



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: May 17, 2016

REPORT NO: 16-056

ATTENTION: Honorable Council President Sherri Lightner and Members of the City Council

SUBJECT: Semi-Annual Capital Improvements Program (CIP) Budget Monitoring Report and CIP Budget Revisions

REFERENCE: Semi-Annual CIP Budget Monitoring Report, #16-056

REQUESTED ACTION:

Accept the report and approve the requested CIP budget revisions as outlined on Attachments I and II to this report.

STAFF RECOMMENDATION:

Accept the report and approve the requested CIP budget revisions as outlined.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The Semi-Annual CIP Budget Monitoring Report is the second update on the City's cash management process improvements, which have been implemented to improve the efficiency and effectiveness of the CIP.

This report provides updates on the following internal process improvement initiatives, as well as a consolidated request for City Council action on behalf of all City departments:

- CIP Budget Review
- Internal CIP Monitoring
- Commercial Paper Program
- Encumbrance Process Improvements
- Pooled Project Contingencies
- Underfunded CIP Projects List

This report and request for Council action to reallocate excess funds to priority projects represents a collaborative effort by Financial Management (FM), Public Works, and the asset managing departments to ensure greater efficiencies in the allocation of CIP resources. This effort improves financial monitoring by identifying projects that have excess funds that can be redistributed to other priority projects in need of funding.

In the past, this consolidated action was typically performed only once annually as part of the year-end process. The implementation of a semi-annual review of capital expenditures has increased efficiency in the management of project encumbrances and expenditures in the CIP. Additionally, City Council approval is requested to remove restrictions from funding sources to be reallocated to fund other critical CIP Projects as follows:

- Transfer of funds from the Capital Outlay Industrial Development Fund to the Capital Outlay Fund to make funds available for priority CIP projects
- Authority to amend the Regional Transportation Improvement Program (RTIP) to allow for reallocations of TransNet funding
- Authority to add projects to the CIP, close CIP projects, transfer expenditures between projects, authorize the disbursement of funds, and rename existing CIP projects

All other approvals requested from City Council to remove restrictions on funding sources for reallocation or otherwise modify the CIP are summarized in Attachment II.

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:

See attachment: Fiscal Year 2016 Semi-Annual CIP Budget Monitoring Report, #16-056

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, December 2015 was received by the City Council and the revisions to the CIP Budget were approved on December 14, 2015.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

N/A

signature on file

signature on file

Originating Department

Deputy Chief/Chief Operating Officer

Attachment(s): 1. Fiscal Year 2016 Semi-Annual CIP Budget Monitoring Report, #16-056

Semi-Annual CIP Budget Monitoring Report May 2016



Financial
Management

signature on file

Scott Chadwick
Chief Operating Officer

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Mary Lewis
Chief Financial Officer

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Tracy McCraner
Financial Management Director

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Michael Clark
Budget Coordinator

INTRODUCTION

The Semi-Annual Capital Improvements Program (CIP) Budget Monitoring Report presents the second update on the City's CIP cash management process improvements. This provides an update on the status of internal process improvements, as well as improvements requiring City Council action that supplement the City's capital budgeting and internal monitoring processes.

Included in this report are details on \$59.0 million in project savings and reallocations from cash management and streamlining efforts:

- **CIP Budget Review:** This process has saved an estimated 300 staff hours and resources by consolidating multiple actions into one request on a semi-annual basis. \$59.0 million of prior appropriations will be released, subject to Council approval, making funds available for priority projects. This includes:
 - Expedited appropriation of \$15.2 million from fund balance to projects.
 - Reallocation of \$24.4 million in excess funding to priority projects.
 - Accelerated de-appropriation of \$19.4 million in excess funding to fund balance, including \$15.7 million of excess budget in annual allocations.
- **Internal CIP Monitoring:** Provides an update on the monitoring of the Transportation & Storm Water CIP projects as well as several large CIP funds.
- **Commercial Paper Program:** Provides a status update on the commercial paper program, which is expected to be brought to Council for approval for Public Utilities and General Fund deferred capital in Fiscal Year 2017.
- **Encumbrance Process Improvements:** Provides a status update on this program, including plans to expand this process beyond the TransNet fund.
- **Pooled Project Contingencies:** Provides a status update on the Public Utilities pilot project for Fiscal Year 2017.
- **Underfunded CIP Projects List:** Updates the City Council on the funding status for projects on the Underfunded CIP Projects List (i.e. the waterfall list).

FM, Public Works, and all asset-managing departments have collaborated to identify projects that have excess budget that can be redistributed to other priority projects. Authorities to adjust appropriations in CIP project budgets have been consolidated into this report thereby streamlining this process and saving the departments hours of staff time typically spent preparing and processing individual requests for City Council action. The requests for City Council action to adjust the CIP project budgets are summarized in Attachment I.

Additionally, City Council approval is requested to remove restrictions from funding sources listed below to be reallocated to fund other critical CIP Projects ready to move forward:

- Transfer of funds from the Capital Outlay Industrial Development Fund to the Capital Outlay Fund to make funds available for priority CIP projects
- Authority to amend the Regional Transportation Improvement Program (RTIP) to allow for reallocations of TransNet funding
- Approval to add projects to the CIP, authorize the disbursement of funds, and rename existing CIP projects

All other authorities requested from City Council to remove restrictions on funding sources for reallocation or otherwise modify the CIP are summarized in Attachment II.

CASH MANAGEMENT INITIATIVES

Effective cash management supports timely completion of Capital Improvement Program (CIP) projects, capitalization of assets for accurate financial reporting, and reallocation of excess funds to other priority projects. Starting with the first report, issued December 2015, FM provides a semi-annual report to the City Council on the status of these process improvements.

This second CIP Semi-Annual Monitoring report includes updates on the results of the cash management process improvements, as well as requesting City Council's approval of new budget appropriations, re-allocations of funds, and other CIP project changes that require City Council approval.

CIP Budget Review

Starting with the first Semi-Annual CIP Monitoring Report in December 2015, FM has provided departments with an opportunity to include all needed CIP council actions on one consolidated semi-annual report. This provides significant time savings to the asset-managing departments. Under the prior practice, asset-managing departments identified capital projects with excess budget or project closures and then individually prepared and routed a Council Action to request approval of project amendment. Now FM compiles all needed CIP council actions and prepares a semi-annual report to assist departments and save time and resources citywide.

By consolidating these separate actions, the departments have significantly reduced the time and labor required to route individual council actions. As an internal performance metric, FM has begun estimating the time savings provided by the Semi-Annual CIP Budget Review. For this report, FM estimates 300 hours saved for department analysts in addition to approximately 300 hours saved in the December action.

All CIP Budget Adjustment requests are summarized and included in Attachment I to this report. Any additional authorities requested are included in Attachment II to this report.

Capital Outlay Funds

FM has been reviewing cash balances in restricted funds to identify funding sources for priority CIP projects. Capital Outlay funds are used exclusively for the acquisition, construction, and completion of permanent public improvements or real property; replacement or reconstruction of public facilities; and other improvements of a permanent character. Revenue for the Capital Outlay Fund is derived primarily from the sale of City-owned property but may also come from other sources per Section 77 of the San Diego City Charter.

During the review of the Capital Outlay funds, FM identified Capital Outlay funds restricted by Council policies for specific uses, such as the Capital Outlay Industrial Development Fund (400005). This fund was originally established in 1978 with resolution R-220303. The policies for the sources and uses of this fund are outlined in Council Policy 900-03 Management and Marketing of City-Owned Industrial Property, included as Attachment III to this report. This policy states that all sale proceeds of City-owned industrial properties shall be deposited in the Capital Outlay Industrial Development Fund. Specific expenditures from this fund must be

authorized by Council on a case-by-case basis and must otherwise comply with Section 77 of the San Diego City Charter.

In addition to proceeds from the sale of City-owned industrial properties, this fund receives approximately \$500,000 annually in lease payments from a ground lease of City land in La Jolla with the Regents of the University of California. No CIP projects have been budgeted in this fund since Fiscal Year 2010. As of May 2016, there is \$6.0 million in fund balance in the Industrial Development Fund.

