

# DEFERRED CAPITAL STATUS UPDATE



**Infrastructure Committee**  
**February 25, 2013**



# Infrastructure Asset Condition



# Past Condition Assessments

- **Streets**

- Partial surveys in 2001, 2003, & 2007 – Assessment of Asphalt streets with average daily traffic over 2,500 Vehicles
- 2009 – Assessment of all concrete streets
- 2011 – Assessment of streets

- **Buildings/Facilities**

- 2007 - Assessment of 31 public safety buildings
- 2008 - Assessment of the five Civic Center Buildings
- 2009 – Assessment of 443 Major Buildings

- **Storm Drains**

- 2008-2009 – Assessment of corrugated metal pipe (CMP) drains in easements
- 2009-2011 – Assessment of CMP drains within the City's right-of-way
- 2010-2011 – Assessment of storm drain pump stations

## Estimated Deferred Capital Backlog

Streets	\$478 M
Facilities	\$185 M
Storm Drains	\$235 M
<b>TOTAL</b>	<b>\$898 M*</b>

*\*Total at a particular point in time.*

# **Service Levels & Funding Options**

## **March 20, 2012 City Council Meeting**

- “Status Quo” Service Level
- Options A & B Funding Levels
- “Enhanced” Funding Option B

## Infrastructure Assessment Summary

	Assessments	Status quo service level	FY 2013 cost to maintain status quo (O&M and capital)	Estimated service level in five years Funding Option A or B
Streets				Estimated overall 5-10% service level reduction for all asset classes
Streets	Assess every 4 years (~\$400K) Next assessment scheduled for FY 2015	Condition - Good 42% Fair 36% Poor 22%	\$81.4M	
Storm Drains				
Reinforced Concrete Pipe (RCP)	~700 miles to televise Assess 1% (7 miles) annually (~\$250K) ~\$25M to assess all RCP Based on business risk exposure	Risk – Low 37% Medium 53% High 10%	\$22.6M (+\$5M channel maint.)	
Corrugated Metal Pipe (CMP)	~40 miles to televise Completed in FY 2012 (\$1.7M)		\$15M	
Pump Stations	14 pump stations Completed recently (\$300K) Assess every 4 years (\$250K)	Condition - Good 14% Fair 72% Poor 14%	\$1M	
Canyon Outfalls	1,700 outfalls 642 assessed to date (\$645K) Completion in FY 2014 (\$400K) Assess every 10 years (\$1M)	Condition - Good 36% Fair 10% Poor 54%	\$2M	
Facilities				
Facilities	443 General Fund facilities Completed in FY 2009 (~\$1M) Assess every 4 years (\$500K-\$1M) Next assessment scheduled for 2014	Condition - Good 45% Fair 27% Poor 28%	\$32M	



# Funding Options

## DEFERRED CAPITAL IMPROVEMENT FUNDING OPTIONS

(as of March 12, 2012)

