



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Larry D. Lisenbee

**SUBJECT: UNMET/DEFERRED
INFRASTRUCTURE AND
MAINTENANCE NEEDS**

DATE: 11-17-2006

Approved

Date

11-17-06

INFORMATION

BACKGROUND

As part of the Mayor's June Budget Message for Fiscal Year 2006-2007, staff was directed to present to the Council a Police Department Five-Year Staffing Plan within 120 days. While a more detailed memorandum regarding the staffing plan has been prepared and will be discussed separately at the November 28th Budget Study Session, it is important that the City Council review that information in the context of other important issues and factors, such as a projection of future General Fund revenues and expenditures, unmet/deferred City infrastructure and maintenance needs, and a review of previous reductions some non-Public Safety Departments have taken in recent years. The attachments (Attachment A - Unmet/Deferred Maintenance and Infrastructure Needs Summary and Attachment B - Unmet/Deferred Maintenance and Infrastructure Needs Detail) were prepared to give the City Council an idea of the cost of the unmet and/or deferred infrastructure and maintenance needs the City faces for which the General Fund would be the sole or primary source of funding.

ANALYSIS

As a result of the local economic climate, the City has faced severe General Fund shortfalls over the past five years, requiring significant staff and resource reductions. A sampling of these reductions are described in the Selected Non-Public Safety Service Restorations memorandum, also on the agenda for the November 28th Budget Study Session. These resource reductions occurred in the face of the City's Decade of Investment, which has challenged the City to operate and maintain many new or expanded facilities despite diminishing resources. Meanwhile, many critical infrastructure and maintenance needs have been postponed. Furthermore, State budget impacts have negatively impacted funding received for infrastructure needs, shifting the burden of many of these costs to local agencies including our City. Although the recent passage of Propositions 1A and 1B offer some potential relief to transportation infrastructure needs, even with this additional funding taken into consideration, the local economic climate and resource reductions has caused a backlog of \$370 million in transportation infrastructure alone.

ANALYSIS (Cont'd.)

As summarized in Attachment A, the General Fund burden of unmet and/or deferred maintenance in 2007-2008 has reached almost \$400 million. Including infrastructure and maintenance needs in areas with other potential funding sources (non-General Fund), the unmet and deferred infrastructure and maintenance needs grows to over \$445 million. This figure includes the cost to restore the transportation system in accordance with City goals and community expectations; maintain the City's existing facilities including the Police Department Administration, Communications, and City Hall facilities; implement and upgrade essential information technology infrastructure; and maintain the City's vehicle and equipment fleet.

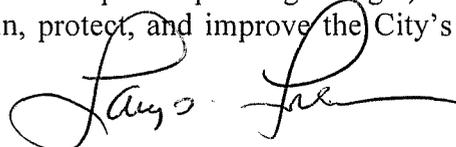
The information that follows in Attachment B details the needs, methodology, and assumptions used, and further, identifies where funding other than the General Fund is a potential option, if funding is available. These maintenance and infrastructure needs were developed using a combination of consultant study, current building and asset management software, surveys of City staff and non-profit operators, and replacement schedules. In the General Services Department, General Fund needs of \$1.2 million (net of available funding) in 2007-2008 was derived from a consultant study that has been updated over the past few years. The Information Technology Infrastructure need of \$4.0 million in 2007-2008 consists of critical software and computer replacements required to manage and keep this infrastructure current. Transportation Infrastructure backlogs, as reported in a 2005 report to the Building Better Transportation Committee, has grown to \$370 million need for one-time infrastructure rehabilitation and capital improvement. Even with new Proposition 1A and 1B funding, the ongoing annual operating and maintenance shortfall is projected between \$18 million and \$23 million over the next 5 years. Finally, in order to bring our current vehicle and equipment fleet up to replacement guidelines, \$3.0 million General Fund funding would be required. It should be noted, however, that the programming and appropriation of these amounts may require further analysis and assessment of vehicles based on City Auditor recommendations.

COORDINATION

This list was prepared and summarized by the City Manager's Budget Office. All City departments were requested to submit unmet and/or deferred maintenance needs as part of the 2008-2012 General Fund Forecast. Should any items from this list be brought forward for Council consideration in the future, comprehensive coordination with all appropriate CSA and departmental staff will be conducted and further analysis and refinement will be required.