In order to make this funding available for other priority projects, City Council is requested to transfer all funds currently in and due to the Capital Outlay Industrial Development Fund to the Capital Outlay Fund (400002). The lease revenues that were previously deposited in this fund will be deposited in the General Fund going forward, consistent with other lease revenues derived from General Fund properties. The City Council is also requested to repeal Council Policy 900-03, which will no longer be relevant once the funds have been transferred out to the Capital Outlay Fund. Finally, the Capital Outlay Industrial Development Fund will be closed once all funds have been transferred out.

Once the funds have been transferred, Council is requested to increase funding for the following Capital Outlay eligible projects:

- \$3.0 million in Capital Outlay funds to the Police Emergency Vehicle Operations Course (EVOC) project;
- \$2.8 million to the annual allocation for Drainage Projects (ACA00001); and
- \$0.2 million to the annual allocation for Watershed CIP (ACC00001).

EVOC is a joint project with the City, County, and school district to create a shared training course for emergency vehicle operations. The total cost of the project is \$15 million, and the City is expected to contribute \$5 million. In the December Semi-Annual CIP Monitoring Report, the City Council appropriated \$2.0 million to the EVOC project. The additional allocation from the Capital Outlay Fund will fully fund the City's contribution to EVOC.

Additionally, as a result of the emergency repairs related to the 2016 El Niño storms, there were additional needs to fund drainage improvements in Fiscal Year 2016. Through cash management of existing funding within the annual allocations, as well as City Council authorization to transfer funds included as part of the Fiscal Year 2016 Mid-Year Budget Monitoring Report, City staff was able to ensure that emergency repairs could be funded and executed without delaying other storm drain or watershed projects.

The addition of \$3.0 million in Capital Outlay Funds for watershed and drainage projects will help backfill funds that were reallocated to the emergency projects so that project execution can continue to proceed according to schedule. Additionally, the City Council is requested to approve the transfer of an additional \$2.7 million to these annual allocations from the annual allocation for Resurfacing of City Streets (AID00005) based on a cash management analysis of needs for the remainder of calendar year 2016 for all of these annual allocations.

The total addition of \$5.7 million for watershed and drainage projects provides sufficient funding to ensure that all projects have required funding through the remainder of calendar year 2016. FM, Public Works, and Transportation & Storm Water will continue to monitor storm drain and street resurfacing capital projects, and will come forward with further

recommendations to reallocate funding as needed to ensure that sufficient funds are available to complete the projects.

TransNet

TransNet, a one-half cent local sales tax, is used for traffic congestion relief and transportation improvements. In addition to roadway enhancements, TransNet Funds are utilized for bikeway and pedestrian projects. The Transportation & Storm Water department has identified over \$450,000 in fund balance in the old TransNet Fund. This funding will be added to annual allocations for Guard Rails (AIE00002), Traffic Calming (AIL00001), and Traffic Signals Modifications (AIL00005) with the intent to fully expend all remaining old TransNet funding by the end of Fiscal Year 2017. Additionally, the Department has identified \$475,000 in excess funding from four projects that will be reallocated for priority needs in Juan Street Concrete Street (S00602) and Five Points Neighborhood Pedestrian Improvements (S00988). Details on both of these actions are included in Attachment I.

In addition to the request to reallocate the budget, changes to TransNet allocations require the City to revise the 2014 Regional Transportation Improvement Program (RTIP). The RTIP is a multi-billion dollar, multi-year program of transportation projects including the TransNet funded projects. In order to modify the 2014 RTIP so these allocations can be transferred, the City Council is requested to approve the additional TransNet resolutions listed in Attachment II to this report.

Return of Excess Budget in Annual Allocations to Fund Balance

In Report to the City Council No: 15-020: Process Improvement and Streamlining for CIP Delivery, issued March 6, 2015, staff recommended reviewing budget in annual allocations not allocated to specific subprojects on an annual basis to identify opportunities to de-appropriate excess budget to fund balance. This process would allow the City to free up available cash not allocated to specific projects and make it available to complete other priority projects.

As part of the budget review process, FM requested departments to review annual allocations for opportunities to de-appropriate excess budget that would not be needed for the remainder of the fiscal year. As of April 30, 2016 there was approximately \$111.6 million in available budget. Of this total amount, \$81.1 million, or 72.7 percent, was in Public Utilities funds for the water and wastewater utilities. As a result of this exercise, the departments have requested to de-appropriate \$15.7 million in excess budget from annual allocations and return it to fund balance. Remaining funds are anticipated to be added to sublet projects before the end of Fiscal Year 2016 or repurposed for new projects in Fiscal Year 2017.

After the close of Fiscal Year 2016, FM will review any remaining available balance that was carried forward to Fiscal Year 2017. If necessary, FM will request the City Council to authorize additional de-appropriations with the FY 2016 Year-End Financial Performance Report that will be released in September.

Technical Adjustments

For several projects, Council authority is requested to make technical adjustments that do not result in changes to the existing project scope or schedules. For the three Park & Recreation projects in the table below, the first phase of the project is complete or nearing completion and the original project needs to be closed in order to capitalize assets that are already in service. Council is requested to open new projects so that work can continue on later phases.

For any project phases where ongoing work is needed for future phases, Council is requested to add new projects to the CIP and transfer any budget, encumbrances, or expenditures to-date for ongoing phases to the new projects. As applicable, Council is requested to close existing projects that have completed an initial phase so that the assets already in service can be capitalized. The specific authorities requested from the City Council are listed in Attachment II to this report.

Table 1: Addition of Projects for Future Phases

Existing Project - Phase 1	New Project - Later Phases	Amount - New Project
S15032 - Gamma St Mini-Park ADA Improvements	L16000 - Southeastern Mini Park Improvements	\$ 450,000.00
S00667 - Mira Mesa CP - Exp & Aquatic Complex	L16002 - Mira Mesa Community Pk Improvements	2,110,948.00
S10091 - Sunset Cliffs Natural Pk Hillside Imp Preservation	L16001 - Sunset Cliffs Natural Pk Hillside Imp Preservation Phase II	900,000.00

Additionally, Council is requested to authorize the transfer of three sublet projects and remaining balance between annual allocations so that redundant annual allocations can be closed. Consolidating these annual allocations will provide more flexibility to reallocate savings from sublet projects to other sublet projects needing additional funds and will reduce time spent administering two separate annual allocations.

Table 2: Consolidation of Annual Allocations

Annual Allocation to be Closed	Receiving Annual Allocation	Sublet Project to be Transferred	Amount
ABK00001 - Dams and Reservoirs	ABL00001 - Standpipe and Reservoir Rehabilitations	N/A - Balance in Annual Allocation	\$ 646,355.00
ABK00001 - Dams and Reservoirs	ABL00001 - Standpipe and Reservoir Rehabilitations	B13158 - Lake Hodges Dam Modification	599,999.92
ABK00001 - Dams and Reservoirs	ABL00001 - Standpipe and Reservoir Rehabilitations	B15195 - Hodges Resv Hypolimnetic Oxygenation Sys	320,000.00
ABT00002 - Roof Replacement	ABT00001 - City Facilities Improvements	B15192 - San Ysidro Senior Center Roof and HVAC	140,005.48

Finally, Council is requested to convert the following sublet project for the University Heights Water Tower from a sublet within the annual allocation for Standpipe and Reservoir Rehabilitations (ABL00001) to a standalone project within the budget document. This will provide greater transparency in the budget document for this project.

Table 3: Conversion of Sublet Project to Standalone

Annual Allocation	Sublet Project to be Converted	New Standalone Project	Amount
ABL00001 - Standpipe and Reservoir Rehabilitations	B15231 - University Heights Water Tower	S17006 - University Heights Water Tower Seismic Retrofit	\$ 50,000.00

Other Requested Council Actions

All other departmental requests to adjust CIP budget that do not fall under one of the above categories are summarized in Attachment I to this report. Individual justifications are given for each action on the attachment. There are four types of budget adjustments being requested in this section:

- Appropriation of fund balance to existing projects
- De-appropriation of an existing project to fund balance
- Closing of existing projects and their funds returned to fund balance or transferred to another eligible project
- Transfer of appropriations between projects

In addition to the requested CIP budget adjustments, Council is requested to approve a number of miscellaneous CIP adjustment requests relating to the expenditure of funds, the disbursement of funds, the addition of projects to the CIP, the closing of projects in the CIP and the renaming of existing CIP projects. These requests are summarized in Attachment II to this report.

