



Legislation Details (With Text)

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On agenda: 9/10/2019 **Final action:**
Title: Deferred Maintenance Fund Priorities for FY 2019-20
Sponsors: General Services, Regional Parks, County Administrator
Indexes:
Attachments: 1. Summary Report.pdf, 2. Attachment A - General Fund Supported Deferred Maintenance Projects.pdf, 3. Attachment B - Bodega Bay Enterprise Fund Supported Deferred Maintenance Projects.pdf, 4. Attachment C - Map of the Marinas.pdf, 5. Attachment D - Budget Resolution.pdf, 6. Attachment E - Presentation UPDATED.pdf

Date	Ver.	Action By	Action	Result
9/10/2019	1	Board of Supervisors	Information only	Pass

To: Sonoma County Board of Supervisors

Department or Agency Name(s): General Services, Regional Parks, and County Administrator's Office

Staff Name and Phone Number: Caroline Judy: 565-8058, Bert Whitaker: 565-3064, Katherine DiPasqua: 565-3779

Vote Requirement: 4/5th

Supervisory District(s): All

Title:

Deferred Maintenance Fund Priorities for FY 2019-20

Recommended Action:

- A) Accept a report on the current status and prioritization of FY 19/20 recommended deferred maintenance projects for General Fund supported properties and Enterprise Fund supported properties in Bodega Bay.
- B) Adopt a resolution approving budget adjustment to the FY 19/20 Budget in the amount of \$3,120,000, using Deferred Maintenance funds to complete the recommended high priority deferred maintenance projects in FY 19/20. (4/5th)
(4/5th Vote Required)

Executive Summary:

The Board adopted a Deferred Maintenance Policy as part of the FY 17/18 Budget hearings whereby a percentage of the property tax increment growth is held in a fund dedicated to deferred maintenance projects for County owned buildings and properties. The County's real estate portfolio is diverse, with over 2 million square feet of owned and leased facilities and over 170 structures. The Deferred Maintenance fund was established to cover the needs of these County-owned properties at the County Government Center, Los Guilicos, North County Detention facility, and other locations. At times, the Deferred Maintenance Fund has also been used to offset deferred maintenance project costs at Bodega Bay facilities. This occurs in situations where the Enterprise Funds need additional funds to complete a project.

Nearly \$10 million in high priority deferred maintenance project needs have been identified. Of the \$10 million, \$5.85 million is for general government facilities and \$3.9 million is for Bodega Bay Facilities. Staff have evaluated and ranked each high priority project based on a set of criteria, and are recommending the use of \$3,120,000 of Deferred Maintenance Funds for FY 19/20 to address the most critical needs.

Discussion:

Background

Property assets are geographically distributed throughout the County. The costs of operating the property portfolio have grown as facilities have aged, and deferred maintenance obligations have increased over time primarily due to resource shortfalls. Recognizing these challenges, the Board adopted a Deferred Maintenance Policy during the FY 17/18 Budget hearings. Following Board adoption of the policy, the County Administrator's Office (CAO) established a process for General Services and Regional Parks to request use of the Deferred Maintenance funds. Both the General Services Department (GSD) and Regional Parks manage County-owned property assets for which deferred maintenance obligations are increasing. Today's report will address the needs for general government facilities, including the County Campus, Los Guilicos, North County Detention Facility, and the Marinas in Bodega Bay.

Deferred Maintenance Projects Approved in FY 18/19

Since the establishment of the Deferred Maintenance Fund, a number of critical deferred maintenance projects have been completed. A list of the projects approved in FY 18/19, and their current status, is described below.

