

**Impact Report on
County Facility Maintenance Ordinance Initiative Petition
Responding to Elections Code 9111**

Introduction:

To analyze the fiscal impact of the Ordinance, we have displayed the Ordinance below and indicated areas subject to interpretation or clarification so that the fiscal impact could be assessed. See references within the Ordinance below.

THEREFORE, THE PEOPLE OF THE COUNTY OF SANTA BARBARA ORDAIN AS FOLLOWS:

The heads of County Departments responsible for Public Works, Parks, and General Services shall inform the County Executive Officer annually of the condition of roads, parks and buildings and the actions that they recommend to keep all County roads, parks and buildings used by the public ^(A) in the condition that existed at the time of passage of this Ordinance ^(B). The County Executive Officer shall present those recommendations to the Board of Supervisors (Board) along with any additional recommendations that the County Executive Officer may wish to make.

The Board shall maintain all County roads, parks and buildings used by the public in the same or better condition than existed at the time of passage of this Ordinance ^(C). The Board shall implement the legislative intent of this Ordinance using whatever powers the Board decides to invoke except that the Board may not implement this Ordinance by issuing debt unless the debt is approved by the voters ^(D).

The Board will document its compliance with this Ordinance by adopting a resolution stating the actions taken to comply and the statistical measurements of the level of maintenance that were used ^(E).

If the condition of County roads, parks and buildings described herein improves above the level that existed at the time of the passage of this Ordinance, the higher level of maintenance shall be maintained or further improved.

If any part of this Ordinance is held legally invalid, the remaining parts shall remain in force.

Interpretations or Assumptions Used in the Impact Report:

(A) - *all County roads, parks and buildings used by the public.* The phrase "used by the public," appears to limit the application of the ordinance to County facilities that are open to the public for its use. It does not appear to extend to those facilities that are closed to public use, that is, not accessible by the general public. For purposes of calculating the fiscal impact, we have included all County roads, parks and buildings. After the facilities assessment project is

complete we could better assess the population of facilities not used by the public and quantify. It is assumed that this is not a material population.

(B) *–in the condition that existed at the time of passage of this Ordinance.* Staff assumes that the Ordinance refers to the aggregate condition of roads, parks and buildings and not the individual, asset by asset condition. The application of the ordinance to County facilities added after its passage is unclear. The Board should discuss this if the ordinance passes.

(C) *–The Board shall maintain all County roads, parks and buildings used by the public in the same or better condition than existed at the time of passage.* This language is slightly different than the first sentence of the proposed ordinance, which directs the various department directors to report annually on the actions to keep the assets in **the condition that existed** at the time of passage of the ordinance. For this analysis, staff’s numbers assume the aggregate condition of roads, parks and buildings at the time of passage of the Ordinance would be the baseline or minimum standard. To maintain the aggregate condition, the County could address existing maintenance projects, correct new asset failures, mothball/dispose/renovate assets that are in poor or failing condition or perform other such maintenance efforts which would ultimately maintain the overall aggregate condition of assets.

(D) *–the Board may not implement this Ordinance by issuing debt unless the debt is approved by the voters.* It is assumed that this refers to use of debt to fund maintenance costs to keep the aggregate condition of the assets to a baseline or minimum level as described above. County of Santa Barbara Policy Internal Debt and Budget Policies (Attachment D, page 8), as adopted on January 22, 1991, states that “no financing will be undertaken to finance an operating deficit.” Therefore, debt issuance is not allowable under the current policy for typical maintenance or any other ongoing operational program.

Building construction, renovation or expansion projects often use debt of various forms, and it is assumed that this practice will continue. If a building in very poor condition was demolished and a new structure was built in its place, it would improve the aggregate condition of buildings but the debt would not be used for maintenance, it would be used for capital. It is unclear whether significant deferred maintenance, such as replacement of major system components, would be considered maintenance or capital, per the language of the ordinance.

(E) *–The Board will document its compliance with this Ordinance by adopting a resolution stating the actions taken to comply and the statistical measurements of the level of maintenance that were used.* The County is currently using two condition indices: the PCI (Pavement Condition Index, see Exhibit 1) and FCI (Facilities Condition Index, see Exhibit 2) to document the condition of County roads, parks and buildings. While there are other measurements of the condition of assets, the County has previously determined the PCI and FCI to be appropriate measurements and these provide the necessary baseline information for future comparisons. Both measurements are described in the following Impact Statements and defined in Exhibits 1 and 2. The information currently accumulated in the PCI and FCI does not distinguish assets used by the public and the figures included below represent all County facilities.

