities	Home Avenue Fire Station	4	\$11,730,000	\$2,000,000	Fund Design & Land Acquisition only, and position to get CDBG funding for Construction
ABT00001	Facilities	Facilities Annual Allocation*	City Wide		\$9,880,000	New facility condition assessment will identify additional needs.
	Facilities	Facilities TOTAL	City Wide		\$48,180,000	
AIK00003	Sidewalks	Sidewalks			\$1,000,000	Select sidewalk sites based on sidewalk condition assessment conducted by Streets Div.
ABE00001	ADA	ADA Improvements	City Wide		\$4,700,000	Provide \$400K for Tierrasanta Community Park Sports Lighting and ADA Improvements project
ACA00001	Storm Drain	Storm Drain Annual Allocation TOTAL	City Wide		\$21,960,000	

* Includes funding for: North Park Recreation Center and Balboa Park Chess Club)