THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: S400

IBA Review of the FY 2026-2030 Five-Year Capital Infrastructure Planning Outlook

OVERVIEW

On February 20, 2025, the Engineering & Capital Projects Department (E&CP) presented the City's FY 2026 – 2030 Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) to the Active Transportation and Infrastructure (ATI) Committee. This report will be presented to the full City Council for discussion on March 3, 2025. As stated in Council Policy 000-02: Budget Policies, the CIP Outlook provides a five-year citywide assessment of infrastructure needs and outlines the proposed capital priorities in compliance with the City Charter.[1] The CIP Outlook is developed to closely follow the annual release of the Five-Year Financial Outlook to assist in accurately forecasting available funding and capital needs over the next five fiscal years and serves as the basis for development of the annual Capital Improvement Program (CIP) budget.

This is the City's eleventh CIP Outlook; the first was issued in January 2015, and covered FY 2016- 2020.[2] The CIP Outlook is an important planning tool to identify capital needs and available funding within the five-year outlook period.

The City's extensive infrastructure network represents a crucial and substantial investment. However, prolonged financial constraints and limited dedicated funding have resulted in significant underinvestment in that infrastructure, creating a projected $6.51 billion funding shortfall over the next five years, as outlined in the CIP Outlook. Given the City's capital infrastructure needs far exceed available financial resources, it will be critical to prioritize investments strategically during

[1] Charter, Article VII, Section 71.

[2] A long-term capital plan was first recommended by the City Auditor in its June 2011 performance review of the CIP, to provide an overall citywide perspective on asset and funding needs to support informed financial decisions on infrastructure investments.

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the annual budget process. Without additional funding, many identified infrastructure needs will remain unaddressed, leading to further asset deterioration, expensive emergency repairs, and inefficient resource allocation.

This report offers additional analysis and key issues for the City Council to consider as it evaluates the CIP Outlook and the upcoming proposed FY 2026 Budget.[3] It includes a high-level assessment of this year's CIP Outlook and how it aligns with Councilmember priorities. Additionally, a detailed analysis of general fund asset managing departments is provided in Appendix A, along with key findings and recommendations to improve future CIP Outlooks.

Our Office would like to thank staff from Engineering & Capital Projects (E&CP), Department of Finance (DOF), and asset management departments (AMDs) for their collaboration with our Office and responding to questions and providing information for this report.

How this Report is Organized

FISCAL/POLICY DISCUSSION

The CIP Outlook includes projections for needed or planned capital expenditures for various asset types over the next five years. Those expenditures total $11.87 billion, ranging from a one-year low of $1.89 billion in FY 2026 to a high of $2.97 billion in FY 2029. Revenues and resources to support those expenditures, however, total only $5.36 billion, leaving a funding gap of $6.51 billion, as will be discussed in additional detail below.

While the CIP Outlook includes projections for most known revenue sources, such as enterprise fund rate revenue, WIFIA loan proceeds, General Fund debt financing, and others, those alone are insufficient to address the City's capital backlog. Further, many existing funding sources also come with restrictions, and those that do not have restrictions have significantly more projects competing for that funding than can be supported. For example, General Fund financing provides flexibility to support various infrastructure projects like streets, park improvements, fire stations, and librar-

[3] Our Office also annually prepares a Public Guide to Infrastructure, which was updated in December 2024 and may further assist the public in understanding the CIP budget process. The Guide is available in both English and Spanish.

ies, but General Fund financing is insufficient to fund all those projects, and the debt service payments necessary to support General Fund financing come from the same limited funding source that also supports day-to-day City operations.

The CIP Outlook does identify additional resources such as grant funding, though it does not assume speculative funding sources, and includes only grant revenue with approved agreements. To help close the budget gap, the City should continue dedicating staff and resources to actively pursue *new* grant funding opportunities. However, our Office acknowledges potential challenges in securing federal funding due to uncertainties of future federal economic policies. The Climate Equity Fund and Infrastructure Fund are also incorporated into the CIP Outlook to support infrastructure projects. However, it is important to note that these funds can also be used for operating and maintenance expenses. If they are redirected to cover operating costs at any point during the outlook period, it could further increase the funding gap for critical infrastructure investments.

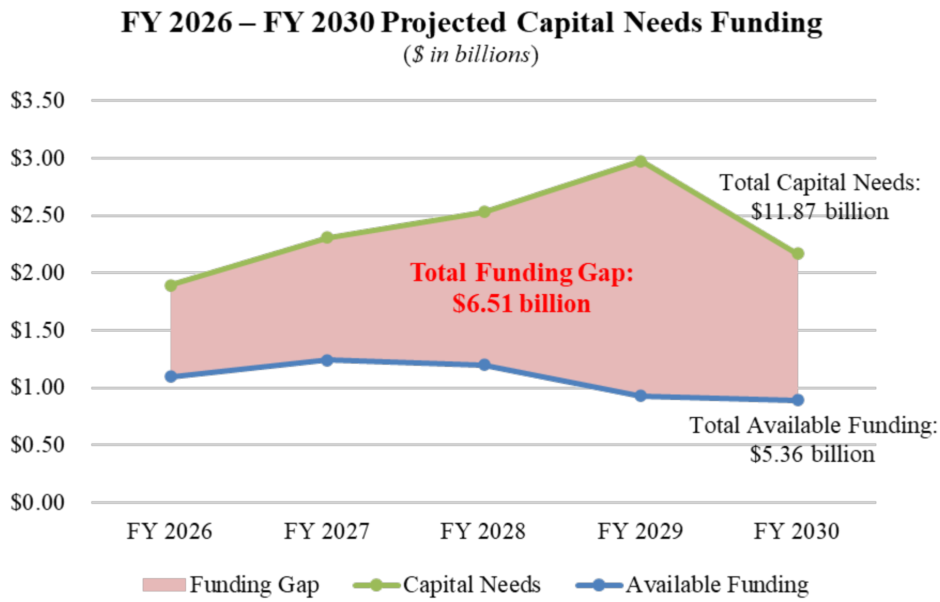
The magnitude of both the City's capital funding gap shown in the CIP Outlook, *and* the projected operational deficits shown in the City's Five-Year Financial Outlook, mean that some combination of new revenue will be needed as part of a holistic financing strategy; absent new General Fund revenue and/or new revenue dedicated to infrastructure, the City will be unable to make progress on closing its infrastructure funding gap, existing assets will continue to deteriorate to the point of failure, and the City will be unable to complete new infrastructure projected needed to comply with regulatory requirements or to provide new facilities and amenities to City residents. While identifying operational efficiencies and implementing additional asset management practices are critical, they alone will not be sufficient to close the City's projected deficit and the capital funding gap.

Effective Asset Management practices, such as establishing maintenance standards, conducting condition assessments, and leveraging Asset Management systems, are crucial for accurate capital planning. However, as noted throughout this report, Asset Management sophistication varies across departments. While some departments have made notable progress in tracking assets, those without legal mandates or dedicated funding often lack the resources to perform ongoing maintenance and condition assessments. Deferring maintenance and rehabilitation accelerates asset deterioration, ultimately leading to higher costs for emergency repairs and capital replacement projects. Investing in robust Asset Management strategies now can help reduce long-term infrastructure costs.