Report Addressing Elections Code 9111

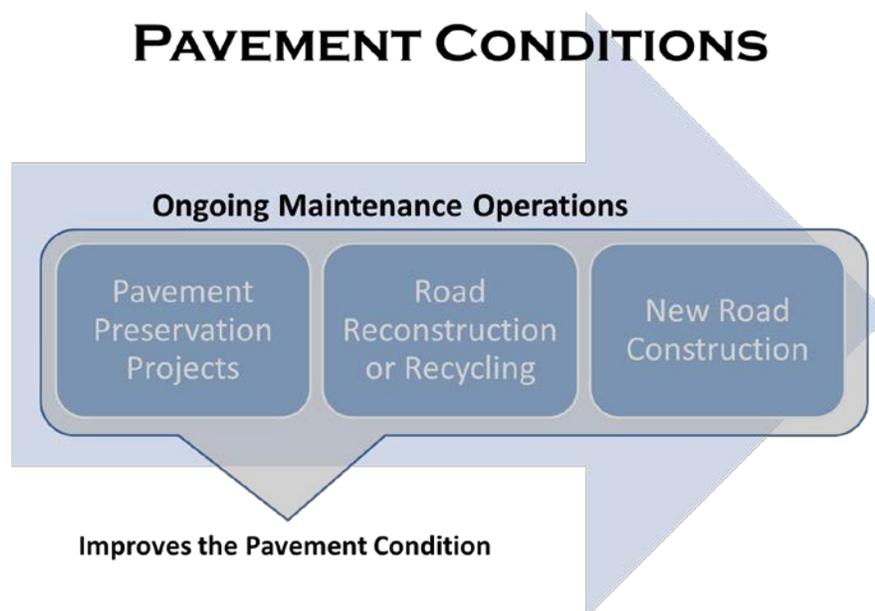
1. *Its fiscal impact.*

County Roads:

The Pavement Condition Index, or PCI, is a numerical index between 0 (worse) and 100 (best) which is used to indicate the general condition of a pavement. The PCI informs decisions on the best treatment needed for each road and its cost. It is widely used in transportation civil engineering and is more fully described in Exhibit 1.

The County's most recent PCI measurement is 61 (see Exhibit 3) and considered "At Risk". To maintain a level of 61, it is estimated that \$12.0 million would be required annually for Pavement Preservation (e.g., slurry seals and asphalt overlays). For comparative purposes, the California PCI average is 66. PCI for comparable counties include 63 for San Luis Obispo and 66 for Ventura. Road maintenance funding can come from Federal, State and local sources and varies from year to year. In Fiscal Year 2013-14, the Board of Supervisors allocated an additional \$2.0 million in one-time funding towards pavement preservation and \$3.0 million was available from other funds, which included \$500,000 from the County General Fund.

PCI is calculated assuming maintenance operations (e.g. pothole patching and culvert clearing) continue at current levels which on average are \$4.8 million annually. A balanced approach, between Pavement Preservation and maintenance operations, is required to insure the safety of the traveling public. If maintenance operation levels were to decrease, the PCI would decrease and the public's safety would be compromised.



