

Section 1 | Executive Summary

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I. Executive Summary

1. Introduction

In this time of increasing unemployment and unprecedented budget shortfalls, the City and County of San Francisco's Proposed Capital Plan FY 2010-2019 (the Plan) strives to continue the City's commitment to improve its infrastructure and stimulate the local economy by recommending \$17.5 billion in investments. Together with \$10.5 billion from closely related external agencies, this totals almost \$28.0 billion in capital improvements and creates as many as 201,000 jobs for San Francisco residents over the next ten years. These improvements address critical needs for core government services such as streets, parks, libraries, public health and public safety; major capital work at the Airport, Port, Municipal Transportation Agency, and Public Utilities Commission; and infrastructure projects like the replacement of Doyle Drive, the Transbay Terminal, redevelopment of Mission Bay, Bayview Hunter's Point and Treasure Island, and repairs to public schools.

This fourth addition of the Plan presents a new format for how the City and County of San Francisco (the City) reviews and expends capital funds. In previous years, the Plan was split into two major department categories based on their primary source of revenue: General Fund (GF) and Enterprise Departments. While these categories remain useful, they do not put into perspective larger policy implications and the interdepartmental cooperation required for the efficient and effective delivery of services. Also new this year is the inclusion of sophisticated econometric modeling which estimates the impact capital investments have on the local economy. These estimates include the number of San Francisco jobs created by each capital project which are shown in the summary table below and in financial schedules at the end of each chapter. Specific information on the job estimation model can be found in Appendix B.

Capital Plan Summary by Department Type					
(Dollars in Millions)					
	GF	Enterprise	External	Total	SF Jobs Created
Public Safety	1,372			1,372	9,878
Health & Human Services	1,027		80	1,107	7,972
Infrastructure & Streets	870	6,082	1,019	7,971	57,388
Transportation		6,597	4,020	10,617	76,442
Recreation, Culture & Education	601		1,044	1,645	11,844
Economic & Neighborhood Development	127	650	4,355	5,132	36,952
General Government	138			138	993
Total	\$4,135	\$13,329	\$10,517	\$27,982	201,470

The summary table above shows a GF investment of \$4.1 billion for core government services that people expect the City to provide, including the rebuild of San Francisco General Hospital, upgrades to library and park facilities, replacement of the Hall of Justice, repairs to the high-pressure fire hydrant system, repaving of streets, and removal

of barriers to accessibility. In addition to the GF investments, the Plan recommends \$13.3 billion in Enterprise department projects to continue major transit and water projects such as the Central Subway, Airport Terminal 2, Wastewater Master Plan and the Water System Improvement Program (WSIP).

The previous table also shows \$10.5 billion in capital improvements by agencies closely related to the City and County of San Francisco but governed by an external body. These are primarily for major economic development and transportation projects, including the redevelopment of Bayview Hunter's Point (\$3.3 billion), the Transbay Terminal (\$1.9 billion), Caltrain (\$1.7 billion), Doyle Drive and Bus Rapid Transit (\$1.3 billion), the redevelopment of Treasure & Yerba Buena Islands, the Unified School District (\$1.0 billion), and the Housing Authority (\$80 million).

The table below shows capital investments in five-year intervals. Similar to previous years, two-thirds of capital spending (\$18.4 billion in total investments and \$11.4 billion in City and County of San Francisco investments) occurs in the first half of the Plan. This is a testament to the large level of infrastructure improvements taking place across the city.

The City appropriated nearly \$1.9 billion for the WSIP project in FY 2008-2009. This and other appropriations account for slightly lower levels of investments compared to last year's Plan.

Capital Plan Summary in Five-year Intervals				
(Dollars in Millions)				
	FY 2010 - FY 2014	FY 2015 - FY 2019	Total	SF Jobs Created
Public Safety	1,042	330	1,372	9,878
Health and Human Services	952	155	1,107	7,972
Infrastructure & Streets	5,743	2,228	7,971	57,388
Recreation, Culture & Education	1,474	171	1,645	11,844
Economic & Neighborhood Development	2,669	2,463	5,132	36,952
Transportation	6,466	4,151	10,617	76,442
General Government	66	72	138	993
Total	\$18,411	\$9,570	\$27,982	201,470
General Fund Departments	3,119	1,016	4,135	29,773
Enterprise Departments	8,314	5,016	13,329	95,971
CCSF Subtotal	\$11,433	\$6,031	17,464	125,744
External Agencies	6,978	3,539	10,517	75,726

Accomplishments in FY 2008-2009

Despite one of the worst budget deficits in recent history, the City invested more than \$181 million in capital projects for General Fund departments in FY 2008-2009. However, this did come with some sacrifices. The City rededicated capital dollars previously set aside for pre-bond planning (Capital Planning Funds) to fund annual capital budget requests and leveraged gas tax revenues to maintain recent progress

on street resurfacing and right-of-way projects.

In many ways, FY 2008-2009 was a record year. Following on the heels of passage of the Clean and Safe Neighborhood Parks Bond in February 2008, voters passed the largest ballot measure in City history when they approved the rebuild of San Francisco General Hospital by the widest margin in over twenty years. Approved by 84 percent of voters in November 2008, Proposition A will rebuild the acute care wing of the hospital and ensure that it is operational after a major earthquake—a project that has been the top priority of the Plan since its inception three years ago and will provide a much-needed economic stimulus to the San Francisco economy.