Internal CIP Monitoring

FM, Public Works, and the CIP asset managing departments have continued to put additional focus on the ongoing monitoring of the CIP program. In Fiscal Year 2016, an internal pilot program was established by FM, Public Works, and the Transportation and Storm Water department (TSW) to monitor TSW CIP project cash flows. This report provides an update to the City Council on the status of this program and other CIP cash flow monitoring programs.

Transportation and Storm Water Monitoring

In Fiscal Year 2016, FM, TSW, and Public Works launched an internal pilot program to monitor the CIP budget for all TSW assets (TSW Program). The TSW Program is the first cash management pilot by an asset-managing department. TSW was chosen for the pilot program because of its importance to implementing the Mayor's top priority of improving the City's infrastructure and the variety of restricted funding sources supporting the Department's projects.

Both TSW and Public Works manage different elements of TSW's CIP. On a quarterly basis, both departments have reviewed project financial data and provided detailed status updates for their respective projects. These quarterly reviews consist of the development of quarterly cash flow projections for City Council-approved projects and the comparison of prior quarter projections to actual expenditures. The ultimate goal is to use these comparisons to identify projects that are completed or unable to proceed and to develop recommendations to reallocate funds between projects.

The tables below summarize the status of the projects included in the TSW Program by phase through the end of the third quarter of Fiscal Year 2016 (i.e. through March 31, 2016). Please note that projects that were completed and closed prior to the end of the third quarter are not included in these tables. Additionally, projects that are managed by other departments or outside agencies, including most freeway projects, utilities undergrounding projects, and developer reimbursement projects, are not included in the TSW Program.

Table 4: Status of TSW Projects by Phase, 3rd Quarter (\$ millions)

Project Status	Projects	To-Date Budget	Prior Years' Expenditures	FY 2016 Expenditures	Remaining Budget	Remaining Budget %
Land Acquisition	3	\$ 18.8	\$ 10.0	\$ 0.9	\$ 7.8	42%
Planning	17	10.7	2.5	1.1	7.2	67%
Design	46	50.5	7.8	1.7	41.0	81%
Bid / Award	11	22.2	3.3	1.0	17.8	80%
Construction	241	368.6	143.6	63.0	162.0	44%
Post Construction	91	83.8	64.9	3.7	15.1	18%
Grand Total	409	\$ 554.6	\$ 232.2	\$ 71.4	\$ 250.9	45%

Most of the projects listed in these tables were initiated prior to the pilot implementation of the cash management initiatives outlined in this report. As a result, the majority of these projects are fully funded by phase, even if funds are not expected to be needed until future fiscal years. This results in large amounts of continuing budget, especially for projects in earlier phases. As the cash management initiatives are expanded throughout the CIP program, less funding will be tied up in projects early in the project life since funding from reliable sources would be added to the project as needed in future fiscal years.

In the first year of the TSW Program, one of the primary challenges encountered has been the time investment necessary to develop cash flow projections. As currently implemented, the TSW Program is a time-intensive, manual process. Cash flows need to be individually reviewed for all of the over 70 standalone projects and more than 300 sublet projects included in the TSW Program. This process begins anew for each quarterly submission.

Altogether, it takes approximately a month for the three departments to develop the cash projections. The TSW Program has not resulted in the proactive identification of funds that could be reallocated as had been originally anticipated due to the manual process of completing the cash flows.

To address these issues, the following measures are being taken to improve the TSW Program:

1. Although the departments will still be developing projections for CIP expenditures in units of quarterly expenditures, they will update their projections on a semi-annual basis instead of updating projections every quarter. This will balance the benefits of setting quarterly benchmarks to measure expenditures against the considerable time and effort needed under the current system to develop these benchmarks.
2. Public Works is currently undergoing a self-assessment process with a consulting expert to identify system improvements that can be made to the department's project scheduling software tool. The assessment is expected to be completed in Fiscal Year 2016. These system improvements will improve the efficiency of the entire CIP program, including the CIP Budget monitoring process. Once implemented, the development of cash flows will become a more automated process that could be scaled up and applied to other asset managing departments.
3. Additional training will be provided by Public Works and FM to project managers on the importance of developing and maintaining accurate cash flow estimates that can be used to assist the cash management of the CIP program.

Because of the issues discussed above, FM expects to keep the TSW Program limited to TSW assets for another fiscal year and work on improving the efficiency and accuracy of cash flow projections. As the improvements to Public Works' project scheduling software tool are completed, FM and Public Works will revisit the expansion of this program to other asset managing departments.

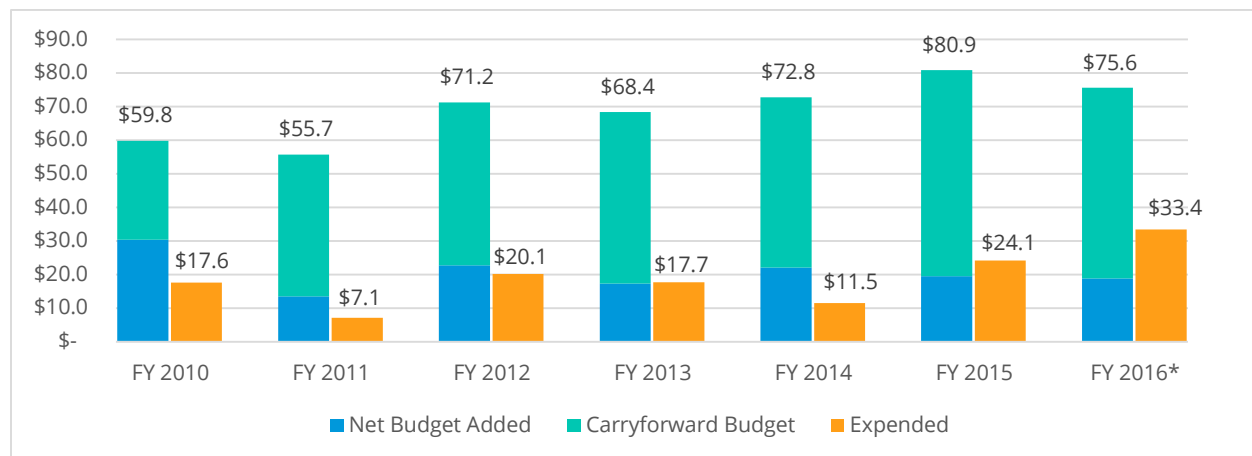
In the meantime, FM, Public Works, and applicable asset managing departments continue to monitor certain crucial CIP funds such as TransNet and the Deferred Capital Bonds. These fund specific monitoring exercises have been effective in helping with the cash management of the City's CIP. Details for each of these funds are provided below.

TransNet Update

FM previously provided an update to the City Council on the TransNet funds as part of the December 2015 Semi-Annual CIP Monitoring Report and again at the Budget & Government Efficiency Committee in January 2016. At that time, FM reported that as a result of cash management and CIP streamlining efforts implemented by TSW, FM, and Public Works, TransNet expenditures for CIP have shown a significant increase over prior fiscal years.

TransNet CIP expenditures have increased 415 percent from a low of \$7.1 million in Fiscal Year 2011 to \$29.7 million in Fiscal Year 2016 as of April 30, 2016. This is already a higher expenditure of funds than the \$24.1 million spent on CIP in all of Fiscal Year 2015. As a result of these continued positive expenditure trends, the City remains on track to expend \$33.4 million by the end of Fiscal Year 2016, an increase of 467 percent compared to the Fiscal Year 2011 low. This is consistent with the estimates presented to the Budget & Government Efficiency Committee in January 2016. These trends are illustrated in the figure below.

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



*Projected expenditures for FY 2016 by June 30, 2016. Total programmed budget for FY 2016 includes approximately \$3 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 old 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 by the end of 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).

Given current and anticipated cash flows, TSW estimates that the TransNet Extension cash balance held at SANDAG will be approximately \$39.9 million on June 30, 2016. This represents an estimated year-over-year decrease of \$15.4 million, or 28 percent, compared to the TransNet Balance on June 30, 2015. The cash flow estimates for the TransNet Fund are illustrated in more detail in the table below.