CONCLUSION

This memorandum was created for informational purposes only. Based on the growing backlog of unmet and/or deferred infrastructure and maintenance needs, the City Council will need to seriously consider strategies for setting aside both additional one-time funding (a strategy which included \$9.8 million as part of the 2006-2007 Adopted Operating Budget) and developing ongoing funding strategies, in order to maintain, protect, and improve the City's infrastructure investment.



LARRY D. LISENBEE
Budget Director

UNMET/DEFERRED INFRASTRUCTURE AND MAINTENANCE NEEDS SUMMARY

ATTACHMENT A

GENERAL FUND	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
GENERAL SERVICES MAINTENANCE*	1,166,000	(631,000)	(672,000)	2,599,000	253,000
INFORMATION TECHNOLOGY INFRASTRUCTURE	3,978,000	1,603,000	1,603,000	1,603,000	1,603,000
TRANSPORTATION INFRASTRUCTURE	391,514,000	21,600,000	18,846,000	19,102,000	19,364,000
VEHICLE/EQUIPMENT REPLACEMENT	3,025,000	-	-	-	-
TOTAL GENERAL FUND UNMET/DEFERRED INFRASTRUCTURE AND MAINTENANCE NEEDS	399,683,000	22,572,000	19,777,000	23,304,000	21,220,000

* Figures offset by existing funding: \$1 million allocated in the 2006-2007 Adopted Muni Imprvts CIP; \$897,000 annually

POTENTIAL OTHER FUNDS (EG. RDA, C&C FUNDING)

GENERAL SERVICES MAINTENANCE	11,670,000	3,466,000	958,000	201,000	-
CONVENTION AND CULTURAL FACILITIES (TOP 5) **	4,290,000	-	-	-	-
PARKS	29,664,000	-	-	-	-
TOTAL POTENTIAL OTHER FUND UNMET/DEFERRED INFRASTRUCTURE AND MAINTENANCE NEEDS	45,624,000	3,466,000	958,000	201,000	-

** Team San José condition assessment list pending; list not comprehensive

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

GENERAL FUND

General Services Maintenance

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
General Services Total*	\$ 1,166,000	(\$ 631,000)	(\$ 672,000)	\$ 2,599,000	\$ 253,000

* Offset by available funding described further below

The expenditures displayed cover the costs associated with the following major building components: electrical, mechanical, painting, structural improvements, asbestos, and roofing. A detailed breakdown by type of facility and trade is outlined below. The Facilities Management group has compiled this data using information from the Building Management System. The General Services Department has three condition assessment programs that were used to generate the unfunded maintenance needs. The first source is a building condition assessment that was contracted out from 1997 through 1999. This data was generated by a consultant walking through each facility and recording the deficiencies and conditions in a database that includes cost and implementation year. Over the years, completed deficiencies have been removed as well as all of the deficiencies for facilities that are being addressed through the bond projects. Unfortunately this data is now aged, and so the General Services Department has implemented an annual in-house program that will eventually update all of this data. The in-house program is very similar to the consultants, with the exception of having General Services Department staff perform the assessments and cost estimations. These data sources are examined and combined to provide the total capital replacement needs of City facilities that would require General Fund funding, represented below.

The final source of unfunded maintenance needs related to the new City Hall is derived from a consultant report for the new City Hall facility. City Hall Building Maintenance includes major maintenance to the following systems: electrical, fire, energy management, security, and audio/video. In 2010-2011, these costs total \$3.27 million which primarily consists of maintenance for the fire system (\$855,000), replacement of the energy management system (\$848,000), and replacement of audio/video equipment (\$1.5 million) based on the replacement schedule of the existing equipment.

For 2011-2012, General Services currently has no specific data available. Staff reviewed the maintenance needs of previous years and estimated \$1.1 million as an overall average expected need for that fiscal year. During the coming year, the General Services Department will be transitioning in a condition assessment methodology which will update all of the data for the forecast, including the out years. Until that project is complete, General Services is reporting out the best available data at this time.

Funding in the amount of \$1 million was allocated in the 2006-2007 Adopted Municipal Improvements Capital Budget and \$897,000 in each year after 2006-2007. This available funding would offset a portion of the building maintenance costs identified below.

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

GENERAL FUND (CONT'D.)