California voters also approved Proposition 1A, the \$9.95 billion High Speed Rail bond which will impact the City's delivery of the Transbay Terminal project as well as the electrification of the Caltrain line from San Francisco to Gilroy. Approval of this Proposition was particularly well-timed as it helped position California at the front of the line for the \$8 billion allocated for high speed rail in the federal stimulus package, the American Recovery and Reinvestment Act.

San Francisco's Ten-Year Capital Plan Governance Structure

In August 2005, concerns from city leaders, citizens, Mayor Newsom and the Board of Supervisors culminated in Administrative Code Sections 3.20 and 3.21 requiring the City to annually develop and adopt a ten-year constrained capital expenditure plan for city-owned facilities and infrastructure. The code ensures the Plan's relevance by requiring that all capital expenditures be reviewed in light of the adopted capital expenditure plan.

The Capital Planning Committee (CPC) approves the Capital Plan and makes recommendations to the Board of Supervisors on all of the City's capital expenditures. It consists 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. 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.

A copy of Administrative Code Section 3.20 and 3.21 is in the appendix of this report. It can also be found along with additional information on the Capital Planning Committee and program at www.sfgov.org/cpp.

Other accomplishments related to capital planning over the previous year include the following:

- Creation of a Road Repair and Safety Improvements G.O. Bond to address critical street repaving and right-of-way needs in November 2009
- Development of an Earthquake Safety and Emergency Response G.O. Bond that consolidates the former Fire Protection System, Earthquake Safety, Criminal Justice Facility bonds and other emergency response capital needs into a June 2010 G.O.

bond. These projects are rolled into a program with new bond measures going before the voters every six years.

- Pavement of 360 City blocks and installation of nearly 1,000 curb ramps
- Approval of the Environmental Impact Report for the Doyle Drive replacement project
- Opening of the nationally recognized California Academy of Sciences and its receipt of a LEED Platinum certification
- Opening of several newly renovated library and recreation centers such as Noe Valley, Portola, Richmond, and Western Addition branch libraries; Coffman and Sava pools; Crocker Amazon and South Sunset playfields; Upper Noe Valley, Minnie and Lovie Ward, and Moscone recreation centers
- Approval of the Market/Octavia and Eastern Neighborhoods Area plans that will bring needed infrastructure to these high-growth areas
- Appropriation of over \$3 billion in the past two years to begin construction of the Water System Improvement Project (WSIP)
- Approval of the Environmental Impact Report of the Wastewater Master Plan
- Establishment of a public-private partnership and a Tourism Improvement District to provide capital improvements to the Moscone Convention Center

Changes in the FY 2010-2019 Capital Plan

An advantage to annual updates of the Plan is that they provide the opportunity for refinements based on changing conditions and better information. Significant changes this year include:

- Reorganization of the chapters into more logical categories based on the type of city service delivered rather than the underlying, and often hidden to the public, funding source
- Formal adoption of prioritized funding principles (see Challenges and Opportunities section of this chapter)
- Inclusion of customized modeling for San Francisco that estimates the local economic impact of each capital investment.
- Restructuring of the debt program based on the passage of the San Francisco General Hospital and Clean and Safe Neighborhood Parks bonds, the insights of public opinion research, and more detailed analysis of the current condition of our

The SFPUC's Commission approved the \$3.1 billion Wastewater Master Plan in February 2009.

streets and right-of-way assets and upcoming public safety needs (see General Fund Debt section of this chapter)

- Inclusion of the Civic Center Sustainable Resource District (see chapter IV on Infrastructure and Streets), the Moscone Center Tourism Improvement District, and nearly 1,400 acres of city redevelopment projects in Mission Bay, Treasure Island and Bayview Hunter's Point (see chapter VII on Economic & Neighborhood Development)
- Emerging needs from emergency response and disaster preparedness efforts (see chapter II on Public Safety)
- Refinements to project cost estimates throughout the Plan, including Doyle Drive (see chapter V on Transportation and throughout the document)

Challenges & Opportunities Facing the City's Capital Program

In addition to the accomplishments and changes listed above, the City faces two key challenges to its ability to improve physical assets going forward. These include:

- Continued commitments to investing in capital infrastructure despite looming state and local budget deficits
- Public confidence, awareness, and support of the Capital Plan, the remaining proposed bonds, and the City's ability to preserve its infrastructure and deliver high quality capital projects

Addressing this first challenge requires increasing creativity and strategic thinking. A revenue shortfall of \$127 million for FY 2008-2009 required mid-year reductions to the capital budget of more than \$13 million in current year capital spending plus an additional \$27 million in previously approved capital investments. The projected budget shortfall for FY 2009-2010 has soared to \$438 million.

The City is investigating all avenues to address these reductions within the capital budget, including the following: analyzing the local economic impact of capital spending, fast-tracking projects eligible for funding from the the American Recovery and Reinvestment Act, leveraging the value of City-owned assets as a debt-financing vehicle, forming public-private partnerships such as the Moscone Tourist Improvement District, preparing projects for voter consideration at the ballot, and working hard to secure grants and federal funds from the \$789 billion American Recovery and Reinvestment Act

To address the challenge of improving public confidence, awareness, and support

The Plan's commitment to identifying capital priorities and improving interdepartmental coordination have been vital to placing the City in a strong position to receive stimulus dollars from the federal government.

of the Capital Plan, the City has improved its cost estimation and project delivery methods and continues its commitment to pre-ballot planning investments in major capital projects financed with General Obligation (G.O.) bonds. These investments, made prior to a bond measure’s placement on the ballot, increase the accuracy of cost projections; reduce delays associated with conceptual design, permit approvals, and environmental clearances; and improve the City’s ability to deliver projects on time and on budget.