Table 5: 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	\$55.5
SANDAG Revenue Estimate	29.1	30.0	31.2
Actual Revenue Received	28.9	29.9	
Disbursement:	(24.5)	(28.3)	(46.8)²
Congestion Relief	(13.9)	(19.4)	(36.3)
Maintenance	(10.6)	(8.9)	(10.5)
Fund Balance at SANDAG¹ (June 30, End of Fiscal Year)	\$53.5	\$55.3	\$39.9
Interest Earned	0.2	0.2	

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

2. Disbursement projections include \$3.3 million that was expended by the City in FY 2015 but disbursed by SANDAG in early FY 2016 in addition to the \$43.5 million in projected FY 2016 expenditures/disbursements

FM and TSW will continue to monitor TransNet cash flows to ensure that cash balances continue to be drawn down in a timely fashion.

Deferred Capital Bonds Update

The City issues lease revenue bonds to finance General Fund capital improvement projects for deferred capital in streets, storm water, and city facilities across most General Fund asset managing departments. The City commits to spend tax exempt bond proceeds in accordance with the IRS requirements. The proceeds of these bonds should be spent within three years of issuance, and are prioritized to be spent before other eligible funding sources.

Public Works, the financial departments, and the asset managing departments continue to hold monthly meetings to monitor the status of expenditures in the City's Deferred Capital Lease Revenue Bonds. Through these meetings, staff reviews the status of the projects funded with Deferred Capital Bonds to ensure that they are spent down in accordance with the bond expenditure requirements. As necessary, bond proceeds are reallocated between projects where the net reallocation does not result in a net increase to project budgets, as authorized by the Fiscal Year 2016 appropriations ordinance, section 2.C.6. These reallocations are necessary to ensure that the City is able to abide by the expenditure requirements for these projects.

The table below provides the status of the deferred capital bonds as of April 30, 2016:

Table 6: Deferred Capital Bonds Status as-of 4/30/16 (\$ millions)

Year Issued	Bond	Original Budget	Encumbered ¹	Expended	Available Budget
FY 2010	DC1	\$ 103.3	\$ -	\$ 103.3	\$ -
FY 2012	DC2	75.0	-	75.0	-
FY 2013	DC2A	35.0	5.6	28.9	0.5
FY 2015	DC3	120.0	28.3	10.5	81.2

1. Includes pre-encumbered funds for Comptroller certifications and purchase orders in process

The DC2 lease revenue bond was completely expended by February 2016. For DC2A, the City is expecting to spend in excess of 85 percent bond proceeds, or \$29.8 million, by July 2016. The City is well on its way to exceed this target, with \$28.9 million in expenditures as of the end of April 2016.

As DC2A is spent down, staff is putting additional focus on spending down DC3. The 85 percent expenditure benchmark of \$102 million for DC3 is April 2018. Staff will continue to monitor trends to ensure that expenditures are on track for the timely spend down of bond proceeds.

The Five-Year CIP Outlook anticipated that \$90 million in lease revenue bonds would be issued in Fiscal Year 2017. The continued monitoring of cash flows for the previous lease revenue bonds will be used to inform the City on the sizing and timing of issuing \$90 million in lease revenue bonds. The timing of these bonds may also be impacted by the beginning of a Commercial Paper program, which is described in more detail in the section below.

Commercial Paper Program

Commercial paper, a short term financing mechanism, will allow for “just-in time” borrowing instead of issuing the full amount of the long term bonds upfront. Debt Management is evaluating the CIP interim funding needs and cash flows of the Water Utility Fund and General Fund for the establishment of two separate commercial paper programs for these two funds. The Debt Management Department will bring forward an authorizing resolution to City Council to set commercial paper program limits, develop the legal framework, and secure credit providers for the Water Utility and the General Fund in Fiscal Year 2017. Debt Management is in the procurement stage with various providers to develop the legal and financial documentation for these two programs.

Commercial paper is expected to be issued in the second quarter of Fiscal Year 2017 as it would be the most suitable funding tool for the Water Utility to provide as needed financing during the ramp up of the Pure Water Program and the ongoing replacement of pipelines, among other projects. The initial commercial paper issuance size will be based on approximately two years of Water Utility financing needs, estimated to be \$90-120 million, and requires Council approval.

Starting in the third quarter of Fiscal Year 2017, based on the spend down of the outstanding proceeds from the 2015 bond issuances and near term cash flow needs for the General Fund deferred capital CIP, Debt Management anticipates to bring forward a commercial paper program for Council approval to continue to fund ongoing deferred capital projects.

Encumbrance Process Improvements

In the December 2015 Semi-Annual CIP Monitoring Report, FM reported on the early success of the process improvements to the City's encumbrance of funds for construction contracts. By only encumbering funds that were needed in Fiscal Year 2016 for project S00851 SR163/Friars Road at the time the contract was executed, \$12.0 million in TransNet Funds that would have otherwise needed to be encumbered were made available for other priority projects. FM will continue to track this project in Fiscal Year 2017 and 2018 to ensure that the \$12.0 million in future funds are added to the project and encumbered as-needed over the next two fiscal year.

The next steps for the enhanced encumbrance process are to expand beyond TransNet to other stable and predictable revenue sources. If successful, the encumbrance policy could be used to replace or supplement the phase funded contract process. Public Utilities will identify a pilot project for this process improvement in the next fiscal year and will provide an update in the next Semi-Annual CIP Monitoring Report.

At the time of the publication of this report, FM was meeting with Public Works to discuss next steps for expanding the use of the encumbrance policy beyond TransNet and Public Utilities funds. Public Works has also asked FM and the Office of the Comptroller to assist in semi-annual project manager trainings of Engineering & Capital Projects staff to assist in the further implementation of this streamlining process for all CIP projects. FM will continue to provide the City Council with updates on this program as more information becomes available.

Pooled Project Contingencies

As reported in the first Semi-Annual CIP Monitoring Report, FM has worked with the Public Utilities Department and the Office of the City Comptroller to develop a pilot program for pooled contingencies that will begin in Fiscal Year 2017 for the annual allocations for water and sewer mains.

By pooling the contingency funds across multiple projects within the same annual allocations, the risk of cost overruns is allocated across a greater number of projects. Savings in specific subprojects can be re-allocated from the pooled project contingency to cover cost overruns in other projects. This allows for a reduced contingency amount and the typical 5.0% contingency is reduced to 3.0% for these assets; thereby making more funds available that can be allocated to other projects ready to move forward.

The table below provides an update on the projected available cash resulting from this pilot program.

Table 7: Updated Pooled Contingency Savings Projections

Project	Construction Cost	5% Contingency	3% Contingency	Available Cash
Sewer Mains	\$ 48,775,031	\$ 2,438,752	\$ 1,463,251	\$ 975,501
Water Mains	\$ 49,465,211	\$ 2,473,261	\$ 1,483,956	\$ 989,304
Total	\$ 98,240,242	\$ 4,912,012	\$ 2,947,207	\$ 1,964,805

Since the December Semi-Annual Report, projected net construction costs for water and sewer mains have increased from \$93.0 million to \$98.2 million. The \$5.3 million net increase is the result of the following factors:

- \$20.1 million increase due to new projects added to the estimate
- \$2.2 million increase due to updated construction cost estimates for specific projects
- \$16.9 million decrease due to projects being removed from the estimate

As a result of the net increase in anticipated construction cost, there is also a modest implied increase in available cash that will be freed up by using a pooled 3% contingency rate rather than an individual 5% contingency rate, from \$1.8 million to \$2.0 million.

As previously reported, FM will document the success of the pilot program in Fiscal Year 2017 and will return to City Council for approval to establish a “pooled contingency” annual allocation. A citywide contingency pool used across multiple projects will decrease the cash that will be set aside unused during the life of capital projects.

Underfunded CIP Projects List Update

As of May 2016, a total of \$814,057.78 has been transferred from either closed or technically completed projects to the Fiscal Year 2016 Underfunded CIP Projects List, commonly known as the waterfall list. Council approved this waterfall list as part of the FY 2016 Adopted Budget. Projects are funded in the order they are listed on the waterfall list and based on legal restrictions in the use of funds. The status of the waterfall projects are reported in the table below.

