THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED:	July 25, 2012	REPORT NO.: 12-095
ATTENTION:	BUDGET AND FINANCE COMMITTEE	
SUBJECT:	Proposed FY14 CIP Budget Development Process	
Requested Action:	Informational Only	

BACKGROUND:

During the FY 2015 budget process, staff heard public concerns about the amount and effectiveness of community input during the CIP budget development. This report is a proactive response to address those concerns by initiating an early dialogue with the City Council to identify other opportunities for improvements for the FY 2014 CIP budget development process. Staff recommends that a structured, uniform, and documented process be development to solicit public input.

This report also presents an overview of the CIP and the current practice for the development of the CIP annual budget. We expect multiple sessions with Council members and key stakeholders for finalizing a practical plan without delaying the FY14 CIP budget approval.

CAPITAL IMPROVEMENTS PROGRAM (CIP)

The City of San Diego's CIP is a multi-year forecast of capital needs which includes new construction projects and planned improvements of existing facilities. The CIP establishes structure and consistency by identifying, prioritizing, approving, and funding capital improvement projects through coordination of the participating City departments and the Mayor's Capital Improvements Program Review and Advisory Committee (CIPRAC) with feedback from the community and the Council. Implementation of CIP projects is based on the City's adopted General Plan and applicable community plans. However, the amount of work that can be carried out is limited by the City's ability to pay for these and other services that it provides.

CIP PROJECTS

What is defined as a capital project or capital purchase may vary from agency to agency. Generally, CIP projects are tangible items that have a life expectancy greater than one year and will be accounted for as fixed assets with values for capitalization purposes. The City Council Policy 000-02 clearly establishes what type of a project is capital in nature.

The City's CIP encompasses a wide range of projects which are administered by a number of departments and funded from a variety of sources. Projects are identified and funded by the asset owning departments (e.g., Airports, Environmental Services, Fire-Rescue, Library, Park & Recreation, Police, Public Utilities, Public Works-General Services, and Transportation & Storm Water) who manage, operate, or maintain the asset. Repair and maintenance records, public inquiries, legal requirements, promotional programs, and Council requests have been the traditional triggers for initiating new projects, although staff recognizes the need for additional outreach on "how a project becomes a project".

The CIP generally does not rely on the City's General Fund, but is funded through a variety of sources which frequently have conditions and restrictions on how the funds can be spent. Some departments, such as Public Utilities, have enterprise funds based on the collection of fees that can only be used for department-specific projects, like the construction of water and sewer pipes. General fund departments rely on developer fees and assessments, capital outlays, and grants, among other sources. Examples of funding sources include: sewer and water fees, a one half-cent local sales tax for transportation improvements, development impact fees, facility benefit assessments, private donations, the sale of City-owned property, and State and federal grants. Financing in the form of bonds may be utilized for large and/or costly projects, and deferred capital project needs.

FY 13 BUDGET PROCESS

The CIP budget is developed in conjunction with the City's operating budget and follows the timeline established by the City Charter. Development of the CIP budget begins earlier than that of the operating budget and is initiated by a review of project status and community needs conducted by Public Works - Engineering and Capital Projects in coordination with City asset-owning departments. The CIP budget process considers project priorities and funding availability. Following is the current standard timeline for this task:

October - January: Departments develop fiscal year needs based on community input and submit proposed CIP funding requests to Financial Management which are then brought to CIPRAC for approval. During this timeframe, Financial Management also confirms the availability of funds to support the budget to be considered by CIPRAC. The CIP budget development and CIPRAC approval calendar is established by Financial Management and Public Works - Engineering and Capital Projects.

January - March: In coordination with asset-owning departments, Financial Management reviews all project pages and prepares the proposed budget publication.

April: The Mayor releases the Proposed Budget to the public on April 15th in compliance with the City Charter [Article XV, Section 265, Item (b) (15)].

