THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: July 25, 2012 REPORT NO.: 12-094

ATTENTION: BUDGET AND FINANCE COMMITTEE

SUBJECT: Proposed Amendments to the CIP Prioritization Policy

REQUESTED ACTION: Informational Only

BACKGROUND:

The purpose of Council Policy 800-14 is to establish an objective process for ranking Capital Improvements Program (CIP) projects to give decision-makers a basis for choosing the most compelling projects for implementation. It provides guidelines and weighted factors for the scoring and ranking of all of the asset types in the CIP.

The original Council Policy 800-14 was adopted on January 19, 2006 and addressed prioritization guidelines for transportation and drainage CIP projects only. Subsequently, the Council Policy was amended on February 20, 2008 to include all City of San Diego's CIP projects.

This single CIP prioritization policy addresses all funding sources and asset categories, including enterprise funded projects (golf, water, sewer, airport facilities, stadium and landfill facilities), parks, transportation, drainage, buildings and major facilities projects.

The policy currently provides two sets of weighted factors; one set of weighted factors for Transportation and another set of weighted factors for Non-Transportation CIP projects.

Transportation Factors & Weighted Score Values:
1) Health & Safety (25%)
2) Capacity & Service (Mobility) (20%)
3) Project Cost and Grant Funding Opportunity (20%)
4) Revitalization, Community Support & Community Plan Compliance (15%)
5) Multiple Category Benefit (10%)
6) Annual recurring cost or increased longevity of the capital asset (5%)
7) Project Readiness (5%)

Non-Transportation Factors & Weighted Score Values:
1) Health & Safety Effects (25%)
2) Regulatory or mandated requirements (25%)
3) Implication of Deferring the Project (15%)

4) Annual recurring cost or increased longevity of the capital asset (10%)
5) Community Investment (10%)
6) Implementation (5%)
7) Project Cost and Grant Funding Opportunity (5%)
8) Project Readiness (5%)

The policy states that CIP projects will not compete across the different project categories, the different funding sources, or the different project phases (planning, design construction) – however projects within each of these areas will compete for funding.

The existing Council Policy is attached here as Exhibit A.

PURPOSE OF PROPOSED CHANGES:

While the current council policy is effective in ranking the City's active CIPs, there have since been lessons learned from its application, and areas of beneficial improvement communicated by various stakeholders as well as by the 2011 CIP and Public Utilities Department audits. These proposed changes would make this tool even more practical and objective for staff to follow for the scoring and ranking of new CIP's.

SUMMARY OF PROPOSED CHANGES:

The following is a summary of the recommended improvements:

1. Consolidate and simplify the Categories for all CIP Asset Types by reducing the asset type categories from 17 to 8 categories, as follows:

    1. Airport Facilities
    2. Environmental Services
    3. Buildings & Major Facilities
    4. Park & Recreation Facilities
    5. Water - Pipelines & Facilities
    6. Wastewater - Pipelines & Facilities
    7. Transportation Facilities
    8. Drainage Facilities

2. Consolidate the Scoring Factors for Transportation & Non-Transportation CIP's so that there is one set of weighted values for all asset types.

3. Provide further scoring guidelines and consideration for the evaluation of:
    i. Risk to Environment
    ii. Sustainability of Resources

4. Allow for more simplified scoring at the planning phase (when information about a project is least available) versus the more detailed prioritization evaluation done at the design and construction phases.

5. Allow for the default high scoring of emergency declared CIP projects.

6. Ensure that, during implementation, scoring tools consider the unique needs of the different asset types while maintaining conformance to the overarching scoring guidelines in the Council Policy.