Projects Completed	
Hall of Justice Café Drain Line Repair	\$63,816
Chanate Building Hardening, Security and Fire Watch for FY 18/19	\$800,354
Central Mechanical Plant Cooling Towers Media Replacement	\$72,383
Spud Point Ice House Compressor Repair	\$40,000
Projects in Progress	
Sonoma Veterans Building Roof Repair (Auditorium)	\$134,000
Human Services Roof Repair (Paulin Avenue Building)	\$45,000
Main Adult Detention Facility Generator Radiator Replacement	\$77,003
North County Detention Facility Program Logic Controls Replacement	\$44,994
Main Adult Detention Facility Fire Water Line Replacement	\$250,000
CAO Support for County Government Center	\$50,000
County Counsel Support for County Government Center	\$60,000
Total Projects Approved in FY 18/19	\$1,637,550

Deferred Maintenance Policy and Revenues Earned To-Date

The Board of Supervisors approved the Facilities Investment Deferred Maintenance Policy during the FY 2017-18 Budget Hearings. For a period of 5 years, forty percent (40%) of all new property tax growth, which is above the growth needed to keep up with inflation for existing levels of General Fund services, will be used towards addressing deferred maintenance of County-owned facilities.

Since its inception in FY 17/18, the Deferred Maintenance Fund has received \$6,354,591 from the discretionary General Fund, this includes \$2,756,179 programmed in the FY 19/20 Adopted Budget. Per the Clerk Recorder Assessor's report to the Board on August 20, 2019, the FY 18/19 secured property tax roll increased by 5.87%, resulting in additional property tax growth of approximately \$4.4 million. Per the Deferred Maintenance Fund Policy, 40% of that growth, equaling \$1,763,144, will be added to the Deferred Maintenance Fund in FY 19/20. This brings the cumulative total dedicated discretionary General Fund, including interest earnings, to \$8,117,735.

Facilities Condition Assessment and Potential New County Government Center

In 2014, General Services contracted with VFA Associates to perform a facilities conditions analysis. On May 8, 2018 General Services presented information to the Board on the condition of existing County Government Center buildings and the taxpayer costs of ongoing and deferred maintenance. It was determined at that time that it was likely more cost effective to build a new government campus than repair the existing one.

On January 29, 2019 the Board directed staff to issue a request for proposals (RFP) for technical advisory services, and on July 23, 2019, General Services awarded a contract with Project Finance Advisory Limited (PFAL) to revalidate the County's space needs, perform a cost analysis of different potential sites, evaluate procurement and funding mechanisms, and conduct outreach with employees and the community. As mentioned in the January 2019 item, Staff anticipate needing \$1.825 million from the Deferred Maintenance Fund in FY 19/20 for related staff, technical consultant, in-house and outside counsel, and CEQA study costs.

Best management practice is to perform a new or refreshed facilities condition assessment every five years. General Services intends to submit for approval a Capital Improvement Project for FY 20/21 to update the facilities condition assessment and expand to buildings that are omitted from the original study.

Deferred Maintenance Fund Balance Available for FY 19/20

As mentioned previously, \$1,637,550 of deferred maintenance projects were funded in FY 18/19, and an additional \$1.825 million has been set aside for potential County Government Center uses in FY 19/20, for a total of \$3,462,550. When you subtract that amount from the \$8,117,735 of revenues earned in the Deferred Maintenance Fund to-date, there is approximately \$4,655,185 in fund balance available. The County Administrator's Office is recommending the Board authorize the use of \$3,120,000 in Deferred Maintenance Funds for projects in FY 19/20. This would leave a balance of roughly \$1.5 million in the fund should any immediate emergency repairs be required during the fiscal year, and for potential County Government Center project costs in FY 20/21.

Of the \$3.12 million in recommended projects, as outlined below, the majority of funding (\$2.76 million) is for general government needs. The remaining \$356,000 is for deferred maintenance projects in Bodega Bay. While it is not typical for the General Fund to supplement Enterprise Fund supported properties, declining commercial revenues have resulted in limited fund balance availability to perform much needed deferred maintenance that is immediately needed. The County Administrator has been working with Regional Parks to evaluate needs, and has agreed to provide loans of deferred maintenance funding to the Marinas until they can become fully self-sustaining.

