Preliminary Executive Summary

Introduction

In October 2013 Roy Jorgensen Associates, ("Consultant") was awarded a contract by the County of Santa Barbara for a "Facility Condition Assessment and Asset Management Plan Development".

The project provides for two phases:

- Phase I – Facility Condition Assessment (FCA)
- Phase II – Maintenance Management Plan

The project work commenced on October 16, 2013, with a project kick-off meeting in Santa Maria CA.

The field work portion of the FCA was organized into 47 Report Groups, typically aligned with the County portfolio geographic clustering. The one exception to the geographic organization of report groups was County fire stations, which were evaluated as a group by function.

Methodology

The opinions and calculations that are provided in the present report are based on a combination of first-hand field inspections, review of key documentation provided by the County, and interviews with various stake-holders. Jorgensen facility professionals conducted field inspections of the facilities between October of 2013 and February of 2014 with attention to the mechanical equipment, electrical systems, building core and shell, parks and grounds—at both the systems level and the component level. These inspections provided the raw data for the analyses that comprise the body of the present report.

The manipulation of these data into the Consultant's FCA process fundamentally incorporates four key guiding features that provide the methodological structure and rigor. These are:

- ✓ ASTM E2018-08 "Standard Guide for Property Condition Assessments: Baseline Condition Assessment Process;"
- ✓ ASTM Standard E1557 "Standard Classification for Building Elements and Related Site Work," also known as "UNIFORMAT II;"
- ✓ Facility Condition Index, and
- ✓ Jorgensen FCA Best Practices.

Two of these features are derived from ASTM (American Society for Testing and Materials – International). Among other things, ASTM provides sets of internationally recognized industry standard practices and is the largest and most readily recognized organization for producing standards.

Relevant herein is Standard E2018-08 "Standard Guide for Property Condition Assessments: Baseline Condition Assessment Process," which pertains specifically to the facility condition assessment process, and which outlines the following objectives and ground rules for the baseline Facility Condition Assessment:

> (1) to define good commercial and customary practice for the [FCA] of primary commercial real estate improvements; (2) facilitate consistent and pertinent content in [FCA reports]; (3) develop pragmatic and reasonable recommendations and expectations for site observations, document reviews and research associated with conducting [FCAs] and preparing [FCA reports]; (4) establish reasonable expectations for [FCA reports]; (5) assist in developing an industry baseline standard of care for appropriate observations

and research; and (6) recommend protocols for consultants for communicating observations, opinions, and recommendations in a manner meaningful to the user.

Employing these guiding principles ensures that the FCA report represents a current industry best practice and that its results will be comparable to other such reports across the industry.

ASTM Standard E1557 "Standard Classification for Building Elements and Related Site Work," also known as "UNIFORMAT II," is also relevant here. UNIFORMAT II defines a standard classification for all building elements and related site work. The system relates to the specific facility elements included on the comprehensive baseline FCA. These include the following:

- ✓ Building Identification
- ✓ Gross Square Footage
- ✓ Date of Construction
- ✓ Type of Construction
- ✓ Functional Use
- ✓ Number of Floors
- ✓ Current Replacement Value

The inclusion of these standards into the baseline Facility Condition Assessment ensures that the findings and recommendations are consistent with a consensus set of "good commercial and customary practice in the United States of America" and provides a minimum level of information to develop pragmatic and reasonable recommendations and expectations for site observations, document reviews and research associated with the FCA.

Scope of the Field Work

Jorgensen's field and analytical team consisted of 9 subject matter experts including:

- Civil engineering
- Mechanical engineering
- Structural engineering
- Building systems, (MEP)
- Architect
- Historical buildings SME
- Pavement engineer
- Park and recreational facilities specialists
- Econometrician and maintenance systems analyst

The team evaluated approximately 8.5 million square feet of buildings, structures, and developed space, representing approximately $714.9 million dollars in Current Replacement Value (CRV), and approximately 309.6 acres of park facilities with an estimated CRV of $240.5 million dollars.

The deferred maintenance is estimated to be $93.9 million dollars.

Overall Facility Conditions

- Buildings
  - o Being maintained at a minimum level of service.

    - Equipment is not aligned with operating environments.
    - More aggressive pest control is required to minimize on-going damage.
- Parks
    - Site improvements (roads, parking, landscaping, plants and related), are at or below a minimum level of service.
    - Children play areas require remedial and renewal maintenance programs.
    - Park buildings are at a minimum level of service.

The Annual Funding Model

The typical annual funding model and accepted as a practice standard, suggests two to four percent of the current replacement value be provided to maintain the portfolio at an acceptable service level, and ensure the portfolio meets expectation of the economic service life.

The 2% to 4% suggested annual spend is composed of:

- Operating expenses
- Project expenses
- Capital expenses

Renewal funding is obviously critical to maintaining the County portfolio and ability to provide essential services.

The total portfolio for the County is estimated to be $1.1 billion dollars (CRV) in current adjusted dollars.

At the $1.1B CRV, the suggested annual funding would be $22.0 to $44.0 million dollars.

Current Renewal Spending and Need on Evaluated Portfolio

Jorgensen constructed an econometric model for each of the forty-seven report groups. Each model consisted of several sub models including:

- A current replacement value model
- A systems condition model
- A spend allocation model
- A capital replacement model

As a result of the modeling process Jorgensen determined the current renewal and deferred maintenance spending is approximately:

- $5.9 million dollars on ongoing maintenance and $1.5 million dollars for deferred maintenance ($7.4 million dollars total) in General Services
- $4.1 million dollars on ongoing maintenance and $0.5 million for deferred maintenance ($4.6 million dollars) in CSD-Parks
- $2.0 million dollars from other departments

The current renewal need was modeled to be:

- $19.2 million dollars (at 2% of the CRV) for the evaluated portion of the County portfolio
- $2.9 million dollars (at 2% of the CRV) on the unevaluated portion of the Count y portfolio
- The total annual renewal funding need is $22.1 million dollars

Composition of Accumulated Deferred Maintenance

Deferred maintenance is required maintenance, repair or capital replacement not accomplished in a budget cycle. Accumulated deferred maintenance is the total deferred maintenance over a number of budget cycles.