CONTINUED STAKEHOLDER OUTREACH

Through several meetings, staff has solicited input for improvements to the Council Policy from the following stakeholders:

- City of San Diego's Asset Owning Departments
- City of San Diego's Capital Improvements Program Review Advisory Committee (CIPRAC)
- Independent Rates Oversight Committee (IROC)

Over the months of July through September, staff will also be meeting with the following committees and any others that the Budget & Finance Committee recommends, to further obtain input on additional recommendations for changes:

- Community Budget Alliance (CBA)
- Center on Policy Initiatives (CPI)

From this effort, staff will collect and incorporate the public's comments into a proposed final Council Policy that would be submitted to Budget and Finance Committee for action in September 2012. If approved at that time, the Council Policy would be forwarded to full Council Committee for adoption in October 2012. Once adopted, the amended council policy will be applied to the new projects submitted as part of the FY 2014 Budget.

PROPOSED TIMELINE FOR IMPLEMENTATION:

In order for the amended council policy to apply to the ranking of the new CIP projects being added to the FY 2014 Budget, Council would need to approve it by October 2012. The following is the proposed timeline:

July 2012	Budget & Finance Committee (Informational)
August - September 2012	Public Outreach
September 2012	Incorporate Public Comment Budget & Finance Committee (Action)
October 2012	Council Adoption
November - December 2012	Apply amended CP800-14 on new CIP's for FY 2014 Budget

CONCLUSION:

We would like to solicit your input and that of the public on the proposed improvements to the City Council Policy 800-14. We believe these revisions will provide better consistency across all asset types, objectivity and ease of application.

Tony Heinrichs
Director
Public Works Department

Attachments: Exhibit A - Council Policy 800-14

cc: CIPRAC Membership

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY

SUBJECT: PRIORITIZING CIP PROJECTS
POLICY NO: 800-14
EFFECTIVE DATE: May 30, 2008

BACKGROUND:

The City of San Diego's Capital Improvement Program (CIP) is implemented through an interrelationship of client departments, service departments, new and redevelopment, and multiple funding sources. Capital investments are necessary for the construction of all parts of municipal infrastructure. Major infrastructure within the City's area of responsibility includes streets and related right-of-way features; storm water and drainage systems; water and sewer systems; public buildings such as libraries, recreational and community centers, police and fire stations, and lifeguard facilities; and parks. Decisions about capital investments affect the availability and quality of most government services. The municipal infrastructure is often taken for granted, yet it is vital to the city's economy, with implications for health, safety, and quality of life.

The commitment of resources to the CIP projects within the City has traditionally not had the benefit of a comprehensive evaluation to determine overall needs so that projects can be ranked in priority order, and efficiently funded. This approach may have unintentionally limited the overall effectiveness of available CIP resources by providing projects with less funding than is needed to accomplish major project requirements, such as planning and design. This has limited the City's ability to compete for outside grant funding, since grant programs often place emphasis on having the design and associated activities completed.

PURPOSE:

The purpose of this policy is to establish an objective process for ranking CIP projects to allow decision-makers to have a basis for choosing the most compelling projects for implementation. This prioritization process will allows for the analytical comparison of the costs and benefits of individual projects, as well as an opportunity to evaluate projects against one another on their relative merits. Ideally, it will provide a citywide perspective, explore various financing options, and facilitate project coordination. All projects being considered for funding will be prioritized in accordance with the guidelines of this policy. It is proposed that this single CIP prioritization policy address all funding sources and asset classes, including enterprise funded projects (golf, water, sewer, airport facilities, undergrounding and landfill) and transportation and drainage projects. The goal of this policy is to establish a capital-planning process that ultimately leads to policy decisions that optimize the use of available resources, resulting in the maximum benefit from the projects delivered.

IMPLEMENTATION:

In order to implement a prioritization system, there must be an understanding of the constraints associated with each project's funding source(s), asset type (project category), or phase of development. Projects will not compete across the different funding sources, the different project categories, or the different project phases – however projects within each of these areas will be evaluated according to the guidelines outlined below.

A. Project Funding

Projects within restricted funding categories will compete only with projects within the same funding category. Prioritization within these restricted funding categories will occur in accordance with this CIP prioritization policy. For example, water system CIP projects are funded with enterprise funds paid by water ratepayers. All water CIP projects will be prioritized in accordance with the prioritization policy, but will not compete for funding with projects not funded by Water Enterprise funds.