General Services Maintenance (Cont'd.)

Police Department Facilities

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Asbestos	\$ 16,000				
Electrical	236,000			11,000	
Mechanical	857,000			45,000	
Painting	503,000		45,000	10,000	
Roofing	69,000			33,000	
Structural	697,000		113,000	131,000	
Total	\$ 2,378,000		\$ 158,000	\$ 230,000	

Communications Building

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Electrical	\$ 8,000				
Mechanical	35,000				
Painting	201,000				
Structural	420,000	51,000	67,000		
Total	\$ 664,000	\$ 51,000	\$ 67,000		

City Hall

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
City Hall	\$ 21,000	\$ 215,000		\$3,266,000	\$ 50,000
Total	\$ 21,000	\$ 215,000		\$3,266,000	\$ 50,000

Other Municipal Improvements

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Other Municipal Improvements					\$ 1,100,000
Total					\$ 1,100,000

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

GENERAL FUND (CONT'D.)

Information Technology Infrastructure

The list below summarizes estimated unfunded critical information technology infrastructure needs. Projected expenses for contractual services are based upon staff's estimate of the level of effort that will be required. It is important to recognize that these costs may vary based upon individual complexities and requirements. The figure represented below does not include additional staff costs that would likely be required to maintain information technology systems.

Estimated Future Expenses (in priority order)

Asset Management Software	\$ 250,000
Content Management Software	300,000
Skills Supplement/Web Development Support	300,000
Electronic Document Management System (EDMS)	800,000
GIS/Shared Applications	300,000
Desktop Management Software Licenses	<u>425,000</u>
Total	\$2,375,000

Below is a list of ongoing information technology infrastructure needs. These assume a 3% escalation in the years following 2007-2008. Computer replacements assume a four-year replacement cycle for the City's 6,500 computers. Approximately 74% of those computer replacements would be funded from the General Fund and include equipment, software, and licensing costs.

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Computer Replacements	\$1,603,000	\$1,603,000	\$1,603,000	\$1,603,000	\$1,603,000

Transportation Infrastructure

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Transportation Infrastructure Total	\$391,514,000	\$21,600,000	\$18,846,000	\$19,102,000	\$19,364,000

In 2005, the Department of Transportation presented a report to the Building Better Transportation Committee summarizing the transportation backlog at an estimated \$370 million in one-time infrastructure rehabilitation and capital improvement funding and an ongoing annual operating and maintenance shortfall projected between \$18 million and \$25 million over the next five years. This funding would be necessary in order to adequately maintain, operate, and

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

GENERAL FUND (CONT'D.)

Transportation Infrastructure (Cont'd.)

improve the system in accordance with the City goals and community expectations. A master plan to address this funding shortfall is currently under development.

One-Time Expenditures

Pavement Maintenance	\$ 209,000,000
Curb Ramps	50,000,000
New Street Lighting	31,000,000
Median Island Landscaping	26,000,000
Street Reconstruction	20,000,000
Curb and Gutter Repair	18,000,000
Traffic Signal System Rehabilitation	<u>16,000,000</u>

Total **\$ 370,000,000**

In addition to the one-time figures represented above, annual funding is necessary in order to maintain infrastructure to a satisfactory level. These figures are detailed in the table below and assume a 3% adjustment for inflation. Figures for pavement maintenance have been updated to reflect recent analysis on the funding needs based on the recent passage of Proposition 1A and 1B.

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Pavement Maintenance*	\$13,514,000	\$13,360,000	\$10,360,000	\$10,360,000	\$10,360,000
Downtown Cleaning and Maintenance	2,000,000	2,060,000	2,122,000	2,186,000	2,252,000
Tree Trimming	1,500,000	1,545,000	1,591,000	1,639,000	1,688,000
Sidewalk Repair	1,200,000	1,236,000	1,273,000	1,311,000	1,350,000
Traffic Signal Systems	1,100,000	1,133,000	1,167,000	1,202,000	1,238,000
Street Landscaping	1,100,000	1,133,000	1,167,000	1,202,000	1,238,000
Street Light Maintenance	400,000	412,000	424,000	437,000	450,000
Traffic Signage	400,000	412,000	424,000	437,000	450,000
Roadway Markings and Striping	<u>300,000</u>	<u>309,000</u>	<u>318,000</u>	<u>328,000</u>	<u>338,000</u>
Total	\$21,514,000	\$21,600,000	\$18,846,000	\$19,102,000	\$19,364,000

* Original figure revised to reflect funding from the recent passage of Proposition 1A and 1B as reported to the Building Better Transportation Committee on September 14, 2006.