The deferred maintenance calculated by Jorgensen for the County portfolio consists of two parts:

1. Calculated deferred maintenance
2. Observed deferred maintenance

Due to the non-destructive nature of the FCA, typically calculated deferred maintenance will be more than the observed deferred maintenance.

$58.8 million dollars in DM projects and capital for buildings, and $35.1 million dollars in DM projects and capital for parks resulted in an estimated total of $93.9 million dollars.

The DM of $93.9 million dollars divided by the CRV of $955.4 million dollars results in a Facility Condition Index of 9.8%. The FCI of 9.8% is generally considered to be on the borderline between "fair" and "poor".

Findings and Qualifying Conditions

- Significant challenges exist in identification and accuracy of the County's asset inventory
- Less significant, but challenging issues exist with respect to the valuation of the County real property asset base
- Collection of "as built" property drawings, presents a significant obstacle to maintenance activities
- The County generally has an "old" portfolio as regards buildings and structures
- Routine and low skill tasks are being performed by high skill technicians due to maintenance staff reductions

Preliminary Recommendations

- Maintenance programs should be developed for out-of-service and abandoned buildings
- Significant work is required to identify and dispose of buildings beyond an economic or useful life
- Signage is significantly inconsistent, absent, requires renewal and does not convey any "brand image" for the County

Known Unknowns

- Maintenance spending and condition of:
    - County-owned properties operated by others
    - County-leased properties owned by others
    - Special district assets
- Accurate inventory of all county-owned property
- Accurate contribution to maintenance spending by non-GS/Parks departments

ASSET MANAGEMENT PLAN DEVELOPMENT PROJECT PHASE I - FACILITY CONDITION ASSESSMENT UPDATE

County of Santa Barbara

Board of Supervisors

April 9, 2014

Background

- 4/2/2013 – Board discussed County deferred maintenance and directed CEO staff to return with options
- 6/4/2013 – Board directed the hiring of a consultant to assess buildings and parks and develop an asset management plan
- 10/15/2013 – Board approves contract with Jorgensen

Asset Management Plan – Contract Deliverables

- Phase I – Facility Condition Assessment Profile
  - Systems Description
  - Opinions on Probable Costs
  - Qualifications and Limiting Conditions
- Phase II – Maintenance Management Plan
  - Priority maintenance needs over 20 years
  - List of immediate maintenance items
  - Recommend maintenance management tools

Activities since October 2013

- Jorgensen team of nine experts started 10/16
  - Met face to face with our maintenance staff
  - Inspected 73% of all building components & playgrounds
- Evaluated 8.5M ft^2 of buildings w/ current replacement value (CRV) of $714.9M
- Evaluated 309.6 acres of park facilities with a CRV of $240.5M
- Estimated deferred maintenance is $93.9M on parks and buildings

Overall Facilities Conditions

- Buildings
  - Being maintained at a minimum level of service
  - Equipment is not aligned with operating environments
  - More pest control is required to minimize damage
- Parks
  - Site improvements (roads, parking, landscaping, etc.) are at or below a minimum level of service
  - Children play areas require remedial and renewal maintenance programs
  - Park buildings are at a minimum level of service

Annual Renewal Funding Model

- Operating expenses
- Project expenses
- Capital expenses

Renewal Funding
2 – 4% of CRV

- Renewal Funding is required or the maintenance backlog (deferred) will increase
- Total estimated County CRV = $1.1B
- Standard Renewal Funding = $22 – 44M

Current Renewal Spending & Need on Evaluated Portfolio

Current Renewal Spending

$ 7.4M = General Services renewal spending

$ 4.6M = CSD-Parks renewal spending

$ 2.0M = Other departments renewal spending
$14.0M = Total renewal spending on portfolio

Current Renewal Need

$19.2M = 2% of CRV of evaluated portfolio

$ 2.9M = 2% of CRV on unevaluated portfolio
$22.1M = Total renewal funding requirement

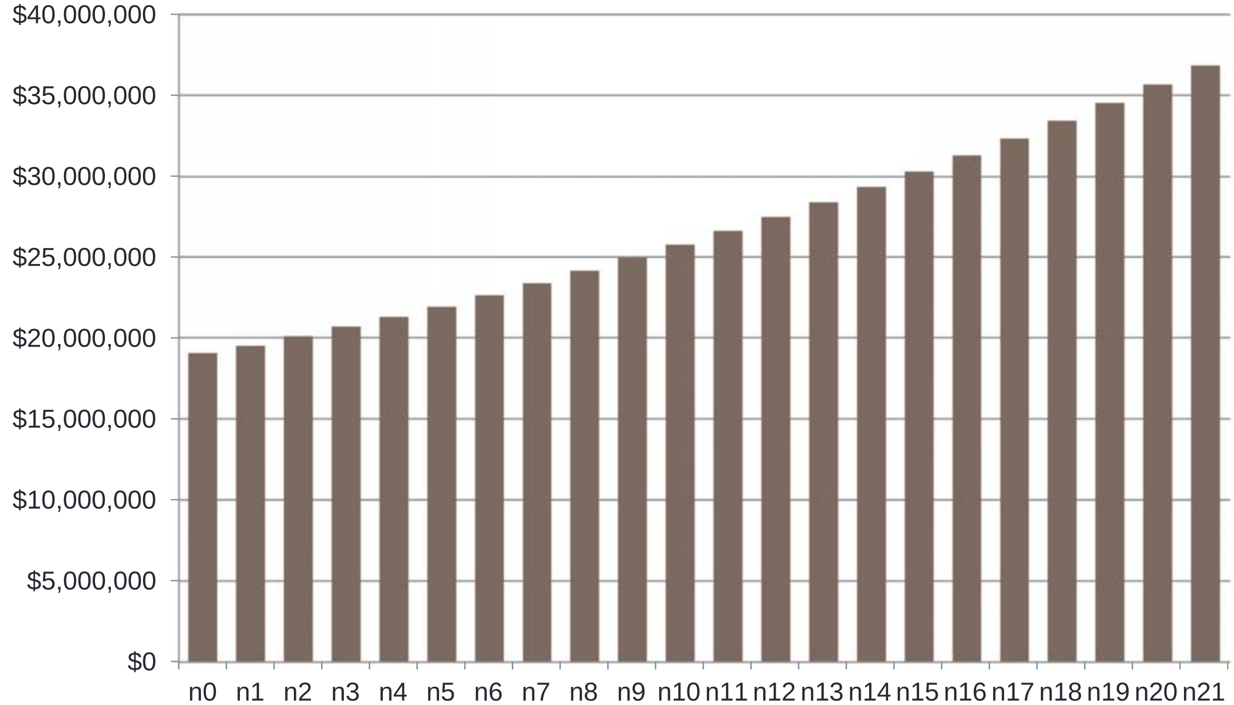
Renewal Funding Levels & Potential Funding Gaps