Overview of the CIP Outlook

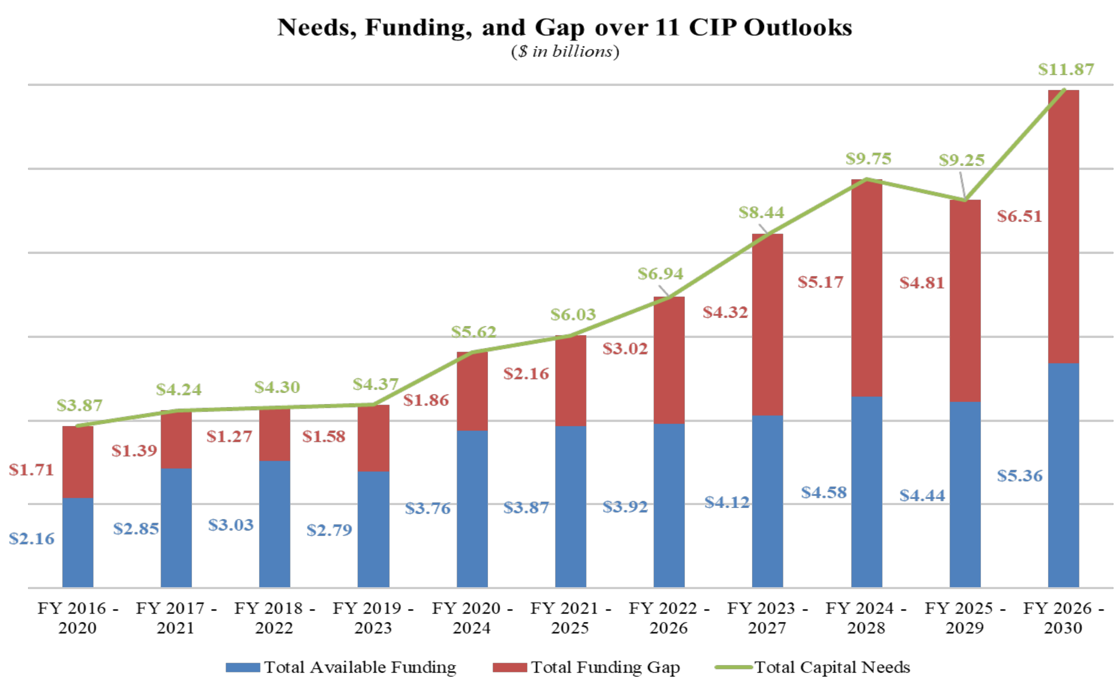
Five-Year Snapshot

The figure below reflects projected capital infrastructure needs, available funding, and the funding gap over the five-year CIP Outlook period. This includes total capital needs of $11.87 billion, and projected available funding of $5.36 billion, resulting in a $6.51 billion funding gap. Projected capital needs are at their highest in FY 2029, primarily due to stormwater projects, the San Diego Fire Training Facility, and new lifeguard stations.



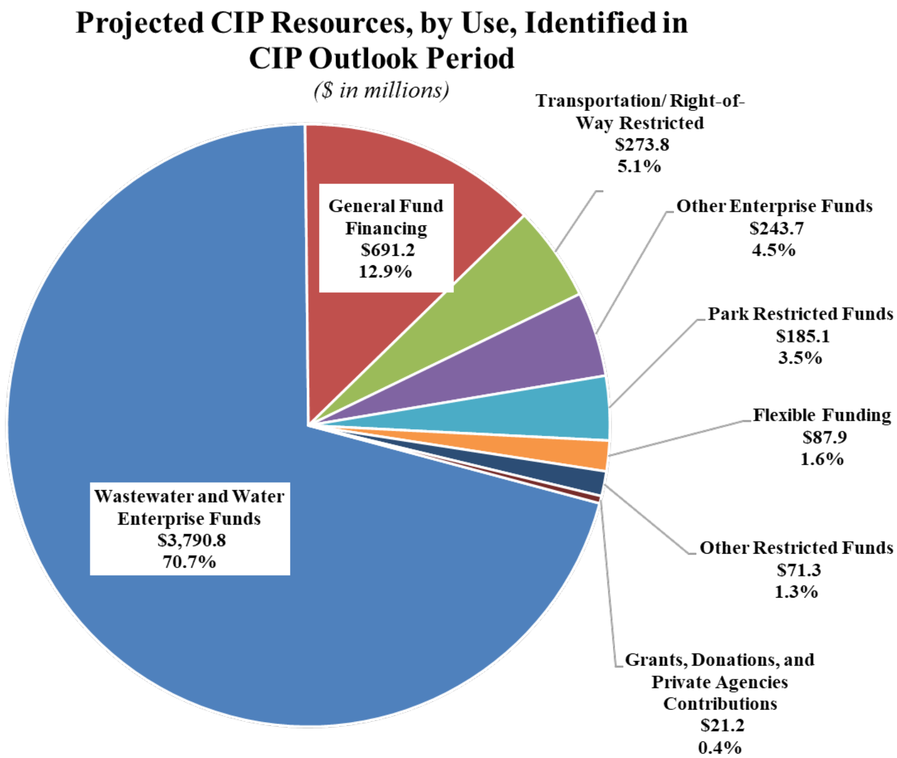
Comparison with Prior CIP Outlooks

While the CIP Outlook methodology has evolved over time, comparing prior Outlooks remains essential for identifying trends in infrastructure needs and funding gaps. The figure below illustrates the total needs, available funding, and funding gap from the last ten CIP Outlooks. Notably, in the FY 2025-29 Outlook, both total funding needs and the funding gap decreased, primarily due to a change in methodology that reclassified longer-term capital needs into a "FY 2031 and Beyond" category. However, the current CIP Outlook shows growth in both total capital needs and the capital funding gap. These increases in the current CIP Outlook are largely driven by growing needs for General Fund assets, particularly stormwater infrastructure.



Projected Revenues by Use

Funding availability is a key factor in determining which projects receive funding in the CIP budget. The CIP Outlook outlines projected revenue sources and their allocations to capital projects and needs. Funding is appropriated based on the Department of Finance's (DOF) fiscal year revenue forecasts, which include a mix of ongoing and one-time funding sources.[4] Many of these funding sources come with spending restrictions, which typically restrict the type of projects they can support (e.g., water or wastewater projects) or the geographic location of projects that they can fund (e.g. Otay Mesa Enhanced Infrastructure Financing District).



The figure above illustrates funding sources outlined in the CIP Outlook, categorized by their usage restrictions. As in previous years, water and wastewater funding comprise the majority of projected funding, totaling $3.8 billion (70.7%). Flexible funding sources and General Fund financing, which have minimal use restrictions, make up only 14.5% of available funding over the Outlook period. These unrestricted funds are particularly important, as many General Fund capital projects—such as street resurfacing, new or upgraded parks, fire stations, and libraries—are often ineligible for more restricted funding and must compete against each other for these limited financial resources.

[4] Revenue sources included in the CIP Outlook, Five-Year Financial Outlook, and PUD Outlook are all based on the same assumptions, though these Outlooks do not include all of the same revenue sources.

General Fund Financing

General Fund financing, totaling $691.2 million, makes up 89% of non-restricted funding over the Outlook period. The City's approach to financing General Fund capital projects includes both Commercial Paper and Lease Revenue Bonds. The City uses an $88.5 million General Fund Commercial Paper Program like a line of credit. Once Council approves appropriations to capital projects, staff borrows funds for projects using commercial paper notes (a short-term borrowing tool) when they are needed. When the City approaches the $88.5 million commercial paper authorization limit, staff return to Council with a request to issue long-term Lease Revenue Bonds (LRBs) to pay off outstanding commercial paper notes. This restores the capacity to issue additional commercial paper notes up to the $88.5 million authorization limit. Commercial Paper financing allows for debt to be issued only when it is needed and avoids the need to pay interest on long-term bonds whose proceeds would otherwise sit idle before being spent down.