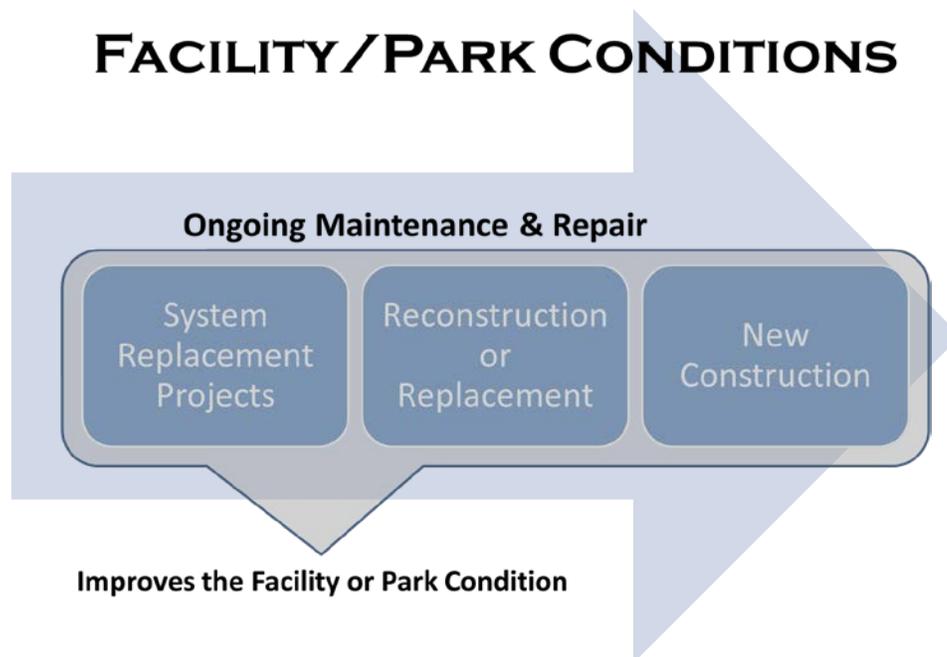
In addition to measuring PCI, the annual backlog of maintenance for other transportation infrastructure such as bridge work, traffic components, trees, hardscape and drainage systems are updated yearly. The cost to measure and update the PCI is estimated to be \$150,000 annually.

County Parks & Buildings:

Parks and buildings condition are estimated using the FCI, Facilities Condition Index. The FCI is used in facilities management to provide a benchmark to compare the relative condition of a group of facilities. This metric is a ratio of the required repairs and project work to the building's current replacement value (CRV); thus the lower the value of the FCI the better. The FCI measurement is more fully described in Exhibit 2.

County parks and buildings conditions are in the process of being assessed by Jorgensen Associates, Inc. (facilities assessment specialist); however, a preliminary estimate of the ultimate FCI is around 16% and considered "Poor" condition. Estimated annual maintenance costs of \$12.0 million would be needed to maintain the current FCI level. General Services and Parks estimate current funding towards these maintenance needs at about \$3.0 million annually, which would result in an additional funding need of \$9.0 million.

The FCI is calculated assuming that General Services and Parks continue to expend an additional \$4.2 million in general maintenance and repair (routine, scheduled maintenance such as landscape maintenance) to prevent additional deterioration of the FCI. The cost to annually measure the FCI is estimated to be \$200,000.



The PCI and FCI can be impacted by the following changes:

- Building element and system replacement projects
- Pavement preservation projects
- Disposing of or mothballing existing facilities, including removing roads from county maintained system
- Asset reconstruction, renovation or replacement
- Adding new assets

Financial Summary:

The estimated cost to maintain the current PCI and FCI levels would require an additional \$18.4 million in funding (see table below). This level of funding would not eliminate the existing deferred maintenance backlog; it would instead maintain the condition of County assets to the estimated PCI and FCI levels that exist at the time of passage of this ordinance. The actual dollar amount would most likely increase due to inflation and assumes the existing level of routine or operations maintenance would continue.

Estimated Maintenance Costs Affecting the CI:			
	Current Funding	Necessary Funding	Additional Funding/Fiscal Impact*
Roads	\$ 3.0	\$ 12.0	\$ 9.0
Parks & Buildings	3.0	12.0	9.0
Cost to annually measure the FCI & PCI	-	0.4	0.4
Total	\$ 6.0	\$ 24.4	\$ 18.4

* Assumes current levels of operational maintenance of approximately \$4.8 million for roads and \$4.2 million for buildings and parks.

If the Ordinance passes and additional maintenance funding of \$18.4 million is required, the County would need to identify additional revenue sources, redirect existing program funding to maintenance activities and thereby reduce other program spending, or some combination of the above. In addition, the Board could dispose of or mothball facilities to decrease maintenance costs. Increased funding for maintenance projects will include additional contractors or staff to manage them.