The following is a partial listing of restricted funding categories:

1. Community Development Block Grants
2. Developer Impact Fees
3. Enterprise Funds (Airport, Environmental Services, Golf, Utilities Undergrounding, Metropolitan Wastewater, and Water)
4. Facilities Benefit Assessments
5. Grants
6. State and Federal Funds
7. TransNet Funds

Projects that are not within a restricted funding category will compete within capital outlay funds/general obligation funds in accordance with this CIP prioritization policy. Although capital needs from the restricted funds or revenue-producing departments are often separate from the General Fund, the capital investments of all City departments should be planned together to allow better coordination of capital projects in specific parts of the City over time. Citywide coordination of capital project planning can increase the cost-effectiveness of the City's capital programs by allowing more efficient infrastructure investments.

B. Project Categories

To ensure that the comparison is conducted between similar types of projects, the CIP projects shall be separated into categories according to the predominant type of asset in the project. Project categories shall include the below alphabetically listed asset types:

- **Airport Assets**
- **Buildings** - Facilities and structures, with the following project subcategories:
    - Community support facilities and structures
    - Fire facilities and structures
    - Libraries
    - Metropolitan Wastewater department facilities and structures (e.g., treatment plants - and pump stations)
    - Operations facilities and structures (e.g., maintenance shops and offices)
    - Other City facilities and structures
    - Park & Recreation facilities and structures
    - Police facilities and structures
    - Water department facilities and structures (e.g., treatment plants, pump stations, reservoirs, dams, standpipes)
- **Drainage** - Storm drain systems including pipes, channels, Best Management Practices
- (BMPs) and pump stations
- **Flood Control Systems**
- **Golf Courses**
- **Landfills** - Landfills and supporting facilities and structures
- **Parks** - Parks and open space
- **Reclaimed Water System**
- **Transportation** - Transportation facilities, with the following project subcategories:
    - Bicycle Facilities (all classifications).
    - Bridge Replacement, Retrofit, and Rehabilitation.
    - Erosion control, slope stabilization, and retaining walls supporting transportation facilities.
    - Guardrails, Barrier Rails, and other structural safety enhancements.
    - New Roads, Roadway Widening, and Roadway Reconfigurations.
    - Street Enhancements including medians and streetscape.
    - New Traffic Signals.
    - Pedestrian Accessibility Improvements including curb ramps.
    - Pedestrian Facilities including sidewalks but not curb ramps.
    - Street Lighting including mid-block and intersection safety locations.
    - Traffic Calming, Flashing Beacons, and other speed abatement work.
    - Traffic Signal Interconnections and other signal coordination work.
    - Traffic Signal Upgrades and Modifications.

- **Wastewater** - Wastewater collection systems
- **Water** - Water distribution systems

CIP budgets shall reflect project allocations according to these categories. These project categories shall include resource allocation for all project components, including environmental mitigation, property acquisition, and all other activities necessary to complete the project.

C. Project Phases

To ensure that the prioritization is conducted between projects with a similar level of completion, all CIP projects shall be separated into the following standard phases of project development within each project category:

1. Planning –includes development of a feasibility study, detailed scope, and budget.
2. Design - includes development of the environmental document, construction plans and specifications, and detailed cost estimate.
3. Construction - includes site preparation, utilities placement, equipment installation, construction, and environmental mitigation.

To initiate an effective capital project process, a revolving fund will be established for capital planning, to allow improved development of the scope, feasibility and funding requirements of projects prior to them becoming a CIP. The implementation of a capital planning process will result in better information, planning, and analysis of proposed capital projects. A goal of 5% is established as the minimum of CIP resources allocated to projects in the Planning phase.

D. Prioritization Factors

The City must prioritize capital needs to assist in the determination of which projects will receive available funding and resources, and/or compete for bond funding based on criteria that is aligned with Departmental priorities, the Mayor's long-term plans, and City Council's objectives.