Over the CIP Outlook, commercial paper and LRBs are assumed to provide $341.4 million for road repairs and $215.7 million for stormwater projects. This includes $78.2 million to satisfy the remaining matching funds requirement of the Stormwater Water Infrastructure Finance and Innovation Act (WIFIA) loan.[5] In addition to this, the CIP Outlook forecasts the appropriation of all remaining WIFIA loan funds, which total $134.1 million. The overall amount of General Fund financing proceeds assumed in the CIP Outlook is shown in the table below. These amounts largely align with the FY 2026-20230 Five Year Financial Outlook.

Forecasted General Fund Financing Funds (FY 2026 - 2030)							
Assumed Use	**Financing Type**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Total**
Road/Street Pavement	CP/LRB	$ 58,239,035	$ 70,800,000	$ 70,800,000	$ 70,800,000	$ 70,800,000	**$ 341,439,035**
Stormwater	CP/LRB	37,560,965	25,000,000	25,000,000	25,000,000	25,000,000	**137,560,965**
Stormwater (WIFIA match)	CP/LRB	22,365,107	55,790,638	-	-	-	**78,155,745**
Stormwater	WIFIA Loan	83,531,854	50,557,920	-	-	-	**134,089,774**
	Total	**$ 201,696,961**	**$ 202,148,558**	**$ 95,800,000**	**$ 95,800,000**	**$ 95,800,000**	**$ 691,245,519**

Introduction to the Deep Dive by Asset Managing Department (AMD)

Future capital needs are independently assessed and submitted for inclusion in the CIP Outlook by AMDs. Each department follows its own unique process and criteria for identifying and prioritizing infrastructure needs. For this discussion, it is important to distinguish between Enterprise Fund departments and General Fund departments. Enterprise Fund departments are considered self-supporting because they have dedicated funding sources generated through fees or rates charged to customers. These funds support City airports, golf courses, recycling, water, and wastewater services and can only be used for the operations and infrastructure related to the services that generate the revenue. The CIP Outlook assumes that enterprise fund capital needs are fully funded.

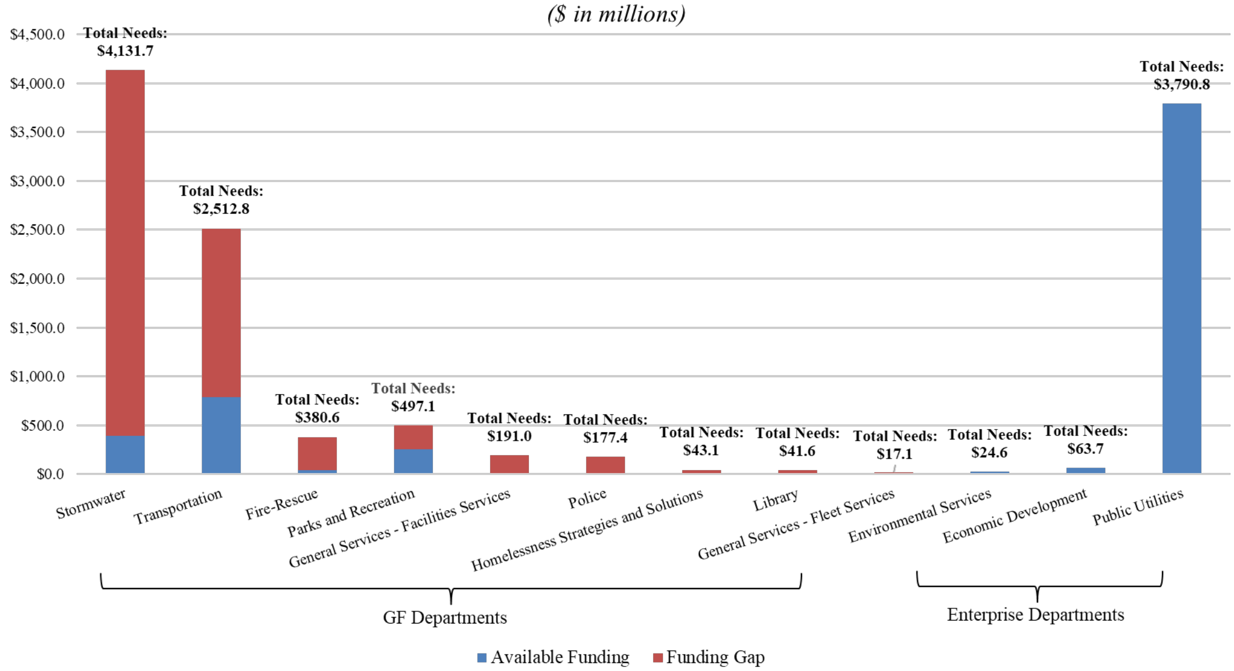
In contrast, non-enterprise assets such as city parks, libraries, police facilities, and fire-rescue facilities do not have dedicated funding sources and must compete for the City's limited unrestricted funding. These are known as General Fund assets, and account for all of the $6.51 billion funding gap.

[5] Under the terms of the City's $359.2 million Stormwater WIFIA Loan, the City must contribute 51%, or $373.8 million, of the $733.0 million in total project costs.

The following figure shows the projected funding gap by AMD. Stormwater represents the largest funding gap at $3.74 billion, followed by Transportation's $1.72 billion gap, and Fire-Rescue with a $338.7 million gap.

FY 2026-2030 Projected Total Funding, Funding Gap, and Total Needs by AMD

($ in millions)



Attachment 1 focuses on the needs, priorities, and funds of General Fund AMDs to help identify potential issues and to provide an understanding of what can be expected in the proposed FY 2026 CIP Budget. This information highlights key unfunded priorities, so they can be included in any future financing strategy.

City Council Infrastructure Budget Priorities

As outlined in our Office's report on the FY 2026 Updated City Council Budget Priorities, Councilmembers have expressed strong support for a broad range of infrastructure needs. All nine Councilmembers unanimously prioritized transportation and mobility safety. Additionally, a majority emphasized the need for improvements and expansion of existing facilities managed by Fire-Rescue (including fire stations and lifeguard stations), Libraries, Parks & Recreation, and the Police Department. Councilmembers also advocated for affordable housing preservation and development, as well as expanding homeless shelter capacity.

The table below highlights the infrastructure priorities supported by a majority of Councilmembers, along with the CIP Outlooks projections of FY 2026 capital needs, projected funding, and funding gap. AMD staff have indicated that while Council priorities provide valuable stakeholder input, the limited funding remains the biggest barrier to addressing these priorities.

Funding Identified in FY 2026 - 2030 CIP Outlook for FY 2026 Council Infrastructure Priorities *($ in millions)*				
Asset Type	**Total Needs**	**Funding Source**	**Funding Gap**	**Funding Sources**
Transportation and Mobility Safety	$100.6	$25.4	$75.2	See below
Pedestrian and Bicycle Safety	*19.3*	*3.8*	*15.5*	*TransNet Funds, Grants*
Traffic Calming	*3.8*	*2.8*	*1.0*	*Climate Equity Fund, Community DIF*
Traffic Signals	*44.2*	*17.4*	*26.7*	*TransNet Funds, Community DIF, Regional Transportation Congestion Improvement Program*
Streetlights	*33.3*	*1.4*	*31.8*	*Community DIF, Climate Equity Fund*
Streets - Modifications	320.0	108.0	212.0	See below
Modifications (minus traffic calming)	*124.2*	*37.1*	*87.1*	*Undergrounding Utilities Fund, TransNet Funds, Community DIF, Bus Stop Capital Improvement Fund, Otay Mesa EIFD, Citywide Mobility DIF, Regional Transportation Congestion Improvement Program*
Pavement	*195.8*	*70.9*	*124.9*	*Trench Cut/Excavation Fee Fund, TransNet Funds, Financing - Bonds and CP, Infrastructure Fund*
Sidewalks	71.9	3.7	68.2	Citywide Parks DIF, Citywide Mobility DIF, Community DIF, Active Transportation in Lieu, TransNet Funds
Stormwater	391.3	151.2	240.0	Financing - Bonds and CP, Financing - WIFIA Match, Private Agencies Contribution, WIFIA Loans
Facilities	83.3	36.7	46.5	See below
Library	*4.7*	*0.1*	*4.7*	*Citywide Library DIF*
Lifeguard	*2.5*	*0.0*	*2.5*	*N/A*
Parks & Recreation	*76.0*	*36.7*	*39.3*	*Community DIF, Mission Bay Improvements Fund, Mission Trails Regional Park Fund, Sunset Cliffs Natural Park Fund, Citywide Parks DIF, Regional Park Improvements Fund, Climate Equity Fund*
Total	**$967.0**	**$325.2**	**$641.8**	

