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A. Administrative Code Section 3.20

SEC. 3.20. CAPITAL EXPENDITURE PLAN.

By March 1 of each year, the City Administrator shall annually submit to the Mayor and Board of Supervisors a ten-year capital expenditure plan which shall include an assessment of the City's capital infrastructure needs, investments required to meet the needs identified through this assessment, and a plan of finance to fund these investments. By May 1 of each year, the Mayor and Board of Supervisors shall annually review, update, amend, and adopt by resolution the ten-year capital expenditure plan.

The capital expenditure plan shall include all recommended capital project investments for each year of the plan. The plan shall incorporate all major planned investments to maintain, repair, and improve the condition of the City's capital assets, including but not limited to city streets, sidewalks, parks, and rights-of-way; public transit infrastructure; airport and port; water, sewer, and power utilities; and all City-owned facilities.

The capital expenditure plan shall include a plan of finance for all recommended investments, including proposed uses of General and Enterprise Funds to be spent to meet these requirements. Additionally, the plan shall recommend the use and timing of long-term debt to fund planned capital expenditures, including General Obligation bond measures.

The capital expenditure plan shall include a summary of operating costs and impacts on City operations that are projected to result from capital investments recommended in the plan. This operations review shall include expected changes in the cost and quality of City service delivery.

The plan shall also include a summary and description of projects deferred from the ten-year capital expenditure plan given non-availability of funding necessary to meet assessed capital needs. (Added by Ord. 216-05, File No. 050920, App. 8/19/2005) (Former Sec. 3.20 added by Ord. 223-97, App. 6/6/97; amended by Ord. 55-98, App. 2/20/98; repealed by Ord. 216-05)

SEC. 3.21. CAPITAL PLANNING COMMITTEE.

There is hereby created a Capital Planning Committee consisting of the City Administrator as chair, the President of the Board of Supervisors, the Mayor's Finance Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Each member of the Capital Planning Committee may designate a person to represent her or him as a voting member of the Committee. Such designations shall be in written documents signed by the designating member and filed with the City Administrator, or her or his designee.

The mission of the Capital Planning Committee is to review the proposed capital expenditure plan and to monitor the City's ongoing compliance with the final adopted capital plan. As such, the Capital Planning Committee shall (1) establish prioritization and assessment criteria to assist the City Administrator with the development of the capital expenditure plan, (2) annually review the City Administrator's proposed capital expenditure plan prior to its submission to the Mayor and Board of Supervisors, and (3) review the annual budget and any proposed use of long-term debt, including General Obligation bonds, to ensure compliance with the adopted capital expenditure plan.

The Board of Supervisors shall not place on the ballot, or authorize the issuance of any long term financing, until the Capital Planning Committee completes a review of the proposal and submits its recommendation to the Board of Supervisors. Each proposal shall be in form and substance satisfactory to the Committee, and shall be accompanied by descriptive financial, architectural, and/or engineering data, and all other pertinent material in sufficiently complete detail to permit the Committee to review all aspects of the proposal. The Committee shall submit a written report to the Mayor and the Board analyzing the feasibility, cost, and priority of each proposal relative to the City's capital expenditure plan.

The Chair of the Capital Planning Committee is hereby authorized to adopt such rules, definitions, and procedures as are necessary to meet the requirements described in Section 3.20 and 3.21. (Added by Ord. 216-05, File No. 050920, App. 8/19/2005) (Former Sec. 3.21 added by Ord. 223-97, App. 6/6/97; repealed by Ord. 216-05)

B. Job Creation Estimate Methodology

In an effort to better evaluate and prioritize capital projects, local governments are examining not only upfront financial costs but also their contributions of direct and indirect jobs generated by the capital investment. The City and County of San Francisco's FY 2010-2019 Capital Plan estimates nearly \$10 billion in capital projects during the next 5 years, which will create as many as 201,000 San Francisco jobs. A job is defined as one job year of full-time work. For example, five people employed for four years equals 20 job years. This jobs estimate is based on the REMI Policy Insight model which attributes 7.2 direct and indirect San Francisco jobs per million dollars in construction spending. This is exclusive of the additional jobs created outside of the City and County as workers and materials migrate in from surrounding areas.

