

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

SUBJECT: PRIORITIZING CAPITAL IMPROVEMENT PROGRAM PROJECTS
POLICY NO: 800-14
EFFECTIVE DATE: November 13, 2013

Capital Improvement Program (CIP) Defined

The City of San Diego's Capital Improvement Program (CIP) is defined as the City's financial plan for the repair and/or construction of municipal infrastructure. The term infrastructure in this Council Policy refers to capital assets within the City's span of responsibility and includes, but is not limited to: streets and related right-of-way features; storm water and drainage systems; water and sewer systems; public buildings such as libraries, parks, recreational and community centers; and public safety facilities such as police, fire and lifeguard stations. Capital investments are necessary for the construction of all parts of municipal infrastructure.

The Importance of Infrastructure

The importance of quality infrastructure cannot be overstated. Without world class infrastructure the City's economic prosperity cannot be sustained. The quality of neighborhood infrastructure will directly determine the livability of the City's neighborhoods. The community's health, safety, and natural environment all depend on available and quality infrastructure. Decisions about capital investments affect the availability and quality of most government services, as well as many private services.

Infrastructure can also have a significant effect or improvement on the quality of life of the City's neighborhoods by providing fair, transparent and equitable services. The prioritization of CIP projects that create that infrastructure should take into consideration social, economic and geographic disadvantaged and under-served communities. Under-served community is defined as having documented low levels of access and/or use of City services.

CIP Needs List

Typically CIP projects are generated from needs list and implemented through an interrelationship of client departments, service departments, new private development, and multiple funding sources. For purposes of the CIP, needs lists are developed by Asset Owners (city departments) based upon input from several sources including, but not limited to: elected officials, community based organizations, private residents, operations and maintenance staff, or other stakeholders.

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A need to repair, replace, improve, or construct a new facility based on failing condition, lack of a facility, excessive maintenance requirements of existing facilities, or health and safety issues, is submitted to the Asset Owners. Needs are compiled for each asset within an asset category. These needs are then evaluated and appropriately grouped for capital improvement consideration as part of the proposals for the new fiscal year CIP budget submittal. Prior to initiating a planning phase, all projects competing for funding and being submitted for budget consideration will undergo simple level scoring as outlined in this policy. The CIP project is reassessed in detail during the planning phase and, if needed, reprioritized based on the updated scope, costs and available funding.

The commitment of resources to 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, efficiently funded and constructed. This approach may have unintentionally limited the overall effectiveness of available CIP resources by providing projects with less funding than needed to accomplish major project requirements, such as planning and design. This may have limited the City's ability to compete for outside grant funding, since grant programs often place emphasis on having the design and associated pre-construction activities completed prior to application for construction financing.

Purpose

The purpose of this policy is to guide the Mayor's Capital Improvement Program Review and Advisory Committee (CIPRAC) in its CIP deliberations. 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 for projects competing from the same fund source or multiple fund sources.

CIPRAC shall use this policy as the exclusive methodology for ranking the relative needs and merits of CIP projects. This single CIP prioritization policy addresses all funding sources and asset categories, including enterprise funded projects (golf, water, sewer, airport facilities and landfill facilities), and non-enterprise funded projects (parks, transportation, drainage, buildings and major facility projects). This prioritization process shall be utilized for the purpose of analytical comparison of the costs and benefits of individual needs and projects, as well as an opportunity to evaluate projects against one another on their relative merits.

Process

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.

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An Asset Owner shall assess and plan projects in a needs list based on available information, including preliminary scope of work, and then create CIP projects that will be prioritized per this Council Policy for funding and budget approval. The project list shall have CIP projects with well defined scopes of work for proposed improvements, such as replacement, relocation, realignment, upgrade, rehabilitation or new construction, as compared to a needs list that only defines the infrastructure need. Projects will not compete across the different funding sources, project categories, or project phases. However, projects within each of these areas will be evaluated according to the guidelines outlined below.

A. Project Funding

- I. 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 this 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:

- a. Community Development Block Grants
 - b. Developer Impact Fees
 - c. Enterprise Funds (Airport, Environmental Services, Golf, Undergrounding, Metropolitan Wastewater, and Water)
 - d. Facilities Benefit Assessments
 - e. Grants
 - f. Regional Park Fund
 - g. State and Federal Funds
 - h. TransNet Funds
- II. Projects that are not within a restricted funding category will compete for capital outlay funds, General Fund or bond proceeds 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 facilitating a holistic approach to infrastructure investments.

