



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 21, 2008 REPORT NO: 08-082
ATTENTION: City Council
Agenda of May 27, 2008
SUBJECT: Amendments to Council Policy 800-14 for Prioritizing all CIP Projects
REFERENCE: None

REQUESTED ACTION:

Council Policy adoption.

STAFF RECOMMENDATION:

Approve amendments to Council Policy 800-14.

BACKGROUND

On November 14, 2007, in a presentation to the Budget & Finance Committee, Engineering & Capital Projects (E&CP) Department introduced the Mayor's proposed process for prioritizing CIP projects, and proposed modifying Council Policy 800-14 "Prioritizing Transportation and Drainage CIP Projects" to include all City of San Diego's Capital Improvement Program (CIP) projects. The Budget & Finance Committee supported the proposal and instructed E&CP to return with a draft modified Council Policy. On February 20, 2008 E&CP returned with the modified Council Policy which the Budget & Finance Committee approved. The following report describes the changes that the proposed revised Council Policy 800-14 would implement.

PURPOSE

The purpose of this amended CIP prioritization policy is to establish an objective process for ranking CIP projects, allow for the analytical comparison of the costs and benefits of individual projects, as well as provide an opportunity to evaluate projects against one another on their relative merits. Ideally, it should 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, airports, water, sewer and landfill) and transportation and drainage projects. Council Policy 800-14, which is the current prioritization policy addressing only transportation and drainage CIP projects, was adopted on January 19, 2007 and will be superseded by this policy. The goal of this CIP prioritization 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.

BEST PRACTICES

Best practices were researched and incorporated to the maximum degree practical. For a number of years, the City of San Diego has participated in the California Multi-Agency Capital Improvement Projects Benchmarking Study, which involves the six major cities in California. This Benchmarking Study has identified common best management practices recommended for effective planning of capital projects. These practices have been incorporated in this policy. Furthermore, the Government Finance Officers Association's recommended best management practices were considered in the development of this CIP prioritization policy. Appendix A contains information on CIP prioritization best practices.

PROPOSED REVISIONS TO COUNCIL POLICY 800-14

A. Project Funding

The proposed CIP prioritization policy will govern all CIP projects; many of which are funded out of restricted funding sources. Therefore, the proposed CIP prioritization policy requires that projects within restricted funding categories will compete only with projects within the same funding category. 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 some of the restricted funding categories:

1. Community Development Block Grants
2. Developer Impact Fees
3. Enterprise Funds (Airport, Environmental Services, Golf, 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 these 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 and 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

The proposed amended CIP prioritization policy will govern all CIP project types. To ensure that the comparison is conducted between similar types of projects, the CIP projects will be separated into categories according to the predominant type of asset in the project. The project categories will 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:
 - Bridge Replacement, Retrofit, and Rehabilitation.
 - Bicycle Facilities (all classifications).
 - Erosion control, slope stabilization, and retaining walls supporting transportation facilities.
 - Guardrails, Barrier Rails, and other structural safety enhancements.
 - New Traffic Signals.
 - New Roads, Roadway Widening, and Roadway Reconfigurations.
 - Pedestrian Facilities including sidewalks but not curb ramps.
 - Pedestrian Accessibility Improvements including curb ramps.
 - Street Enhancements including medians and streetscape.
 - 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

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

C. Prioritization Factors

New prioritization factors are proposed in the amended CIP prioritization policy for all non-transportation projects (See Section B. Project Categories). The following are the key 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. 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.

EXISTING POLICY REQUIREMENTS TO REMAIN UNCHANGED

A. Project Phases

The requirement expressed in the existing Council Policy 800-14 that the prioritization is conducted between projects with a similar level of completion will remain. All CIP projects will 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, reconstruction, and environmental mitigation.

B. Prioritization Factors

The Prioritization Factors expressed in the existing Council Policy 800-14 for transportation projects (See Section B. Project Categories) will remain. The following key prioritization factors will be used in lieu of the above factors:

1. **Health & Safety:** This criterion will 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.
2. **Capacity & Service (Mobility):** This criterion will 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 and drainage 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 of this criterion will constitute twenty percent (20%) of the project's total score.
3. **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 twenty percent (20%) of the project's total score.
4. **Revitalization, Community Support & Community Plan Compliance:** This criterion will 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 of this criterion will constitute fifteen percent (15%) of the project's total score.

5. **Multiple Category Benefit:** This criterion will include an assessment of the degree to which the project provides highly rated facilities for multiple project categories (see Section IV.A 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 will constitute ten percent (10%) of the project's total score.
6. **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 five percent (5%) of the project's total score.
7. **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.

IMPLEMENTATION PROCESS

The implementation process expressed in the existing Council Policy 800-14 will remain with only minor modifications necessary to include all CIP projects. The implementation process is as follows:

- A. 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.
- B. 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 within the list.
- C. 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.

- D. The Mayor will update the priority score as the conditions of each project change or as other new information becomes available. When changes occur that would alter a project's priority ranking, the revised 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 will 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.
- E. 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.

FISCAL CONSIDERATIONS:

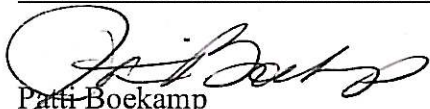
The policy would have a moderate fiscal impact for implementation.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

Council Resolution Number 302291 (Council Policy 800-14 Prioritizing Transportation and Drainage CIP Projects) was adopted on January 16, 2007. On November 14, 2007, the Budget & Finance Committee was given a presentation on the concept of developing a CIP prioritization system for all of the project asset types, and on February 20, 2008, the Budget & Finance Committee was given the proposed amendments to Council Policy 800-14, which it approved with input.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.



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Attachments:

- Appendix A. CIP Prioritization Best Practices
- Appendix B. Proposed Amended Council Policy 800-14, Prioritizing CIP Projects
- Appendix C. Markup version of Proposed Amended Council Policy 800-14, Prioritizing CIP Projects