Deferred Maintenance Projects Recommended for FY 19/20

Using the project priority criteria, staff scored each project and is recommending the funding of the thirteen projects listed below for FY 19/20, totaling \$3.12 million. Please see Attachments A and B for a full list of projects and their ranking.

Rank	Project	Estimated Cost
1	Main Adult Detention Facility Boiler Replacements	\$135,000
2	Critical Facilities UPS Replacement	\$75,000
3	Central Mechanical Plant High Efficiency Boiler Replacement	\$195,000
4	North County Detention Facility Water Softener Replacement	\$16,000
5	County Center Transformer Repair	\$50,000
6	Main Adult Detention Facility Kitchen Equipment Renewal	\$1,222,000
7	Bodega Bay Cannery Building Demolition - First Phase (Design and Permitting)	\$56,000
8	Cloverdale Veterans Building Roof Replacement	\$350,000
9	Administration Building underground plumbing replacement	\$516,000
10	North County Detention Facility Building 101 Shower Floor replacement	\$85,000
11	Bodega Bay Spud Point Dock A & B Replacement*	\$300,000
12	Human Services Building Automatic Transfer Switch Replacement	\$75,000
13	Juvenile Justice Center Switchgear Services	\$45,000
Total Recommended Projects		\$3,120,000

* Details for project 11 in Attachment B

Basis for FY 19/20 Funding Recommendations (General Government Properties)

Normally all General Fund supported deferred maintenance projects are described in the CIP, however this year, due to uncertainty over the amount of funding available from property tax receipts, the Capital Budget did not include the anticipated FY 19/20 deferred maintenance work-plan. Now that the funding picture is more clearly known, staff has assessed each of the most critical deferred maintenance projects using a ranking method based upon the following criteria:

- the immediacy of potential impairment to a facility,
- the likelihood of service interruption to the departments,
- the risk of system failure or cascading failure, where failure of a single component can cause failure of multiple components or systems,
- the anticipated impact on health and safety, and legally mandated code compliance,
- the impact on delivery of services to the public, and
- the impact in the County's ability to maintain continuity of operations in the event of a disaster.

For each project, a score was given- high (1 point), medium (2 points) or low impact (3 points)-as to each criterion to determine projects with the highest priority. The cumulative score determines the project ranking. General Services maintains an up-to-date list of all deferred maintenance projects, and emergent needs are evaluated on a daily basis. On an annual basis Risk Management and the County Administrator's Office review the prioritization and reach a consensus to determine which deferred maintenance projects should be recommended for funding.

Bodega Bay Enterprise Fund Supported Deferred Maintenance

The County owns 34 properties in the tidelands areas of Bodega Bay including the three Marina facilities at Spud Point, Mason's, and the Sport Fishing Center. All of these facilities have deferred maintenance needs that are described more fully below. In some cases, the deferred maintenance needs of these properties can be met within the specific enterprise fund. Occasionally project needs exceed the revenues accrued and in order to effectively execute the project scope the funds must be augmented with the Deferred Maintenance Fund (General Fund), or grant funds and other funding sources.

Based on recent restructuring of services and fees, the Marinas Enterprise Funds have a positive cash flow to maintain operations. However, they carry a very limited fund balance available for deferred maintenance needs.

Bodega Bay Cannery Building

Capital investment and deferred maintenance needs of properties such as the former Cannery Building, rely upon a combination of Tidelands Fund and General Fund dollars outside of the Bodega Bay marina Enterprise Funds. The unique case of the former Cannery building, a structure partially owned by a private party and partially owned by the County, is particularly challenging as no dedicated fund source exists to wholly mitigate the deteriorating structure. Given the limited revenue sources for the Tidelands fund, it would take years for

the fund to amass the revenue necessary to cover the cost of demolition. To mitigate risks, staff are recommending the use of Deferred Maintenance funding for the first phase of demolition in FY 19/20, which includes the design, permitting and a Coastal Commission application. The second phase of demolition is also listed on Attachment A, and likely will be included in the recommendation for funding in FY 20/21 once design and permitting have been completed.