REMI Model as the Standard

The Capital Plan recommends all departments to the greatest extent possible use the REMI model in estimating job creation. While there are several models available for estimating job creation associated with construction projects, the Controller's Office of Economic Analysis uses REMI. Other models available include the U.S. Department of Commerce's Regional Input-Output Modeling System (RIMS II) and Minnesota IMPLAN Group's IMPLAN.

All of these models capture not only direct construction jobs, but also the secondary intermediate and induced jobs. Intermediate jobs are created from the manufacturing of steel, concrete, and other materials required for construction. Induced jobs are a result of new employees re-spending their wages. These models also account for inter-industry relationships, trading patterns within the region, and differences in economic geography. Although the models are based on similar concepts, there are differences in the level of complexity, with RIMS II being the simplest, and REMI being the most complex.

Customized for San Francisco, REMI has the unique ability to determine the effects of taxes and other variables on the local economy. As a result, the Controller's Office of Economic Analysis uses this model for analyzing the economic impact of pending legislation.

The table on the following page summarizes the number of job years from the REMI model based on \$1 million of construction spending in San Francisco. As indicated, each \$1 million invested in construction activities results in about 5 direct construction jobs, 7.2 total direct and indirect jobs, and about 2.3 indirect jobs in the various economic sectors noted above. Stated another way, for each direct construction job, there are about 1.46 total jobs ($7.2/4.9$), or a construction job multiplier of 1.46.

Estimated Jobs Created from Construction Spending in San Francisco

Economic Sector	Total Jobs per \$1 M Construction Spending
Construction	4.93
Retail Trade	0.51
Professional & Technical Services	0.35
Accommodations, Food Services	0.23
Admin, Waste Services	0.22
Health Care, Social Assistance	0.19
Other Services (excl Government)	0.16
Real Estate, Rental, Leasing	0.10
Wholesale Trade	0.09
Educational Services	0.08
Arts, Enter, Recreation	0.08
Finance, Insurance	0.07
Manufacturing	0.06
Transportation & Warehousing	0.06
Information	0.05
Management	0.02
Total Jobs	7.20
 Construction Multiplier	1.46

Source: Economic Multipliers from Office of Economic Analysis, Controller's Office REMI Model Outputs from \$1M construction spending.

REMI vs. Other Models

For comparison purposes, the table below presents the range of job years for both REMI and RIMS II. Please note that the job estimates are equivalent to job years.

Job Years from FY 2010-19 Capital Plan Investments

	REMI		RIMS II (SF Only)		RIMS II (Multi-County)	
	Direct	Total	Direct	Total	Direct	Total
<i>Jobs per \$1M spending</i>	4.9	7.2	2.4	4.0	6.9	13.3
GF Departments	20,385	29,771	10,016	16,445	28,553	54,946
Enterprise Departments	65,714	95,971	32,288	53,011	92,042	177,126
External Agencies	51,851	75,726	25,477	41,828	72,625	139,760
TOTAL	137,950	201,468	67,781	111,283	193,220	371,832

