



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: September 26, 2012 REPORT NO.: 12-118
ATTENTION: BUDGET AND FINANCE COMMITTEE
SUBJECT: Update on the FY2014 CIP Budget Development Process
Requested Action: Informational Only

BACKGROUND:

During the FY 2013 budget process, staff heard public concerns about the amount and effectiveness of community input during the Capital Improvements Program (CIP) budget development. On July 25th, 2012 staff presented to the Budget and Finance Committee the following recommendations to address these concerns (see Attachment A, Mayor's Report No. 12-095):

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.
6. Increase Community Planners Committee (CPC) Role.

Since the July 25th Budget and Finance Committee Meeting, staff has met with several organizations and committees discussing & refining staff's original recommendations and developing new recommendations.

OUTREACH

Throughout the summer staff has met with the following organizations: Community Planners Committee (CPC), Community Budget Alliance (CBA), Planning Commission, Capital Improvements Program Review and Advisory Committee (CIPRAC), and City Asset Owning Departments. Staff has met with a few of the organizations more than once.

Feedback from these organizations has been invaluable in developing the FY2014 CIP Budget Development Process.

RECOMMENDATIONS:

Through the Outreach efforts staff has agreed to the following to increase public participation in the development of the FY2014 CIP Budget:

1. Step up the public outreach efforts in educating public about the process and how they can be more involved. *Staff is assisting the Independent Budget Analysis (IBA) Office in the development of a Citizen's Guide to the CIP. This Guide will be posted on the CIP Website. Staff has also conducted CIP training sessions for planning group chairs and other members.*
2. Post information on and utilize the recently created CIP website. *Along with the IBA's Citizen's Guide to the CIP, staff will post additional information such as the CIP Budget Calendar and City Contacts.*
3. 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. *Departmental processes and contacts will be posted on the CIP Website.*
4. Develop simple criteria for screening requests received to sort out project candidates from Recommendation. *This recommendation involves (but not limited to) making modifications to Council Policy 800-14 concerning CIP Prioritization. Several discussions with stakeholders about this topic have occurred. However, due to limited time not all stakeholders could participate. Therefore, efforts to amend Council Policy 800-14 have been postpone giving more time for stakeholders to participate.*
5. Increase Community Planners Committee (CPC) Role. *The Community Planners Committee (CPC) and the Community Planning Groups (CPG) have agreed to participate in the development process of the FY2014 CIP Budget. In general, from September 2012 through early November 2012 CPGs will gather proposed infrastructure needs throughout their community. CPGs will forward all proposed CIP projects to CPC by November 7, 2012 or earlier. CPC will gather all proposed CIP projects and forward them to the City by November 21st. To assist with this effort, City staff has agreed to the following:*
 - a. *Provide a breakout of existing CIP Projects organized by community planning area and including: project name, WBS# (CIP#), brief scope-of-work, schedule, total project estimate, expenditures to date, remaining available funding, necessary funding to complete the project, and priority score*
 - b. *Provide access to departmental need lists, when available*
 - c. *Conduct CIP training sessions for planning group chairs and other members*

Also, the Office of the Independent Budget Analyst (IBA) has agreed to make available to planning group chairs and other members a copy of the Citizen's Guide to the CIP.

Details of the CPC's and CPG's guidelines for the development of the FY2014 CIP budget are included as Attachment B.

TIMELINE:

Listed below is the FY2014 CIP Budget Development Calendar for public input:

October - November: CPC and CPGs gather community recommended CIP Projects and submit to Mayor, City Council, and CIPRAC by November 21st.

November –March: Dependent on available resources and overall demand, Public Works-Engineering and Capital Projects staff scores proposed projects in accordance with Council Policy 800-14 to the extent possible. Financial Management confirms the availability of funds to support the budget to be considered by CIPRAC. CIPRAC then evaluates all proposed projects, project priority scores, and the availability of funding and develops the Mayor proposed 2014 CIP Budget. All project pages are reviewed and Financial Management 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. 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.

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. We also look forward to

present recommended changes and improvements to Council Policy 800-14 on CIP Prioritization at a future Budget and Finance Committee meeting. This process continues to be a work in progress and we look forward to discussing lessons learned and identifying additional recommendations in advance of the FY2015 CIP budget process.