UNMET/DEFERRED MAINTENANCE INFRASTRUCTURE NEEDS DE

GENERAL FUND (CONT'D.)

Transportation Infrastructure (Con

It should be noted, with the recent passage of State Proposition 42, additional funding is anticipated to become available to begin the maintenance mentioned above. As reported by the Department of Transportation Better Transportation Committee on September 14, 2006, the proposition includes the preservation of Proposition 42 funding to the City for pavement maintenance in the amount of \$8 million annually and \$1 million for José for local street improvements, including pavement maintenance of \$1 million annually, to be distributed over a 10-year period. The funding is to start annually starting in 2007-2008 for ten years and an additional \$1 million starting in 2008-2009 for pavement maintenance.

Vehicle/Equipment Replacement

The vehicle and equipment replacement candidate list is developed based on replacement and utilization guidelines.

Replacement & Utilization Guide

Class Type	Years and Miles/Hours
General Fleet Sedans, Vans, and Light Trucks	10 Years and 100,000 Miles
Heavy Trucks	15 Years and 100,000 Miles
Light Metered Equipment (Lawn mowers, scooters, light tractors, etc.)	6 Years and 2,500 Hours
Heavy Metered Equipment (loaders, backhoes etc.)	15 Years and 6,000 Hours

In addition to these guidelines, vehicles and equipment not meeting the guidelines may warrant replacement consideration if they are subject to obsolescence, accident damage, or are no longer cost effective to maintain.

Once the candidate list is generated from the database using established criteria, the list is sent to the respective maintenance facilities and mechanical shops. The candidates are then prioritized using age, miles/hours, service history, and condition as criteria and the list is forwarded to the using department. All vehicle replacements must be approved by the City Manager's Office.

The total current vehicle and equipment replacement need is \$3,000,000, with \$1,000,000 currently available, leaving an unmet replacement need of \$2,000,000.

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

GENERAL FUND (CONT'D.)

Vehicle/Equipment Replacement (Cont'd.)

below by department). This figure does not include vehicle and equipment replacement needs that may arise beyond 2007-2008. Annual ongoing funding of \$1,750,000 has been programmed beginning in 2007-2008 to begin to address the deferred replacement need and new annual replacement needs that may occur due to the aging of the fleet. Although this list represents all General Fund vehicles and equipment that meet the utilization criteria, the General Services Fleet Management Division will perform mechanical assessments on all vehicles prior to replacement in accordance with the February 2003 City Auditor's report on the City's vehicle replacement program. It should be noted that the focus of this analysis relates to non-Public Safety vehicles. Fire Department vehicle and apparatus replacement are fully funded by both the General Fund and Construction and Conveyance Tax Funds. Marked Police Department vehicles are also fully funded based on their replacement schedules.

Unfunded Vehicle/Equipment Replacement by Department

Finance Department	\$ 134,000
General Services Department	742,000
PRNS Department	932,000
Public Works Department	106,000
Transportation Department	<u>1,111,000</u>
Total	\$ 3,025,000

Vehicle and equipment replacements in the Finance Department (\$134,000) include two cargo vans and one truck. In the General Services Department vehicle and equipment replacements (\$742,000) include heavy trucks, several light trucks, and two cargo vans. Parks, Recreation and Neighborhood Services Department replacements (\$932,000) consist of passenger vans, lawn mowers, tractors and other service trucks. Public Works vehicles include one sedan and four light trucks. The replacement of heavy equipment trucks, parking meter scooters, and several pickup trucks are included in the backlog for the Department of Transportation (\$1.1 million).

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

POTENTIAL OTHER FUNDS

General Services Maintenance

As previously mentioned, the costs displayed cover the costs associated with the following major building components: electrical, mechanical, painting, structural improvements, asbestos, and roofing. Consistent with the prior methodology, below are replacement needs at the Fire Department and Parks and Community Center facilities. Funding may be available for the Fire Department and Parks and Community Center facilities maintenance through funding in the Construction and Conveyance Tax Fund dedicated for capital and infrastructure replacement.