Departments are encouraged to continue to actively search for alternative funding sources for projects that are on the waterfall list. As a result of these efforts, the departments have identified and appropriated an additional \$1,665,927.60 to projects on the waterfall list. These additional appropriations were either approved by Council on the previous Semi-Annual CIP action or added through other authority provided by the City Council in the appropriations ordinance. Overall, four projects on the list have received all requested funding, five projects have received partial funding, and one project is anticipated to receive full funding in Fiscal Year 2017.

Table 8: Funding of Projects on the Waterfall List

#	Project	Amount	Transferred During FY2016	Remaining to Fund
1	Midway Street Bluff Repair / S12005	\$ 92,000	\$ 92,000.00	\$ -
2	Tierrasanta Library Expansion / S15011	295,000	295,000.00	-
3	Valencia Park Acquisition & Development / S11103	344,000	344,000.00	-
4	Cesar Solis Community Park / S00649	350,000	350,000.00	-
5	California Tower Seismic Retrofit / L12003	500,000	- ¹	500,000.00
6	Keiller Neighborhood Park ADA Improvements / S15030	654,000	380,130.31	237,869.69
7	Mission Bay Athletic Area Comfort Station Mod / S10021	820,000	125.46	819,874.54
8	Scripps Miramar Ranch Library / S00811	1,090,400	-	1,090,400.00
9	Interstate 5 Underpass-Bikeway/Ped Conn / S00982	1,116,010	-	1,116,010.00
10	El Cajon Blvd Streetscape Improvements / S00826	1,269,800	756,881.01	512,918.99

¹ Anticipated to be fully-funded with a federal grant in the Fiscal Year 2017 Proposed CIP Budget

#	Project	Amount	Transferred During FY2016	Remaining to Fund
11	Sixth Avenue Playground Improvements / S00616	1,880,000	-	1,880,000.00
12	Kensington/Normal Heights Library / S00795	2,246,530	-	2,246,530.00
13	El Camino Real to Via De La Valle (1/2) / S00856	3,200,000	-	3,200,000.00
14	Rancho Bernardo Library / S00812	3,467,682	-	3,467,682.00
15	Police Range Refurbishment / S10118	6,999,593	-	6,999,593.00
16	Ocean Beach Lifeguard Station / S10121	600,000	-	600,000.00
17	Fire Station No. 54 - Paradise Hills / S00785	800,000	-	800,000.00
18	Americans with Disabilities Improvements / ABE00001	5,000,000	1,043.38	4,998,956.62
19	Resurfacing of City Streets / AID00005	5,000,000	260,805.29	4,739,194.71
20	New Walkways / AIK00001	3,000,000	-	3,000,000.00
21	Concrete Streets / AID00006	2,000,000	-	2,000,000.00
	Total:	\$ 40,725,015	\$ 2,479,985.45	\$ 38,245,029.55

CONCLUSION

This second Semi-Annual CIP Budget Monitoring Report demonstrates the continued progress that the City has made in improving cash management in the CIP program in the year since the original cash management report was issued by the CFO last spring. As a result of the cash management efforts, streamlining initiatives, and requests for City Council Action detailed in this report, \$59.0 million in project savings and reallocations will be realized in addition to the \$74.4 million included on the first report.

FM will continue to provide these reports to the City Council on a semi-annual basis to ensure that cash in the CIP continues to be managed as efficiently and effectively as possible.

ATTACHMENTS

- I. CIP Budget Adjustment Requests
- II. Additional Approvals Requested
- III. Council Policy 900-03

CIP Budget Adjustment Requests

Capital Outlay Funds

Appropriation Requests

Funded Program	Fund	Amount	Justification
N/A	400002 - Capital Outlay Fund	3,000,000.00	Additional funding for the Emergency Vehicle Operations Course (EVO) project shared with San Diego County and the San Diego Community College District.
ACA00001 - Drainage Projects	400002 - Capital Outlay Fund	2,801,069.00	Backfill funding for emergency storm drain work.
ACC00001 - Watershed CIP	400002 - Capital Outlay Fund	198,931.00	Backfill funding for emergency storm drain work.

Transnet Funds

Deappropriation Requests

Funded Program	Fund	Amount	Justification
AIL00002 - Install T/S Interconnect Systems	400169 - TransNet Extension Congestion Relief Fund	532,224.00	Deappropriation based upon SANDAG's updated FY16 revenue projection for TransNet.
13000732 - Surplus Due to Savings from PA700, CLO	400156 - TransNet (Prop A 1/2% Sales Tax)	273,422.02	Deappropriate budget in IO to support three annual allocations.

Appropriation Requests

Funded Program	Fund	Amount	Justification
AIE00002 - Guard Rails	400156 - TransNet (Prop A 1/2% Sales Tax)	162,000.00	Appropriate fund balance to the Guard Rails annual allocation.
AIL00001 - Traffic Calming	400156 - TransNet (Prop A 1/2% Sales Tax)	254,295.40	Appropriate fund balance to the Traffic Calming annual allocation.
AIL00005 - Traffic Signals Modification	400156 - TransNet (Prop A 1/2% Sales Tax)	45,000.00	Appropriate fund balance to the Traffic Signal Modifications annual allocation.

Transfer in CIP Requests

Funded Program (Sending)	Funded Program (Receiving)	Fund	Amount	Justification
S00939 - Laurel Street Bridge over SR 163	S00602 - Juan Street Concrete Street	400169 - TransNet Extension Congestion Relief Fund	170,000.00	Transfer excess funding to support Construction Change Orders.
S00870 - Old Otay Mesa Road-Westerly	S00602 - Juan Street Concrete Street	400169 - TransNet Extension Congestion Relief Fund	140,000.00	Transfer excess funding to support Construction Change Orders.
S00941 - Ted Williams Pkwy Bridge/Shoal Creek Dr	S00602 - Juan Street Concrete Street	400169 - TransNet Extension Congestion Relief Fund	90,000.00	Transfer excess funding to support Construction Change Orders.
S00922 - 34th & 35th @ Madison Ave Improvements	S00988 - Five Points Neighborhood Pedestrian Impr	400169 - TransNet Extension Congestion Relief Fund	75,000.00	Transfer excess funding to support a bid that came in higher than anticipated.
ABE00001 - Americans with Disabilities Improvements	AIK00001 - New Walkways	400677 - TransNet ARRA Exchange Fund	86.50	Transfer funding from a completed subproject to New Walkways annual allocation.

Annual Allocations Excess Budget to Fund Balance

Deappropriation Requests

Funded Program	Fund	Amount	Justification
AJA00002 - Pipeline Rehabilitation	700008 - Muni Sewer Utility - CIP Funding Source	8,000,000.00	To align annual allocation with cash flow and project schedules.
AKA00003 - Large Diameter Water Transmission PPL	700010 - Water Utility - CIP Funding Source	2,400,000.00	To align annual allocation with cash flow and project schedules.
AJB00001 - Metropolitan Waste Water Department Trunk Sewers	700009 - Metro Sewer Utility - CIP Funding Source	2,000,000.00	To align annual allocation with cash flow and project schedules.
AJB00001 - Metropolitan Waste Water Department Trunk Sewers	700008 - Muni Sewer Utility - CIP Funding Source	1,000,000.00	To align annual allocation with cash flow and project schedules.
AKB00007 - Instrumentation and Control	700010 - Water Utility - CIP Funding Source	800,000.00	To align annual allocation with cash flow and project schedules.
ABP00002 - Metropolitan System Pump Stations	700009 - Metro Sewer Utility - CIP Funding Source	500,000.00	To align annual allocation with cash flow and project schedules.
ABP00003 - Pump Station 64,65, Penasquitos, E Mission Gorge	700008 - Muni Sewer Utility - CIP Funding Source	500,000.00	To align annual allocation with cash flow and project schedules.
ABJ00001 - Water Pump Station Restoration	700010 - Water Utility - CIP Funding Source	400,000.00	To align annual allocation with cash flow and project schedules.

Deappropriation Requests

Funded Program	Fund	Amount	Justification
AFA00002 - Underground Tank Program	400629 - UST Cleanup Fd	38,603.05	Funds returning to fund balance for ongoing site assessment and mitigation activities at Brown Field Airport
AID00007 - Bus Stop Improvements	400691 - Bus Stop Capital Improvement Fund	10,133.00	Deappropriation based upon actual revenue received in FY16.
AIA00001 - Minor Bike Facilities	600002 - Grant Fund - Other	8,012.08	The grant associated with subproject B13212, Mission Ctr Rd @ SD River Path HAWK (1000408-2013), has expired and all eligible expenses have been reimbursed.