C. Funding Principles

	Criteria Description	Criteria Measurement
Priority 1	<p>Improvement is necessary to comply with a federal, state, or local legal mandate.</p> <p>The City faces a wide range of directives to improve its facilities, some with significant consequences for failure to perform.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Action is mandated or required by local, state, or federal law, legal judgment or court order. <input type="checkbox"/> Action reduces the City's exposure to legal liability. <input type="checkbox"/> There are significant legal, financial, operating, or accreditation consequences for failure to perform. <input type="checkbox"/> The facility has a poor seismic rating with a high risk of collapse or structural damage. <input type="checkbox"/> Increases resiliency to withstand and recover from a disaster, particularly in critical facilities (i.e., hospitals, police and fire stations, jails, sewer system, pump stations, etc). <input type="checkbox"/> Mitigates hazardous materials and/or protects the vital environmental health of those who visit, use, and work in City facilities.
Priority 2	<p>Provides for the imminent life, health, safety and security of occupants and the public or prevents the loss of use of the asset.</p> <p>Capital projects that minimize physical danger to those who use and work in City facilities, including protection during seismic events and exposure to hazardous materials.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Failure to implement project risks potential loss or reduces the useful life of a City asset's value. <input type="checkbox"/> The facility provides government services that cannot be provided at another location.
Priority 3	<p>Ensures timely maintenance and renewal of existing infrastructure.</p> <p>It is imperative to maintain the City's infrastructure. However, the lack of maintenance at some facilities will have a greater effect on the asset's value and/or future repair and replacement costs.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Supports a formally adopted plan or action by the Board of Supervisors or Mayor, (i.e., the City's General Plan or Neighborhood Area Plan) <input type="checkbox"/> Makes a substantial contribution to a broadly-accepted citywide goal (i.e., ecological sustainability or historic preservation)
Priority 4	<p>Supports formal programs or objectives of an adopted plan or action by the Board or Mayor.</p> <p>Capital investments should be integrated with adopted departmental and citywide long-term goals and objectives.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Generates direct (increased service charges, leases, fees, grants, gifts, or other sources) or indirect (economic development, an increased tax base, business attraction or retention, or other sources) revenues. <input type="checkbox"/> Reduces maintenance or operating costs (i.e., through capital renewal, building redesign, or reduced staffing needs). <input type="checkbox"/> Improves government effectiveness and efficiency in the delivery of services (i.e., faster response times, improved customer service, or increased departmental coordination).
Priority 5	<p>Enhances the City's economic vitality by stimulating the local economy, increasing revenue, improving government effectiveness, or reducing operating costs.</p> <p>Some projects have a direct or indirect effect on the City's revenues or expenditures. Cost savings or revenue enhancements may help offset the cost to the City of some capital investments.</p>	

D. Methodology, Assumptions & Terms

A. Methodology

Under direction of the City Administrator, department staff annually assesses facility conditions, determines renewal cost projections and proposed enhancements, and analyzes available funding resources to prepare a ten-year capital plan.

Through a series of meetings the CPC reviews proposals, staff recommendations, and documents toward the development of the citywide capital plan. These reviews do not, and are not meant to, replace the authority of department commissions' or other oversight bodies under the City Charter and other codes. Rather, the ten-year plan is meant to provide a forum that examines capital needs from a citywide perspective and to foster a dialogue on those needs between stakeholders, commissions, the Mayor, and the Board of Supervisors.

Staff uses two approaches to collect data for the Plan. The Facilities Renewal Resource Model (FRRM) is used to collect information on the good repair and maintenance of facilities and infrastructure (also known as renewals) for all of the General Fund departments. The Airport, Port, and MTA have implemented this model for their facilities as well. In addition, General Fund departments submitted enhancement requests using the Capital Planning and Reporting database (CPR-d). These proposals were reviewed by professional staff (e.g., architects, engineers, etc.) and categorized as a funded, deferred, or emerging needs.

- **Facilities Renewal Resource Model (FRRM)**

For the third year, the City used the facility life-cycle model, to predict annual funding requirements for General Fund department facilities. The objectives of the facility modeling effort are listed below.

- i. Develop a budget model to predict annual funding requirements for facilities renewal and document the existing backlog of deferred maintenance in a consistent way for all departments.
- ii. Provide a basis for a funding plan that will first address adequate resources for renewal and then a reduction of the deferred maintenance backlog.
- iii. Create consistent and comparative data among departments for determining funding allocations and targets for addressing renewal as a part of operating or capital budgets.

- iv. Deliver a cost model to each department with associated staff training so that facilities renewal and deferred maintenance needs can be updated annually and progress in meeting those needs can be measured.
- v. Provide a planning tool for departmental use which provides a useful life “systems” profile of each building, as a way of predicting future funding needs or packaging projects to leverage fund sources.
- vi. Develop a credible model to assess needs consistently and to focus on total funding needs and strategies.