The City is also taking steps to better understand public priorities and improve accountability in the capital program. Public opinion research was recently conducted to test assumptions in the Plan, gauge support for various bond measures, and identify citywide capital priorities. This research provides valuable information on how the City should proceed prior to making large investments. It also informs the City on the public’s awareness of capital planning efforts and priorities with respect to the type and level of capital investment they would like the City to pursue.

Other accountability measures include the formal adoption of five funding principles to guide the approval of requests and provide additional transparency with respect to why certain projects are chosen over others. The principles are summarized in the table on the opposite page. Appendix C restates the principles along with measurement criteria for each priority.

City and County of San Francisco Capital Funding Principles	
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>
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>
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>

Information on the Citizens General Obligation Bond Oversight Committee can be found at: www.sfgov.org/site/controller_index.asp?id=5846.

City and County of San Francisco Capital Funding Principles	
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>
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>

In addition to these principles, both the parks and hospital bonds approved last year were the first to include funding for independent audits by the Citizen’s General Obligation Bond Oversight Committee and were developed with unprecedented levels of community involvement and project transparency.

Finally, long-term planning efforts such as this Plan provide City decision-makers with better information on the City’s capital assets and provide them with an opportunity to be more strategic about their maintenance, expansion, and planned replacement. This is especially important given the current volatility in capital markets and the impact that has had on government funding. Both the City and the State are projecting record budget shortfalls at the same time the federal government is poised to make the most significant investment in public infrastructure in over half a century. This Plan, therefore, aims to provide decision makers with the information they need to both better understand the impact of potential cuts to investments in city facilities and infrastructure as well as plan for possibly significant investments in them.

The remainder of the Executive Summary is split into the following sections:

- Overview of General Fund and Enterprise department capital investments (Sections B and C, respectively); and
- Capital planning initiatives and what to expect in the FY 2011-2020 Capital Plan that will be presented next year (section D).

2. General Fund Department Program Summary

The Plan proposes investments of \$4.1 billion to meet critical renewal and enhancement needs for General Fund facilities and infrastructure. The table on the following page shows funded and deferred capital projects for General Fund departments over the next ten years. This list is not exhaustive. At the end of most chapters, projects requiring additional review are noted in the Emerging Needs section.

General Fund Department Program Summary

(Dollars in Millions)

STATE-OF-GOOD REPAIR RENEWAL INVESTMENTS	Funded	Deferred/ Emerging
Today's Backlogs		
Facilities		213
Streets		483
Other right-of-way assets		29
Subtotal		725
Projected for Next Ten Years		
Facilities	516	472
Streets	487	30
Other right-of-way assets	180	51
Subtotal	1,183	553
Subtotal, Renewals	1,183	1,277
CAPITAL IMPROVEMENT INVESTMENTS	Funded	Deferred/ Emerging
Earthquake & Public Safety Improvements		
San Francisco General Hospital Rebuild	755	
SFGH Emergency Generator Replacement	23	
Crime Lab / Medical Examiner Relocation	216	
AWSS (Core Infrastructure & Pipeline Improvements)	186	
Fire & Police Station Renewals & Improvements	146	
Mission Bay Fire station	18	
SFPD Headquarters Relocation	186	
Fire Boat Headquarters	10	
HOJ County Jails 1 & 2 Replacement	437	
HOJ Traffic Division Relocation	30	
Veterans Building seismic upgrade	130	
Seismic Bracing of Corporate Yards & 101 Grove		227
LHH & SFGH seismic bracing of remaining facilities		435
Seismic upgrades & renovations of unreinforced masonry buildings		53
<i>Less Capital Planning Fund reimbursements</i>	(7)	
Subtotal	2,130	716
Disability Access Improvements		
Facilities	16	
Curb Ramps	76	
Subtotal	93	0
Parks & Open Space Improvements		
Systemwide Parks improvements	292	
Marina Yacht Harbor Renovation	29	
Better Streets Plan & Great Streets Program	72	239
Subtotal	392	239
Other Improvements		
Branch Library Improvement Program	10	
Data Center relocation	13	
Youth Guidance Center facility replacement	100	69
HOJ Local Agencies & SFPD Investigations Unit		431
Sheriff's Regional Training Facility		72
Other projects	214	1,131
Subtotal	337	1,703
Subtotal, Enhancements	2,952	2,658
PLAN TOTAL	4,135	3,936

General Fund Program Highlights

Funded projects on the General Fund Summary table on the previous page are based on available resources and prioritized according to the funding principles discussed earlier in the Executive Summary. The FY 2010-2019 Capital Plan addresses the following infrastructure needs:

- **Investments in renewal needs for facilities and streets.** Overall investment levels in the maintenance and renewal of facilities and rights-of-way increase gradually over the life of the Plan. Totaling \$1.2 billion in both GF and non-GF sources, the proposed renewal investments capture 63 percent of the need in year one and 84 percent in year ten of the Plan. While year ten represents improvement over year one, by not fully funding annual needs, the Plan defers approximately \$508 million in additional renewal needs. Furthermore, these investments do not address existing backlogs for facilities, streets, and right-of-way assets totaling \$714 million.
- **Earthquake and Public Safety Improvements at Critical Facilities.** The Plan heavily prioritizes seismic and other public safety projects that ensure city facilities are seismically safe and operable after an emergency. These investments total nearly \$2.1 billion. The highest priorities are the replacement of County Jail 1 and 2 in the Hall of Justice and the projects included in the June 2010 Earthquake Safety and Emergency Response G.O. bond.
- **Disability Access Improvements.** Accessibility of City facilities for the disabled is a key priority in the Plan. The FY 2008-2009 capital budget appropriated more than \$4 million for accessibility improvements at facilities citywide and more than \$5 million for curb ramp improvements. The Plan recommends \$16 million in General Fund investments through FY 2013 for the Americans with Disabilities Act (ADA) facility transition plan. Strong investments in curb ramps continue at \$76 million over the next ten years.
- **Parks and Open Space Improvements.** This year's Plan proposes approximately \$292 million in system wide work – funded predominantly with bond issuances from the 2008 Clean & Safe Neighborhood Parks bond and another \$150 million G.O. bond proposed in November 2014.
- **Other Improvements.** Near-term commitments include the Data Center relocation, demolition of County Jail 3, and significant repairs to Islais Creek Bridge. Additional projects in the second five years of the Plan include consolidating the Family Court Services building at the Youth Guidance Center.
- **Branch Library Improvement Program (BLIP).** Approved by voters in November 2007, Proposition F allows the Library to issue lease revenue bonds against the Library Preservation Fund. The Plan proposes a \$10 million lease revenue bond to complete the BLIP.

A. General Fund Renewal Investments – Pay-as-you-go Program

The Plan proposes to fund pay-as-you-go or ongoing, annual investment needs with General Fund dollars. These are typically smaller investments necessary for maintaining facilities and infrastructure in a state of good repair. Totalling \$1.1 billion, the annual investment needs from the General Fund during the next ten years are summarized in the following table.

General Fund Pay-as-you-go Program Needs			
(Dollars in Millions)			
	FY 10-14	FY 15-19	Plan Total
Routine Maintenance	77	99	176
ADA Transition Plan	16	0	16
Critical Deferred Maintenance	31	37	68
Curb Ramps	5	30	35
Streets and Rights-of-Way	30	81	111
Facility Renewal	275	414	689
TOTAL	435	660	1,095

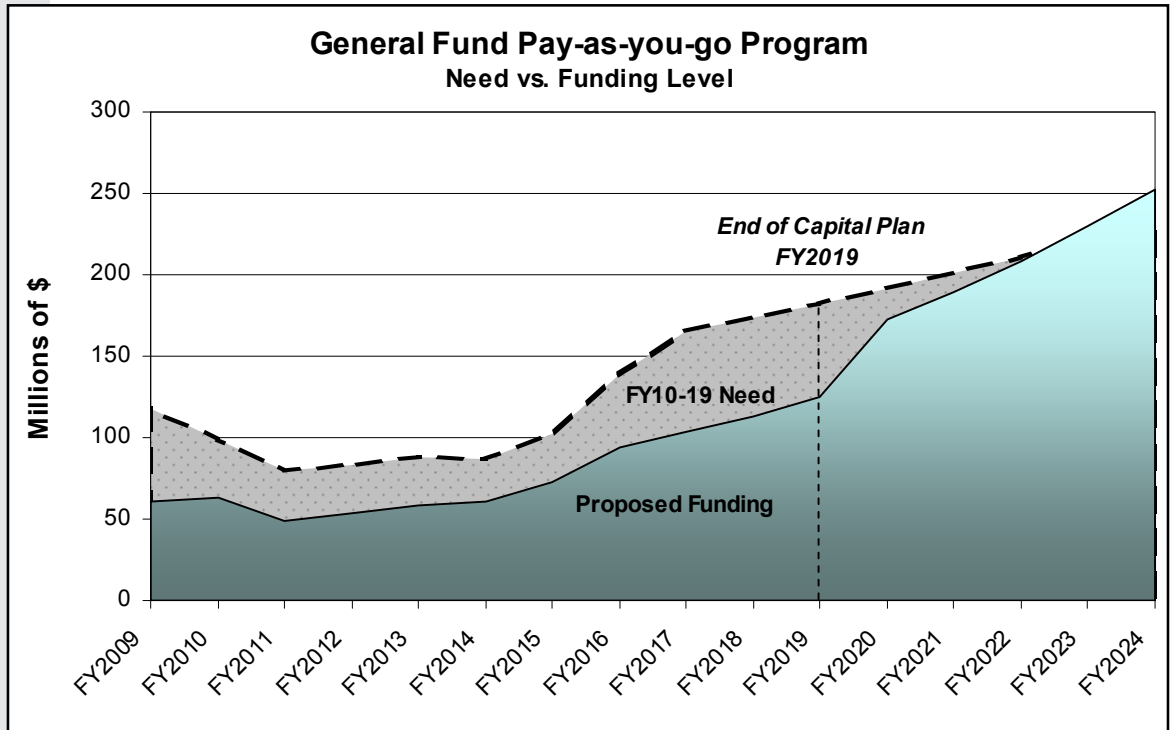
Funding for renewal from the annual General Fund Pay-as-you-go program is allocated proportionate to need, with the exception of the Routine Maintenance, ADA Transition Plan, Critical Deferred Maintenance and Curb Ramps categories, which are fully funded. Within the Facility Renewal category, funding is distributed based on overall need including current backlogs. Within the Streets and Rights-of-Way category, funding is distributed based on overall need, not including current backlogs for each program.

The Plan assumes General Fund pay-as-you-go investments of \$63 million in FY 2009-2010, growing ten percent each year – five percent real growth and five percent escalation. Some of the General Fund pay-as-you-go program needs have been shifted to the long-term debt program. These include renewals for Police and Fire and facilities as well as critical needs for streets and right-of-way assets. If successful, the two Earthquake Safety and Emergency Response and the Road Repair and Safety Improvements G.O. bonds will address these needs. This will allow the City to realize significant General Fund savings while maintaining its annual commitment to capital investments. The table below describes these General Fund commitment changes.

