



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

**DATE ISSUED:** May 28, 2015

**REPORT NO:** 15-060

**ATTENTION:** Infrastructure Committee

**SUBJECT:** Deferred Capital Bond Program Update

**REQUESTED ACTION:**

Approve Staff Recommendation

**STAFF RECOMMENDATION:**

Approve transfer of \$3,220,000 from the City Facilities Annual Allocation and \$1,780,000 from the South Mission Beach Lifeguard Station project, total amount of \$5,000,000 to the Streets Annual Allocation in order to expend these funds needed for street repairs, and transfer of \$1,710,255 from Storm Drain Annual Allocation of which the amount of \$1,631,255 is to the Watershed CIP Annual Allocation and \$79,000 is to the Coolidge Storm Drain project, within PFFA Lease Revenue Bonds 2015B-Project.

**PURPOSE:**

- Authorize Fiscal Year 2016 CIP changes
- Accept changes to Deferred Capital Bond 3 project list
- Update on Deferred Capital Bond Expenditures

**BACKGROUND:**

Since 2009, the City of San Diego has issued four Deferred Capital Bonds to address the City's deteriorated infrastructure assets. The Phase I Deferred Capital bond was issued in 2009, in the amount of \$102.7 million. This Bond is fully expended and was utilized to initiate design of deferred capital projects and provide construction funding for many of these projects. In 2012, the City Council authorized the issuance of the 2012 Lease Revenue Bond to provide for \$75 million to address Phase II General Fund deferred capital needs. In March 2013, the City Council authorized the issuance of \$35 million in lease revenue bonds 2013A for various General Fund Capital Improvements Program (CIP) projects. In 2014, the issuance of the \$120 million infrastructure bond Phase III was approved.

## Deferred Capital Bond Program Update | 2015

The summary of bond issuances is shown in Table 1 below:

<b>Table 1 - Deferred Capital Bond Issuance Summary</b>	
<b>Bond</b>	<b>Amount in (Millions)</b>
Deferred Capital 1	\$103
Deferred Capital 2	\$75
Deferred Capital 2A	\$35
Deferred Capital 3	\$120
<b>TOTAL</b>	<b>\$333</b>

The selection of CIP projects to utilize proceeds from Bonds 2, 2A and 3 was initially driven by the 2011 condition assessment report that identified an \$898 million backlog of deferred capital projects for streets, general fund buildings and storm drain infrastructure. The backlog for each of these asset classes as of 2011 is shown in Table 2:

<b>Table 2 - Deferred Capital Backlog</b>	
<b>Asset Type</b>	<b>Backlog (Millions)</b>
Streets	\$478
Buildings (GF)	\$185
Storm Drains	\$235
<b>TOTAL</b>	<b>\$898</b>

While the estimate of deferred capital needs identified above did consider many assets, it was not inclusive of all facilities or all asset types. For example, condition assessments for the City's buildings were conducted in Fiscal Years 2007 and 2009 on approximately 30% of the City's facilities.

Recognizing that a broader range of City owned assets was needed, the City embarked upon initiating and updating assessments for multiple asset types. New Facilities Condition Assessments (FCA) are currently being conducted for General Fund Buildings, Public Utilities Buildings, and Developed Parks. Additionally, the condition of City sidewalks was completed in May 2015, City streets pavement assessment will be completed by the end of calendar year 2015 and park and recreation facilities will continue based upon annual funding levels, currently anticipated through Fiscal Year 2021.

In January 2015, the City released the Consolidated Multi-Year Capital Planning Report (MYCP) for all asset classes. The analysis identified needs and projected revenue sources over the next five years (Fiscal Years 2016-2020). The projected capital needs were developed based on a snapshot in time that considered information currently available to the City, including condition assessments completed at that time as well as projected revenue. In comparing the identified capital needs of \$3.9 billion and revenue of \$2.2 billion, the MYCP identified a



citywide funding gap of \$1.7 billion across all asset types.. The MYCP will be updated periodically to include updated information in an effort to continue to provide guidance in developing and implementing a comprehensive multi-year capital improvement program. It should be noted that further work is needed to define service level standards which when coupled with Enterprise Asset Management (EAM), the City will be able to better identify future needs.