For all non-transportation projects (See Section B. Project Categories), the following are the prioritization factors (listed in order of importance):

1. **Health & Safety Effects:** This criterion will include an assessment of the degree to which the project improves health and safety factors associated with the infrastructure asset. For example, projects that result in the reduction in accidents, improved structural integrity, and mitigation of health hazards would score higher. The evaluation of this criterion will constitute twenty-five percent (25%) of the project's total score.

2. **Regulatory or mandated requirements:** This criterion will include an assessment of the degree to which the project is under a regulatory order or other legal mandates. For example, projects that are required by consent decrees, court orders, and other legal mandates would score higher. The evaluation of this criterion will constitute twenty-five percent (25%) of the project's total score.

3. **Implication of Deferring the Project:** This criterion will include an assessment of the consequences of delaying a project. For example, projects that would have significantly higher future costs, negative community impacts, or negative public perception, should they be deferred, would score higher. The evaluation of this criterion will constitute fifteen percent (15%) of the project's total score.

4. **Annual recurring cost or increased longevity of the capital asset:** This criterion will include an assessment of the degree to which the project reduces operations and maintenance expenditures by the City. For example, a roof replacement project that reduces both maintenance requirements and energy consumption or a storm drain replacement project that reduces the need for periodic cleaning would score higher. On the other hand, a new library that increases maintenance, energy and staffing costs would score lower. The evaluation of this criterion will constitute ten percent (10%) of the project's total score.

5. **Community Investment:** This criterion will include an assessment of the degree to which the project contributes toward economic development and revitalization efforts. For example, a project within an approved Redevelopment Area or Community Development Block Grant eligible area would score higher. The evaluation of this criterion will constitute ten percent (10%) of the project's total score.

6. **Implementation:** This criterion will include an assessment of the degree to which the project is in compliance with the General Plan, Community Plan, or approved City-wide master plan. An assessment of other issues involved in completing the project (e.g., significant environmental issues, project complexity, and level of public support) will also be included in this criterion. For example, projects that would benefit the City of Villages Strategy, further smart growth, or receive overwhelming support from the community would score higher, while projects that would significantly impact the environment and trigger high mitigation requirements would score lower. The evaluation of this criterion will constitute five percent (5%) of the project's total score.

7. **Project Cost and Grant Funding Opportunity:** This criterion will include an assessment of the amount of funding needed to complete the current project phase and the entire project, and shall also include assessment of the amount of City funding in the project compared to the amount of funding provided by grant funds from outside agencies. For example, a project that would bring grant funds from an outside agency into the City would score higher, while a project that relies only on City funds would score lower. The evaluation of this criterion will constitute five percent (5%) of the project's total score.

8. **Project Readiness:** This criterion will include an assessment of the time required for a project to complete its current project phase (i.e., planning, design or construction). For example, a project with a completed environmental document or community outreach would score higher, while a highly complex project requiring longer design time would score lower. The evaluation of this criterion will constitute five percent (5%) of the project's total score.

For transportation projects (See Section B. Project Categories), the following key prioritization factors will be used in lieu of the above factors:

1. **Health & Safety:** This criterion shall include an assessment of the degree to which the project improves the safety of the public using the facility. This criterion also includes an assessment of the degree that a project is under a regulatory order or other legal mandates relating to public safety. For example, projects that result in reduction in traffic accidents, improved seismic safety rating of a bridge, upgrade of an undersized storm drain to address flooding problems, and reduction of response times by emergency vehicles would score higher. The evaluation of this criterion will constitute twenty-five percent (25%) of the project's total score.

1. **2 Capacity & Service (Mobility):** This criterion shall include an assessment of the degree to which the project improves the ability of the transportation system to move people under all modes of travel including vehicle, transit, bicycle, and pedestrian usage. This criterion will also include an assessment of the degree to which the project improves the overall connectivity and reliability of the City's transportation system. For example, projects that reconfigure intersections to reduce delays, improve a parallel road to bypass a congested intersection, and interconnect traffic signals to reduce travel time along a congested corridor would score higher. The evaluation results of this criterion shall constitute twenty percent (20%) of a project's total score.