Tony Heinrichs
Director
Public Works

Attachments: A: Mayor's Report No. 12-095 to the Budget and Finance Committee
B: CPC's and CPG's guidelines for the development of the FY2014 CIP budget

cc: CIPRAC Membership



ATTACHMENT A

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 2013 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 developed 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:

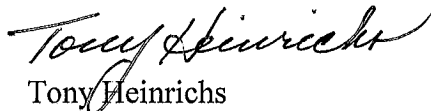
Add the following milestone to those listed for FY13 above:

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
Director
Public Works

cc: CIPRAC Membership

Adopted, Community Planners Committee, 28 August 2012

FY2014 CIP Budget Development Process
A Systematic Approach to Public Participation
Community Planners Committee and the Community Planning Groups

I. Premise

1. The city seeks to integrate public input as part of developing the annual CIP budget; specifically, to gain that input *before* staff prepares the draft budget.
2. Public participation in FY2014 CIP budget is an important first step towards an on-going participatory budget process.
3. The Community Planners Committee and the 42 community planning groups (with a goal to add representation for Barrio Logan) is the preferred organizational structure for stakeholder outreach and public input. It is a city recognized organization operating under council policies and the Brown Act; as well as accountable to the City Council and the Mayor's Office.
4. The realities of (a) limited capital funds, (b) prior funding commitments to multi-year projects, (c) lack of operational funding for new/expanded facilities, and (d) the short timeframe for public education and outreach will necessarily result in a constrained public decision-making process and input for FY2014.
5. The city and the public are committed to taking the lessons learned from the FY2014 experience towards a more robust process for FY2015 and beyond.
6. The improvements to the City's CIP budget process started in 2010 must continue to provide greater transparency which will encourage greater involvement by the public.

II. Schedule

1. Public process first proposed, July
2. CPC recommendation to City on proposed new process, August 28
3. New public process is adopted, late September
4. Public outreach and hearings, October & November
5. Input by planning groups via the CPC to the City by no later than November 21.

III. Responsibilities

1. City

- a. Provide breakout of CIP projects by community including Project Name, WBS# (CIP#), Brief Scope, Schedule, Total Project Estimate, Expenditures to date, Remaining Available Funding, Remaining Funding Needed for the Project, and Priority Score.
- b. Provide copies of needs lists kept by each city department, when available.
- c. Conduct CIP Training Session for planning group chairs
- d. Provide a Citizen's Guide to the CIP Budget

2. Community Planners Committee

- a. Develop public input process
- b. Develop Project Application Form and Priority Scoring Form
- c. Develop Public Outreach Summary Report

FY2014 CIP Budget Development Process

A Systematic Approach to Public Participation

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- d. Overarching management of Public Input including organization, direction, education, and packaging.
- e. Provide support when requested by individual planning groups.
- f. Partner with other stakeholder groups to enhance public outreach and direct public participation via planning group meetings.
- g. CPC shall not arbitrate or otherwise edit input from individual planning groups and will transmit as received
- h. Work with the City to improve budget development process for FY2015.

3. Individual Community Planning Groups (Guidelines)

- a. Conduct an aggressive public outreach within your community
- b. Hold one or more public hearings to gain input
- c. Formulate recommendation from their community
- d. Submit proposals to CPC by no later than November 7; including,
 1. Proposed projects. If not currently a CIP then provide detailed information (location, scope, etc)
 2. Priority ranking, if assigned
 3. Report on public outreach process
- e. Be an advocate for your community by participating in the City Council budget discussions in May.

IV. Community Planning Group Process (Guidelines for FY2014 CIP Budget only)

1. Conduct an expanded public outreach effort; your goal is to attract residents and merchants that do not normally attend your meetings. Use other community organizations and council offices for assistance.
2. Schedule at least one public meeting, more if feasible.
3. **Initial consideration** should be given to current projects on the CIP list that previously haven't had sufficient priority to obtain funding or have been only partially funded.
4. **Second**, draw from projects on your community's Public Facilities Finance Plans.
5. **Third**, draw from projects on "needs lists" as may be available from various city departments.
6. **Fourth**, identify "new" projects that have not previously been considered by the city. For FY2014, identify no more than 5 projects.
 - a. Be as specific as possible; for example, "new sidewalk along 100 block of ABC Street", not "more sidewalks in our neighborhood".
 - b. Projects must be consistent with your community plan. For communities with very old community plans and needs today that are not consistent with your plan, recognize that a community plan amendment may be needed before such a project can be implemented.
7. Use the Project Application Form (preferably in an electronic spreadsheet file) for each recommended project.
8. Use the Priority Scoring Form (preferably in an electronic spreadsheet file) if it can facilitate your discussions. The form and ranking will not be used by the city; it is for your use only.
9. Transmit recommendations to CPC by no later than November 7.