## **Delays in Issuance of Bond 3**

In February 2014, Council authorized \$120 million in lease revenue bonds for a specific list of projects (see Exhibit A) for infrastructure funding. However, in April 2014, a lawsuit delayed the bond issuance. Due to the continued delays caused by the litigation, additional CIP fund reallocations became necessary in order to meet the deadlines for expenditures of the bonds and address infrastructure needs. Upon the Court ruling in favor of the City in the winter of 2014, the City proceeded to issue the series 2015 AB Bonds ( Deferred Capital Bonds 3) despite the defendant appealing the court decision. The funds from Deferred Capital 3 bond became available in April 2015 and the proceeds amounting to \$120 million were allocated to the following capital improvement categories:

• ADA Improvements	\$ 4,300,000
• Facilities	\$ 44,280,000
• Sidewalks	\$ 1,000,000
• Storm Drain Improvements	\$ 21,960,000
• <u>Streets</u>	<u>\$ 48,460,000</u>
TOTAL	\$120,000,000

Due to the amount of time that passed as a result of the litigation, reallocations had to be made to ensure that projects could progress as planned. . Exhibit A provides a listing of the original project allocations as well as the proposed revised distribution of funding.

## **Status of Deferred Capital Bonds**

As of May 20, 2015, Deferred Capital Bond 1 is fully expended while Deferred Capital 2 and 2a have expended 82% and 27% of their bonds proceeds respectively. For Deferred Capital 2 Funds, \$2.6 million have not been spent or encumbered in contracts. It is anticipated that over the next six months the Deferred Capital 2 funds will be fully expended as the remainder of construction contracts are closed out. Deferred Capital 2A bond funds provided \$35 million for various projects. To date \$21.6 million has been spent or encumbered in contracts to design or construct projects.

Current expenditures and encumbrances are shown in Table 3 below. *A complete project list with current funding and project status is provided in Exhibit B.*

Table 3				
Total Deferred Capital Funding (in millions) as of May 20, 2015				
Funding Source	Expended	Encumbered	Available	Total
Deferred Capital Bond 1	\$103.0	\$0	\$0	\$103
Deferred Capital Bond 2	\$61.3*	\$11.1	\$2.6	\$ 75
Deferred Capital Bond 2A	\$9.3**	\$12.3	\$13.4	\$ 35
Deferred capital Bond 3	\$0	\$0	\$120	\$120
<b>Total</b>	<b>\$173</b>	<b>\$24</b>	<b>\$136</b>	<b>\$333</b>

\*85% of Deferred Capital Bond 2( \$63.75 millions) will be expended by June 30, 2015

\*\*85% of Deferred Capital Bond 2A ( \$29.75 millions) will be expended by June 30, 2016

## **CITY STRATEGIC PLAN GOALS(S)/OBJECTIVE(s):**

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

Objective #3: Invest in Infrastructure.

## **FISCAL CONSIDERATIONS:**

This action is to request acceptance of the fund transfers amongst CIP projects (as shown in Exhibit A of Report to Council No. 15-060)) and has no net increase to the CIP budget.

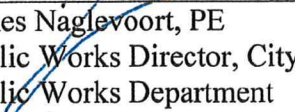
## **PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

- Deferred Capital Funding Plan - Resolution Number 307349 (April 05, 2012)
- Authorizing Bond Proceeds for Deferred Capital 2 - Resolution Number 307352 (April 23, 2012)
- Authorizing Bond Proceeds for Deferred Capital 2a - Resolution Number 308031 (March 22, 2013)
- Authorizing Bond Proceeds for Deferred Capital 3- Resolution 308714 ( Feb 12, 2014)
- Authorizing the transfer of Deferred Capital funds between Capital Improvement Projects – Resolution Number 308713 (Feb 12, 2014)
- Approving and Authorizing the issuance and sale in one or more series of the Authority's Lease Revenue Bonds – Ordinance Number 20350 (Feb 12, 2014)
- Authorizing Capital Improvement Program Fund Transfers between several capital Improvement Projects - Resolution Number 309360 (Dec 12, 2014)

## Deferred Capital Bond Program Update | 2015


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- o Authority of the City of San Diego of its Lease Revenue Bonds Series 2015A and Series 2015B – Resolution Number 309564 (March 24, 2015)



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