B. Asset Categories

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To ensure that the comparison is conducted between similar types of projects, the needs and CIP projects shall be separated into categories according to the predominant type of asset and funding sources in the project. Project categories shall include the following asset categories:

- 1. Enterprise-Funded Assets and Mandated Programs** - assets or specific services that are funded directly by fees and charges to users. These include the services provided by Public Utilities, Environmental Services, Airports and Golf Courses. This category also includes assets or services that are required by legal mandate or consent decree.
 - a. Airport Facilities
 - b. Drainage Facilities - Storm drain systems and improvements to create best management practices (BMPs, channels, pump stations, storm drain pipes and flood control systems) for treating storm water beyond the limits of roadways and streets
 - c. Golf Course and Facilities
 - d. Undergrounding Projects
 - e. Environmental Facilities - Landfills and supporting facilities and structures
 - f. Wastewater Pipelines and Facilities - Wastewater pipelines, facilities and structures (interceptors, mains, trunk sewers, treatment plants, pump stations, laboratories, land management and administration buildings)
 - g. Water Pipelines and Facilities - Water and reclaimed water pipelines, facilities, structures and land management (distribution mains, transmission mains, treatment plants, pump stations, reservoirs/dams, standpipes, wells and laboratories, land management and administration buildings)

- 2. Mobility Assets** – assets that increase mobility options and the functionality of local roadways, streets, sidewalks and public transport that shall include, but are not limited to:
 - a. Bicycle facilities (all classifications)
 - b. Bridges (pedestrian and vehicular), including replacement, retrofit, and rehabilitation
 - c. Erosion control, slope stabilization, and retaining walls supporting transportation facilities

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- d. Roads, roadway widening, roadway reconfigurations, and street enhancements including medians and streetscape
- e. Guardrails, barrier rails, traffic calming, flashing beacons, speed abatement work and other structural safety enhancements
- f. Traffic signals, traffic calming, traffic signal interconnections, signal coordination work, and other traffic signal upgrades and modifications
- g. Pedestrian facilities including sidewalks, pedestrian accessibility improvements including curb ramps, street lighting including mid-block and intersection safety location

3. Public Safety Assets – assets that protect, preserve and maintain the safety of the community, its environment and property that include:

- a. Lifeguard stations
- b. Fire facilities and structures
- c. Police facilities and structures

4. Neighborhood Assets - assets that improve the quality of life and services in the community both socially and economically. These include but are not limited to community support facilities and structures such as:

- a. Libraries
- b. Park and recreation facilities (mini and miscellaneous parks, neighborhood, open space) and structures, pool centers
- c. Regional sport or event facilities
- d. Community and civic facilities
- e. Public arts and cultural facilities
- f. Community gardens

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.

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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 within each project category:

- I. Needs List Assessment (Prior to Inclusion in the CIP Budget): This process is for scoring and prioritizing a need before the project is submitted for inclusion to budget. Asset Owners will group the needs with similar scope, funding sources and functional category, when appropriate, and establish high level project score. This proposed project will undergo a simple methodology of scoring based on available information of the asset, including whether the need contributes to an overall service level goal or other citywide performance metric. Score will be used to determine whether or not to put the project into the next fiscal year CIP Budget.

- II. After CIP Budget: This process shall be used by CIPRAC for scoring and prioritizing a project that has been approved for inclusion into the CIP budget. This process constitutes a detailed and complex scoring methodology of a project in the following phases of project development after further research of the existing condition of the asset or the lack of an asset and constraints in implementing the project:
 1. Planning and pre-design – includes assessment of the project based on existing condition of asset or absence of asset, and available information and development of a feasibility study and preliminary scope, schedule and budget.
 2. Design - includes development of the construction plans, specifications, environmental document, contract documents, and detailed cost estimate for the CIP project.
 3. Construction - includes site preparation, utilities placement, equipment installation, construction, environmental mitigation and project closeout.

D. Prioritization Factors

Based on the prioritization factors listed below, Asset Owners shall prioritize capital needs and projects for available budgetary resources. Before utilizing these prioritization factors, each Asset Owner shall incorporate the following considerations as the sole basis for scoring projects.

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- a. Asset Owners via CIPRAC shall identify the minimum level of service expected from the proposed projects and use said service level as a baseline for scoring.
- b. Identify operational and maintenance goals that are realistic and sustainable.
- c. Maintain a basic facility assessment program (asset management program) that will be used to identify facilities needing improvements.
- d. Maintain a basic infrastructure and facility program that will be used to identify city and neighborhood asset deficits as identified in the General Plan, community plans and master plans.
- e. Create a multi-year (ideally five-year) Capital Improvement Planning Program that will be maintained and assessed annually.
- f. Create and maintain a database of needs and CIP projects list with priority scoring system consistent among all other Asset Owners.
- g. Designate a single staff to score the needs, monitor the status of each need and maintain/manage the needs list (listed geographically and based on priority scores) for stakeholder review and input.

