

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

City Council

March 3, 2025

Item S400

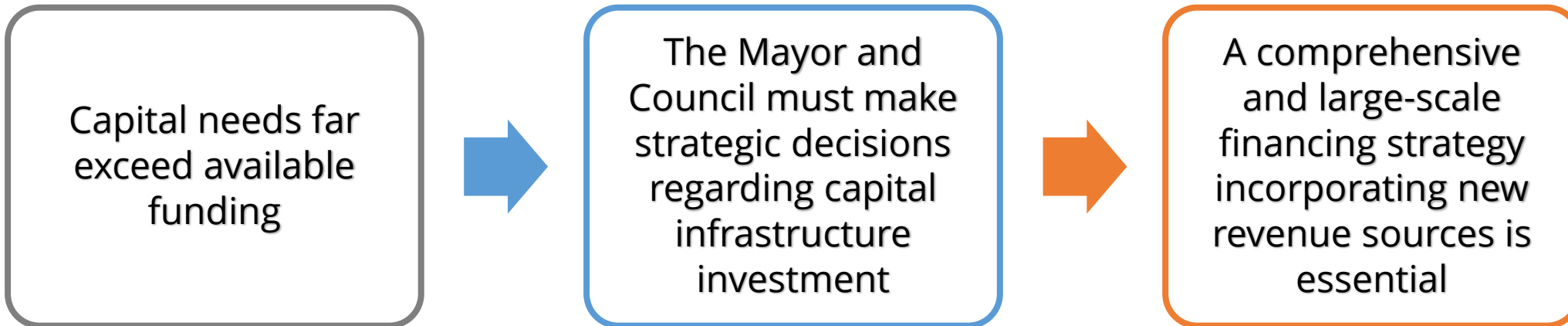


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Overview

This presentation provides highlights of our review (IBA Report 25-08)



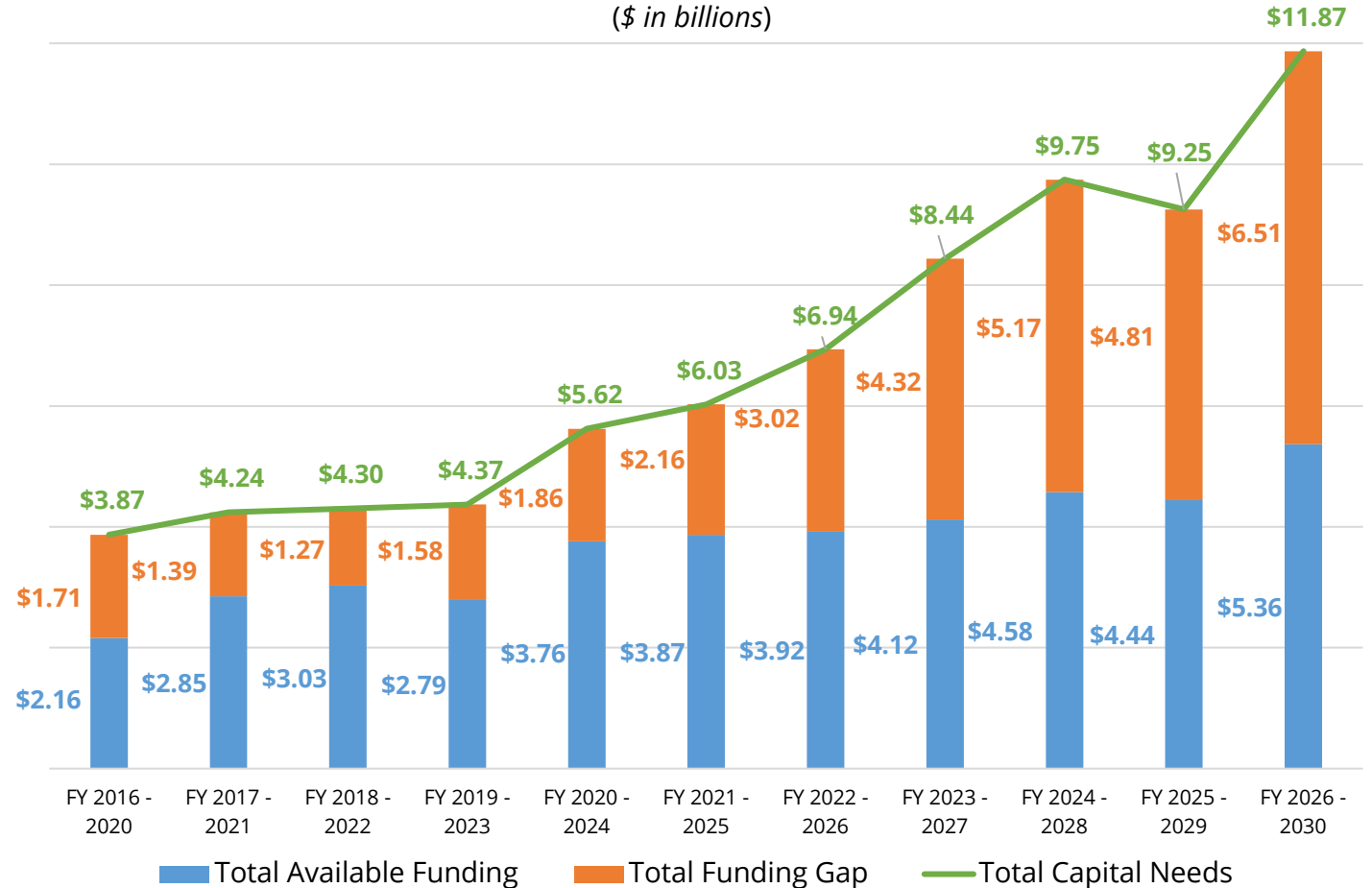
Without new resources, many needs identified in the CIP Outlook will remain unfunded, leading to deterioration of existing assets, costly emergency repairs, and inefficient allocation of resources.