Key Findings and Recommendations

Asset Management Practices, including Ongoing Maintenance Funding Are Critical Components of Cost-Effective Capital Investment Planning

The use of long-term asset management and capital planning by certain Asset Managing Departments has significantly improved the quality of capital needs assessments in the FY 2026–2030 CIP Outlook. By integrating data-driven decision-making, condition assessments, and long-term planning, departments have been able to provide more accurate, realistic, and financially responsible projections for infrastructure investment.

For example, Stormwater, which must adhere to strict regional and federal clean water regulations, has developed a Watershed Asset Management Plan (WAMP) that outlines a 30-year strategy for maintenance and capital needs. This plan serves as a foundation for identifying potential funding sources, such as WIFIA financing and a potential increase in stormwater fees, needed to support critical infrastructure investments. The Outlook also reflects the allocation of $24 million annually for Stormwater has emergency infrastructure repairs. This approach helps ensure that other CIP projects will not run the risk of needing to be defunded to reallocate limited dollars to emergency stormwater repairs.

The Transportation Department's Pavement Management Plan (PMP) is another example of a strategic capital and maintenance plan, emphasizing the importance of updated condition assessments and proactive Asset Management practices. Regular slurry seal and asphalt overlay treatments, while costly, are significantly less expensive than full street rehabilitation or reconstruction. Without these preventive measures, streets will deteriorate to a point where only expensive rebuilds are viable. As part of responsible infrastructure management, ongoing, scheduled maintenance should be incorporated into the budget as a fundamental cost of owning and bringing new assets online—this principle applies not only to streets but to all infrastructure assets.

While the City has made progress in promoting consistent Asset Management practices, challenges remain, particularly for General Fund departments. Allocating adequate resources for effective Asset Management and maintenance today can improve long-term capital planning and help reduce overall asset lifecycle costs in the future, but the lack of resources sufficient to develop and implement those practices continues to be a major problem facing the City.

As an example, the Department of General Services (DGS) - Facilities Services Division would benefit from additional resources to enhance long-term asset management. The last comprehensive condition assessment for existing City facilities was conducted between 2014 and 2016, leaving the City without a current evaluation of its infrastructure needs. To address this, DGS is preparing a request for proposal (RFP) for an as-needed contract to conduct an updated facilities condition assessment. However, funding will need to be secured for that assessment, and to begin making necessary repairs to City facilities to bring them to a suitable condition. In the long term, increasing the budget for preventive maintenance of City facilities could help extend their lifespan and delay the need for more costly rehabilitations and improvements, but limited available funding for these efforts continues to present difficulties.

The Need for Alternative Revenue Streams

The CIP Outlook acknowledges that existing funding sources are insufficient to meet the City's general fund infrastructure needs. Some potential additional revenue mechanisms include:

- Sales Tax Measure
- General Obligation (GO) Bond Program
- Stormwater Revenue Increase

Without new revenue, San Diego will face continued infrastructure deterioration, which will further increase already high long-term capital renewal costs.

Sale Tax Measure

The sales tax rate in the City is currently 7.75%, with 1.0% allocated to the City. In August 2024, our Office estimated that increasing the sales tax rate by 1.0% to 8.75% could generate an additional $360 million to $400 million annually. In November, voters in the City narrowly rejected Measure E, a one-cent sales tax increase, by 3,506 votes.

Opportunity to propose another sales tax measure on a future ballot exists, though implementation of a sales tax measure is ultimately dependent on voter approval. If another sales tax measure is proposed, it will require approval of two-thirds of voters if it is dedicated to specific expenditures, or a majority of voters if it is presented as a general tax that is not restricted to particular uses.[6] Any sales tax measure could generate significant additional revenue to support the City's capital infrastructure budget deficit.

General Obligation (GO) Bond Program

The City could consider a dedicated infrastructure tax or bond initiative to address funding gaps. Many cities use General Obligation (GO) bond programs to finance capital infrastructure. GO bond measures typically outline specific projects that will be funded, and often include public committees that provide oversight to ensure that funds are allocated as intended. In recent years, GO bond programs have been used in large U.S. cities, including San Francisco, CA; Phoenix, AZ; and San Antonio, TX, to fund streets, parks, drainage, housing and shelters, libraries, and public safety projects.

Since GO bonds are repaid through property tax levies, California law requires two-thirds voter approval for passage.[7] For reference, issuing $100 million in GO bonds would result in an estimated property tax increase of $1.64 per $100,000 of assessed value.

If successful, a GO bond could help the City tackle its $6.51 billion deferred capital backlog, though it would also be important to ensure that funding from other sources is available to support operations and maintenance of new infrastructure.

Stormwater Revenue Increase

The City has explored the implementation of a stormwater fee to support both operational and capital needs for several years. In January 2021, the Stormwater Department developed a Funding Strategy outlining infrastructure needs and potential funding options, which led to a draft ballot measure in February 2022. This measure proposed a 4 to 5 cent per square foot impervious surface tax, which would have generated $74.0 to $93.0 million annually, and was estimated to cost single-family homes $10 to $14 a month. However, the measure was not pursued due to the requirement for property-related fees and taxes to be approved by two-thirds voters, and polling that indicated insufficient support.

After the January 2024 storms, Council's Rules Committee revisited the issue, and considered a similar measure with a 7 cent per square foot tax which was estimated to generate $129.6 million annually. Again, the measure was dropped due to the high voter threshold.

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[6] The two-thirds voter threshold for special taxes (those taxes whose receipts are restricted to being used for particular expenditures) and the majority voter threshold for general taxes (those taxes whose proceeds can be used for any governmental purpose) are governed by Propositions 13, 62, and 218. The increased approval threshold for special taxes (such as a sales tax increase that would be specifically dedicated to infrastructure projects) has the effect of discouraging local governments from proposing them. A statewide measure would be necessary to adjust these thresholds, and it may be appropriate to pursue such a measure in the future.

[7] While this two-thirds threshold is the same as the special-tax threshold above, this threshold is associated with the tax being levied on *properties*, rather it being a tax whose proceeds can only be used for particular purposes.

An alternative under Proposition 218 allows for a property-related stormwater fee via a mail ballot to property owners, requiring a simple majority approval. This approach, used by other cities, requires a cost-of-service study to ensure fees align with service costs. Implementing this method, however, would still require a public vote, and would require additional time and research, and additional resources for the Stormwater Department. For more information on stormwater fees and the fee approval process, please refer to IBA Report 21-04 *Analysis of the Stormwater Division Funding Strategy Report*.

Prioritize Completion of Existing Projects

To maintain fiscal responsibility and ensure efficient infrastructure development, the City should consider prioritizing the completion of existing projects that are currently in development before it commits to new ones. With a $6.51 billion funding shortfall in the FY 2026–2030 CIP Outlook, the creation of new projects that draw from limited General Fund resources should be carefully scrutinized. In general, available funds should be directed toward high-priority projects that are already under construction or in advanced planning stages to ensure maximum efficiency in resource allocation.