Annual Renewal Funding			
	2%	3%	4%
GS	$ 16,462,000	$ 24,693,000	$ 32,924,000
CSD - Parks	$ 5,538,000	$ 8,307,000	$ 11,076,000
Total	$ 22,000,000	$ 33,000,000	$ 44,000,000

Current Annual Renewal Spending			
GS	$ 9,400,000		
CSD - Parks	$ 4,600,000		
Total	$ 14,000,000		

Net New Annual Funding Needed			
	2%	3%	4%
GS	$ 7,062,000	$ 15,293,000	$ 23,524,000
CSD - Parks	$ 938,000	$ 3,707,000	$ 6,476,000
Total	$ 8,000,000	$ 19,000,000	$ 30,000,000

Annual Renewal Funding Needed
(Based on 2% of CRV over next 20 Years)

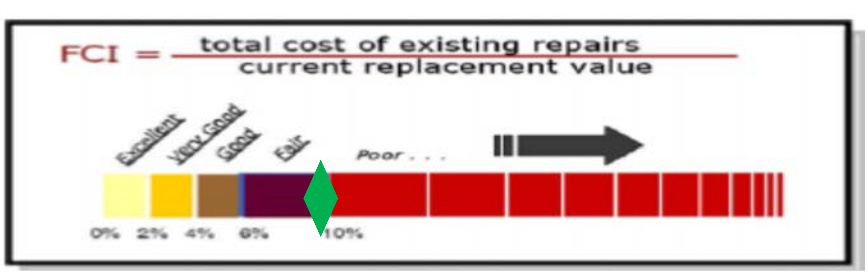


Composition of Deferred Maintenance (DM) Needs

DM is required maintenance, repair or capital replacement not accomplished in a budget cycle

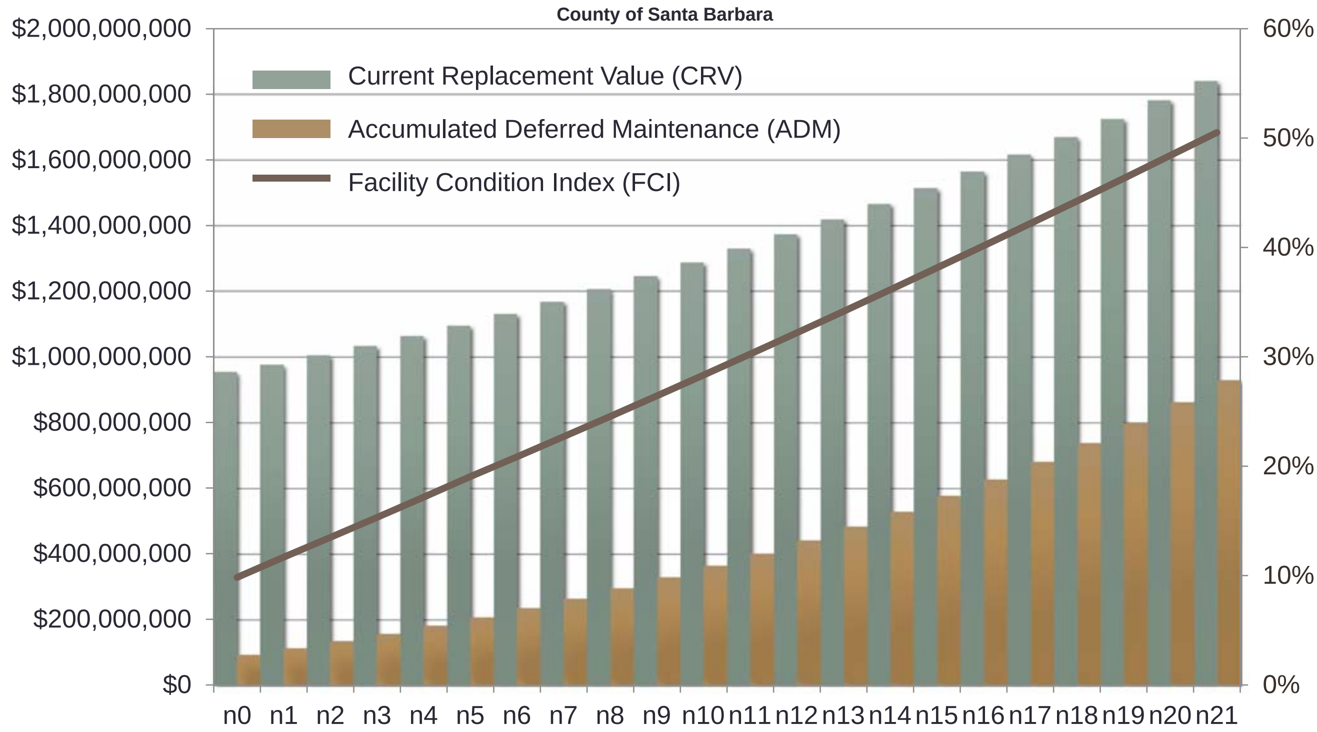
$ 58.8M in DM projects and capital for buildings
$ 35.1M in DM projects and capital for parks
$ 93.9M in total DM needs

