City of San Diego

MARK KERSEY

CITY COUNCILMAN, FIFTH DISTRICT

MEMORANDUM

DATE: January 23, 2013

TO: Honorable City Councilmembers

FROM: Councilman Mark Kersey, Chair, Infrastructure Committee

RE: 2013 Infrastructure Committee Work Plan

I am honored that Council President Gloria appointed me Chair of the City's new Infrastructure Committee. Like many cities, San Diego faces a massive backlog of infrastructure projects due to years of poor planning, underfunding, and general neglect. The Infrastructure Committee was created to provide a renewed focus on the City's policy towards infrastructure, specifically the identification of needs and prioritization of projects, the management and efficient delivery of capital improvements, and comprehensive asset management and planning.

The City owns a large and diverse group of infrastructure assets including streets, sidewalks, fire stations, libraries, recreation centers, storm drains, water mains, water and wastewater treatment plants, pumping stations, airports, golf courses, stadiums, streetlights, lifeguard towers, and piers. Despite such a large portfolio, the City has not developed a comprehensive 5-year infrastructure plan that brings together a list of all the needed projects across the wide variety of assets the City manages, nor has the City identified all the funding necessary for replacement and new capital or the associated operations and maintenance. This committee will review best asset management practices and drive towards a comprehensive approach to acquiring, planning, designing, constructing, maintaining, renovating, and rehabilitating the City's infrastructure.

I look forward to working with Mayor Filner, our neighborhoods, and all of my colleagues to tackle this enormous issue. With Vice Chair Lightner's engineering background, Councilmember Emerald's passion for public safety, and Councilmember Sherman's business experience, we will continue to streamline processes, define our infrastructure backlog, work with the community to set clear expectations on service levels and priorities, and bring the City its first 5-year infrastructure plan. Only after working through all of those issues can we identify gaps in our existing infrastructure financing mechanisms and begin discussing whether and how to fill those gaps. With most of the City's financial challenges behind us, now is the time to plan for the infrastructure we need, the infrastructure we can afford, and the infrastructure we can deliver.

Infrastructure Committee Work Plan

To achieve the Infrastructure Committee's overall goal of creating a 5-year infrastructure plan in time for the FY 15 budget, the committee's agenda will revolve around six policy discussions:

1. Define the existing problem.
2. Establish asset management policies.
3. Set acceptable service levels and performance measures.
4. Engage the community.
5. Prioritize needs and projects.
6. Identify further streamlining opportunities and explore staff capacity models.

I. Define the Existing Problem

The City of San Diego's $900 million backlog of infrastructure needs, often cited in various official and media reports, paints an incomplete picture. The $900 million estimate only accounts for three asset classes: streets, facilities, and storm drains. The cited backlog does not include sidewalks, other right-of-way features, Qualcomm and Petco stadiums, piers, seawalls, other park and recreation managed structures, storm drain channels, bridges, water and wastewater assets, the convention center, and various structural accommodations needed to enhance disabled access. Some of these asset types are not included in the $900 million estimate because they rely on non-General Fund sources and, thus, may be in a better position to avoid a backlog due to a secure revenue stream. Our water and wastewater system as well as our golf courses fall into this category. Other assets, such as sidewalks, touch on sensitive policy and legal issues regarding the proper distribution of public and private responsibility.

We do know that some of the assets not included in the $900 million estimate have been assessed and add to the backlog. For example, an AECOM report in 2011 pegged Qualcomm Stadium's deferred needs at around $80 million. The City's recent assessment of Crystal Pier, which the City partially owns, identifies needed capital replacement costs at between $8 and $17 million. Including these additional infrastructure needs would put the City's backlog at around $1 billion, before considering any new infrastructure needs that are not in the City's current portfolio. For example, the 2011 Citygate report identified the need for ten additional fire stations at an estimated cost of $74 million to ensure the City can meet a level of response appropriate for our size and geographic dispersion. Other communities lack basic infrastructure, such as sidewalks and streetlights. None of these "new" needs are included in the $900 million estimate.

Action Items:

1. Catalogue the City's existing infrastructure assets by asset type.
2. Identify the one-time financial investment necessary to bring each of the existing assets to an acceptable level of service consistent with Section III below.

3. Determine the level of financial resources necessary on an annual basis to maintain existing assets at an acceptable level of service consistent with Section III below.

II. Establish Asset Management Policies

The City does not have the full and up-to-date condition of all of our existing assets nor do we have a comprehensive plan to keep track of citywide efforts. Reports on our City facilities, including a condition assessment by Staubach in 2008 on the five buildings in the Civic Center Complex and by Parsons on 443 City-owned facilities in 2009, are now outdated. Additionally, the Parsons report identified that the City has an estimated 1,600 facilities that it owns, manages, and maintains, which leaves the condition of 1,152 facilities unclear. In 2011, the City conducted a comprehensive review of the condition of our 2,977 mile paved street network (2,659 miles of asphalt streets, 115 miles of concrete streets, 203 miles of paved alleys), but no comprehensive assessment of the over 5,000 miles of sidewalks exists. Although our storm drain and water/wastewater systems undergo periodic condition assessments as well as ongoing monitoring through televised cameras in some locations, the City has not performed a condition assessment on its bridges or certain park and recreation facilities. The City has not adopted a comprehensive asset management policy that accounts for all assets and includes a program to determine which assets need condition assessments and plans for conducting periodic condition assessments, the cost of which can often exceed $500,000 per assessment, but would be consistent with best management practices.

