



# City of San Leandro

Meeting Date: October 6, 2014

## Presentation

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**Agenda Section:** PRESENTATIONS

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**TO:** City Council

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City Manager

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**TITLE:** Staff Report for Presentation and Discussion of Capital Improvement Program Process (CIP)

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## SUMMARY AND RECOMMENDATIONS

Preceding the adoption of each new city budget, a Capital Improvement Program (CIP) is prepared for inclusion into the budget. This report discusses the process that has been used in developing that program.

This report is provided in preparation for the staff presentation at the October 6, 2014 Council Meeting and Council discussions regarding potential changes to the process.

## BACKGROUND

### Overview

The CIP represents the spending plan for infrastructure improvements and other specific large-scale capital acquisitions. These projects include construction of new facilities and significant facility maintenance or upgrades. As part of each budget cycle, project requests are submitted to the Engineering and Transportation Department by all departments where they are melded into a common list. Through a process involving the department heads, serving as a CIP Committee, the Finance Department, the City Manager, and City Council, projects are selected to be funded through the budget process.

### Project Selection Process

#### Unfunded Project List

A list of CIP requests is maintained by the Engineering and Transportation Department. New requests are received and added on a year-round basis. Project requests have few restrictions except that they have an initial value of at least \$50,000 and that "enhancement"

projects (requests that build new facilities) be discussed with the City Manager prior to being submitted. In any given year, the list will typically contain more than 100 requests. Requests remain on the list indefinitely unless they are removed by the sponsoring department.

#### Initial Request Prioritization

The CIP Project selection process starts with the department heads acting as the CIP Committee, rating each of the projects based on their individual opinion of the need and benefit of the project to the City of San Leandro independent of the cost of the project. These ratings are aggregated; producing a ranking of the requests. Follow-up meetings with the Committee provide an opportunity for discussion and adjustment of the rankings.

#### Project Scoping and Estimating

The highest ranked projects from the CIP Committee list, typically the top 50 projects, are assigned to Engineering and Transportation staff to prepare detailed scopes of work and cost estimates. This process includes discussions with the requesting department to establish a detailed scope of work, research of the project elements, and permitting that might be required. This information is utilized to estimate all costs associated with delivering a completed project. This exhaustive process requires a significant time commitment by staff, requiring approximately 2 months alongside of their ongoing work. Public Works Services staff also reviews the scopes of work and provides opinion as to the potential impacts on maintenance costs required if the project is completed.

#### Prioritization by City Council

In a process similar to that of the CIP Committee, City Councilmembers are provided information on the requested projects, again without project cost, and asked to provide ratings of the need of each requested project. Once the results of the ratings are tabulated, a list in ranked order is prepared. At a Council work session, Councilmembers have the opportunity to discuss the projects and provide any feedback or adjust any ranking that might be needed. If the Council moves a lower ranked project into the top 50, the cost estimates for the affected projects are additionally prepared by staff.

#### Determination of Fund Availability and Fund Allocation

The Finance Department provides Engineering and Transportation staff with information regarding available monies from each of the various funds. The November 2014 ballot initiatives, if passed, will provide additional funds for proposed CIP or other unfunded City programs. Each fund, with the exception of the General Fund, carries restrictions on the type of projects for which the monies can be used. For example, Measure B Streets and Roads Fund can only be used for improvements or maintenance within the street right of way, whereas Water Pollution Control Plant Enterprise Fund provides funding for the City's sanitary sewer collection system and treatment plant.

In the fund allocation process, available funds are applied to the highest ranked projects until the allocation is exhausted. Because projects only qualify for one or a select few funding sources, it is not uncommon to have higher ranked projects skipped over and remain unfunded, where a lower ranked project receives funds that it qualifies for. This has been

partially true in recent budgets, where General Funds have not been available for use in the CIP. Following the initial fund allocation, a meeting with the City Manager is held to make any adjustments that are deemed necessary.

#### Capital Improvement Program Incorporation into City Budget

The proposed Capital Improvement Program list of projects is incorporated into the draft budget document and is presented to City Council. At that meeting, Council has the opportunity to discuss the proposed list and to make changes that it deems necessary. Once the project list is satisfactory to the Council, it is included into the final budget document and approved along with the City Budget.

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