The County's partial ownership of the Cannery building is to the mean high tide line, with private ownership of the structure on land. County staff have not found conclusive records of how or why the property was divided in such a manner. The Cannery itself ceased operation well over 50 years ago.

Spud Point Marina Overview

The County developed Spud Point Marina in 1985 to provide adequate marina facilities for the 300-vessel commercial fishing fleet. Spud Point Marina is important to the economy of the Bodega Bay area and is the only source of marine fuel and bulk ice between San Francisco and Ft. Bragg.

The original feasibility analysis and financial plan for Spud Point Marina included a restaurant and other revenue-generating businesses, such as a grocery store and boatyard. It was to be funded with \$8 million dollars in Federal Grants and \$4 million dollars in a loan from the state Department of Boating and Waterways. The Federal grants were not received, instead Spud Point Marina was developed using \$6.2 million in loans, half of the original \$12 million identified in the feasibility study, and as a result the revenue generating amenities were not built. The County defaulted on its loans and in 2007 negotiated and reorganized the debt, including forgiveness of all fines and penalties for nonpayment. The County is currently paying the required \$372,000 annual payment towards this debt with General Fund, because Marinas do not generate sufficient revenues. Staff expect the debt to be fully paid off in 2022.

From 2012 to 2015 a number of measures were taken to create revenues and increase efficiencies, including a reduction in hours and services, increased storage capacity, utilizing marina management software, and updating current rates to align competitively with other marinas. Presently, Spud Point Marina has average occupancy rates that exceed 90% and generates approximately an annual profit of approximate \$300,000, which may be invested into deferred maintenance. Over the past 3 years, over \$1.1 million has been invested renovating restrooms, repairing the main building, replacing the fuel delivery system, dock repairs and security enhancements. The current balance of funds in the Spud Point Marina Enterprise Fund is \$237,091.

Mason's Marina Overview

Mason's Marina was constructed in the 1960's to serve the commercial fishing fleet operating out of Bodega Bay. It was originally leased to a private operator and the commercial salmon fishing seasons between 1974 and 1990 were successful, allowing for the operation of the marina and periodic capital improvements. After the opening of Spud Point in the mid 1980's, Mason's lost 40% of its berth holders to Spud Point. Additionally, there were declines in the commercial fishery and Mason's marina was no longer profitable and had difficulty funding maintenance projects. In 2012, Regional Parks agreed to assume operation of Mason's Marina when

the private operator discontinued its lease.

Presently, Mason's Marina has 129 slips that are leased to recreational and commercial vessels. The average occupancy is 95% and the revenues generated are enough to cover the ongoing operational costs, but there is inadequate funding for major investments in deferred maintenance. Over the past 3 years, over \$950,000 has been invested into remediating the abandoned fuel tanks as well as the dock, pier and breakwater repairs. The current balance of funds in the Masons Marina enterprise fund is \$366,112.

Sport Fishing Center Overview

The Sport Fishing Center was developed to provide berthing for recreational sport fishing vessels in Bodega Bay. Like the other marinas, it has suffered with the decline of the fishing seasons and has substantial deferred maintenance needs. Presently, 6 operators lease dock space to provide fishing, whale watching and other types of public tours. As part of the FY 19-20 Budget Hearings, the Board approved \$450,000 in funding to replace the aging dock system, and Regional Parks has recently completed major break wall repairs and the removal of derelict docks to improve safety. The current balance of funds in the Sport Fishing Center enterprise fund is \$101,115.