May: During the month of May, the City Council holds a series of public budget hearings. Council members may recommend changes to the Proposed CIP Budget. Also in May, the Mayor's May Revision to the Proposed Budget is released. This report recommends changes to specific CIP projects' budgets based on updated information.

June: Council reviews final modifications and approves the budget in June. The Mayor's veto period follows Council's initial approval. Once the budget is approved, the final changes are implemented. The Change Letter will be created to summarize the May Revision and Council Action changes to the CIP Budget.

July: The annual Appropriation Ordinance is presented to the City Council and adopted in July authorizing expenditure of the budget.

PROJECT PRIORITIZATION

In order to ensure that the City is budgeting for and implementing the most critical of its projects, all of the CIP projects are ranked according to Council Policy 800-14 prior to submittal to council for approval as part of the annual budget process. The council policy provides guidelines and weighted factors for the scoring and ranking of all of the asset types in the Capital Improvements Program. Briefly, the council policy states that:

- Projects within restricted funding categories will compete only with projects within the same funding category.
- Projects will compete only with projects within the same asset type (project type).
- Projects will compete only with projects within the same level of completion or project development phase (planning, design and construction).
- Projects scores will be updated as the condition of the project changes or other information becomes available.

While the current council policy is effective in ranking the City's CIPs, the 2011 CIP Audit and 2012 PUD Audit identified areas of improvement to make this tool even more practical and objective for staff to follow. These recommendations along with other enhancements are listed below:

- Consistency in application across all departments/asset types
- Single set of factors for all asset types
- Asset Specific Scoring
- Planning Level Alternatives Assessment
- Consideration for Emergency Projects

- Environmental Consideration in Scoring
- Simplified Planning Level Scoring

Staff is preparing draft revisions of the existing Council Policy that incorporates the above recommendations and enhancements along with other changes. These amended revisions to the council policy will be presented to Budget & Finance Committee and public for input prior to finalizing and forwarding to Council for approval.

RECOMMENDATIONS:

Over the next few weeks staff will be seeking stakeholder input on improvements to the CIP budget development process. Although more work is required, staff would like to recommend several initial suggestions:

1. Step up the public outreach efforts in educating public about the process and how they can be more involved.
2. Seek public feedback for the desired improvements.
3. Post information on and utilize the recently created CIP website.
4. Work with the asset owning departments to enhance the intake points and over time develop a user friendly centralized online application for receiving and forwarding public requests to the appropriate asset owning departments.
5. Develop simple criteria for screening requests received to sort out project candidates from Recommendation (3).

Increase Community Planners Committee (CPC) Role. CPC was instituted to ensure communication and to solicit citizen input on citywide issues among the various planning groups in the City under the direction of Council Policy 600-09. CPC meetings provide a forum to discuss citywide planning issues. The meetings often include presentations by City Planning Division staff and other speakers on topics of interest to the CPC. The meetings are an opportunity to network with other community leaders and discuss important policy or development issues with City Planning staff. Positions taken by CPC about important issues provide a key link with decision makers at City Hall and in the various City Departments. In addition, the CPC has formed subcommittees to review various issues in depth, and has made recommendations of great value to City decision makers. Therefore, CPC should be utilized as a forum for collecting and consolidating community feedbacks received from the Community Planning Groups and reporting those requests to the Council and the Mayor prior to April deadline. PWD will provide limited resources to assist with the increased intake activity if needed.

TIMELINE:

Add the following milestone to those listed for FY13 above:

August – September: Stakeholder Outreach on the FY14 CIP Budget Development Process

October - November: CPC & Departments gather community recommended CIP Projects and submits to Mayor and CIPRAC.

CONCLUSION:

We would like to restate our desire to improve the process for public involvement in identifying CIP projects and seek your support and feedback and identification of the stakeholders. We also look forward to present the newly improved and upgraded draft City Council Policy 800-14. We believe this revised policy will improve objectivity, consistency, and ease of use due to its flexibility. It is expected to be a more practical tool for sorting through many projects competing for the same funding source.

Tony Heinrichs
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Public Works

cc: CIPRAC Membership