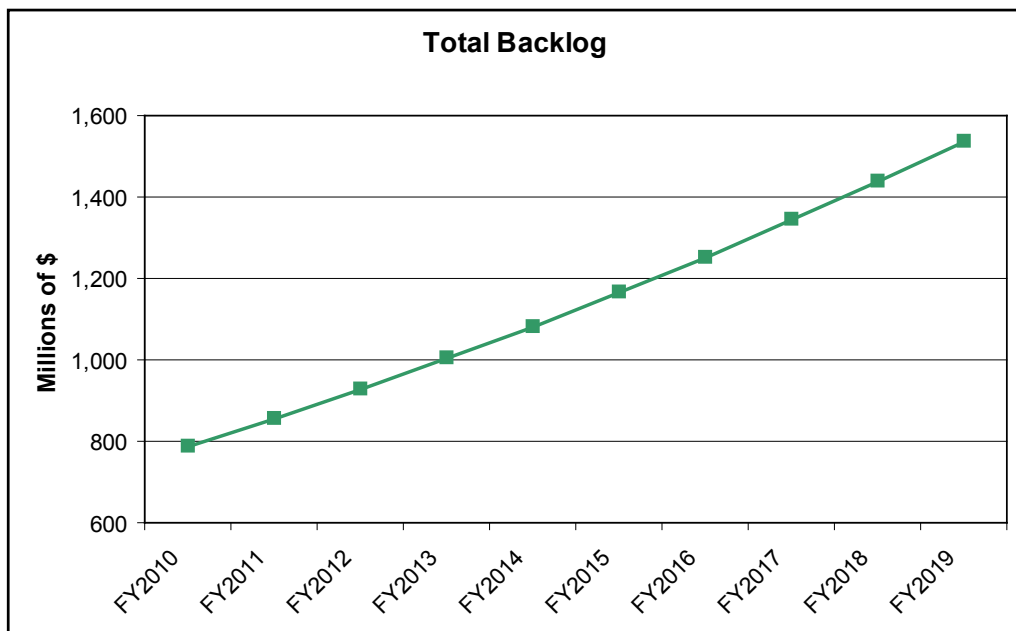
General Fund Commitment	FY10	FY11	FY12	FY13	FY14	FY15-FY19	TOTAL
Original	67	73	81	89	97	654	1061
Shift to Non-GF	(4)	(24)	(27)	(31)	(36)	(145)	(268)
Revised	63	49	54	58	61	509	793

If the proposed Earthquake Safety & Emergency Response and Road Repair & Safety Improvements G.O. bonds are not successful, General Fund revenues will be allocated to these needs.

The previous two plans and the Proposed FY 2010-2019 Capital Plan follow the policy of continually increasing pay-as-you-go investments every year to better maintain or renew the City's infrastructure. Underinvestment in this area accelerates the aging of city facilities and roads, reduces the ability to provide services, and creates repair or replacement needs that could be avoided.



The above graph shows annual pay-as-you-go needs versus proposed funding levels: the two lines intersect in FY 2023. Despite the fact that these planning targets are some of the highest proposed cash investments in modern City history, they fall short of projected need. Taking into account escalation, the existing backlog and future deferred work grows to more than \$1.5 billion, as depicted by the following chart.



B. Debt Financing Program

Most of the capital improvement investments or enhancement projects outlined in the General Fund Summary Table on page 8 are funded with voter-approved G.O. bonds or General Fund obligations: lease revenue bonds and certificates of participation (C.O.P.s). Debt financing is an appropriate means of paying for these improvements given their long useful lives and the fact that their project costs exceed the ability to utilize cash or pay-as-you-go revenue sources. The use of debt also serves to spread out the financial burden of paying for facilities between current and future generations that will both receive its benefits.

In 2009 the Capital Planning Committee (CPC) approved the following financial constraints with respect to the use of debt:

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.

The City will maintain the percentage of the General Fund spent on debt service at 3.25 percent of discretionary revenues. Stated differently, these financing instruments will only be used when existing issues of debt are retired and/or the City's General Fund grows.

As the City repays debt and other obligations issued over the last 15 years (i.e., to improve branch libraries, the Academy of Sciences, regional and neighborhood parks, Laguna Honda Hospital, the Zoo, the Moscone West convention center, and the Asian Art Museum) and assessed valuations of taxable property and General Fund revenues increase, the City can issue over \$1 billion in new debt and other long-term obligations without violating these two financial constraints. This is shown graphically on pages 14 and 16 below.

A major change of this Plan is the restructuring of the debt program within these two financial constraints. Now that voters have approved the San Francisco General Hospital bond, the top priority of the Plan is the phased replacement of the seismically deficient Hall of Justice. Originally conceived as one massive building project beginning in 2010, the Hall of Justice is really comprised of a series of construction projects with different schedules and different strategic needs.

The following table outlines the revised strategy, beginning with the Road Repair and Safety Improvements bond this fall. Other bond proposals include improvements for earthquake safety and emergency response and parks on a regularly scheduled six-

G.O. bonds require approval from at least 2/3rds of voters at the ballot, lease revenue bonds require only simple majority approval, and C.O.P.s are authorized by resolution of the Board of Supervisors and then validated by the Superior Court. For more information, see the approved Debt Policy at the City's Office of Public Finance.