As an example, if funding for the entire \$18.4 million were achieved through shifting discretionary General Fund dollars from operational programs to maintenance, it would represent a 9.8% reduction in those General Fund programs. This reduction could be spread in various ways across departments. For illustration purposes, a straight, proportional allocation of this reduction, based on existing departmental allocations, would have the impact shown below, by the appropriate Functional Group*:

(\$'s in millions)

Potential GFC Reductions by Functional Groups:	Amount
Policy & Executive	\$ 1.3
Public Safety	11.3
Health & Public Assistance	1.3
Community Resources & Facilities	1.7
General Government & Support	2.8
Total Reduction	\$ 18.4

Notes:

- a) The above does not include an adjustment for buildings that are not used by the public; all County owned buildings are currently included.
 - b) If maintenance costs are increased, some portion of the additional costs may be funded by Federal and State sources, depending on the nature of the expenditure and the occupant of the building.
 - c) The Facility Assessment and FCI computation are currently being worked on by a consultant (Jorgensen) and the figures may change as all facilities are completed. They have currently assessed approximately 75% of County owned parks and buildings.
 - d) There are other metrics to calculate the condition of roads, parks and facilities; however, the metrics used were identified as most appropriate for the County's purposes when evaluating alternatives and provide a baseline for comparison.
- * Based on FY 2013-14 Adopted General Discretionary Revenues and excludes allocations to General County Programs, which primarily fund maintenance, capital and reserves (strategic and contingency) and Courts (mandated level of funding).

2. Its effect on the internal consistency of the county's general and specific plans, including the housing element, the consistence between planning and zoning, and the limitations on county actions under Section 65008 of the Government Code and Chapter 4.2 (commencing with Section 65913) and 4.3 (commencing with Section 65915) of Division 1 of Title 7 of the Government Code.

The petition is consistent with all of these sections of the government code. Any significant funding shifts from General Fund operating programs to maintenance could affect implementation of other programs, including housing.

3. Its effect on the use of land, the impact on the availability and location of housing, and the ability of the county to meet its regional housing needs.

No direct effect, but any significant funding shifts would affect other programs, including housing.

4. Its impact on funding for infrastructure of all types, including, but not limited to, transportation, schools, parks and open space. The report may also discuss whether the measure would be likely to result in increased infrastructure costs or savings, including the costs of infrastructure maintenance, to current residents and businesses.

The petition addresses sustaining the current conditions at county-owned roads, parks and buildings, and the costs are discussed in #1 above. The petition does not address conditions of other types of infrastructure such as bridges, sewer lines, sidewalks, etc. The petition does not address funding sources for any infrastructure improvements or maintenance.

5. Its impact on the community's ability to attract and retain business and employment.

No direct effect as the petition does not address reducing deferred maintenance, but instead keeps the backlog from growing. Any significant funding shifts would affect other programs

which may or may not impact efforts to attract and retain business. Conversely, well-maintained County infrastructure could be more attractive to business.

6. *Its impact on the uses of vacant parcels of land.*

Not applicable as the petition addresses existing facilities.

7. *Its impact on agricultural lands, open space, traffic congestion, existing business districts, and developed areas designated for revitalization.*

No direct impact as the petition addresses maintenance of existing facilities. Any significant funding shifts would affect other programs. However, a well-maintained road system should allow for smoother and safer travel which in turn could minimize traffic congestions. Well-maintained parks could attract more visitors which could provide more wear and tear on amenities, but could also lead to more people visiting business districts and spending money leading to a financial multiplier effect.

8. *Any other matters the board of supervisors request to be in the report (specific requests below).*

a. *How this initiative affects issuance of any debt.*

County of Santa Barbara Policy Internal Debt and Budget Policies (Attachment D, page 8), as adopted on January 22, 1991, states that “no financing will be undertaken to finance an operating deficit.” Therefore, debt issuance is not allowable under the current policy whether it is used for deferred maintenance or to finance any other ongoing operational program.

b. *Differences in state and national standards*

The petition’s Statement of Facts refers to “nationally accepted” standards: “The roads, parks and buildings owned by the County are not being maintained to nationally accepted standards.” There is no state or nationally-adopted standards for parks or buildings. There are benchmarks and ways to measure their condition, but not a universal standard. It is common that establishing a “standard” is best left to the individual management entities.

The proposed ordinance has no reference to “nationally accepted” standards but requires that “...to keep parks, roads and buildings used by the public in the condition that they are in at the time of the passage of this ordinance.” The ordinance uses the current condition as the baseline or standard.