	A	B	C	D	E	F
	2012	2013	2014	2015	2016	2017
1 Projected Surplus (Deficit)*		(31,800,000)	(36,600,000)	(28,100,000)	(5,600,000)	22,700,000
2 Previous GF Pension Payment/Projections		(198,000,000)	(213,100,000)	(227,400,000)	(241,100,000)	(254,400,000)
3 Revised GF Pension Payment/Projections		178,400,000	182,400,000	187,500,000	193,000,000	199,100,000
4 Revised Projected Surplus (Deficit)		(12,200,000)	(5,900,000)	11,800,000	42,500,000	78,000,000
<b>CURRENT</b>						
Deferred Capital Component						
5 Operations & Mtce	45,800,000	45,800,000	45,800,000	45,800,000	45,800,000	45,800,000
6 Capital (Debt Service)		7,200,000	14,700,000	22,200,000	29,700,000	37,200,000
7 Total Budget Appropriations		53,000,000	60,500,000	68,000,000	75,500,000	83,000,000
8 New Bond Issuance (Net)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
9 Total Capital/Maintenance Program	59,100,000	145,800,000	145,800,000	145,800,000	145,800,000	145,800,000
<b>"STATUS QUO"</b>						
Deferred Capital Component						
10 Operations & Mtce		53,800,000	54,876,000	55,973,520	57,092,990	58,234,850
11 Capital (Debt Service)		7,478,460	14,956,921	22,435,381	29,913,842	37,392,302
12 Total Budget Appropriations		61,278,460	69,832,921	78,408,901	87,006,832	95,627,152
13 New Bond Issuance (Net)	105,200,000	105,200,000	105,200,000	105,200,000	105,200,000	105,200,000
14 Total Capital/Maintenance Program		159,000,000	160,076,000	161,173,520	162,292,990	163,434,850
15 Adjusted Projected Surplus (Deficit)		(20,478,460)	(15,232,921)	1,391,099	30,993,168	65,372,848
<b>FUNDING OPTION A (Traditional)</b>						
Deferred Capital Component						
16 Operations & Mtce		45,800,000	50,000,000	53,000,000	56,000,000	58,000,000
17 Capital (Debt Service)		5,608,845	11,591,614	18,322,228	25,800,689	33,668,029
18 Total Budget Appropriations		51,408,845	61,591,614	71,322,228	81,800,689	91,668,029
19 New Bond Issuance (Net)	75,000,000	80,000,000	90,000,000	100,000,000	105,200,000	105,200,000
20 Bonds to Cash - Capital Funding Ratio	100%	100%	100%	100%	100%	100%
21 Total Capital/Maintenance Program		120,800,000	130,000,000	143,000,000	156,000,000	163,200,000
22 Adjusted Projected Surplus (Deficit)		(10,608,845)	(6,991,614)	8,477,772	36,199,311	69,331,971
<b>FUNDING OPTION B (Incremental Cash vs Bonds)</b>						
Deferred Capital Component						
23 Operations & Mtce		45,800,000	50,000,000	62,000,000	66,000,000	79,040,000
24 Capital (Debt Service)		5,608,845	11,591,614	17,649,167	24,379,781	31,067,020
25 Total Budget Appropriations		51,408,845	61,591,614	79,649,167	90,379,781	110,107,020
26 New Bond Issuance (Net)	75,000,000	80,000,000	81,000,000	90,000,000	84,160,000	84,160,000
27 Bonds to Cash - Capital Funding Ratio	100%	100%	90%	90%	80%	80%
28 Total Capital/Maintenance Program		120,800,000	130,000,000	143,000,000	156,000,000	163,200,000
29 Adjusted Projected Surplus (Deficit)		(10,608,845)	(6,991,614)	150,833	27,620,219	50,892,980
<b>FUNDING OPTION B - ENHANCED (Incremental Cash vs Bonds)</b>						
Deferred Capital Component						
30 Operations & Mtce		52,700,000	50,000,000	62,000,000	66,000,000	79,040,000
31 Capital (Debt Service)		5,608,845	11,591,614	17,649,167	24,379,781	31,067,020
32 Total Budget Appropriations		58,308,845	61,591,614	79,649,167	90,379,781	110,107,020
33 New Bond Issuance (Net)	75,000,000	80,000,000	81,000,000	90,000,000	84,160,000	84,160,000
34 Bonds to Cash - Capital Funding Ratio	100%	100%	90%	90%	80%	80%
35 Total Capital/Maintenance Program		127,700,000	130,000,000	143,000,000	156,000,000	163,200,000
36 Use of Projected Fiscal Year 2012 Surplus		6,900,000 **				
37 Adjusted Projected Surplus (Deficit)		(10,608,845)	(6,991,614)	150,833	27,620,219	50,892,980

\* The projected surplus (deficit) in line 1 of this document updates the Mayor's October 2011 Five Year Financial Outlook to reflect the City's new Annual Required Contribution (ARC) received from SDCERS on January 13, 2012, as well as the projected future ARC contained in the same January 2012 Actuarial Valuation Report for the City of San Diego.

\*\* Assumes a net surplus of \$6.9 million in fiscal year 2012. The actual amount available will be updated as more current information is available. The actual amount of surplus that will be dedicated for deferred capital will be either the actual net surplus or \$8.3 million whichever is less.

# Future Assessments

- 2014 Facility Condition Assessment
- 2015 Streets Condition Assessment



The background of the slide features a large, faint, light blue watermark of the official seal of the City of San Diego. The seal is circular and contains the text "CITY OF SAN DIEGO" at the top and "CALIFORNIA" at the bottom. In the center of the seal is a shield depicting a harbor scene with a ship, a lighthouse, and mountains.