Fire Department Facilities

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Asbestos	\$ 122,000		\$ 16,000		
Electrical	580,000	605,000	275,000		
Mechanical	1,248,000	427,000	574,000		
Painting	1,057,000				
Roofing	192,000				
Structural	<u>1,125,000</u>	<u>213,000</u>	<u>85,000</u>		
Total	\$ 4,324,000	\$1,245,000	\$ 950,000		

Parks and Community Center Facilities

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Asbestos	\$ 71,000	\$ 8,000			
Electrical	1,280,000	1,002,000		29,000	
Mechanical	2,517,000	380,000		23,000	
Painting	1,446,000	54,000	6,000	22,000	
Roofing	339,000	142,000		91,000	
Structural	<u>1,693,000</u>	<u>635,000</u>	<u>2,000</u>	<u>36,000</u>	
Total	\$ 7,346,000	\$2,221,000	\$ 8,000	\$201,000	

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

POTENTIAL OTHER FUNDS (CONT'D.)

Convention and Cultural Facilities

The General Services Department has evaluated capital repairs necessary for Convention and Cultural Facilities around the City as submitted by the non-profit operators that manage each facility. As part of this evaluation, a “top 5” list was determined and prioritized by the General Services Department. The lists are not comprehensive and repairs at the San José Convention Center are not included, pending the outcome of Team San José’s current condition assessment now funded and under way. Some of the items at the convention center may be the responsibility of Team San José, per the agreement between the City and Team San José. Redevelopment Agency funding, if identified, may be used to fund a portion of these capital repairs.

Top 5 List Repairs (excluding Team San José)

Children’s Discovery Museum	\$1,350,000
San José Museum of Art	440,000
Tech Museum of Innovation	620,000
San José Repertory Theater	465,000
Mexican Heritage Plaza	1,000,000
History San José	<u>415,000</u>
Total	\$4,290,000

In the Children’s Discovery Museum, improvements include roof replacement, building envelope repair, exterior paint, preliminary design for interior upgrades, and HVAC upgrades. San José Museum of Art repairs consist of lighting, floor improvements, HVAC expansion, general maintenance, and a waterproofing assessment. Improvements in the Tech Museum of Innovation include exterior painting, adding variable frequency drives to the chillers, HVAC improvements, carpet replacements, and other general improvements. At the San José Repertory Theater, infrastructure improvements include lighting and HVAC upgrades. Health and safety repairs, renewal of theater light and sound, and leak repairs are included in unmet maintenance needs at the Mexican Heritage Plaza. Lastly, for History San José, needs include fire and security improvements, roof and general repairs at the Fallon House, and other general maintenance needs.

Parks and Community Center Facilities

The Parks, Recreation, and Neighborhood Services Department compiled capital infrastructure needs based on staff evaluation input and the department’s asset management software. Construction and Conveyance Tax funding or other non-General Fund sources may be available to fund much if not most of these capital repairs. A comprehensive list, which includes turf renovation, parking lot resurfacing, bench and fountain repair, and walkway repair total \$29.6 million. Below is a total by Council District. A sampling of facilities requiring the most repairs per area is included in parenthesis.

**UNMET/DEFERRED MAINTENANCE AND
INFRASTRUCTURE NEEDS DETAIL**

POTENTIAL OTHER FUNDS (CONT'D.)

Parks and Community Center Facilities (Cont'd.)

Council District 1 (Calabazas, Starbird, Mise Parks)	\$1,663,000
Council District 2 (Great Oaks, George Page Parks)	604,000
Council District 3 (Watson Community Ctr, Park and Soccer Bowl)	5,068,000
Council District 4 (Berryessa Library & Comm Ctr)	2,097,000
Council District 5 (Las Plumas Warehouse)	1,588,000
Council District 6 (River Glen, Bramhall, Lincoln Glen Parks)	743,000
Council District 7 (Solari Park)	2,954,000
Council District 8 (Silver Creek Linear Park)	1,489,000
Council District 9 (Butcher, Doerr Parks)	811,000
Council District 10 (TJ Martin Park, Almaden Winery)	965,000
City-Wide (Alum Rock, Almaden Lake Parks)	<u>11,682,000</u>
Total	\$29,644,000