Technical Adjustments

Transfer in CIP Requests

Funded Program (Sending)	Funded Program (Receiving)	Fund	Amount	Justification
S15032 - Gamma Street Mini-Park ADA Improvements	L16000 - Southeastern Mini Park Improvements	400120 - S.E San Diego Urban Comm	450,000.00	Transfer of appropriations, expenditures, and encumbrances to a new standalone project for future phases of this project.
S10091 - Sunset Cliffs Natural Pk Hillside Imp Presrv	L16001 - Sunset Cliffs Natural Pk Hillside Imp Presrv Phased	200391 - Regional Park Fund	900,000.00	Transfer of appropriations, expenditures, and encumbrances to a new standalone project for future phases of this project.
S00667 - Mira Mesa CP - Exp & Aquatic Complex	L16002 - Mira Mesa Community Pk Improvements	400085 - Mira Mesa FBA	2,110,948.00	Transfer of appropriations, expenditures, and encumbrances to a new standalone project for future phases of this project.
ABT00002 - Roof Replacement	ABT00001 - City Facilities Improvements	400265 - CIP Contributions from General Fund	140,006.48	Annual allocation ABT00002 is being closed and combined with ABT00001. Active sublet B15192 and all appropriations, expenditures, and encumbrances will be transferred between annual allocations.
ABK00001 - Dams and Reservoirs	ABL00001 - Standpipe and Reservoir Rehabilitations	700010 - Water Utility - CIP Funding Source	1,566,354.92	Annual allocation ABK00001 is being closed and combined with ABL00001. Active sublets B13158 & B15195 and all appropriations, expenditures, and encumbrances will be transferred between annual allocations.

Transfer in CIP Requests

Funded Program (Sending)	Funded Program (Receiving)	Fund	Amount	Justification
ABL00001 - Standpipe and Reservoir Rehabilitations	S17006 - University Heights Water Tower Seismic Retrofit	700010 - Water Utility - CIP Funding Source	50,000.00	Sublet B15231 - University Heights Water Tower will be converted to a standalone project and all appropriations, expenditures, and encumbrances will be transferred.

Other Requested Council Actions

Appropriation Requests

Funded Program	Fund	Amount	Justification
AID00001 - Utilities Undergrounding Program	200218 - Undergrounding Surcharge CIP Fund	4,000,000.00	Addition of funding to support curb ramp installation, street resurfacing, and street light installation for utilities undergrounding projects.
S16052 - Miramar Landfill Gas Recovery Improvements	700040 - Refuse Disposal CIP Fund	1,000,000.00	Funding needed to begin a consolidated blower system and well field improvements to ensure all collectable Landfill gas is extracted and distributed to energy utilization facilities.
S16054 - Miramar Landfill Storm Water Improvement	700040 - Refuse Disposal CIP Fund	1,000,000.00	Funding for design & construction of a Storm Water Basin at the Miramar Landfill.
S00851 - SR 163/Friars Road	400174 - TransNet Extension RTCI Fee	700,000.00	Addition of RTCIP funding to support the SR163/Friars Rd Interchange Project.
S16053 - Aerated Static Pile System	700040 - Refuse Disposal CIP Fund	500,000.00	Funding to begin an Aerated Static Pile System
S10131 - Police HQs CoGeneration Repower Project	200312 - Tow Dispatch Computer Interface Fund	500,000.00	Appropriate funds for the Police Co-Gen Project.
S10131 - Police HQs CoGeneration Repower Project	200225 - Energy Conservation Program CIP Fund	250,000.00	Appropriate funds for the Police Co-Gen Project.
AIL00004 - Traffic Signals - Citywide	400133 - Torrey Pines - Urban Community	350,000.00	Appropriate funds for traffic signal improvements at Del Mar Heights Road and Mercado Drive.
ABT00001 - City Facilities Improvements	400221 - PV Est-Other P&R Facilities	328,254.00	Creation of a new sublet project for Canyonside CP HVAC System.
RD16001 - Harbor Dr TS Participation Agreement	700008 - Muni Sewer Utility - CIP Funding Source	50,000.00	Additional funding for time spent from internal central departments for the project.

Appropriation Requests

Funded Program	Fund	Amount	Justification
S16056 - Miramar PubTipping/Resource Recovery Ctr	700040 - Refuse Disposal CIP Fund	50,000.00	Miramar Public Tipping Resource Recovery Center
ABE00001 - Americans with Disabilities Improvements	200712 - Parking Meter Operations Fund	30,000.00	FY16 transfer of CPD funds for ADA Curb Ramp Winder & McKee (B16108)

Deappropriation Requests

Funded Program	Fund	Amount	Justification
S13100 - CAD System Replacement Project	400265 - CIP Contributions from General Fund	2,900,000.00	Funding to be replaced with CIP Lease Purchase funds in FY 2017. General Funds to be returned to Police operations in FY 2016.
S12036 - Backup Generators at SPS's, TP & EMTS	700009 - Metro Sewer Utility - CIP Funding Source	1,400,000.00	To align cash flow and project schedules.
S12036 - Backup Generators at SPS's, TP & EMTS	700008 - Muni Sewer Utility - CIP Funding Source	600,000.00	To align cash flow and project schedules.
S00939 - Laurel Street Bridge over SR 163	600001 - Grant Fund - State	379,032.11	The City has fulfilled its obligation of the co-op agreement with Caltrans and no additional expenses will be reimbursed from this grant (1000389-2013).
S00673 - Charles Lewis III Memorial Park	400169 - TransNet Extension Congestion Relief Fund	7,212.00	Technical Adjustment to align available budget with actual expenditures.
S00785 - Fire Station No. 54 - Paradise Hills	400157 - PFFA-FLSF 2002B-Const.	281.05	Technical adjustment to close an old Deferred Capital Bonds Fund.

Close CIP Requests

Funded Program	Fund	Amount	Justification
S00798 - North Park Library	200209 - Library System Improvement Fund	450,815.74	Project is stalled and will be reopened when sufficient funding is identified for future phases.
S00798 - North Park Library	400110 - Park North-East - Park Dev Fd	22,066.60	Project is stalled and will be reopened when sufficient funding is identified for future phases.
S00810 - Paradise Hills Library	200209 - Library System Improvement Fund	39,228.85	Project is stalled and will be reopened when sufficient funding is identified for future phases.
S00816 - Public Safety Training Institute	400264 - Private & Other Contrib-CIP	46,189.21	Project is stalled and remaining funding will be returned to the County and the Community College District.

Close CIP Requests

Funded Program	Fund	Amount	Justification
S00816 - Public Safety Training Institute	400265 - CIP Contributions from General Fund	475.44	Project is stalled and remaining City funding will be allocated to the next project on the waterfall list.

Transfer in CIP Requests

Funded Program (Sending)	Funded Program (Receiving)	Fund	Amount	Justification
S01088 - Future Waste Mgmt Disposal & Pro Fac	S16056 - Miramar PubTipping/Resource Recovery Ctr	700040 - Refuse Disposal CIP Fund	9,562,262.18	Transfer funds to establish a new project with a specific scope. S01088 is anticipated to be closed in Fiscal Year 2017 once final invoices for previous work are paid.
AID00005 - Resurfacing of City Streets	ACA00001 - Drainage Projects	400860 - PFFA Lease Revenue Bonds 2015B-Projects	2,000,000.00	Transfer to backfill El Niño emergency work. Per cash management analysis, sending projects will not need to cash for expenditures in near future.
AID00005 - Resurfacing of City Streets	S13018 - Avenida de la Playa Infrastructure-SD	400859 - PFFA Lease Revenue Bonds 2015A-Projects	1,500,000.00	Transfer for Av. De la Playa emergency work. Per cash management analysis, sending projects will not need to cash for expenditures in near future.
AID00005 - Resurfacing of City Streets	ACA00001 - Drainage Projects	400859 - PFFA Lease Revenue Bonds 2015A-Projects	700,000.00	Backfill funding for El Nino emergency work. Per cash management analysis, sending projects will not need to cash for expenditures in near future.
S15003 - Park de la Cruz Neighborhood Park Improvements	S15008 - Linda Vista Skate Park	600001 - Grant Fund - State	750,000.00	Transfer excess grant funding (1000360-2016) to cover a bid that came in higher than anticipated.
AFA00002 - Underground Tank Program	L14002 - Fleet Services Elect & Fac Improvements	400179 - Gen Serv - Maint/Impr	368,961.47	Transfer funds to Fleet CIP for Car Wash project.
AIH00002 - Street Light Circuit Upgrades	AIH00001 - Installation of City Owned Street Lights	200306 - Proposition 42 Replacement - Transportation Relief Fund	200,000.00	Transfer to replace funding utilized in Street Light installation annual allocation for street light circuit project.