The following are the prioritization factors:

1. Risk to Health, Safety and Environment and Regulatory or Mandated Requirements:

- a. Project avoids or minimizes the risk to health, safety and environment associated with the infrastructure based on condition assessment of the asset, or the lack of an asset, that may include the age, size, material, capacity, and history of failure of the infrastructure.
- b. Urgency of the project to reduce the potential hazards to the public, property and environment.
- c. Project is required by legal mandate or consent decree (project specific or programmatic, e.g. Department of Health and Environmental Protection Agency's mandates).
- d. Project is required by other regulatory requirements (project specific or programmatic, e.g. General Permit Compliance).
- e. Project is required to comply with court orders and settlements or avoids plausible legal claims (project specific or programmatic).
- f. Project complies with General Plan, Community Plan, Regional Transportation Plan, and/or approved City-wide master plan.

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- g. For Public Safety, this factor will also evaluate the potential in reducing the risks to the staff's health and safety minimizing the failure or maintenance of the existing deficient infrastructure.

For example, scoring projects higher that result in:

- i. Reduction in accidents, main breaks, sewer spills and flooding problems.
- ii. Improved structural integrity and reliability of infrastructure.
- iii. Mitigation of health and environmental hazards.
- iv. Fewer or less severe mobility related accidents.
- v. Reducing emergency response times to minimum operational standards.
- vi. Addressing consent decrees, court orders, settlements and/or other legal mandates.
- vii. Compliance with the community plan.

2. Asset Condition, Annual Recurring Costs and Asset Longevity:

- a. Existing conditions and capacity to meet the basic level of service is deficient.
- b. Avoids potential failure due to substandard conditions.
- c. The project improves the overall reliability of the capital asset and infrastructure system.
- d. There are major implications of delaying the project such as significant future costs, or negative community impacts.
- e. The extent to which the project reduces City operations and maintenance expenditures.
- f. The project increases the longevity of the capital asset or extends the useful life of the asset in the long term.

For example, scoring projects higher that result in:

- i. Reducing frequency and cost of repairs and bring the facility to current standards.
- ii. Reducing both maintenance requirements and energy consumption or the need for periodic cleaning.

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3. Community Investment and Economic Prosperity:

- a. The project contributes toward economic development and revitalization efforts.
- b. The project reduces or avoids impacts to the community when infrastructure fails.
- c. The project will benefit under-served communities including those with low income households, low community engagement and low mobility or access to transportation systems based on San Diego Association of Governments (SANDAG) census tract.
- d. The project implements the Economic Prosperity Element of the General Plan and/or other community plans.
- e. The project is located in a census tract that is deemed eligible for Community Development Block Grant (CDBG) funds.
- f. The project is located within half (1/2) mile of an existing affordable housing development.
- g. The project benefits communities that have the highest population served per acre.

For example, scoring projects higher that:

- i. Implement the City of Villages strategy.
- ii. Implement a corridor plan.
- iii. Implement an economic strategy to attract new employment centers or revitalize existing ones in neighborhoods where unemployment is above the city median.
- iv. Are located in CDBG eligible neighborhoods.
- v. Construct or renovate a library or other facility that would allow a low-income community to have more access to literacy services and other community services.

4. Level and Quality of Service:

- a. The project improves existing conditions and capacity to meet the minimum level and quality of services that is deficient. Avoids potential failure due to substandard conditions.
- b. The project addresses an infrastructure or facility deficit identified in a community plan.
- c. The project addresses the need to install new facilities or improve existing facilities to provide access to City services that promotes growth and employment opportunities in under-served communities consistent with the City's Living Wage Ordinance.

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For example, scoring projects higher that:

- i. Brings a facility for the first time to a neighborhood as opposed to improving/expanding an undersized but existing functional facility.

5. Sustainability and Conservation:

- a. The project improves the health of the community and natural environment through sustainable designs with improved regional air quality and reduced greenhouse gas emission that contributes to climate change.
- b. The project facilitates multiple transportation options (including walk-ability, bicycles, and public transportation) and reduces the need for auto-dependency.
- c. Where appropriate, the project promotes infill development, open space and land form preservation, habitat protection and biological diversity, and enhanced urban runoff management.
- d. The project incorporates design that meets or exceeds recognized federal and state standards in the field of energy efficiency, such as State of California Title 24 Energy Efficiency Standards, LEED building standards, etc.
- e. The project results in greener neighborhoods and reduces or avoids the potential public exposure to pollutants, contamination and other hazards to public health and environment.