Additionally, City staff should enforce strict project completion timelines to mitigate cost escalations driven by inflation, labor shortages, and supply chain disruptions. This would:

- Prevent the growth of the capital backlogs and limit the need for diverting funding from one project to another, ensuring a more structured CIP process.
- Reduce financial risk by minimizing cost overruns on unfinished projects.
- Enhance infrastructure reliability and service delivery by completing essential projects on schedule.

Attachment V of the FY2025 CIP Mid-Year Appropriation Adjustments for General Fund Asset Types included 15 projects, in the early or planned phase, that were closed due to an insufficient funding plan through completion. While the City should recognize that new projects are likely to be necessary over the next several years, especially in areas of the City that have historically lacked investment in building or maintaining infrastructure, given the City's financial limitations City staff should also focus on completing existing projects to maintain financial stability and ensure the efficient use of limited capital resources.

CONCLUSION

The City faces significant financial challenges, including a $6.51 billion funding gap in the CIP Outlook and projected operating deficits in the latest Financial Outlook. Without new funding sources, many identified infrastructure needs will remain unaddressed. While having a clear and executable capital plan is essential, it must be supported by sufficient resources and revenue streams to be effectively implemented. A comprehensive financing strategy, including identification of new revenue sources, remains critical to closing the growing capital funding gap and ensuring the City can meet its long-term infrastructure needs.

As the City moves towards the upcoming budget season, it is important to note that the City Council will ultimately have the authority to allocate funding to its own priorities – including infrastructure and capital priorities – provided that the final adopted budget remains balanced. For the City's Capital Improvements Program, Council will have the most discretion over the allocation of flexible funding sources to fund priority CIP projects. However, because those flexible funding is limited, prioritizing infrastructure needs will come with difficult tradeoffs.

Our Office thanks staff from Engineering & Capital Projects, Department of Finance, and asset management departments for their collaboration with our development of this report.

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Attachment 1: Deep Dive on Individual AMDs

Attachment 1: Deep Dive by Asset Managing Department

Capital needs for future projects are independently determined and submitted for inclusion in the CIP Outlook by each asset management department (AMD), and each department has its own unique requirements and approaches in identifying needs. This attachment includes additional information, analysis, and potential issues for each AMD's needs, priorities, and funds. This information includes a highlight of key unfunded priorities, to better inform a future financing strategy.

Note that this attachment is organized by AMD rather than asset type. However, needs for *existing facilities* are reported under Department of General Services (DGS) – Facilities Services rather than the AMDs that manage those assets.

General Fund Departments

Department of General Services (DGS) - Facilities Services – Existing Facilities

Department of General Services - Facilities Services *($ in millions)*							
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Outlook Period Total	FY 2031 and Beyond
Capital Needs	$26.8	$30.6	$28.7	$38.7	$66.2	**$191.0**	$663.4
Available Funding	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
Funding Gap	**$26.8**	**$30.6**	**$28.7**	**$38.7**	**$66.2**	**$191.0**	**$663.4**

Note: Table may not total due to rounding.

Capital needs for repairs to existing facilities reported for DGS-Facilities Services total $191.0 million with no revenue projected, resulting in a $191.0 million funding gap. The capital improvement needs projected by the Facilities Services Division include those for existing City facilities from multiple AMDs, including Police, Fire-Rescue, Library, and Parks and Recreation. Examples of key projects in the CIP Outlook include the Air and Space Museum Repairs, Police Headquarters EMS/HVAC Phase I and II, Fire Station 20 Roof and HVAC Replacement, Rancho Bernardo Library Roof Replacement, and Mission Beach Lifeguard Tower Replacement. A projected $663.4 million is needed to fund the capital backlog identified in the 2014-2016 condition assessments, and this is reported in the "FY2031 and Beyond" category.[1]

Total capital needs of $616.8 million for *new* or *expanded* facilities over the outlook period are reported under the AMDs that manage them, which are discussed in respective AMD sections of this attachment. This includes projected revenues of $45.6 million and a total funding gap of $571.2 million.

The City lacks a current asset management plan for its facilities, as condition assessments needed to develop such a plan were conducted between 2014 and 2016 and are significantly outdated.[2] Therefore, projects included in the CIP Outlook for existing facilities were identified by Facilities

[1] Workload, costs, and prioritization criteria (including the age of the need, facility type and location, and potential for synergy with another project) help determine placement of projects, whether in the Outlook period or FY 2031 and beyond category.
[2] Industry standards recommend conducting building condition assessments every five years.

Services with input from the AMDs who manage the facilities, research on existing condition assessment reports, and making site observations. Projects were prioritized using Council Policy 800-14, as well as a focus on emergency needs for facilities and facilities in Communities of Concern.[3]

Also contributing to increased needs for facilities is the chronic underfunding of ongoing maintenance and repairs, which has led to continued aging and deterioration, often resulting in the need for costly emergency projects. Based on outdated assessments, the approach for identifying needs, and chronic underfunding of maintenance, the $191.0 million identified in the CIP Outlook likely underrepresents actual needs. A recent City Auditor performance audit estimated deferred maintenance needs likely exceed $1.00 billion.

The City Auditor recommended that Facilities Services update condition assessments and develop a facilities management plan.[4] Implementing the recommendation for condition assessments is estimated to require $2.2 million to update the FY 2014-16 Facilities Condition Assessment; $1.0 million to assess the City's three major services yards (Chollas, 20th and B, and Rose Canyon); and $330,000 to assess 60 General Fund facilities not previously assessed (totaling $3.5 million). Facilities Services conducted a request for proposals (RFP) for an as-needed contract to conduct condition assessments over several years and is in the final stages of awarding the contract. This approach will help to spread costs over several years as funding becomes available. While this is a high priority, due to the projected budget deficit for FY 2026 and requirement to propose budget reductions, Facilities Services did not request funding for condition assessments themselves in FY 2026.

Fire-Rescue Department

Fire-Rescure Department *($ in millions)*

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Outlook Period Total	FY 2031 and Beyond
Capital Needs	$19.0	$103.8	$81.9	$142.0	$33.9	**$380.6**	$1,281.6
Available Funding	12.2	24.7	3.0	1.0	1.0	**41.9**	0.0
Funding Gap	**$6.8**	**$79.1**	**$78.9**	**$141.0**	**$32.9**	**$338.7**	**$1,281.6**

Note: Table may not total due to rounding.

The CIP Outlook for the Fire-Rescue Department includes requests for new or expanded fire stations and lifeguard stations. The overall need for fire and lifeguard facilities is $316.0 million and $64.6 million respectively, totaling $380.6 million over the Outlook period. This is an increase of $23.3 million from the last Outlook.

New fire station needs are primarily based on and prioritized by the Standards of Response Coverage Study that was prepared by Citygate Associates, LLC in 2010 and subsequently updated

[3] Existing facilities projects in Communities of Concern in the CIP Outlook include the Martin Luther King (MLK) Pool, MLK Recreation Center (multiple projects), Paradise Hills Library HVAC replacement, San Ysidro Senior Center, and Malcolm X Library HVAC replacement and building repairs.
[4] The Auditor also noted that an appropriate amount to budget for annual maintenance and repairs is in the range of $143.0 to $287.0 million – far above previous Facilities Services budgets of $20.0 to $30.0 million.

in 2017. Of the $316.0 million needed for new fire stations, a total of $34.0 million to fully fund the Otay Mesa Fire Station project is assumed in the CIP Outlook, including $12.0 million from Community Developer Impact Fees (DIF) and $22.0 million from the Otay Mesa Enhanced Infrastructure Financing District (EIFD).