With comprehensive asset management, the City could better project annual and ongoing maintenance needs. Fully funding maintenance of infrastructure is analogous to ensuring a vehicle's oil is changed at the proper interval. Following the recommended schedule ensures that the City maximizes taxpayer dollars and the life of an asset. As budget deficits grow, maintenance is often sacrificed for more immediate needs. Now that the City is back in the bond market, we are able to borrow to replace some of our crumbling assets—had we followed a proper maintenance plan, those assets would not have deteriorated as quickly, and we would not have to borrow as much to partially address this problem. Relying on borrowed money can only be a temporary path to a more sensible infrastructure policy based on sound planning.

A recent City Audit of facilities maintenance pointed out that industry best practices would require 4% of replacement value be spent on maintenance annually. However, the City currently spends less than one half of one percent of the replacement value of our facilities on maintenance. The Pavement Preservation Foundation reported that investing $1 on pavement preservation will eliminate or delay spending $6 to $14 on rehabilitation or reconstruction. Thus, there is a strong nexus between proper maintenance funding and long-term cost avoidance. What was done in the past to reduce maintenance spending, in order to fund other priorities, cannot continue into the future, and this committee will help set the City on the proper path with regard to budgeting for ongoing maintenance.

Action Items:

1. Establish a new Council policy on asset management to be effective in FY 14, which includes expectations regarding condition assessments and preventative maintenance planning.
2. In time for the next 5-year financial outlook presented by the Mayor in the fall, identify which assets require assessments, when those assessments will take place, and the necessary funding for the assessments over the next 5 years.
3. Assess and develop a policy for full funding of ongoing operations and maintenance for existing and new infrastructure.

III. Set Acceptable Service Levels and Performance Measures

The City traditionally spends infrastructure money based on a mixture of politics and available resources resulting in an inexplicable system whereby communities cannot readily understand how their needs fit into a bigger picture or how to get their priorities heard. A more logical and nonpartisan approach would be to set the basic service level for each asset class citywide and then identify the necessary funds to achieve that service level over time.

In order to put together a realistic and effective 5-year infrastructure plan, this committee must grapple with defining the acceptable service levels for infrastructure. For example, what's our basic expectation with regard to the placement of new streetlights? To be a pedestrian friendly city, what do we need in terms of sidewalks and multi-purpose trails? In what condition, on average, do we want our streets to be? Some of the City's desired service levels are reflected in the General Plan, while other service level targets exist in individual departments that oversee certain assets or were adopted by the City Council. For example, Council adopted a deferred capital plan with a goal that street, storm drain, and facility conditions achieve a level of non-deterioration by 2017. For our streets, that policy would require that at least 42% of our streets be in good condition.

Because the value of our infrastructure backlog is based on the condition of assets we expect, only after setting service level expectations for all assets can we really identify any funding gaps. This committee will systematically review each asset type to set an expected service level. Each service level will require different levels of investment as well as tradeoffs. However, each asset is unique and will require its own service level. The City's ability to meet that goal must then be reported out by way of a report card or other performance tool.

Action Items:

1. Review the basis for existing service levels, including the deferred capital approach adopted by Council in 2012 for certain asset types, current performance measures, recommended industry standards, best practices, and community desires.
2. Establish, by Council policy, service level goals for each asset type in advance of the development of the 5-year infrastructure plan.
3. Establish an annual City Report Card for infrastructure assets by asset type to measure progress and results beginning in FY 14.

IV. Engage the Community

Although assessing infrastructure from a citywide perspective is critical, each individual community has specific needs that may fall through the cracks of a citywide process. Currently, community input comes into individual City departments and Council offices primarily through phone calls and emails. The City cannot build a successful 5-year infrastructure plan, nor can it successfully deliver capital projects, without a robust process for community involvement. Infrastructure planning entails collaboration and cooperation with various stakeholders, including residents, community organizations, interest groups, planning boards, as well as businesses large and small.

Recently, the City's Community Planners Committee solicited feedback on needs and priorities from 42 city-recognized community planning groups, but there is currently no formal mechanism for incorporating those projects into the existing Capital Improvement Program that Council approves annually or into a future 5-year infrastructure plan. The Infrastructure Committee will hold meetings in the community, review and formalize the community input process, and invite the public at each Committee hearing to provide input on infrastructure needs and priorities. We will also work with our innovation and nonprofit sectors to develop tools for interactive community feedback and to allow individual community members to provide input with the same access as recognized groups. This committee will advocate for a City culture that is engaged and honest with the community and does not overpromise or under-deliver.

Action Items:

1. Hold community hearings to solicit input on infrastructure-related issues and set an item on each Infrastructure Committee agenda for community input on infrastructure projects and priorities.
2. Permanently establish a role for neighborhood input in a Council policy.
3. Develop additional interactive opportunities for community engagement through the use of web-based technology.