$ 93.9M in DM
$955.4M in CRV
= **9.8% FCI**



Projected CRV, ACM & FCI

(Based on Current Funding over the next 20 years)



Findings – Qualifying Conditions

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Facility Condition Assessment Recommendations

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- Significant work is required to identify and dispose of buildings beyond an economic or useful life
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- Accurate inventory of all county-owned property
- Accurate contribution to maintenance spending by non-GS/Parks departments

Asset Management Plan Next Steps

- **Facility Condition Assessment Report – May 2014**
- Measure M vote results – June 2014
- Hearing on FY2014-15 Budget – June 2014
- **Maintenance Management Plan – July 2014**
- **Maintenance Management Plan implementation options from Departments – September 2014**

2014-2016
BUDGET WORKSHOP

Maintenance Funding Options & Scenarios

Maintenance Funding Options
Today's Presentation

1. Policy Discussion
2. Infrastructure Issue & Funding Options from March 10th
3. Maintenance renewal funding needed
4. Assumptions for today's options
5. Funding scenario's
6. Observations
7. Next steps

Policy Discussion

Options for Board's consideration

1. Maintain existing level of funding; augment with 1x funding and 50% of year end balance <u>Option #1</u>
2. Increase funding by set amount each year (similar to Jail Operations fund) <u>Options #2 & #3</u>
3. Increase funding by a % of unallocated General Fund growth (similar to Fire District shift) <u>Option #4 - #7</u>
4. Reallocate current GF Contribution (not discussed here)

Infrastructure Maintenance Issue

(From March 10th Work Session)

- Estimated additional costs to maintain condition index level
  - Roads $9M
  - Parks & Buildings $9M - $12M
- Potential options for funding:
  - Implement General Fund program reductions
  - Increase revenue
  - Dispose of facilities
  - Target discretionary grants toward maintenance infrastructure
  - Designate a portion of discretionary revenue growth toward deferred maintenance
  - Offsets for Federal & State reimbursements
- Staff will review options and discuss at April workshops

Maintenance Funding Needed

(Updated - Recent Consultant Report on Bldgs./Parks)

- Current range: $17.0 - $39.0 M/yr. Mid-point $28M
  - $9.0 Roads*
  - $7.0 - $23.0M Buildings & Grounds
  - $1.0 - $7.0M Parks

* - Public Works determined $12.0M funding needed, less $3.0 million currently available funding (primarily Measure A)

Maintenance Funding Needed
Renewal Funding Levels

Annual Renewal Funding			
	2%	**3%**	**4%**
GS	$ 16,462,000	$ 24,693,000	$ 32,924,000
CSD - Parks	$ 5,538,000	$ 8,307,000	$ 11,076,000
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Current Annual Renewal Spending			
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Maintenance Funding Needed
Low End & Midpoint of Range

Maintenance Funding Needed; Low and Midpoint of Range										
Year	1	2	3	4	5	6	7	8	9	10
($'s in millions)	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Funding Target - **Low End of Range**	$ (17.0)	$ (17.5)	$ (18.0)	$ (18.6)	$ (19.1)	$ (19.7)	$ (20.3)	$ (20.9)	$ (21.5)	$ (22.2)
Fire Dept. Funds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Remaining Need- **Low End of Range**	$ (16.0)	$ (16.5)	$ (17.0)	$ (17.6)	$ (18.1)	$ (18.7)	$ (19.3)	$ (19.9)	$ (20.5)	$ (21.2)
Remaining Need- **Midpoint of Range**	$ (27.0)	$ (27.8)	$ (28.7)	$ (29.6)	$ (30.5)	$ (31.5)	$ (32.4)	$ (33.4)	$ (34.5)	$ (35.5)
Projected Growth (Unalloc. GF)	$ 0.4	$ 5.9	$ 7.7	$ 10.4	$ 13.7	$ 16.1	$ 18.3	$ 20.7	$ 23.1	$ 30.8
Cumulative Projected Growth	$ 0.4	$ 6.3	$ 14.0	$ 24.4	$ 38.2	$ 54.3	$ 72.6	$ 93.3	$ 116.4	$ 147.2

Notes:
a) Projected growth in unallocated discretionary GF based on 3/10/14 projection + new revenue assumption of $1.5M starting in FY 2015-16.
b) Funding target increase based on 3% inflation
c) Fire $1.0 million contribution for capital in FY 2014-16 is included in the budget; future contributions are subject to availability of funds and operational priorities.

Assumptions

- GF revenue & expenditure growth assume March 10th projections
- Similar growth assumptions for years 6-10
- New revenue of $1.5M/yr. in FY 2015-16
- Funding similar to Jail Operations funding; incremental GFC set aside; however maintenance funds would be drawn annually
- Disposal of facilities & program reductions not evaluated in this analysis

Assumptions (continued)

- Includes recent PW's federal grant as 1x funding in FY 2014-15 (total $4.6M;$3.7M federal & $0.9M County)
- 3% annual inflation applied to funding need
- Funding period varies dependent on allocated % of growth
- Fire Dept. allocating $1.0M/yr. FY 2014-15
- 1x funding available; assume $2.0M/yr.