Other fire facility needs during the Outlook period include a new Air Operations Facility at the City's Montgomery-Gibbs Executive Airport and a new Fire Training Facility. The Fire Training Facility is a significant priority for the Fire-Rescue Department given that the current training facility located at the Naval Training Center (NTC) Station will be repurposed as a part of the Pure Water program in FY 2027. The CIP Outlook anticipates a $249.6 million need for the project, for which no funding has been identified.

Lifeguard facility improvement needs are prioritized by the Fire-Rescue Department based on facility condition assessments and gaps in lifeguard service coverage. The CIP Outlook identifies $36.7 million in capital needs for one new lifeguard station in North Pacific Beach ($18.6 million) and the replacement of the Ocean Beach Lifeguard Station ($18.1 million). Partial funding of $4.0 million has been identified for the North Pacific Beach lifeguard station, while the Ocean Beach Lifeguard Station remains unfunded. Lifeguard towers and stations are among City Council Infrastructure Budget Priorities.

A total of $41.9 million in projected funding is assumed to be available for both fire and lifeguard needs over the CIP Outlook period which results in a funding gap of $338.7 million. Though it is not explicitly assumed in the CIP Outlook, General Fund contributions and/or financing (e.g., commercial paper/lease revenue bonds) are likely to be required, especially considering the size and time sensitivity concerning the Fire Training Facility project.

Homelessness Strategies and Solutions Department

Homelessness Strategies and Solutions *($ in millions)*							
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Outlook Period Total**	**FY 2031 and Beyond**
Capital Needs	$32.1	$2.5	$2.5	$3.0	$3.0	**$43.1**	$0.5
Available Funding	0.9	0.0	0.0	0.0	0.0	**0.9**	0.0
Funding Gap	**$31.2**	**$2.5**	**$2.5**	**$3.0**	**$3.0**	**$42.2**	**$0.5**

Note: Table may not total due to rounding.

The projected CIP funding needs for City homelessness services were developed in the Fall of 2024, with several key assumptions that no longer apply. Below, we discuss each major assumption and the potential impact it may have on CIP funding needs:

- ***Pending Shelter Expansion.*** The CIP Outlook assumed the addition of up to 950 emergency shelter beds at permanent facilities that would have required an estimated $19.5 million for tenant improvements in FY 2026. This estimate was based on tenant improvement needs for a permanent shelter located at Kettner Boulevard and Vine Street that the City will no longer pursue. On February 10, 2025, the Homelessness Strategies and Solutions Department (HSSD) and San Diego Housing Commission (SDHC) presented three possible alternative options for permanent shelter, including two City-owned facilities that would require substantial tenant improvements and a third privately owned site located on Second Avenue that could be leased or purchased. At Council's request, HSSD and SDHC will explore the Second Avenue site, but capital funding needs and timelines remain unclear as negotiations to either lease or acquire this property are only now getting underway. If the City ultimately does not pursue the Second Avenue site or any alternate site, the $19.5 million projected for FY 2026 will no longer be needed. Alternatively, if the City pursues permanent shelter in FY 2026, capital funding needs may be below or in excess of the $19.5 million currently included in the CIP Outlook.

- ***Ongoing Capital Maintenance Dependent on Facilities.*** The CIP Outlook includes a total of $11.0 million for ongoing capital maintenance and future site relocations between FY 2027 and FY 2030. The estimated capital maintenance costs of $2.5 million to $3.0 million annually assumed that new permanent shelters housing up to 950 beds would be in operation during the outlook period. Given uncertainty around permanent shelter expansion mentioned previously, capital site maintenance associated with these potential shelter sites are likewise uncertain.
- ***Delayed Relocation of 16th and Newton Shelter.*** The CIP Outlook included $7.1 million in FY 2026 to relocate a 326-bed sprung shelter at 16th and Newton to a yet-be-determined site, where two sprung shelters with a capacity of up to 700 beds would be constructed. The shelter was initially planned for relocation in FY 2025 due to a development project nearby – this is reflected in the CIP Outlook – but the development project has since been delayed. As a result, the 16th and Newton shelter may require relocation in the future, but $7.1 million for relocation is no longer needed in FY 2026. Additionally, the cost estimate is likely to change if or when a relocation will be needed based on site-specific factors and potential cost drivers, such as inflation.
- ***Safe Parking Contingency Site.*** The CIP Outlook also includes $2.5 million in FY 2026 for an alternate Safe Parking site should plans for Safe Parking at H-Barracks be halted. According to HSSD, a new Safe Parking site is needed to fulfill the City's requirements under a legal settlement to allocate and spend up to $850,000 to operate additional Safe Parking. E&CP is currently preparing the H-Barracks site for Safe Parking and plans to complete site preparation in the coming months. Since plans for Safe Parking at H-Barracks are expected to proceed as planned, a contingency site and the associated $2.5 million in CIP funding needs is no longer needed in FY 2026.

The table on the following page incorporates the previously discussed uncertainties and revised assumptions, with the dark grey rows indicating that funding needs could hit at any point during the timeframe. As seen in the table, projected CIP funding needs are closer to $40.6 million, with the removal of the Safe Parking contingency site. Uncertainty in the CIP funding needs for homelessness stems from changes in policy priorities that other components of the City's CIP may not be subject to, such as streets and stormwater. **Given such uncertainties, Council may wish to request HSSD and SDHC provide updated five-year CIP funding needs, including ongoing site maintenance, alongside any future permanent shelter proposals brought forth to Council, starting with the Second Avenue site.**

<table>
<tr><th></th><th></th><th colspan="6">Revised Homelessness Strategies and Solutions Funding Needs, $ in Millions</th></tr>
<tr><th></th><th>CIP Outlook FY 2026- FY 2030 Total Needs</th><th>FY 2026</th><th>FY 2027</th><th>FY 2028</th><th>FY 2029</th><th>FY 2030</th><th>Revised Outlook Period Total</th></tr>
<tr><td>Facility Improvements for New/Relocated Shelter</td><td>$19.5</td><td colspan="5">$19.5</td><td>$19.5</td></tr>
<tr><td>16th and Newton Relocation</td><td>7.1</td><td></td><td colspan="4">7.1</td><td>7.1</td></tr>
<tr><td>Safe Parking Contingency Site</td><td>2.5</td><td>0.0</td><td></td><td></td><td></td><td></td><td>0.0</td></tr>
<tr><td>Mission Valley Safe Parking Site Improvements</td><td>2.5</td><td>2.5</td><td></td><td></td><td></td><td></td><td>2.5</td></tr>
<tr><td>Homelessness Response Center Relocation</td><td>0.5</td><td>0.5</td><td></td><td></td><td></td><td></td><td>0.5</td></tr>
<tr><td>Ongoing Site Maintenance</td><td>11.0</td><td></td><td>2.5</td><td>2.5</td><td>3.0</td><td>3.0</td><td>11.0</td></tr>
<tr><td>Total</td><td>$43.1</td><td colspan="5"></td><td>$40.6</td></tr>
</table>

Regarding known CIP needs related to homelessness, the CIP Outlook also includes:

- ***Mission Valley Safe Parking Site Improvements.*** Estimated at $2.5 million in FY 2026, Safe Parking site improvements at Mission Valley would fulfill the City's requirements under the previously mentioned legal settlement to spend up to $900,000 on improvements at the site. Although the City agreed to spend up to $900,000, the CIP Outlook includes $2.5 million due to the cost of improvements identified, which include improved drainage, shade structures, access gate installation, additional site lighting, and electrical power upgrades. Of the homelessness funding needs identified in the CIP Outlook, this is the only item with partial funding in FY 2026, with $850,000 from Community Development Impact Fees (DIF); however, the Department of Finance has since indicated that the $850,000 was funded in FY 2025 through a combination of Capital Outlay funding and CIP General Fund contributions. The remaining CIP funding needs for homelessness remain unfunded during the outlook period.