For example, scoring projects higher that:

- i. Utilize renewable or green energy project materials and resources efficiently.
- ii. Promote community walk-ability and use of bicycles or public transit.
- iii. Promote community use of locally-sourced and environmentally friendly products and services.
- iv. Include planting of appropriate trees in street medians or adding park and open space.

6. Funding Availability:

- a. The greater a project leverages City funds against external funds (grant funds or cost sharing from outside entities) the greater priority said project shall receive.

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- b. The project's rank is increased based on assessment of the amount of funding needed to complete the current project phase and the entire project.

For example, scoring projects higher that bring grant funds from an outside agency into the City and scoring projects lower that rely only on City funds.

7. Project Readiness:

- a. The project is ready to enter the phase corresponding to the funding proposed. For example, a design-build project with a completed environmental document will score higher than a design-build project without a complete environmental document.
- b. The project shall be scored based upon the delivery method. Project that can be delivered most expeditiously shall be preferred.
- c. Assessment of non-engineering issues involved in completing the project. (e.g., significant environmental issues, project complexity, and level of public support). For example, projects with complex environmental issues or known significant legal challenges shall be scored lower than projects without said complications.

8. Multiple Category Benefit and Bundling Opportunities:

- a. The project fulfills the prioritization factors described above across multiple scoring categories.
- b. The project reduces construction costs by potentially bundling with adjacent projects.
- c. The project provides for partnering or bundling opportunities with other local, state, or federal agencies (e.g. leverages shared resources).

For example, scoring a project higher for:

- i. A roadway project that also provides for the replacement of a deteriorated storm drain.
- ii. A streetscape project that also provides street lighting at critical intersections.
- iii. A bikeway project that provides slope stabilization at an area of known erosion problems.

E. Scoring Weights

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The following are the corresponding scoring weights in percentage for each factor per asset category:

Factors	Enterprise-Funded Assets and Mandated Programs	Mobility Assets	Public Safety Assets	Neighborhood Assets
1. Risk to Health, Safety and Environment and Regulatory or Mandated Requirements	25	20	15	10
2. Asset Condition, Annual Recurring Costs and Asset Longevity	20	20	20	15
3. Community Investment and Economic Prosperity	20	20	10	25
4. Level and Quality of Service	10	20	30	20
5. Sustainability and Conservation	10	5	5	10
6. Funding Availability	5	5	10	5
7. Project Readiness	5	5	5	5
8. Multiple Category Benefit and Bundling Opportunities	5	5	5	10
Total	100	100	100	100

For consistent and accurate application of the prioritization factors each asset department shall develop asset-specific sub-criteria for each factor. These criteria shall be applied to their own projects at both the Needs List Phase and the Funding Phase.

F. Implementation Process

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The following process discusses the steps in prioritizing projects from a need through project implementation.

1. Stakeholder, including but not limited to: the public, Community Planning Group, elected officials, Asset Owners, and other stakeholders submits a need to the Asset-Owning Department (AO).
2. The AO reviews the needs and groups them with similar scope, funding sources and functional category, when appropriate. The AO prepares a preliminary scope, cost estimate and schedule, and establishes high level priority score.
3. The AO submits the project with the priority score to Capital Improvements Program Review and Advisory Committee (CIPRAC) for review and recommendation for Mayoral approval.
 - a. If the Mayor approves CIPRAC's recommendation the project is submitted as part of the Mayor's proposed CIP Budget.
 - b. If the Mayor rejects the recommendation the project goes back to the AO as a need for reconsideration for next budget cycle.
4. Once the project is in the Mayor's proposed CIP Budget:
 - a. If CIP project is approved during the budget process the AO submits the project to Public Works (PW) for further assessment of the scope, cost and schedule.
 - b. If CIP project is rejected during the budget process, the project goes back to the AO as a need for reconsideration for next budget cycle.
5. PW updates the priority score for the CIP project with complex and more detailed scoring using the policy's prioritization factors and weights. The detailed scoring is based on detailed research and available information that may require changes to the project scope, schedule, costs and prioritization score.
 - a. If a project with the final scope, cost, schedule and prioritization score is fully funded, PW starts design and implements the project through construction.
 - b. If project requires additional funding, the project is returned to AO for additional funding and to CIPRAC for review and approval.

Conditions:

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1. Emergency projects will automatically have 100% priority score.
2. The resultant ranking list for each category and phase of needs and 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.

Review of this policy by the appropriate Council committee shall be performed one year after implementation of this policy and bi-annually thereafter to identify additional enhancements.

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 - 01/16/2007

Amended by Resolution R-303741 - 05/30/2008

Amended by Resolution R-308535 - 11/13/2013