



CITY COUNCIL GOALS & PRIORITIES WORKSHOP WHITE PAPER

DATE: February 15, 2017

TO: Honorable Mayor and City Council

SUBJECT: Asset Management

EXECUTIVE SUMMARY

Sustainable infrastructure strategy is an existing City Council goal. The City's infrastructure is vital to maintaining the community's character, protecting the safety of the public and encouraging economic vitality. While the City's enterprise infrastructure, such as the water and sewer systems, is maintained and replaced through user and connection fees, the remaining City infrastructure competes for General Fund dollars. Historically, maintenance levels have been established based on available funding levels. Therefore, many maintenance tasks and replacement of assets have been deferred. Staff is currently developing a comprehensive Asset Management Program (AMP) for these General Fund assets as an existing Council priority.

The initial findings of this program show that there is a need for significant additional funding in order to properly maintain and/or replace the various infrastructure systems. Council will be asked to provide policy direction on a variety of issues related to asset management including, but not limited to, funding levels, levels of service, possible divestment of some assets, and asset-risk tolerance.

BACKGROUND

The City of Livermore owns a large quantity and wide variety of public infrastructure, all of which plays a pivotal role in delivering services to the community. While staff has begun to manage most of the enterprise funded-infrastructure using asset management principles, additional data and Council direction will be necessary to comprehensively apply these same principles to the assets funded by the General Fund. The General Fund pays for the operations, maintenance, and replacement of the following types of assets: streets, bridges, sidewalks, street lights, traffic signals, parks, landscaped areas,

City buildings, trails, storm drains, waterways, and walls. Since early 2015, Council has taken several actions regarding the AMP:

- February 9, 2015 - Council directed staff to develop an AMP for General Fund assets. Over the course of 2015, staff completed the Request for Proposal process, and recommended executing a contract with Kayuga Solution.
- September 28, 2015 - Council approved the contract with Kayuga Solution. The AMP will evaluate the current status of the City's non-enterprise assets, as well as develop financial and operational policy options.
- January 11, 2016 - Kayuga and staff presented a work plan for the development of the AMP to Council.
- March 28, 2016 - Council took action on the program development by directing staff to include information regarding the balance of funds dedicated to three functions: asset expansion; asset expansion and enhancement versus rehabilitation; and asset replacement costs in future capital improvement programs.
- June 13, 2016 - Council created the Community Asset Management Program (CAMP) Committee and appointed nine Livermore residents to help provide a resident-perspective on asset management issues.
- June 27, 2016 - Staff presented a proposed risk-based methodology and initial model results for the pavement management component of the program. Council directed staff to utilize risk-based prioritization method for spending road rehabilitation funds, and asked staff to continue to refine the model and methodology of the AMP.
- November 28, 2016 - Staff presented summary results from the inventory of the City's General Fund buildings and Council approved the use of a risk-based methodology for prioritizing building maintenance and replacement activities. Asset classes have an identified annual General Fund need of \$2.7 Million per year for pavement and \$3.5 Million per year for buildings, given the current level of service.

Staff will be returning to Council throughout 2017 to present initial findings and seek policy direction on the remainder of the asset systems.

POLICY CONSIDERATIONS

Public infrastructure is a vital component in delivering necessary services to the residents of Livermore. The Asset Management Program seeks to understand the long term

financial and operational needs in order to provide the necessary resources to keep these systems operating at the required level of service and the lowest life-cycle cost.

While still under development, the initial findings of this program indicate a need for financial resources that are significantly higher than currently allocated in the City's budget. In order to address this imbalance, the City Council will need to provide direction regarding level of service, funding sources, development standards, and ownership of assets. Prioritization of expenditures will need to occur both within each asset system and between the various asset systems. For example, should funding be directed to decorative walls rather than sidewalk repairs, and if so, which specific walls must be repaired or replaced immediately and which can be delayed?

The current staffing commitment to the AMP is approximately 1.0 to 1.5 full time equivalents (FTE), and is expected to grow by an additional 1-2 FTE over the next 3 to 5 years as on-going data-management and analysis needs grow. In addition to dedicated staff, the AMP includes consultant support through Kayuga Solution with a budget of \$511,000. The 2017 program of work for staff and the consultant includes developing and presenting findings, methodologies and draft policy options on the following asset systems:

- Decorative Walls;
- Sidewalks, Ramps and Trees;
- Artwork, Bridges, Curb and Gutter;
- Parks, Landscape and Trails;
- Streetlights and Traffic Control; and
- Stormdrains and Waterways.

Potential policy issues may include, but are not limited to the following:

- What level of service should an asset provide? Should an asset continue to operate until failure and then be replaced, or should the City prevent the failure of critical assets through proactive rehabilitation or replacement? An example would be proactively replacing street-lights before the fail, versus allowing them to fail and replacing them in response to reports or complaints.
- Can the City shift liability and maintenance obligations for a given asset type? For example, many cities have shifted 100% of sidewalk repair obligations to property owners.
- Should the City divest itself of a given asset type in order to eliminate future financial obligation? An example might be selling unused buildings or adjusting lot lines so existing decorative walls are located on private property.

- Should the City change development standards to minimize and/or eliminate certain types of public infrastructure in order to minimize or limit future financial obligation? This option might include reducing or eliminating some parks and/or landscape areas or reducing the density or type of plantings to minimize future maintenance or irrigation needs.
- Should the City seek to develop new funding sources in order to preserve current levels of service? Options could include tax measures, bonds or public/private partnerships such as “Adopt” programs (highway or creek clean-up, etc.).
- What are the long-term financial implications of these policy decisions?

CONCLUSION

If Council chooses to continue this goal, staff resources would continue to implement the work plan already in progress. If the goal is not chosen, work will continue. However, the program will be completed on a slower timeline.