



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 15, 2016 REPORT NO: 16-007
ATTENTION: Budget & Government Efficiency Committee
SUBJECT: TransNet Funds Update
REFERENCE: Semi-Annual CIP Budget Monitoring Report, #15-107

REQUESTED ACTION:

This is an informational item only.

STAFF RECOMMENDATION:

Accept the report.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

In March 2014, Financial Management (FM), Transportation & Storm Water (TSW) and Public Works created a multi-department team to identify areas for improvement in the Capital Improvements Program (CIP) and cash flow projections with a primary goal of a more timely expenditure of TransNet funds. Examples of these cash management and process improvement initiatives include the internal TSW CIP monitoring process, the semi-annual CIP Budget Review, and the consolidated request for City Council action. On December 14, 2015, FM provided an update on these initiatives in Report to the City Council #15-107 Semi-Annual CIP Budget Monitoring Report, December 2015.

These cash management and process improvement initiatives have already resulted in several actions and informational reports presented to City Council. These Council actions have resulted in approximately \$30 million in re-allocations of TransNet funding to support higher priority projects moving forward more efficiently and generated a more timely use of TransNet cash, including:

- \$5.0 million in re-allocation of TransNet-funded projects 6/17/2014
 - Expedited the use of TransNet cash to fund additional City Street Re-Surfacing projects
- \$10.4 million in re-allocation of TransNet-funded projects 12/9/2014
 - Expedited the use of TransNet cash to fund additional City Street Re-Surfacing projects
- \$11.5 million in re-allocation of TransNet-funded projects 5/12/2015
 - Fully Funded Old Otay Mesa Road Widening CIP S00870

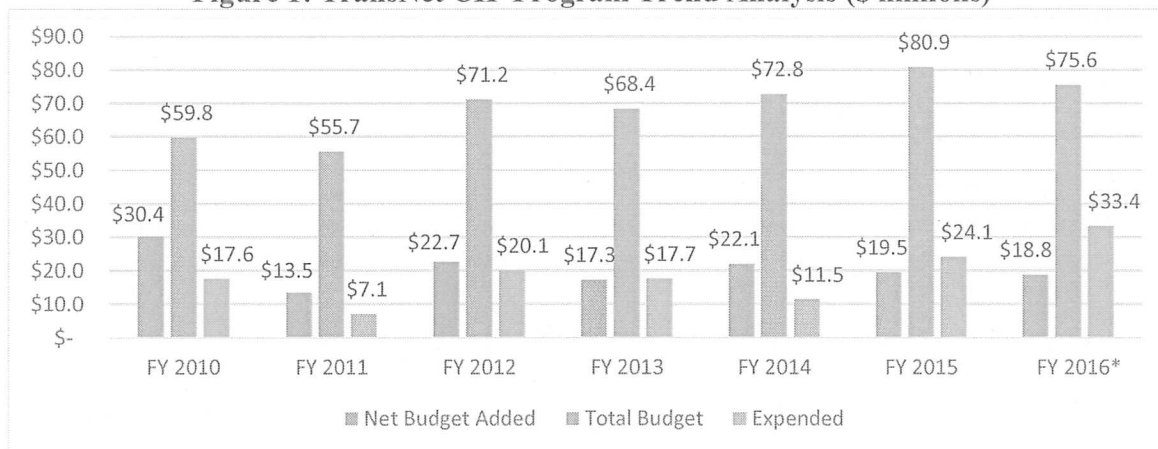
- \$2.8 million in re-allocation of TransNet-funded projects 12/14/2015
 - Expedited use of TransNet cash for existing projects needing additional funding (implemented in the Semi-Annual CIP Monitoring Report, December 2015)

The second Semi-Annual CIP Budget Monitoring Report (Report) is scheduled to be presented to the City Council in May 2016. In the Report, FM, TSW, & Public Works will use the results of the TSW CIP budget monitoring process to identify opportunities to reallocate projected savings in existing projects that are either completed or projected to have savings. The Report will recommend the reallocation of TransNet funds to existing, high-priority projects that are ready for an expedited spend down of cash. Any transfers that require City Council approval will be included in the consolidated request for City Council action.