The model uses San Francisco building information (gross square feet, construction date, facility subsystem type), and an approach based on subsystem life cycles and replacement costs to estimate the backlog of deferred maintenance and future capital reinvestment needs. Below is the ten-year renewal forecast report generated by FRRM for a particular facility. This report – one of dozens available – shows subsystems within the building that need to be replaced during the next 10 years and the

Buildingname SFGH - NEW HOSPITAL (BLDG 5) CRV(\$000's) \$404,250 Bldgno 912 GSF 617,400 Year Built 1974 FCI 0.00

Backlog and 10 year Renewal Forecast by Building \$(000's)												
Subsystem	Backlog	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
a.3. Roofing - Mmbm,Built-up,Shingle, Bitumin	\$0	\$657	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$657
b.1. Building Exteriors (Hard)	\$0	\$0	\$255	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$255
c.1. Elevators and Conveying Systems	\$0	\$1,908	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,908
d.1. HVAC - Equipment	\$0	\$0	\$3,127	\$0	\$3,127	\$0	\$2,943	\$0	\$0	\$0	\$0	\$9,198
d.2. HVAC - Controls	\$0	\$0	\$6,235	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,235
e.1. HVAC - Distribution Systems	\$0	\$0	\$4,190	\$0	\$4,190	\$0	\$3,944	\$0	\$0	\$0	\$0	\$12,324
f.1. Electrical Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,940	\$0	\$0	\$0	\$19,940
g.1. Plumbing Fixtures	\$0	\$0	\$2,392	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,392
i.1. Fire Protection Systems	\$0	\$414	\$0	\$0	\$829	\$0	\$1,036	\$414	\$1,036	\$414	\$0	\$4,143
i.2. Fire Detection Systems	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,589	\$0	\$0	\$0	\$2,589
k.1. Built-in Equipment and Specialties	\$0	\$0	\$3,485	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,485
k.2. Hospital Equipment	\$0	\$3,935	\$0	\$3,935	\$0	\$3,935	\$0	\$3,935	\$0	\$3,935	\$0	\$19,673
l.2. Interior Finishes	\$0	\$1,036	\$0	\$0	\$0	\$1,036	\$0	\$0	\$0	\$0	\$0	\$2,071
Total by building	\$0	\$7,950	\$19,684	\$3,935	\$8,146	\$4,970	\$7,923	\$26,878	\$1,036	\$4,349	\$0	\$84,871

corresponding cost (in thousands). A variety of other reports are available for further analysis.

Each department maintains the model, with the capability of summarizing information at both the department and citywide level. The model has a great deal of built-in flexibility that allows the city to enter new data and even change the underlying assumptions in future years.

The FY 2009-2018 Capital Plan reflects renewal data collected from August through

December 2007, and includes detailed information for each General Fund department. These findings are summarized in the renewal graphs and the renewal line of the financial summary schedules for each of the General Fund service areas found in Section II of this report.

B. Assumptions

- The Plan assumes an annual escalation rate of five percent for all projects unless otherwise noted.
- Fiscal years (FY) in the Plan refer to the calendar year in which the City's July 1 to June 30 budget cycle ends. For example, FY 2010 equals the calendar year dates from July 1, 2009 to June 30, 2010.
- Dollars are listed in thousands for all financial schedules unless otherwise noted.
- For all proposed General Obligation bonds, the financial schedules show the total bond amount in the fiscal year during which the bond is to be approved by voters. For example, a G.O. bond proposal on the November 2009 ballot will appear in FY 2010 of the financial schedule.
- The General Obligation bond program assumes annual growth in Net Assessed Value (NAV) of 4.5 percent.
- When issued, G.O. bonds proposed by this Plan will not increase voters' long-term property tax rates above FY 2006 levels. In other words, new G.O. bonds will only be used as a funding source when existing approved and issued debt is retired and/or the property tax base grows only issues new bonds when old ones are retired..
- The General Fund Debt program assumes that the amount of General Fund revenues spent on debt service will not exceed 3.25 percent.
- The Pay-as-you-go program assumes only General Fund revenue sources.

C. General Terms

Commonly used terms throughout the Plan are defined below.