The Pavement Condition Index (PCI) is a numerical index between 0 (worst) and 100 (best) used to indicate the general condition of a pavement. In 2008 the California State Association of Counties, the League of California Cities and California Regional Transportation Planning Agencies established a "Best Management Standard" for our State. This was accomplished through the California Statewide Local Streets and Roads Needs Assessment. This standard equates to bringing the pavement average in California to a PCI of 84. The State’s current average is 66. The County’s current PCI is 61.

There is not currently a national standard for PCI; however the Federal Highway Administration and Caltrans are in the process of approving performance measures for roads. These national standards are anticipated to be released within the year.

c. How to measure baseline.

This is addressed in the fiscal impact question (#1).

Historically, the only measurements of facility condition reported were:

- Depreciation and use allowances, which are a means of allocating the **cost** of fixed assets to periods benefiting from the asset use. These are used in obtaining reimbursement from Federal and State funding sources for certain eligible programs located in County owned facilities.
- Deferred maintenance figures have been reported annually; however, similar to the above depreciation and use allowance; these figures are economic measures and are not a measure of the condition of roads, parks or buildings at a point in time.

d. What happens to County assets if the initiative does or does not pass?

Roads:

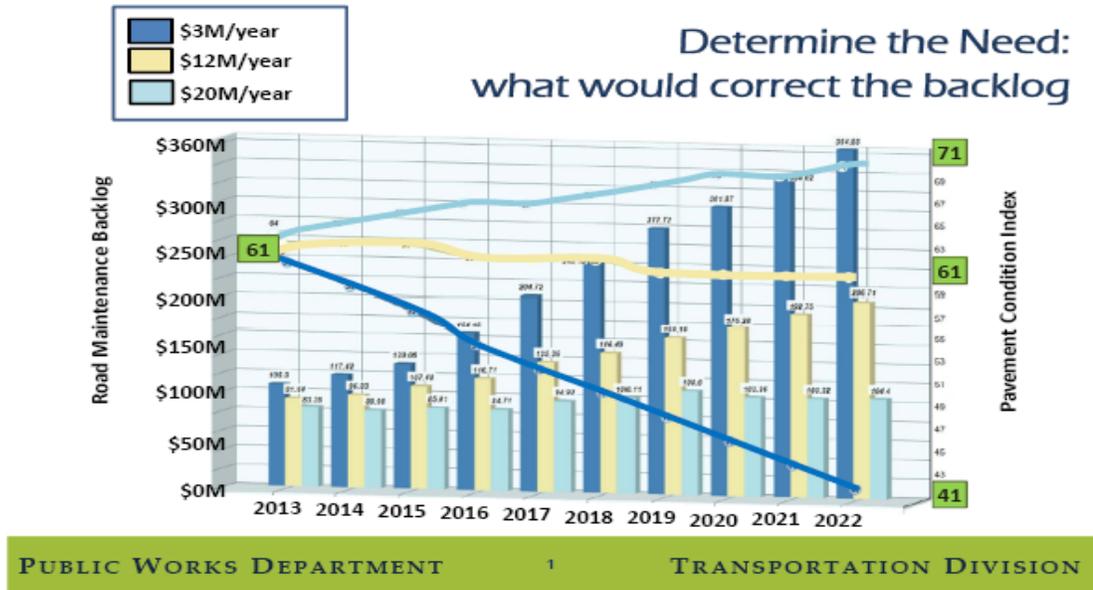
If the initiative passes, Public Works has estimated that funding pavement preservation at \$12.0 million per year would maintain the current PCI level at 61. Over 10 years, the deferred pavement projects backlog, currently estimated at \$110 million at current funding levels, would increase to \$207 million as a function of inflationary costs. Thus the roads would be in the same overall condition that they are in today but the backlog cost would increase.

If the measure does not pass, the Board would have several options. It could keep the annual pavement funding at a level of \$3.0 million (currently identified ongoing funding). At this level the PCI is expected to drop to 41 (“Poor”) over the next 10 years and the projected backlog of deferred pavement projects would increase to \$365 million. This would represent a 33% degradation of the current condition of the roads and a 76% increase in the road maintenance backlog.