- ***Homelessness Response Center Relocation.*** Following anticipated redevelopment of the site, the Homelessness Response Center is planned to be relocated in FY 2026. An alternate site for the Center is yet to be determined, but relocation costs are estimated at $500,000.

Library Department

Libraries Department *($ in millions)*							
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Outlook Period Total**	**FY 2031 and Beyond**
Capital Needs	$6.7	$22.4	$12.2	$0.2	$0.2	**$41.6**	$0.0
Available Funding	2.1	1.2	0.2	0.2	0.2	**3.7**	0.0
Funding Gap	**$4.7**	**$21.2**	**$12.0**	**$0.0**	**$0.1**	**$37.9**	**$0.0**

Note: Table may not total due to rounding.

The CIP Outlook identifies $41.6 million in capital needs for Library Department projects which include expansion of the Ocean Beach Library, improvements to the Linda Vista Library Patio, construction of the new Oak Park Library, and construction of the new San Carlos Library. Apart from the Ocean Beach Library expansion, all other projects lack full funding and are unlikely to be completed during the Outlook period unless additional funding is identified.

The Oak Park Library is the Department's highest priority given the current space limitations of the facility it will be replacing. To help fund this project, the California State Library previously awarded the City a $9.1 million grant that has a local funds matching requirement of $4.5 million. The Department has identified approximately $1.0 million towards the match requirement, with the remaining balance contributing to the total $5.9 million in unidentified funding.

The San Carlos Library replacement project is currently in its design phase, which is anticipated to be completed by FY 2026. The Department has identified $32.0 million in needs for this project outside the design phase throughout the CIP Outlook period, though no funding source has been identified.

In our report reviewing of the Mayor's FY 2026 – 2030 Five Year Financial Outlook, we noted a $200,000 funding gap for the Ocean Beach Library Expansion project. However, the Department has since identified this funding through a Community DIF and debt financing. There are no updates on when this library is set to open.

Parks and Recreation Department

Parks and Recreation *($ in millions)*							
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Outlook Period Total**	**FY 2031 and Beyond**
Capital Needs	$75.5	$237.0	$105.1	$47.3	$32.1	**$497.1**	$290.6
Available Funding	36.7	42.7	92.9	39.5	41.1	**252.9**	0.0
Funding Gap	**$38.8**	**$194.4**	**$12.2**	**$7.8**	**($8.9)**	**$244.2**	**$290.6**

Note: Table may not total due to rounding.

The CIP Outlook identifies a total of $497.1 million in needs for assets managed by the Parks and Recreation Department over the CIP Outlook period, of which $244.2 million does not have identified funding. These needs include funding for new park projects and improvements to existing park and golf facilities.

In previous years, the Parks and Recreation Department incorporated information from the 2019 Park Amenity Assessment Report and various other stakeholder feedback into the CIP Outlook. This approach resulted in some parks being included multiple times, as information from these sources did not always allow staff to determine whether requested capital needs were duplicative.

This year, however, the Department compared parks included in the 2019 Park Amenity Assessment Report with needs identified through the Infrastructure Prioritization survey and Council's Budget Priority Memoranda. When a specific park appears in both the 2019 Park Amenity Assessment Report and in the survey or Council's memoranda, staff relied solely on the information from the Amenity Assessment Report to determine if that park's capital needs would be included in the CIP Outlook period.

In total, $252.9 million is projected to be available to fund parks and golf course improvements over the CIP Outlook period, resulting in a net funding gap of $244.2 million. Approximately $69.8 million of this funding estimate is projected from Development Impact Fees (DIF), including

Community DIF and the Citywide Parks DIF. The remaining funds largely consist of restricted funding sources, including $73.9 million from the Mission Bay Improvement Fund and $39.8 million from the Regional Parks Improvement Fund, pursuant to Charter Section 55.2, as well as $54.9 million from the Golf Course Enterprise Fund.

Parks and Recreation Department building capital improvements are managed by the Department of General Services – Facilities Services. In total, $15.5 million in needed park building improvements are included in the CIP Outlook, which were identified by the Parks and Recreation Department and prioritized by the Department of General Services. Note that this amount is not included in the department's $497.1 million capital needs identified in the Outlook period but is reflected in the capital facilities needs discussed in the *DGS – Facilities Services* section above.

Police Department

Police Department - Police Stations *($ in millions)*							
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Outlook Period Total**	**FY 2031 and Beyond**
Capital Needs	$11.9	$8.4	$0.0	$0.0	$157.1	**$177.4**	$0.0
Available Funding	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
Funding Gap	**$11.9**	**$8.4**	**$0.0**	**$0.0**	**$157.1**	**$177.4**	**$0.0**

Note: Table may not total due to rounding.

The CIP Outlook includes six projects managed by the Police Department, with a total estimated cost of $177.4 million. However, no funding has been identified for these projects within the Outlook period. These projects include the renovation and remodel of Police Plaza (formerly the Chargers Training Facility located in Kearny Mesa), a new Academy building to be located at the Police Plaza site, a new SWAT facility, a new Firearm Training Facility, and a replacement for the Northern Division Police Station. The largest and highest priority project is the Police Plaza Remodel totaling $39.9 million, including $3.2 million assumed in FY 2026 for design and planning expenditures and $36.7 for construction in FY 2030.

In addition to these projects, the CIP Outlook includes an estimated $41.3 million in needs for various capital improvements to existing police facilities. These projects, managed by the DGS - Facilities Services Division, were identified by the Police Department that include improvements to the Police Firing Range, security fencing at Southeastern Division, improvements to the Traffic Division Facility, and parking lot lighting and other improvements at police division substations.

Stormwater Department

Stormwater Department *($ in millions)*							
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**Outlook Period Total**	**FY 2031 and Beyond**
Capital Needs	$391.3	$551.9	$912.5	$1,543.2	$732.9	**$4,131.7**	$4,454.2
Available Funding	151.2	139.7	33.8	34.4	35.2	**394.4**	0.0
Funding Gap	**$240.0**	**$412.2**	**$878.7**	**$1,508.8**	**$697.6**	**$3,737.3**	**$4,454.2**

Note: Table may not total due to rounding.

Stormwater capital needs are by far the largest need of any single asset type in the CIP Outlook, totaling more than $4.1 billion during the next five years (with another $4.5 billion in FY 2031 and beyond). The overall stormwater need has almost doubled since the previous CIP Outlook's $2.2 billion. This increased need is mostly due to cost escalations for existing projects as well as additional projects to replace infrastructure that is now beyond its useful life, which increases costs by $1.1 billion. Additionally, the rollover of expired assets that need repair based on the Watershed Asset Management Plan (WAMP) adds an additional $800 million to unfunded needs.

The WAMP is a long-range plan which takes into account all of the City's stormwater needs, both operating and capital. It includes the flood risk management system as well as infrastructure needed to comply with water quality improvement targets set by the Regional Water Quality Control Board (RWQCB). Of the $4.1 billion in projected needs through FY 2030, approximately $2.1 billion is for flood resilience and flood risk management projects,[5] while $1.9 billion is for water quality projects.[6] However, for the $4.5 billion in needs beyond FY 2031, $4.0 billion is for water quality projects, while $500 million is for flood risk.

The WAMP was most recently updated in 2021, and it is likely that many of the assumptions in the WAMP, particularly around cost factors as well as asset conditions, are potentially out of date. As such, a comprehensive update of the WAMP is warranted, though such an update would require additional General Fund resources to complete. Given the current outlook for the General Fund, our Office supports the Department doing as much as possible with in-house staff, with a more comprehensive consultant-led update held back until after the current round of WIFIA loan projects is completed and prior to entering into another round of significant financing for stormwater projects.