- **Routine Maintenance.** Projects provide for the day-to-day maintenance of existing buildings and infrastructure, including labor costs. Unlike renewals and enhancements, these are annual projects.
- **Renewals.** Investments to preserve or extend the useful life of facilities and

infrastructure. Examples of renewal projects include the repair and replacement of major building systems including the roof, exterior walls and windows, and heating and cooling systems; street resurfacing; and the repair and replacement of infrastructure in the public right-of-way, including sidewalks and street structures.

Since renewal projects tend to be smaller investments compared with investments needed to replace entire facilities, the proposed plan funds the majority of these needs through pay-as-you-go cash revenue sources, typically appropriated through the City's annual budget process.

- **Enhancements.** Investments that increase an asset's value or useful life and/or change its use. These typically result from the passage of new laws or mandates, functional changes, or technological advancements. Examples include purchasing or building a new facility or park; major renovations of or additions to an existing facility; accessibility improvements to comply with the Americans with Disabilities Act (ADA); and planting new street trees.

While enhancements can be small-scale projects such as the removal of barriers to comply with ADA requirements, these typically are large-scale, multi-year, projects such as renovations, additions, or new facilities. While some project costs can be funded with pay-as-you-go sources, most enhancements require debt financing through the issuance of General Obligation (G.O.) bonds, Certificates of Participation (C.O.P.s) or lease revenue bonds.

- **Job Years.** This is defined as one year of full-time work. For example, three people employed for five years represent 15 job years.
- **Pay-As-You-Go.** This refers to the funding of capital projects with current revenue on an annual basis rather than long-term debt. Pay-as-you-go projects are typically funded by General Fund revenues.
- **Capital Project.** A capital projects is a major construction and improvement project, including the planning and design phases, such as the resurfacing of a street, the construction of a new school, bridge, or community center.
- **General Obligation Bonds (G.O. Bonds).** A general obligation bond is a municipal bond backed by property tax revenues. G.O. Bonds are appropriately used for the construction and/or acquisition of improvements to real property broadly available to the residents and visitors of San Francisco.
- **Debt Service.** The annual payment of principal and interest on the City's bonded debt.

- **Certificates of Participation (COPs).** COPs are a commonly used form of lease financing for capital improvement projects or purchases of essential equipment in which the debt service on the financing is secured by an underlying lease structure.
- **Revenue Bond.** A bond issued by the City to build, acquire, or improve a revenue-producing property. Unlike G.O. bonds, which carry the full faith and credit of the issuing agency and are repaid primarily through property tax revenues, revenue bonds are repaid from a specified revenue source, usually the revenues from the facility for which the bond was originally issued.
- **Deferred Project.** These are projects not funded in the Plan either due to lack of funding or the timeline of the project falling outside of the ten-year planning cycle.
- **Emerging Need.** These are projects not funded in the Capital Plan because additional planning is needed or significant uncertainty around project-specific issues still exists.
- **General Fund.** The largest of the City's funds, the General Fund is a source for discretionary spending and funds many of the basic municipal services such as public safety, health and human services, and public works. Primary revenue sources for the General Fund include local taxes such as property, sales, payroll, and other taxes.
- **General Fund Department.** These departments rely primarily or entirely on the General Fund as a revenue source to provide City services. The General Fund departments included in the Plan are the California Academy of Sciences, Asian Art Museum, Arts Commission, Department of Emergency Management, Department of Public Health, Department of Public Works, Department of Technology, District Attorney's Office, Fine Arts Museum, Fire Department, General Services Agency, Human Services Agency, Juvenile Probation, Police Department, Public Library, Recreation and Parks Department, Sheriff's Department, Superior Court of California, and the War Memorial and Performing Arts Center.
- **Enterprise Department.** Departments that do not require a General Fund subsidy because they generate their own revenues from fees and charges for services. The City has four Enterprise departments: Public Utilities Commission, San Francisco International Airport, Port of San Francisco, and the Municipal Transportation Agency.
- **External Agency.** These departments are separate, autonomous entities and operate outside the jurisdiction of the City and County of San Francisco.

- **Assessed Value.** The dollar value assigned to individual real estate or other property for the purpose of levying taxes. *Net Assessed Value* is the total growth of real estate or other property across the entire City.