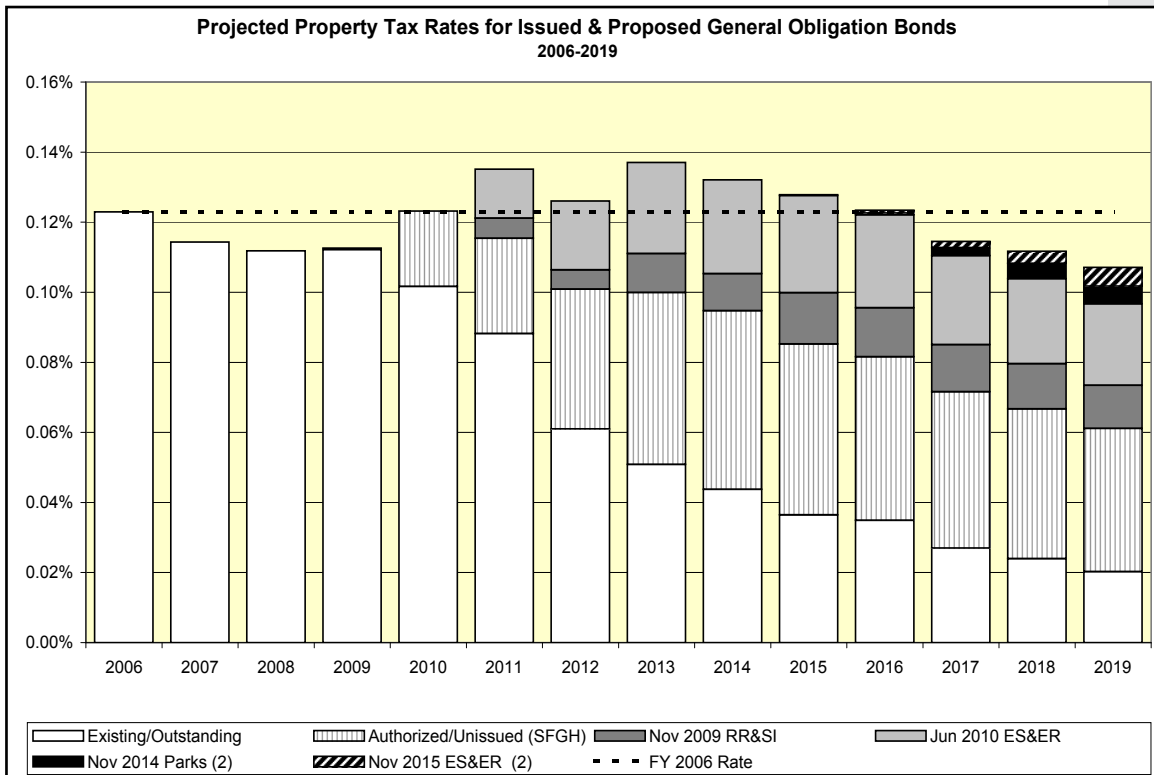
The FY 2006 Property Tax Rate was approved by the Board of Supervisors as a part of the FY 2007-2016 Capital Plan on June 20, 2006.

year cycle. The Veteran's Building and the replacement of the old jails at the Hall of Justice will be funded with GF debt. These costs are estimates and may need to be adjusted in future plans to account for program changes, site acquisition, alternate delivery methods, and/or changing rates of construction cost escalation.

Debt Program	
(Dollars in Millions)	
<i>Remaining Authorized & Unissued (SFGH, Clean & Safe)</i>	873
Nov 2009 Road Repair & Safety Improvements	309
Jun 2010 Earthquake Safety & Emergency Response (1)	580
Nov 2014 Park System Renovation & Improvement (2)	150
Nov 2015 Earthquake Safety & Emergency Response (2)	210
G.O. Bond Subtotal	2,122
Remaining Authorized & Unissued	
<i>(BLIP, Gas Tax, Moscone, Data Center, SFGH Generator)</i>	108
FY 2010 Replacement of Jails #1 and #2 at the HOJ	437
FY 2011 Veterans Building Seismic Improvement	130
GF Debt Subtotal	675
FY 2015 Park System Renovation & Improvement	25
Other General Fund Debt	25
Debt Program Total	\$2,821

General Obligation Bond Debt

General Obligation (G.O.) bond proposals in California require two-thirds voter approval: a difficult threshold that limits municipalities' ability to construct large capital projects. However in 2008, after eight years without an approved City bond proposal, voters approved the first two G.O. bonds proposed by the Plan – the \$185 million Clean and Safe Neighborhood Parks bond and the \$887.4 million San Francisco General Hospital Rebuild bond. The following chart illustrates the impact on the local tax rate of existing, recently approved, and proposed G.O. bond debt.



The downward sloping white bars represent the local property tax rate resulting from the gradual repayment of previously approved G.O. bonds such as the Neighborhood Parks, Academy of Sciences, and Branch Library bonds of 2000 and the Clean and Safe Neighborhood Parks bond in 2008. The white-patterned bars represent the impact of the recently approved hospital bond and the dark gray and black bars represent the tax rate impact of the four remaining bonds proposed by the Plan.