# **Deferred Capital Bonding and Project Execution History**

# DC Program Bond #1

- In FY 2009, a bond offering generated \$102.7 million to fund deferred capital needs
- Approximately \$600K of interest was generated and reallocated into the Deferred Capital Program.
- The allocation of Deferred Capital Phase 1 funds to various asset types are summarized as follows:

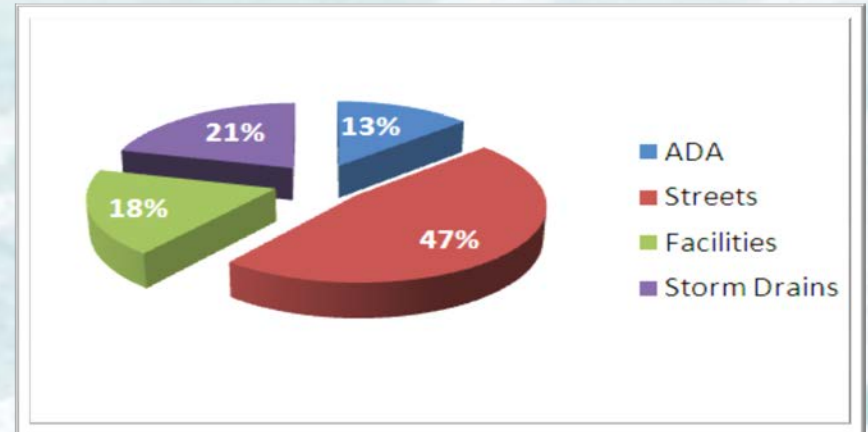
Asset Type	Fund Amount
Sidewalk	\$9.5M
Streets	\$49.4M
Street Lights	\$.6M
Facilities	\$34.2M
Storm Drains	\$9.6M
<b>TOTAL</b>	<b>\$103.3M</b>

- Status:
  - Original DC Bond 1 : 106
  - Current Projects: 146 total Projects, 57 Constructed, 24 under Construction, 11 Awarding, 32 under Design, 22 in Planning
  - Funds: \$97.3M of the funds have been Encumbered or Expended

## DC Program Bond #2

- Consistent with the Five-Year Financial Outlook, the City issued approximately \$75 million of additional deferred capital bonds near the end of FY2012. Funding became available for projects in the first quarter of FY2013.
- The allocation of Deferred Capital Phase 2 funds to various asset types are summarized as follows:

Asset Type	Fund Amount
ADA	\$10.0M
Streets	\$35.5M
Facilities	\$13.8M
Storm Drains	\$15.7M
TOTAL	\$75M



- Status:**
  - Projects: 92 total Projects, 2 Constructed, 2 Under Construction, 5 Awarding, 20 Design, 63 planning
  - Funds: \$19.7 Million been Pre-Encumbered, Encumbered, or Expended.



# \$30 Million Bond Authorization for General Fund Capital Improvement Projects

- In the Fall of 2012 City Council Approved \$25 Million Bond to address General Fund Capital Project Needs.
- The allocation of the Bond to various asset types are summarized as follows:

Asset Type	Fund Amount
Skyline Library	\$5.0M
Mission Hills-Hillcrest Library	\$2.0M
San Ysidro Library	\$3.0M
Mission Valley Fire Station #45	\$3.7M
Mission Beach Bulkhead	\$1.4M
Streets and Street Lights	9.9M
<b>TOTAL</b>	<b>\$25M</b>

- Staff will be asking Council to add \$5 Million for Storm Water BMPs, increasing Bond to \$30 Million
- Funding for projects will become available last quarter of FY2013
- **\$9.9M for Streets will directly impact the \$898M Deferred Capital Backlog**

# **Future DC Program Bonds and Project Execution**

- **DC Program Bond #3 Update:**
  - **Spring of 2013 Staff will work with Council on developing project list and Bond issuance schedule**
  - **Deferred Capital Bond Fund Enhanced Option B Implementation Strategies**

# Program Implementation

Given Direction to Proceed with Enhanced Option B  
Consideration of Program Implementation Strategies  
Are Required

- Bond Funds to be expended within three years
- Most expenditures in are Construction Contracts
- Preparation Required for Construction requires 1 to 2 years
  - Project Initiation and Fund Movement
  - Design and Permitting Effort
  - CEQA Process
  - Advertise and Award of Construction Contracts



# Program Implementation

## Implementation Strategies

### Clear Project Identification for multiple Bond issuances

- Each Bond issuances must design Projects for Construction using following Bond issuance funds
- Balance from completed Projects rolls over to design of Project in next Bond issuance
- Coordinated Project cost estimating and schedule development required
- Program cash flow and encumbrance schedule identify when next bond is needed
- All expenditures require physical asset for capitalization



## Q & A