Comparison with Prior Outlooks

- FY2025-29 Outlook: Only year with decrease in needs and funding gap
- Current Outlook: growth in capital needs and capital funding gap
- Total capital needs and funding gap will continue to grow.

Needs, Funding, and Gap over 11 CIP Outlooks

(\$ in billions)





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| 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 |
| <i>Pedestrian and Bicycle Safety</i> | 19.3 | 3.8 | 15.5 | <i>TransNet Funds, Grants</i> |
| <i>Traffic Calming</i> | 3.8 | 2.8 | 1.0 | <i>Climate Equity Fund, Community DIF</i> |
| <i>Traffic Signals</i> | 44.2 | 17.4 | 26.7 | <i>TransNet Funds, Community DIF, Regional Transportation Congestion Improvement Program</i> |
| <i>Streetlights</i> | 33.3 | 1.4 | 31.8 | <i>Community DIF, Climate Equity Fund</i> |
| Streets - Modifications | 320.0 | 108.0 | 212.0 | See below |
| <i>Modifications (minus traffic calming)</i> | 124.2 | 37.1 | 87.1 | <i>Undergrounding Utilities Fund, TransNet Funds, Community DIF, Bus Stop Capital Improvement Fund, Otay Mesa EIFD, Citywide Mobility DIF, Regional Transportation Congestion Improvement Program</i> |
| <i>Pavement</i> | 195.8 | 70.9 | 124.9 | <i>Trench Cut/Excavation Fee Fund, TransNet Funds, Financing - Bonds and CP, Infrastructure Fund</i> |
| 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 |
| <i>Library</i> | 4.7 | 0.1 | 4.7 | <i>Citywide Library DIF</i> |
| <i>Lifeguard</i> | 2.5 | 0.0 | 2.5 | <i>N/A</i> |
| <i>Parks & Recreation</i> | 76.0 | 36.7 | 39.3 | <i>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</i> |
| 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

- Data-driven Asset Management practices help departments accurately identify needs for the CIP Outlook, however, practices are inconsistent across AMDs.
 - Transportation Department: Pavement Management Plan (PMP)
 - Stormwater Department: Watershed Asset Management Plan (WAMP)
- AMDs without dedicated funding often lack the resources needed to conduct prescribed ongoing maintenance or to update condition assessments.
- Ongoing, planned maintenance should be included in the budget as a fundamental cost of owning and commissioning new assets.

Key Findings and Recommendations

Key Revenue Sources for General Fund Projects

- Flexible fundings sources for General Fund assets are not sufficient to address the significant funding gap for critical City infrastructure like fire stations, parks, and libraries.
 - Infrastructure Fund
 - Climate Equity Fund
 - Development Impact Fees
- General Fund financing contributes to capital project funding, but the increasing debt service payments restrict the City's capacity to address other ongoing public service needs.

Key Findings and Recommendations

Need for Alternative Revenue Streams

- With significant infrastructure needs and funding shortfalls, the City must explore new revenue sources, likely requiring a mix of options in a comprehensive financing strategy.
- Our report discusses options for new revenue sources that could help address the significant infrastructure funding gap.
 - Sales Tax Measure
 - General Obligation (GO) Bond Program
 - Stormwater Revenue Increase

Key Findings and Recommendations

Prioritize Completion of Existing Projects

- Direct resources to high-priority projects already in construction or advanced planning stages.
- Thoroughly evaluate the initiation of new projects.
- Implement strict project completion timelines to minimize cost escalations caused by:
 - Inflation
 - Labor shortages
 - Supply chain disruptions.

Conclusion

- The City faces major financial challenges, including a \$6.51 billion CIP funding gap and projected operating deficits in the latest Financial Outlook.
- Without new funding, many CIP Outlook needs will remain unfunded.
- An accurate, executable capital plan is essential for addressing the City's infrastructure needs, but it must be backed by identified resources and revenue for implementation.
- A comprehensive financing plan, including new revenue sources, is essential to address the growing capital funding gap.