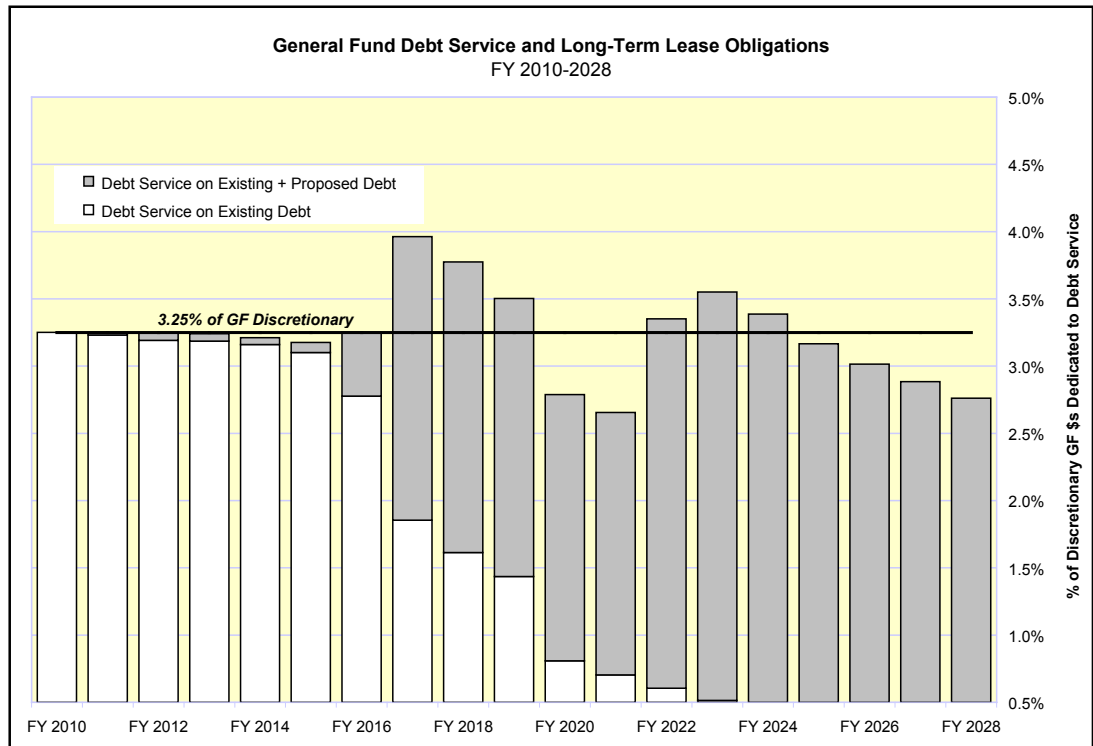
Certificates of Participation & Lease Revenue Bonds

Unlike G.O. bonds, lease revenue bonds and C.O.P.s are typically repaid out of the City’s General Fund (GF) or revenue that would otherwise flow to the GF. The City utilizes lease revenue bonds and certificates of participation to leverage GF receipts (such as fees and charges) to finance capital projects and acquisitions, many of which provide direct revenue benefit or cost savings. Debt service payments for lease revenue bonds and C.O.P.s are typically paid from revenues of the related project or fees, taxes or surcharges imposed by users of the project.

The debt service costs of existing and proposed C.O.P.s and lease revenue bonds are illustrated in the following chart. The white bars represent the debt service commitments for previously issued revenue bonds, including the San Bruno jail, the City office buildings in the Civic Center, and the construction of Moscone West Convention Center. New obligations are represented by the dark gray bars and include the replacement of old Jails #1 and #2 at the Hall of Justice (an addition to this year’s Plan) and the renovation and seismic bracing of the Veterans Building. The City is

continuing to mitigate the impact of those years that exceed the 3.25 percent cap by exploring the sale of Transferable Development Rights, phasing construction contracts to match available funds, and prepaying or deferring existing debt service payments.

Pursuant to State law, the City may not pay debt service on Certificates of Participation until a certificate of occupancy is issued for the building. For Jails #1 and #2 at the Hall of Justice, this is not expected until FY 2017 even though design is scheduled to commence in FY 2010.



C. Deferred Projects and Emerging Needs

While the recommended General Fund program meets some critical needs over the coming decade, a significant gap exists between facility and infrastructure needs and the proposed \$4.1 billion funding level. Addressing these needs will require difficult choices for policymakers in coming years. These deferred needs total approximately \$4.0 billion.

Eighteen percent, or \$725 million, of the deferred projects are from underinvestment in the City's facilities and infrastructure during the past several decades. Highlights of deferred and emerging needs are discussed below. Project-specific information is available in each chapter.

(a) State of good repair renewal needs in facilities (\$685 million).

Almost 70 percent of this total (\$472 million) is the deferral of future needs beyond the ten-year planning period. While the Plan proposes to reduce the deferral of this work, it does not address existing backlogs of \$213 million. Future plans will determine funding strategies for meeting this need.

(b) Renewal needs for the City's streets and rights-of-way assets (\$593 million). Approximately 86 percent of repair needs in this category exist

today due to historic underinvestment. However, the proposed Road Repair and Safety Improvements G.O. bond investments will dramatically reduce the deferral of future work.

(c) Major improvement projects and emerging capital needs (\$2.7 billion).

Revisions to the proposed debt program increased the total of deferred enhancements. While a few of these projects are seismic upgrades of city facilities, many are emerging needs that require more analysis.

3. Enterprise Department & External Agencies Program Summary

Unlike most of the General Fund departments, many of these departments have dedicated systems and staff to develop capital plans. The following programs and estimated costs were compiled by Enterprise department and external agency staff with the guidance of their boards and commissions.

Capital investments for Enterprise departments during the next ten years are approximately \$13.3 billion. This is down about 11 percent from last year's \$15 billion, largely due to FY 2008-2009 expenditures on the SFPUC's Water System Improvement Program. More than 80 percent of the \$10.5 billion for external agencies is for transportation and economic development investments at Treasure Island and Hunter's Point Shipyard.