Transfer in CIP Requests

Funded Program (Sending)	Funded Program (Receiving)	Fund	Amount	Justification
S00788 - Fire Station No. 05 - Hillcrest	S00787 - Fire Station No. 22 - Point Loma	400859 - PFFA Lease Revenue Bonds 2015A-Projects	335,000.00	Transfer excess funding to support increased project cost estimates.
S00788 - Fire Station No. 05 - Hillcrest	S00644 - Children's Pool Lifeguard Station	400859 - PFFA Lease Revenue Bonds 2015A-Projects	147,000.00	Transfer excess funding to support increased project cost estimates.
AKA00003 - Large Diameter Water Transmission PPL	AHC00004 - Recycled Water Systems Upgrades	700010 - Water Utility - CIP Funding Source	100,000.00	Funding for in-house for sublet B14170
AGF00005 - Regional Park Improvements	AGF00006 - Coastal Erosion and Access	200391 - Regional Park Improvements Fund	100,000.00	Transfer to award a construction contract for access improvements at Orchard Av, Capri by Sea & Old Salt Pool (B14073). Transfer is contingent upon approval by the Regional Parks Board.
AEA00002 - Balboa Park Golf Course	S15036 - Balboa Park West Mesa Comfort Station Replacement	200215 - Unappropriated Reserve - Balboa Park CIP Fund	12,839.43	Transfer savings from Balboa Pk GC Step/Handrail Replace Ph II (B11100) to cover additional funding needs.
S12041 - North Ocean Beach Gateway Ph II	AGF00006 - Coastal Erosion and Access	200212 - TOT Coastal Infrastructure CIP Fund	517.02	Savings from completed project transferred to AGF00006 to help fund a potential shortfall in a sub project.
ABC00001 - Fire Station Major Component Replacement Rehab	S10121 - Ocean Beach Lifeguard Station	400000 - Capital Outlay - Sales Tax	246.55	ABC00001 will be closed; Fire-Rescue facilities improvements will be budgeted in the facilities annual allocation (ABT00001). Excess budget transferred to highest Fire-Rescue project on the waterfall list.

Additional Approvals Requested

TransNet

Any changes to TransNet allocations require the City to revise its RTIP accordingly; these resolutions will allow the City to implement the recommended reallocations.

1. That the Mayor, or his designee, is authorized to submit to SANDAG revisions to the 2014 Regional Transportation Improvement Program (RTIP) as required by SANDAG and outlined in the resolutions to follow and as noted on Attachment I.
2. That pursuant to Section 2(C)(1) of the TransNet Extension Ordinance, the City of San Diego certifies that no more than 30 percent of its annual revenues shall be spent on maintenance-related projects.
3. That pursuant to Section 4(E)(3) of the TransNet Extension Ordinance, the City of San Diego certifies that all new projects, or major reconstruction projects, funded by TransNet revenues shall accommodate travel by pedestrians and bicyclists, and that any exception to this requirement permitted under the Ordinance and proposed, shall be clearly noticed as part of the City of San Diego's public hearing process.
4. That pursuant to Section 8 of the TransNet Extension Ordinance, the City of San Diego certifies that it has included an amount of local discretionary funding for street and road purposes in its budget for this fiscal year that is at least equal to the most recently established minimum maintenance of effort requirement adopted by SANDAG and that it intends to continue to do so in each year of the five-year period covered by the RTIP.
5. That pursuant to Section 9A of the TransNet Extension Ordinance, the City of San Diego certifies that it will extract \$2,653, plus all applicable annual increases, from the private sector for each newly constructed residential housing unit in that jurisdiction and shall contribute such exactions to the Regional Transportation Congestion Improvement Program (RTCIP).
6. That pursuant to Section 13 of the TransNet Extension Ordinance, the City of San Diego certifies that it has established a separate Transportation Improvement Account for TransNet revenues with interest earned expended only for those purposes for which the funds were allocated.
7. That pursuant to Section 18 of the TransNet Extension Ordinance, the City of San Diego certifies that each project of \$250,000 or more will be clearly designated during construction with TransNet project funding identification signs.
8. That the City of San Diego certifies that all other applicable provisions of the TransNet Extension Ordinance have been met.
9. That the City of San Diego agrees to indemnify, hold harmless, and defend SANDAG, the San Diego County Regional Transportation Commission, and all officers and employees thereof against all causes of action or claims to local TransNet funded project.

Capital Outlay

1. Authorize the CFO to transfer all funds currently in and due to the Capital Outlay Industrial Development Fund (400005) to the Capital Outlay Fund (400002).
2. Repeal Council Policy 900-03: Management and Marketing of City-Owned Industrial Property in its entirety.
3. Authorize the CFO to close the Capital Outlay Industrial Development Fund (400005).

Add Projects to the CIP

1. Add L16000, Southeastern Mini Park Improvements, to the Capital Improvements Program (CIP).
2. Add L16001, Sunset Cliffs Natural Park Improvements, to the CIP.
3. Add L16002, Mira Mesa Community Pk Improvements, to the CIP.
4. Add S16052, Miramar Landfill Gas Recovery Improvements, to the CIP.
5. Add S16053, Aerated Static Pile System, to the CIP.
6. Add S16054, Miramar Landfill Storm Water Improvement, to the CIP.
7. Add S16056, Miramar PubTipping/Resource Recovery Ctr, to the CIP.
8. Add S17006, University Heights Water Tower Seismic Retrofit, to the CIP.

Close CIP Projects

1. Close S00616, Sixth Avenue Playground Improvements.
2. Close S00971, Treena Mesa Joint Use Sports Field.
3. Close S00667, Mira Mesa CP - Exp & Aquatic Complex once Phase 1 is complete.
4. Close S10091, Sunset Cliffs Natural Pk Hillside Imp Presrv once Phase 1 is complete.
5. Close S15032, Gamma Street Mini-Park ADA Improvements.
6. Close S00798, North Park Library.
7. Close S00810, Paradise Hills Library.
8. Close S00816, Public Safety Training Institute.
9. Close ABC00001, Fire Station Major Component Replacement Rehab.
10. Close ABT00002, Roof Replacement.
11. Close ABK00001, Dams and Reservoirs.

Project Re-titles

1. Re-title S15002, “ADA Improvements & Expansion of Paradise Senior Ce” to “Paradise Senior Center Improvements”.
2. Re-title S14016, “MTRP Equestrian & Multi Use Staging Area AdminBldg” to “East Fortuna Staging Area and Field Station Building”.
3. Re-title S01090, “Mission Bay GC Practice Ctr Bldg Improve” to “Mission Bay Golf Course Clubhouse Demolition and Trailer Installation”.
4. Re-title S11010, “Mission Bay GC Renovation/Reconstruction” to “Mission Bay Golf Course Irrigation and Lighting Upgrades”.
5. Re-title S00654, “Chollas Community Park” to “North Chollas Community Park Comfort Station”.

Expenditure of Funds

1. Authorize the Chief Financial Officer to expend an additional amount not to exceed \$190,000 from CIP # AKB00003, Annual Allocation - Water Main Replacements (B15153), Fund 700010, Water Utility CIP, for City Forces Work related expenses.
2. Authorize the Chief Financial Officer to expend an additional amount not to exceed \$9,000 for an amount not to exceed \$179,000 from CIP # AKB00003, Annual Allocation - Water Main Replacements (B11006), Fund 700010, Water Utility CIP, for City Forces Work related expenses.
3. Authorize the Chief Financial Officer to expend an additional amount not to exceed \$190,000 from CIP # AKA00003, Annual Allocation - Large Diameter Water Transmission PPL (B14028), Fund 700010, Water Utility CIP, for City Forces Work related expenses.
4. Authorize the Chief Financial Officer to expend an additional amount of \$380,000 for a total amount not to exceed \$536,240 from CIP # S11021, University Ave Pipeline Replacement, Fund 700010, Water Utility CIP, for City Forces Work related expenses.
5. Authorize the Chief Financial Officer to expend an additional amount not to exceed \$196,800 from CIP # S11022, Upas St. Pipeline Replacement, Fund 700010, Water Utility CIP, for City Forces Work related expenses.