V. Prioritize Needs and Projects

The City cannot effectively react to community or departmental priorities without developing a system whereby an infrastructure need becomes a capital improvement program (CIP) project. Right now, a member of the community might identify the need for a new sidewalk or streetlight, bring the issue to the attention of a member of the city staff or councilmember, and the request enters a queue. How the City balances that request against the multitude of other requests is unclear, and the City currently does not have a comprehensive approach to identifying needs or prioritizing them.

Many departments maintain "needs" lists, but each department has a different process for including items on the list, updating the list, and formatting the list. The Council has an existing prioritization policy 800-14 for scoring projects, but not needs, and that policy does not define a basic level of infrastructure that each community should expect that would allow certain critical needs to leapfrog to the top of the list of needs that become projects. To support effective long-term planning, this committee must resolve questions on how a need becomes a project, how needs and projects are prioritized, and the role expected service levels play in that process.

It is also critical that the City commit to a transparent process which sets clear expectations and deliverables after an infrastructure project moves into the planning and design phase. If the City cannot afford a project or reasonably expect funding to materialize over the next five years, the project should not be included in the program and staff should not be billing for work associated with that project. When a project experiences unanticipated delays that make timely completion unlikely or impossible, the City should have in place a process for resolving such delays including a sunset review so that the community does not wait for projects indefinitely and so that precious resources are not sitting idly by.

Action Items:

1. Define a process and establish, by Council policy, how a need becomes a project and refine the existing Council policy on prioritization to be used for the development of the 5-year infrastructure plan this fall.
2. Evaluate how existing needs lists were formed, their current applicability, and develop a common format for compiling citywide needs so that all input is cohesively documented for consideration under the prioritization policy.
3. Consider establishing a sunset review date on projects that lack funding or face indefinite suspension.

VI. Identify Further Streamlining Opportunities and Explore Staff Capacity Models

City staff in all departments responsible for infrastructure must work together to make sure the project delivery process operates in the most efficient manner. Although the City streamlined its CIP bid-to-award process last year, and recently received a "thumbs up" from the San Diego

County Taxpayer's Association for the effort, other areas of a project timeline, from concept to completion, still require analysis and streamlining. For example, everyone wants projects to reflect community desires, but they also want to see projects completed expeditiously. Because City staff charge time when working with the community on a specific project, the City cannot afford to engage in an open-ended process to define, redefine, and reconsider the design of a project. One opportunity to streamline that process involves fixed-price contracting under which the City identifies a needed facility, sets the price it's willing to pay, and then allows bidders to put forward 3 or 4 designs for building a facility at that price. Another opportunity for streamlining, identified in the original "CIP Streamlining and Transparency" effort, involves reforming the site development permit process where complimentary regulations currently require separate processes that could be combined.

Even if the City accelerated its current deferred capital bonding program, it is unclear whether there are the resources and appropriate staffing models to efficiently and expeditiously deliver even $100 million worth of projects. Unspent bond proceeds can cost the city money because the rate of interest we pay on those bonds can exceed the interest we earn on the idle proceeds. Yet, with construction prices and borrowing rates still low, it is vital for this committee to spend time with the departments and other innovative public and private sector organizations exploring how best to manage the ebbs and flows of project delivery. Creative options for increasing the City's capacity to deliver projects, that this committee could discuss, include regional cooperation agreements, expanding the design-build portfolio, improving just-in-time cash flow practices, contracting for appropriate project functions, or adjusting staff levels to efficiently deliver projects.

Action Items:

1. Oversee past streamlining efforts, which sought to reduce the bid-to-award time to 1-2 months by defining and measuring appropriate performance metrics and then soliciting and exploring additional ideas for streamlining and internal efficiencies to be fully implemented by the end of the calendar year.
2. Docket municipal code amendments to streamline the site development permit process.
3. Identify state and federal hurdles that the City could lobby to reform in order to further speed up the CIP process and include those ideas in the City's 2014 legislative package.
4. Advocate that savings achieved through infrastructure streamlining and efficiencies be put towards capital or maintenance of our existing infrastructure.
5. Enhance the CIP website to link project budget data to the existing mapping system by the end of this calendar year.
6. Explore innovative options to increase the City's ability to efficiently deliver projects in time for implementation of the 5-year infrastructure plan in FY 15.

VII. Recommendations

1. Request that staff return to Committee with a report on current asset management practices, options for citywide comprehensive asset management and condition assessments, a report on maintenance plans for existing assets, and a description of the current targeted service levels on all the different asset types.

2. Request that IBA prepare a report for committee regarding existing needs lists, their value in asset management or planning, and recommendations for improving that process.

3. Request that staff return to committee with a review of current CIP streamlining measures and proposals to create additional efficiencies, including, but not limited to revising the site development permit process, and assessing ways to deliver a large volume of infrastructure projects.

cc: The Honorable Mayor Bob Filner
City Attorney Jan Goldsmith
Andrea Tevlin, Independent Budget Analyst