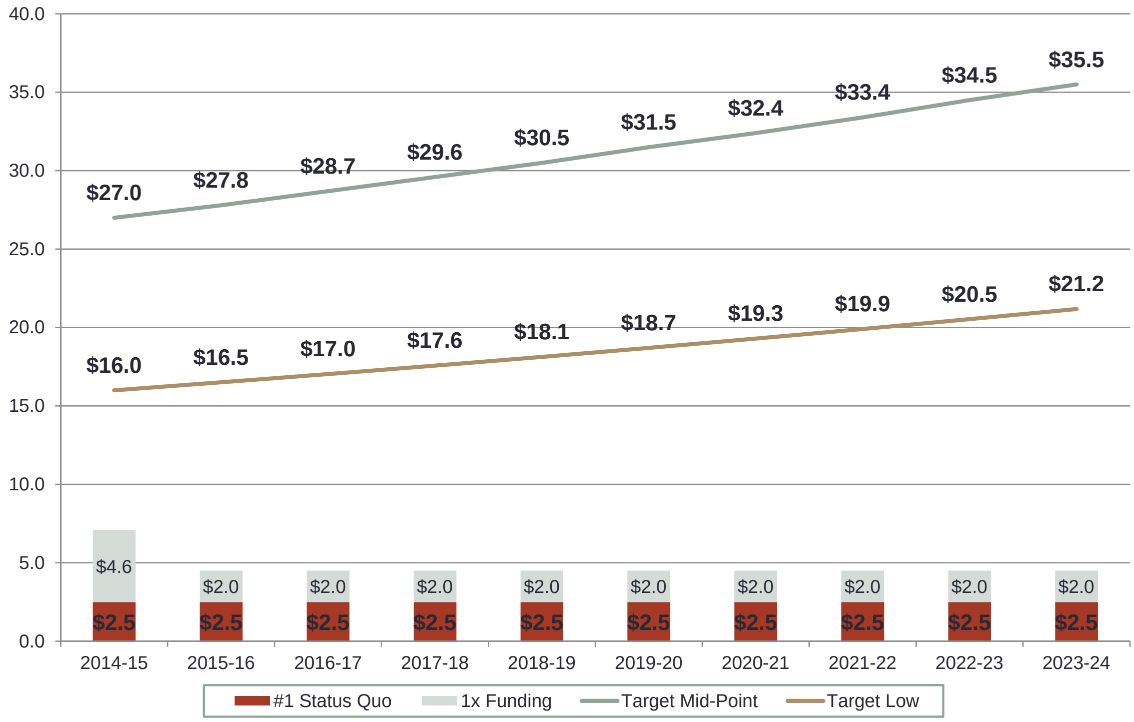
Funding Scenarios Considered

1. Maintain existing funding; add a portion of year end savings (assume $2.5M per year)
2. 10 year – straight line funding plan ($2.1million/yr.)
3. 10 yr. - Accelerating annual amount
4. Fund 10% of unallocated GF growth
5. Fund 15% of unallocated GF growth
6. Fund 25% of unallocated GF growth
7. Fund 50% of unallocated GF growth

Utilize 1x funds in the near term for all options; can be modified as desired

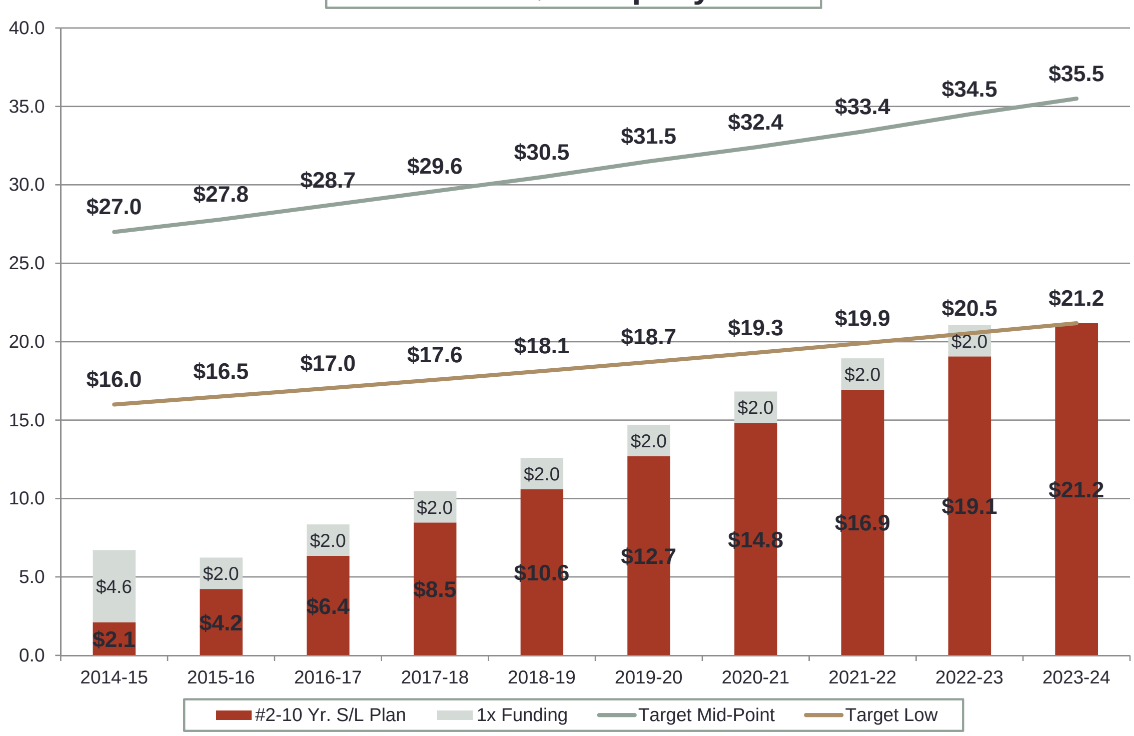
Options for Additional Maintenance Funding

Option #1 – Status Quo + 50% of Year End Balance ($2.5M Estimated YE Balance)