Basis for FY 19/20 Funding Recommendations (Bodega Bay Properties)

In the past 3 years, Regional Parks has invested over \$2.5 million into deferred maintenance projects throughout the Marinas. Similar to General Services, Regional Parks prioritizes its deferred maintenance projects for its Enterprise Fund supported Marinas based upon the following criteria:

- the immediacy of potential impairment to a facility,
- the likelihood of commercial interruption and economic impact to the community,
- the risk of system failure or cascading failure, where failure of a single component can cause failure of multiple components or systems,
- the anticipated impact on health and safety,
- legally mandated code compliance, and
- opportunities to leverage outside grant funding or increase commercial revenue.

Each of the criteria is scored as high (1 point), medium (2 points) or low impact (3 points) to determine those with the highest of priority.

Regional Parks has already budgeted \$823,250 in FY 19/20 to address the highest priority needs, as listed below. Of that amount, \$373,250 is funded by the Enterprise Funds and \$450,000 is General Fund allocated during FY 19/20 Budget Hearings. In addition, staff are recommending the use of \$300,000 from the Deferred Maintenance fund in order to replace two of the most critical aging docks at Spud Point Marina. This brings the total recommended projects in Bodega Bay in FY 19/20 to \$1.1 million. For more information about all of the Enterprise Fund supported deferred maintenance projects in Bodega Bay, including their prioritization,

please see Attachment B.

Funded Bodega Bay Deferred Maintenance Projects	
Spud Point: Replace 3 Dock Transformers	\$101,250
Spud Point: Upgrade Fuel Dispenser and Card Reader	\$120,000
Mason's Marina: Replace Dock Electrical Systems	\$72,000
Mason's Marina: Replace Dock G	\$80,000
Sport Fishing Center: Dock Replacement	\$450,000
Total Funded Projects	\$823,250

Conclusion

Each year deferred maintenance needs for the County's property portfolio exceed available resources. Staff report annually during the budget process on the projects prioritized for funding and the Board will be updated if priorities need to be reassessed due to urgent deferred maintenance needs. Members of the public can access updated information on specific projects via the County's web portal at

http://budget.sonomacounty.ca.gov/#!/year/2019/capital/0/project_name
<<http://budget.sonomacounty.ca.gov/>>

Prior Board Actions:

March 12, 2019: Report on Deferred Maintenance Fund Uses and Priorities

January 29, 2019: New County Government Center Options

May 8, 2018: County Government Center Facility Planning, including Staff Report on Solutions for Addressing the Growing County Government Center Administrative Building Maintenance Cost.

June 24, 2014: Comprehensive Facilities Condition Assessment Plan Update

January 15, 2013: Comprehensive County Facilities Plan

April 7, 2009: County Administration Center Site Evaluation and Opportunities Analysis

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses			
Additional Appropriation Requested	\$3,120,000		
Total Expenditures	\$3,120,000		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			

Use of Fund Balance	\$3,120,000		
Contingencies			
Total Sources	\$3,120,000		

Narrative Explanation of Fiscal Impacts:

The total cost of the recommended projects for FY 19/20 is \$3,120,000, to be funded with available Deferred Maintenance fund balance. Of the \$3.12 million, \$2,764,000 will be used to address critical needs on the County campus, North County Detention Facility, and other locations including Veteran's Buildings. The remaining \$356,000 will be used to begin preliminary design for demolition of the Cannery Building in Bodega Bay, and to replace two docks at the Spud Point Marina. The \$300,000 contributed to the Spud Point Marina will be considered a loan, payable at such time as the Enterprise Fund can become fully self-sustaining and accrue sufficient fund balance. The County Administrator will work with Regional Parks to solidify terms.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Attachment A - General Fund Supported Deferred Maintenance Projects

Attachment B - Bodega Bay Enterprise Fund Supported Deferred Maintenance Projects

Attachment C - Map of Marinas

Attachment D - Budget Resolution

Attachment E - Presentation

Related Items "On File" with the Clerk of the Board:

On File 1 - Comprehensive Report on County Center Maintenance