2. **Project Cost and Grant Funding Opportunity:** This criterion shall include an assessment of the amount of funding needed to complete the current project phase and the entire project, and hall also include assessment of the amount of City funding in the project compared to the amount of funding provided by grant funds from outside agencies. For example, a project that would bring grant funds from an outside agency into the City would score higher, while a project that relies only on City funds would score lower. The evaluation of this criterion shall constitute twenty percent (20%) of the project's total score.

3. **Revitalization, Community Support & Community Plan Compliance:** This criterion shall include an assessment of the degree to which the project is in compliance with the General Plan, Community Plan, Regional Transportation Plan, or an approved City-wide master plan. This criterion shall also include an assessment of the degree to which the project is officially supported by the Community Planning Group(s), the Councilmember(s), or a Regional Agency (such as SANDAG). This criterion shall also include an assessment of the degree to which the project contributes towards economic development and revitalization efforts. For example, projects that benefits a pilot village in the City of Villages strategy or furthers smart growth, implements a portion of the City-wide master plan or corridor study, has overwhelming and documented support from the community, implements a portion of an approved Redevelopment Area infrastructure plan, and provides transportation facilities for a Community Development Block Grant eligible area would score higher. The evaluation results of this criterion shall constitute fifteen percent (15%) of a project's total score.

4. **Multiple Category Benefit:** This criterion shall include an assessment of the degree to which the project provides highly rated facilities for multiple project categories (see Section B for project categories). For example, a roadway project that also provides for the replacement of a deteriorated storm drain, a streetscape project that also provides street lighting at critical intersections, and a bikeway project that provides slope stabilization at an area of known erosion problems would score higher. The evaluation of this criterion shall constitute ten percent (10%) of the project's total score.

5. **Annual recurring cost or increased longevity of the capital asset:** This criterion shall include an assessment of the degree to which the project reduces operations and maintenance expenditures by the City. For example, a roadway widening project that replaces an area of pavement in poor condition or that installs a highly rated traffic signal would score higher, while a project with equipment that requires frequent maintenance would score lower. The evaluation results of this criterion shall constitute five percent (5%) of a project's total score.

6. **Project Readiness:** This criterion shall include an assessment of the time required for a project to complete its current project phase (i.e., planning, design or construction). For example, a project with a completed environmental document or community outreach would score higher, while a highly complex project requiring longer design time or significant environmental mitigation would score lower. The evaluation results of this criterion shall constitute five percent (5%) of a project's total score.

E. Implementation Process

1. Using the project categories (funding & project), phases, and criteria, the Mayor shall develop a prioritization score for each CIP project. The Mayor shall then rank all CIP projects within their respective categories (funding & project) and phases according to their project score. In case of ties, the Mayor shall evaluate the overall infrastructure deficiency within the communities for each project as the deciding factor.

2. The resultant ranking list for each category and phase of CIP projects shall be reported by the Mayor to the Council as part of the annual CIP budget, with recommendations for funding.

3. Upon approval of the CIP budget by the Council, the Mayor shall pursue the completion of each project phase according to the priority ranking resulting from this prioritization process up to the total amounts authorized by Council for each project category. The Mayor shall also utilize the resultant priority ranking for the pursuit of all outside grant funding opportunities.

4. The Mayor will update the priority score as the conditions of each project change or other new information becomes available. For instance, if grant funding becomes available for a lower ranked project, the priority score would be re-evaluated with this new information. When changes occur that would alter a project's priority ranking, the priority list will be revised. The City Council will receive an informational brief of changes to the priority list at mid-year, and the annual update of the list will be part of the budget process. . Similarly, resources shall not be withdrawn from a project prior to the completion of its current phase, unless reallocation is authorized by the annual appropriation ordinance or approved by Council.

5. Implementation of this Council Policy is not intended to release or alter the City's current or future obligations to complete specific CIP projects by specified deadlines, as may be imposed by court order, or order of any federal, state or local regulatory agency.

HISTORY:
Adopted by Resolution R-302291 on 01/16/2007
Amended by Resolution R-303741 on 05/30/2008