Options for Additional Maintenance Funding

Option #2 - 10 Yr. Straight Line Increase $2.1M per year



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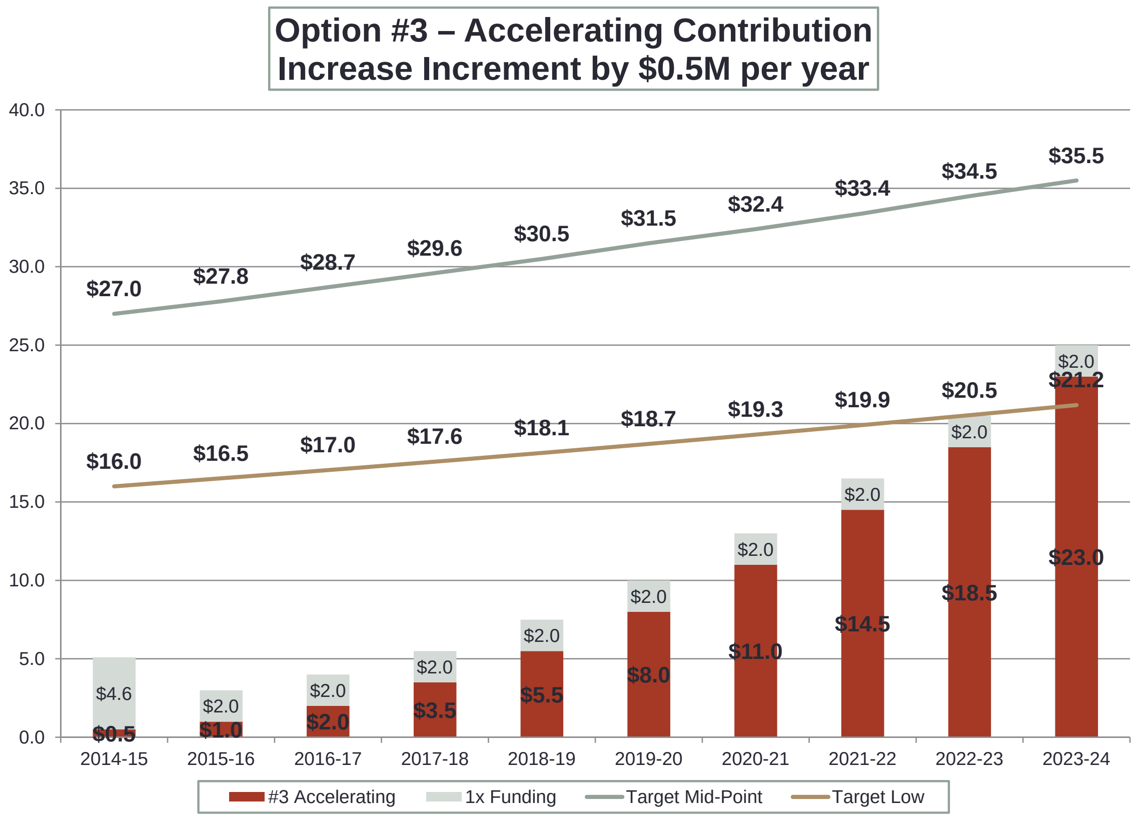

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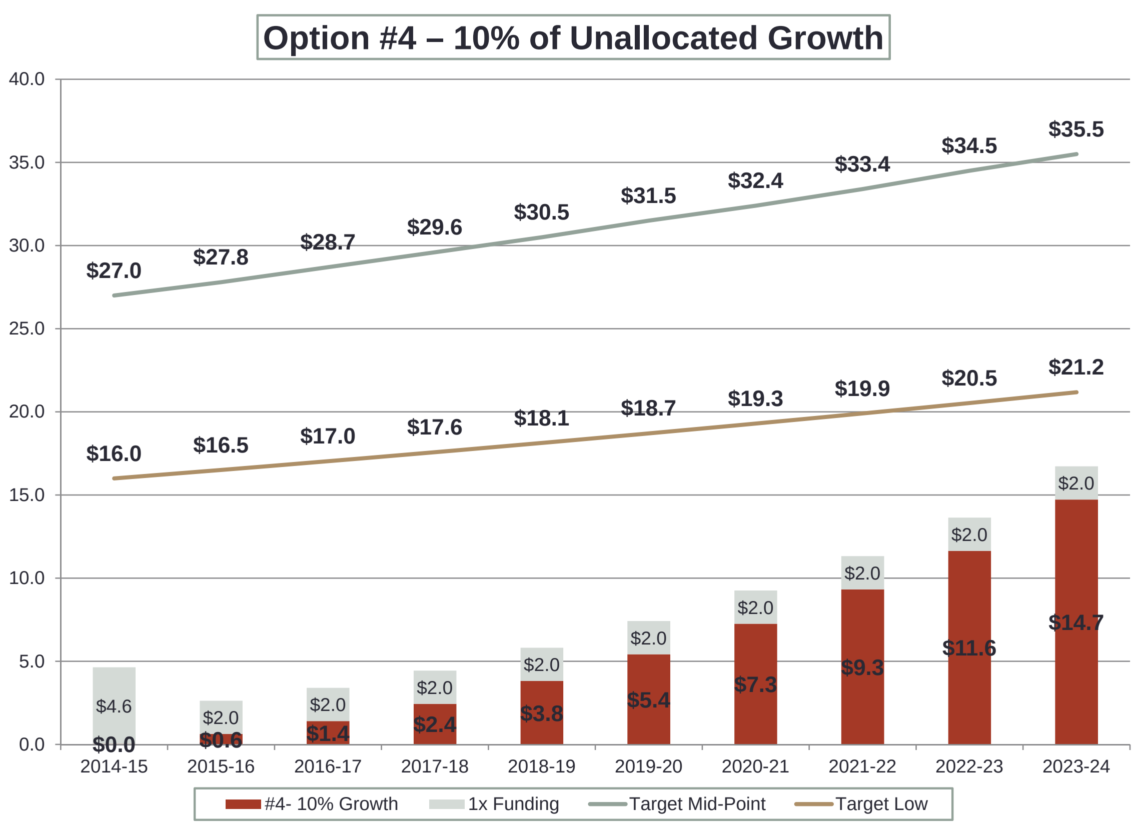