- **Transportation.** The plan proposes \$10.6 billion in transportation investments. Key projects within this category are listed below.
 - **San Francisco International Airport.** Proposed airfield and terminal improvements comprise almost two-thirds of the Airport's \$1.5 billion in capital investments. Projects include a new control tower, reconstructing various airfield areas and airport runways, and renovating Terminal 2 Boarding Area D.
 - **San Francisco Municipal Transportation Agency (SFMTA).** Over the next ten years, the plan proposes \$5.1 billion in transportation investments for SFMTA. More than half of this total is for infrastructure investments, including Central Subway.
 - **Interagency Initiatives.** Slightly more than half of the proposed \$3.6 billion for interagency and regional projects is for the replacement of the Transbay Terminal at First and Mission Streets downtown.
- **Economic Development.** The plan proposes \$5.3 billion for Enterprise departments and external agencies in this category, with key projects highlighted below.

- **Port of San Francisco.** The largest component of the Port's plan is the rehabilitation and redevelopment of the Pier 70 area, with needs totaling approximately \$500 million.
- **Redevelopment Projects.** About 1,400 acres at Treasure Island and in Mission Bay and Hunter's Point are slated for redevelopment during the next ten years. Investments over the next ten years total \$4.4 billion, which does not include for Mission Bay.
- **Planning Department.** The department is currently developing four neighborhood plans addressing the specific urban design, open space, transportation, housing, and community facility goals of these neighborhoods: Rincon Hill, Market & Octavia, Balboa Park, and Eastern Neighborhoods. Almost half of the \$259 million in proposed projects is for the Market & Octavia Area Plan.
- **Infrastructure & Streets.** Investments for Enterprise departments and external agencies in this category total \$7.1 billion. The major projects for each department are highlighted below.
 - **San Francisco Public Utilities Commission (SFPUC).** Investments in the SFPUC's infrastructure and facilities total \$6.0 billion. More than \$3.0 billion (58 percent) is for the Wastewater Enterprise, including the Wastewater Master Plan, which was approved by the Commission in February 2009.
 - **San Francisco County Transportation Authority.** The Plan includes more than \$1.0 billion in funding for the Doyle Drive Replacement Project, which is expected to be complete in spring of 2014. The SFCTA Board of Commissioners approved the Environmental Impact Statement in December 2008, marking the end of the environmental phase and the beginning of final design.
- **Recreation, Culture & Education – San Francisco Unified School District.** Funding for improvements to the City's school facilities total more than \$1.0 billion. The SFUSD is proposing two G.O. bonds for systemwide improvements in November 2011 and November 2013.
- **Health & Human Services – San Francisco Housing Authority.** Of the \$80 million in total investments for public housing facilities, all of it goes toward renewal needs and is funded by the U.S. Department of Housing and Urban Development.

4. Capital Planning Initiatives & Next Steps

Program improvements made since the FY 2009-2018 Capital Plan update as well as shortcomings to address in next year's capital plan update include the following:

- **Principles for funding prioritization.** In conjunction with approving the Plan, the Capital Planning Committee adopted a set of five high-level funding principles to prioritize capital projects in both the Capital Plan and annual capital budget. While basic criteria were developed two years ago, the funding principles in Appendix B are the first to be formally approved by the Committee. As such, they will be used as a basic guideline by staff when determining the relative priority of capital projects.
- **Job creation numbers.** The Capital Planning Program (CPP), in conjunction with the Controller's Office of Economic Analysis, the Airport, the Public Utilities Commission, and the Department of Public Works, reviewed models for predicting the number of jobs generated by construction projects and recommended use of the REMI Policy Insight model across the City. The Capital Planning Committee approved this recommendation and the publication of the jobs created in San Francisco in the Plan.
- **Public opinion research.** The Capital Planning Program (CPP) conducted a second phase of public opinion research in the fall of 2008 to better understand voter concerns about the Hall of Justice and support for a broader potential public safety bond measure. The telephone survey and focus group have helped guide discussions about how the City can fund the replacement of the Hall of Justice in the coming fiscal years.
- **Public outreach effort.** This third update to the inaugural Capital Plan is organized by service delivery area rather than funding source. This is an intentional effort to more transparently communicate the City's capital priorities and the first of several efforts to widen the audience and readership of the Capital Plan. In 2009, the CPP will be exploring avenues outside of this lengthy document, potentially including inserts in property tax mailers, website enhancements, and/or postcards or high-level summaries targeted at specific constituencies.
- **Capital Planning and Reporting Database.** In November 2007 the CPP implemented a centralized, web-based database for capital planning, budgeting, and reporting on General Fund capital projects. The new Capital Planning and Reporting database (CPRd) replaces an inconsistent and decentralized process managed through spreadsheets on individual desktops. With over 500 active capital projects currently loaded into the system, CPRd will help both to plan for new infrastructure needs and provide a single, standardized means for tracking them from initial conception, through financing to construction and project completion.

- **Asset management database.** Now that significant renewal investments are being made, it is important to track actual expenditures with the forecasts made by FRRM. Various General Fund departments including the Real Estate Division, Library, and DPW are moving forward with similar systems. The rollout of these databases will help link capital planning and budgeting with ongoing maintenance and operations.
- **Interagency planning.** New legislation in late 2008 tasked the CPC with implementing the capital projects resulting from the Planning Department's better neighborhood area plans. One example is legislation recently approved by the Board of Supervisors requiring the CPC to appoint an Eastern Neighborhood Finance Workgroup to prepare a report on funding options to close some of the capital gaps identified in the Eastern Neighborhood Area Plan. While an extension of the CPC's existing mission, responding to this mandate and future capital efforts from the area plans will require additional resources to manage and advance.