TransNet CIP Expenditure Trend

As a result of these cash management and CIP streamlining efforts, TransNet expenditures for CIP have shown a significant increase over the past fiscal year. TransNet CIP expenditures have increased 340 percent from a low of \$7.1 million in Fiscal Year 2011 to \$24.3 million in Fiscal Year 2016 as of January 11, 2016. This is already a higher spend down of funds than the total \$24.1 million spent on CIP in all of Fiscal Year 2015. It is estimated that a total of \$33.4 million will be expended by the end of Fiscal Year 2016, an increase of 467 percent compared to the Fiscal Year 2011 low. These trends are illustrated in Figure 1: TransNet CIP Program Trend Analysis.

Figure 1: TransNet CIP Program Trend Analysis (\$ millions)



*Projected expenditures for FY 2016 by June 30, 2016. Total programmed budget for FY 2016 includes \$10 million in additional estimated revenues that are anticipated to be received by June 30, 2016.

Of the total projected CIP expenditures for Fiscal Year 2016, \$30.4 million is from the TransNet Extension funds. In addition, there is \$3.0 million in older TransNet funding included in the overall projection for CIP expenditures in Fiscal Year 2016. The remaining \$2.0 million of these older funds is projected to be expended in Fiscal Year 2017.

In addition to the CIP expenditures, the \$13.1 million budgeted in Fiscal Year 2016 for transportation operations are on track to be fully expended by the end of the Fiscal Year. This

includes \$9.8 million budgeted for maintenance and administration and an additional \$3.3 million for project implementation (i.e. congestion relief).

TransNet Extension Cash Flow Estimates

Given current and anticipated cash flows, TSW currently estimates that the TransNet Extension cash balance held at SANDAG will be approximately \$43.9 million on June 30, 2016. This represents an estimated year-over-year decrease of \$11.3 million, or 20 percent, compared to the TransNet Balance on June 30, 2015. The cash flow estimates for the TransNet Fund are illustrated in more detail in Table 1: TransNet Cash Flow Estimate.

Table 1: TransNet Extension Cash Flow Estimate (\$ millions)

| | FY14 – Actual | FY15 – Actual | FY16 - Estimate |
|--|---------------|---------------|-----------------|
| Fund Balance at SANDAG (July 1, Beginning of Fiscal Year) | \$49.1 | \$53.7 | \$55.4 |
| SANDAG Revenue Estimate | 29.1 | 30.0 | 32.0 |
| Actual Revenue Received | 28.9 | 29.9 | |
| Disbursement: | (24.5) | (28.2) | (43.5) |
| Congestion Relief (CIP) | (13.9) | (17.9) | (30.4) |
| Admin/Maintenance/ Non-CIP Congestion Relief | (10.6) | (10.3) | (13.1) |
| Fund Balance at SANDAG* (June 30, End of Fiscal Year) | \$53.5 | \$55.2 | \$43.9 |
| Interest Earned | 0.2 | 0.2 | |

*TransNet Balance on June 30 = Fund Balance at SANDAG + Revenue - Disbursement

On Wednesday November 4, 2015, Public Works, TSW, and FM attended a TransNet Independent Taxpayer Oversight Committee (ITOC) meeting to provide an update on project delivery streamlining and cash management initiatives at the City, as well as an update on the spend down of TransNet cash held at SANDAG. ITOC was pleased with the update and the progress the City has made since March 2014 and has recommended that the City report back on the status of TransNet and the City’s cash management and streamlining strategies in one year. The committee has typically requested the City provide semi-annual updates so this one year modification demonstrates the satisfaction with the direction the City is headed.

As stated earlier, FM will be providing a detailed update on all TSW projects and funding sources in May 2016. This update will focus on TransNet as well as bond funds, General Fund, and all other TSW funding sources. The quarterly TSW monitoring will detail the spending and cash flow projections and variance analyses.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #1: Provide high quality public service

Objective #2: Improve external and internal coordination and communication

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #3: Invest in infrastructure

FISCAL CONSIDERATIONS:

None.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable)

N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

Report to Council 15-107 Semi-Annual CIP Budget Monitoring Report was heard at the Infrastructure Committee meeting on December 9, 2015. It was received by the City Council and the revisions to the CIP Budget were approved on December 14, 2015.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS

None.

Signature on file

Signature on file

Tracy McCraner, Financial Management
Director

Mary Lewis, Chief Financial Officer