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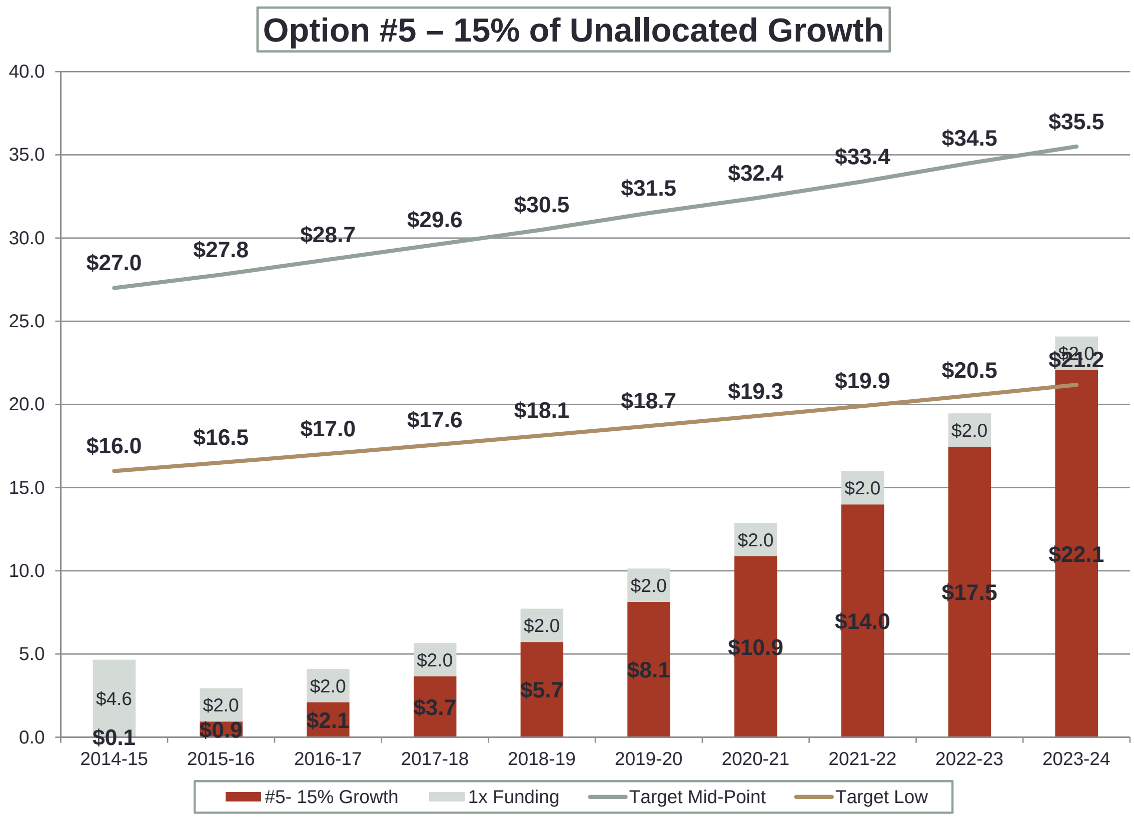

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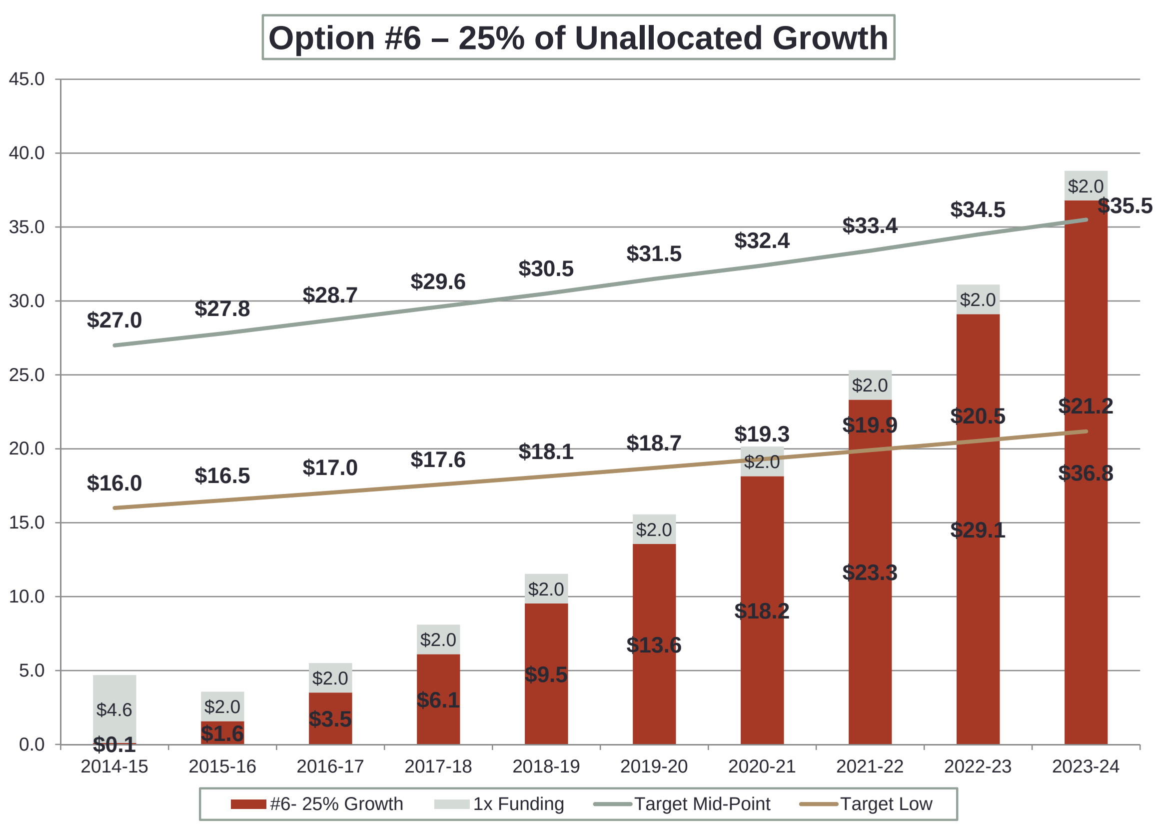