CITY OF SAN DIEGO, CALIFORNIA

COUNCIL POLICY**CURRENT**

SUBJECT: MANAGEMENT AND MARKETING OF CITY-OWNED INDUSTRIAL PROPERTY
POLICY NO.: 900-03
EFFECTIVE DATE: October 2, 1989

BACKGROUND:

In order to enhance the City's economic base and create employment opportunities, the City has actively engaged in the development of industrial and scientific research parks since the 1950's. This development has involved the subdivision and improvement of City lands, including Research Park, Research Park Subdivision Addition, City of San Diego Industrial Park, Torrey Pines Science Park, South San Diego Industrial Park, Campus Point, Eastgate Technology Park, and Corporate Research Park. More recently, the City has acquired property and redeveloped it for industrial use. Examples include Market Street and Dells Industrial Park. Future industrial developments will be located at Brown Field, on the City's Pueblo Lands, and in redevelopment areas.

PURPOSE:

To increase employment, improve the local economy, and promote private sector activity through the acquisition, development, and lease or sale of City land for industrial purposes.

POLICY:

The City shall manage its industrial properties in accordance with the following objectives:

1. Disposition - City property can be leased or sold for those developments which offer employment opportunities, will expand and diversify the City's economic base, will engage in activities compatible with the quality of life in San Diego, and will provide a specific development schedule. Special consideration may be given to lessees or purchasers who offer employment opportunities to economically disadvantaged persons and/or who engage in scientific research, manufacturing research and development, high technology, light manufacturing, or national/corporate headquarters.
2. Reversion - Purchasers must agree to appropriate reversionary rights or other penalties if performance is not in accordance with the requirements of the disposition agreement.
3. Lease Rent or Sales Price - The City shall optimize the lease rent or the sales price to be received from City-owned industrial properties based on relevant factors, including an appraisal of the property which is no more than six months old, prevailing economic conditions, recent trends in industrial land activities, and specific benefits to be generated by the user.
4. Industrial Subdivisions - The City shall continue to develop its inventory of industrial property, and expand that inventory, where appropriate, through acquisition, redevelopment, or the development of surplus public properties.

COUNCIL POLICY**CURRENT**

5. Disposition of Proceeds - Proceeds from the sale and lease of City-owned industrial properties shall be deposited as follows:
 - a. Brown Field Industrial Lands (Attachment Item 6): Lease proceeds shall be deposited to the Airports Enterprise Fund to be used for airports operation and maintenance.
 - b. Police Pueblo Lands (Attachment Items 1, 4, 5 and 7): Sale and lease proceeds shall be deposited into the Capital Outlay Fund to be used solely and exclusively for the purpose of financing acquisition and construction of police substations and other permanent improvements for police purposes (Police Decentralization Fund 302481) in accordance with Ordinance 12685 N.S.
 - c. All other industrial lands: Sale proceeds shall be deposited into the Capital Outlay Fund to be used for support of an industrial development program (Industrial Development Fund 30248) in accordance with Resolution 220303. Lease proceeds shall be deposited into the General Fund.
6. Marketing Responsibilities - It shall be the Economic Development Corporation's (EDC) responsibility to assist the City Manager to market the land and to suggest prospective lessees or purchasers to the City Manager. The City Manager shall be responsible for directing all marketing, including evaluating and accepting or rejecting EDC's suggestions, negotiating contracts with prospective lessees or purchasers and making recommendations to the City Council for the leases or sales.
7. Negotiations - The City Manager may exclusively negotiate with a prospective lessee or purchaser and take the agreement to the City Council, via the appropriate Council committees, for approval. Proposals need not be subject to advertisement prior to Council consideration, but shall be considered based on the financial and economic benefits incorporated in the proposal. Proposals may also be solicited on a competitive basis depending on the interest indicated by the market for given properties. The ultimate responsibility for the selection or rejection of the proposed lessee or purchaser rests with the City Council. Since it is not generally in the best interests of the City for an agreement to be negotiated in open session, the Council shall either disapprove or return to the City Manager for further negotiation any agreement which the Council does not approve.
8. Notification to the City Council - The City Manager will advise the City Council of commencement of negotiations with any bonafide applicant offering to lease or purchase City-owned industrial property. Such notice will be by information report to the full Council stating 1) the parcel under negotiation, 2) the identity of the applicant or, if confidentiality has been requested a description of the firm, 3) the general proposed use, 4) whether negotiations are for lease or sale, and 5) any additional offers received on the particular parcel.
9. Considerations for Specific Sites - Specific objectives regarding lease versus sale, users, employment density, and traffic are listed in the attachment to this policy.

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

CROSS REFERENCES:

Council Policy 900-01, Economic Development
Council Policy 900-04, Industrial Development
Council Policy 700-10, Disposition of City-owned Real Property
San Diego Municipal Code, Chapter II, Article II, Division 9

HISTORY:

Adopted by Resolution R-220305 02/15/1978
Amended by Resolution R-253163 11/24/1980
Amended by Resolution R-258161 03/28/1983
Amended by Resolution R-274486 10/02/1989

Assigned Responsibility - Property Department

ATTACHMENTS

SPECIFIC CONSIDERATIONS FOR VARIOUS CITY-OWNED INDUSTRIAL PROPERTIES

1. Eastgate Technology Park

Lease Versus Sale - Lease with the intent of development a long-term revenue stream for support of the police decentralization effort.

Users - Users shall be those which qualify as scientific research, light manufacturing, or national/corporate headquarters.

Employment Density - No restrictions will apply to the intensity of employment and employers having relatively few employees should be encouraged in order to minimize average daily trips (ADTs).

Traffic - Because of traffic problems in the community, employers whose customers will cause relatively few ADTs will be encouraged.

Developments - Subject to requirements of NAS Miramar Comprehensive Land Use Plan and the City's University Community Plan.

2. Torrey Pines Science Park

Lease Versus Sale - Property may be either leased or sold.

Users - Users shall be those which qualify as scientific research or national/corporate headquarters. Users related to the University will be encouraged.

Employment Density - No restrictions on the level of employment will be applied. Low density is preferred because of traffic problems in the community.

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Traffic - Employers generating relatively few ADTs will be encouraged.

Developments - Subject to requirements of NAS Miramar Comprehensive Land Use Plan and the City's University Community Plan.

3. South San Diego Industrial Park

Lease Versus Sale - Property may be leased or sold.

Users - Users must be in compliance to the MIB zone and comply with the CC&Rs.

Employment Density - High employment densities and/or employers offering employment opportunities for San Diego based economically disadvantaged persons shall be encouraged.

Traffic - No special considerations.

4. Parcel B, I-805 and Sorrento Valley Road

Parcel B shall be held pending construction of Carroll Canyon Road. Parcel B may eventually be sold to CalTrans for a park and ride facility. Developments are subject to the requirements of NAS Miramar Comprehensive Land Use Plan.

5. Parcel C, I-805 and Sorrento Valley Road

Council has designated that the parcel be leased. Users shall be in accordance with the applicable zone. Developments are subject to requirements of the NAS Miramar Comprehensive Land Use Plan.

6. Brown Field Industrial Park

Lease Versus Sale - The parcels can only be leased.

Users - Users shall be in accordance with the Brown Field Master Plan.

Employment Density - Employers offering high employment levels and employers offering employment opportunities for San Diego based economically disadvantaged persons shall be encouraged.

7. Corporate Research Park

A tentative map has been prepared, but the property is undeveloped and shall be held for future development pending financing and favorable market conditions. When development occurs, consideration should be given to requiring that the parcels be leased.

8. Unratified Pueblo Lands

Pursuant to the University Community Plan, the property should not be developed until 1995.