The Board could also raise the pavement funding level to maintain or achieve a desired PCI over time. The funding sources could be from available ongoing revenue, one-time revenue, or redirection of revenue from existing programs. This would be a policy decision and would allow the Board discretion in determining the appropriate PCI level, timeframe for achieving it, mechanism for funding it over time, desired level of funding, priority of funding, etc., within the context of other funding needs.

These projections are shown on the graph below.

2012 CALIFORNIA STATEWIDE NEEDS ASSESSMENT



County Parks and Buildings:

We are awaiting the first comprehensive condition assessment report of all County owned parks and buildings, therefore staff cannot quantify the magnitude of maintenance needs in the future if additional resources are not invested toward this use. Jorgensen has preliminarily estimated that a \$12M annual investment should keep the FCI at its current level. However, if the ordinance passes, one would assume that we would maintain the current condition of County facilities and would expect that the backlog of deferred maintenance would increase at an inflationary rate.

If the ordinance does not pass, the Board has options to continue funding at the current level or altering the funding level. If funding continues at approximately 25% of the required amount to maintain the current condition of our facilities (FCI), one would assume a continued or escalating degradation of County facilities and the value of deferred maintenance projects would continue to increase.

The Board could always determine to spend more toward maintenance, as described above for Roads. This would be a policy decision and would allow the Board discretion in determining the appropriate FCI level, timeframe for achieving it, mechanism for funding it over time, desired level of funding, priority of funding, etc. within the context of other funding needs. More information will be known once the Jorgensen report is completed later this spring, when staff will bring the discussion to your Board.

**Exhibit 1:
Pavement Condition Index (PCI)**

The **Pavement Condition Index (PCI)** is a numerical index between 0 and 100 which is used to indicate the general condition of a pavement. It is widely used in transportation civil engineering. It is a statistical measure and requires manual survey of the pavement. PCI surveying processes and calculation methods have been standardized by **American Society for Testing and Materials (ASTM)** for both roads and airport pavements:

- ASTM D6433 - 11: Standard Practice for Roads and Parking Lots Pavement Condition Index Surveys
- ASTM D5340 - 11: Standard Test Method for Airport Pavement Condition Index Surveys

PCI was developed by the United States Army Corps of Engineers. The method is based on a visual survey of the number and types of distresses in a pavement. The result of the analysis is a numerical value between 0 and 100, with 100 representing the best possible condition and 0 representing the worst possible condition.

For relatively small pavement systems, the entire system may be surveyed. For large pavement systems, the process may involve surveying a random or representative sample of the entire system with the following steps:

- Divide the total pavement section into sample units (approximately 5000 square feet).
- Based on the number of sample units in the total section, a certain number of these units are selected to be tested. For example if there are 40 or more sample units, 10% are tested.
- The type, extent and severity of pavement distress in each section are recorded using the ASTM Standard D 5340 method.
- The PCI of each tested sample unit is calculated using the method defined in the standard. In summary this involves calculating the distress quantities and the distress densities for each tested unit. These values are used to determine a deduct value and this deduct value is subtracted from 100 to give the PCI value.
- If the surveyed samples are representative of the overall system, the PCI of the pavement system is then assumed to be equal to the PCI of the sampled areas.

This condition index can give a good indication of the pavement condition of a network. However, trained personnel are required to complete the complicated survey procedure.

PCI Ratings:

70-100: Excellent/Good

50-70: At-Risk

25-50: Poor

0-25: Failed

**Exhibit 2:
Facilities Condition Index (FCI):**

The Facility Condition Index (FCI) is used in facilities management to provide a benchmark to compare the relative condition of a group of facilities. The FCI is primarily used to support asset management initiatives of federal, state, and local government facilities organizations. This would also include universities, housing and transportation authorities, and primary and secondary school systems.

Mathematically the FCI is represented as:

$$\text{FCI} = \frac{\text{Maintenance, Repair, and Replacement Deficiencies of the Facility(-ies)}}{\text{Current Replacement Value of the Facility(-ies)}}$$

The FCI as a tool was first published in 1991 by the National Association of College and University Business Officers (NACUBO).

FCI Ratings (Per Jorgensen):

0% - 2%	Excellent
2%-4%	Very Good
4%-6%	Good
6% - 10%	Fair
10% +	Poor

Pavement Condition Index Scenarios (0=worst, 100=best)