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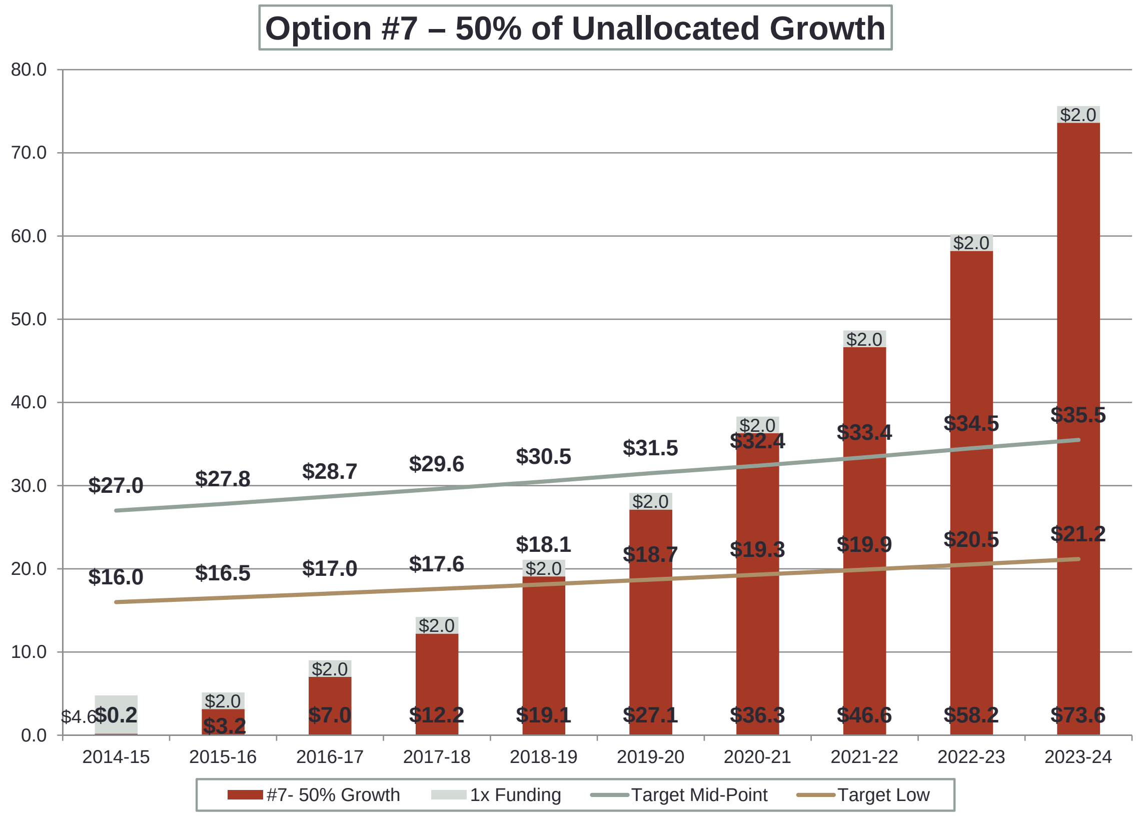

Summary of Options for Additional Funding

Summary of Maintenance Funding Options				
Option	**2015-16 Increase**	**Annual Increase**	**Annual Funding in Yr. 10**	**Cumulative Funding for 10 Years**
1) Staus Quo	$ 2.5	50% of yr. end savings	$ 2.5	$ 25.0
2) Straight Line	$ 4.2	$2.1M per year	$ 21.2	$ 116.5
3) Accelerating	$ 1.0	Increase increment by $0.5M per year	$ 23.0	$ 87.5
4) 10% growth	$ 0.6	10% of unallocated GF growth*	$ 14.7	$ 56.7
5) 15% growth	$ 0.9	15% of unallocated GF growth*	$ 22.1	$ 85.1
6) 25% growth	$ 1.6	25% of unallocated GF growth*	$ 36.8	$ 141.8
7) 50% growth	$ 3.2	50% of unallocated GF growth*	$ 73.6	$ 283.6
***** *Allocation a percentage of unallocated discretionary General Fund; primarily from growth*				

Observations

1. Funding in near term limited; a phased approach is feasible
2. Utilize 1x funding in early years
3. Extended funding period allows for other County needs
4. Straight line funding (Option #2) uses almost all projected available funding in early years

Observations

6. Options #6 & #7 allows for shorter funding periods but limits other funding uses
7. Projections anticipate moderate growth; no downturn assumed in coming 10 years

Policy Discussion

Options for Board's consideration

1. Maintain existing level of funding; augment with 1x funding and 50% (or other percentage) of year end balance <u>Option #1</u>
2. Increase funding by set amount each year (similar to Jail Operations fund) <u>Option #2 & #3</u>
3. Increase funding by a % of unallocated General Fund growth (similar to Fire District shift) <u>Option #4 - #7</u>
4. Reallocate current GF Contribution (not discussed here)

Next Steps

- Consider allocation of funding for FY 2014-15:
  - 1x funding
  - Allocation of year end savings
  - Ongoing – unallocated General Fund
- FY 2014-15:
  - Roads – 1x $4.6M ($910k County) already funded
  - GS/Parks – Recommend 1x $1.4M (to fund two 4 person maintenance teams)