Additionally, the CIP Outlook also includes $100 million for emergency projects. Given the average age of the assets in the stormwater system, and a historical lack of maintenance and capital renewal, emergency repairs have become a fact of life, and have required nearly $102 million from

[5] Flood risk management, also call flood resiliency infrastructure, is more traditional stormwater infrastructure such as corrugated metal pipes (CMP), pump stations, and storm drains.
[6] Water quality projects, also known as green infrastructure projects, focus on improving the water quality within the storm drain system so that when the stormwater flows to receiving waters, it does not pollute those waters in a way that is overly detrimental to the surrounding environment.

FY 2021 to FY 2024. The Outlook, by including additional emergency funding, acknowledges that even if stormwater's needs for new projects could be fully funded in the next five years, the backlog of work required for existing assets, and the time it would take to complete that work, will inevitably lead to more emergency repairs, which are more costly to perform than planned work.

Cost escalation for stormwater projects is a major hurdle, including for projects that are being funded through the Water Infrastructure and Finance Innovation Act (WIFIA) loan program. Funding to complete the $733 million WIFIA program is fully included in the CIP Outlook; however, as project costs escalate fewer projects can be covered with that financing source, thereby increasing the unfunded needs. Further, once the WIFIA funding has been fully exhausted, there will no longer be any additional dedicated revenue for stormwater projects in the City, which is reflected in the Outlook by a dramatic decline in available funding. Additional financing in the CIP Outlook for stormwater is solely to cover emergency projects.

Transportation Department

Transportation Department *($ in millions)*							
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Outlook Period Total	FY 2031 and Beyond
Capital Needs	$574.5	$460.4	$499.1	$503.6	$475.2	**$2,512.8**	$2,210.0
Available Funding	139.7	145.2	184.9	165.5	156.8	**792.3**	0.0
Funding Gap	**$434.7**	**$315.2**	**$314.1**	**$338.0**	**$318.5**	**$1,720.5**	**$2,210.0**

Note: Table may not total due to rounding.

The Transportation Department manages seven asset types in the CIP Outlook: bike facilities, bridges, sidewalks, streetlights, streets and roads – modifications, streets and roads – pavement, and traffic signals and intelligent transportation systems (ITS). Each asset type has a different set of assumptions and calculations used to determine the need to meet the desired service level within the five-year Outlook period.

Overall, needs for the Transportation Department have increased slightly from the previous CIP Outlook, from $2.40 billion to $2.50 billion, but funding has also been increased from $532 million to $792 million, resulting in a lower funding gap of $1.70 billion (down from $1.80 billion). The increase in needs is primarily driven by an increase in sidewalk needs (from $103.6 million to $326.5 million) and streets and roads – modifications (from $183.6 million to $333.5 million), offset by a decrease in needs for streets and roads – pavement (from $1,252.6 million to $837.5 million). These three asset types are further discussed below.

Additionally, each of these assets is funded at different levels in the CIP Outlook, as shown in the table below. Streets and roads – pavement is funded at the highest level with 63.5% of needs covered, followed by streets and roads – modifications (54.8%) and traffic signals and ITS (29.6%). For pavement, funding is made up of a significant amount proposed debt included in the CIP Outlook ($341.4 million), as well as the entirety of expected contributions from the Infrastructure Fund and a majority of available TransNet funding. For modifications, the funding is mostly either for projects included within the Otay Mesa Enhanced Infrastructure Financing District or is due to the inclusion of projects related to the Utilities Undergrounding Program.

Transportation Assets by Needs and Funding Level ($ in millions)				
Asset Type	**Needs Requested FY26-30**	**Needs Funded FY26-30**	**Funding Gap**	**Percent Funded**
Streets and Roads - Pavement	$ 837.5	$ 532.1	$ 305.4	63.5%
Streets and Roads - Modifications	333.5	182.9	150.6	54.8%
Traffic Signals and ITS	184.9	54.7	130.2	29.6%
Bridges	205.8	9.1	196.7	4.4%
Bike Facilities	135.5	3.8	131.8	2.8%
Sidewalks	326.5	7.5	319.0	2.3%
Streetlights	489.1	2.2	486.9	0.4%
Total	**$ 2,512.8**	**$ 792.3**	**$ 1,720.5**	**31.5%**

Sidewalks

The funding needs for sidewalks are primarily driven by two goals: the repair of existing sidewalks and the installation of new sidewalks. The largest component is for sidewalk repair and construction, whose needs total $211.4 million over five years. This is based on previous sidewalk condition assessments, additional defects that the department has identified, as well as a backlog of repairs and modifications required under the Americans with Disabilities Act (ADA). The overall funding need is based on a plan to address all defects over a 14-year period, which would require the investment of the identified needs for FY 2026-2030, as well as an additional $150 million following the outlook period.

The second major need is for the development of *new* walkways and totals $113.0 million over the Outlook period. This need is based on a goal to install 350,000 linear feet per year over the next ten years, which would require installing 35,000 linear feet each year. This commitment would also require an estimated $100 million following the Outlook period.

For both needs, the majority of the increased costs in the CIP Outlook is due to construction inflation. Notably, needs expressed in the CIP Outlook do not include sidewalk repairs that are determined to be the responsibility of private property owners under the City's sidewalk repair policies.[7]

Streets and Roads – Modifications

This asset category is made up mainly of two project types: funding needs for the Utilities Undergrounding Program (UUP), and funding needs for new right-of-way improvements such as traffic calming, bus stop improvements, medians, roundabouts, and other Vision Zero

[7] The determination of sidewalk liability follows Council Policy 200-12, and is further explained on the City's website at https://www.sandiego.gov/street-div/services/roadways/sidewalk

improvements. UUP projects total $88.6 million, and are funded through the Utilities Undergrounding Fund, which has its own dedicated revenue.

The remaining needs are for Vision Zero and related modifications, which total $244.9 million. This need is based on the goal to install two guardrails, two roundabouts, twenty-five pedestrian refuges or new medians over ten years, and 480 traffic calming projects over ten years. Significant funding for this asset type is mostly planned to come from the Otay Mesa EIFD for road modifications that are required within that geographic area. For the rest of the City, however, there is little to no funding identified for these projects, with the exception of a small amount each year (less than $700,000) from the Climate Equity Fund.

Streets and Roads - Pavement

This asset category is the largest need for the Transportation Department, and it is based on the recent Pavement Management Plan (PMP), which included a goal to achieve and maintain a citywide Pavement Condition Index (PCI) score of 70 over a ten-year period. As noted in the CIP Outlook, the main reason for the decline of pavement funding needs is due to the PMP coming out after the previous Outlook, which sought to achieve the PCI of 70 over a five-year period instead of ten. Additionally, the CIP Outlook also includes funding for two unimproved streets per year, which was also recommended in the PMP.

However, pavement needs in the CIP Outlook do not reflect *all* of the paving funding needs for the department. As noted in the CIP Outlook, its needs do not include slurry seal and other maintenance projects - which are a major portion of the funding required as part of the PMP to achieve the PCI of 70 - as that work is considered maintenance activities and is not capitalizable. These activities are typically funded through a combination of funding from the Road Rehabilitation and Maintenance Account (RMRA) as well as other sources such as additional gas tax allocations, which also explains the absence of these revenue sources from the CIP Outlook. Our Office would note that while an average PCI of 70 could be achieved through implementation of the PMP's strategies provided sufficient funding was identified, this would leave out numerous streets that would be in a failed condition, as well as take years to address the remaining unimproved streets.[8] These additional funding needs are not included in the Outlook.

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[8] For more on these additional needs, please refer to IBA Report 24-07