



Office of the City Manager

CONSENT CALENDAR

May 23, 2023

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Liam Garland, Director, Department of Public Works

Subject: Audit Status Reports: Fleet Replacement Fund Short Millions & Rocky Road: Berkeley Streets At Risk and Significantly Underfunded

POLICY COMMITTEE RECOMMENDATION

On April 13, 2023, the Facilities, Infrastructure, Transportation, Environment & Sustainability Committee adopted the following action: M/S/C (Hahn/Robinson) to send the item to City Council with a positive recommendation that Council:

1. Refer to the City Manager to establish a policy that the Public Works Department will be responsible for reviewing, submitting, and approving all departmental requests to Council for adding new vehicles to the fleet to facilitate maximum cost recovery through the vehicle replacement fund, consistency with fleet rightsizing studies, oversight, and timely electrification of the fleet.
2. Refer to the Budget and Finance Committee to prioritize funding to the vehicle replacement fund to make up the shortfall over time in order to stabilize the fund.

Vote: All Ayes.

INTRODUCTION

On November 19, 2020, the City Auditor published the Rocky Road: Berkeley Streets at Risk and Significantly Underfunded Audit Report¹, reviewing the funding resources to sufficiently maintain City streets, and asking if Public Works has clear policies and processes to guide paving decisions. This is the first status report regarding this audit. On June 2, 2021, the City Auditor published the Fleet Replacement Fund Short Millions Audit Report², reviewing the solvency of the fund to sufficiently replace vehicles and asking if Public Works has the key information necessary to manage the Fleet program. This is the first status report to City Council on the efforts made to implement the Audit Report's recommendations for Fleet.

CURRENT SITUATION AND ITS EFFECTS

The Street Paving Audit Report noted two findings and five recommendations for the Public Works Department to review, implement and report to Council. As of this report,

¹ Rocky Road: Berkeley Streets at Risk and Significantly Underfunded <https://berkeleyca.gov/sites/default/files/2022-01/Rocky-Road-Berkeley-Streets-at-Risk-and-Significantly-Underfunded.pdf>

² Audit: Fleet Replacement Fund Short Millions: <https://berkeleyca.gov/sites/default/files/2022-01/Fleet-Replacement-Fund-Short-Millions.pdf>

three recommendations have been implemented and two recommendations have been partially implemented.

The Fleet Audit Report noted two findings and twelve recommendations for the Public Works Department to review, implement and report to Council. As of this report, there are updates to the status of all twelve recommendations. The first set of seven recommendations was related to the underfunding of the replacement fund. One recommendation has been partly implemented, the remaining six recommendations have been started. The second set of five recommendations focused on Public Works having critical information available to inform management and decision making. All five recommendations under this finding have been started.

The attachment provides a detailed table of audit report recommendations, steps towards corrective action, and implementation updates. The next status report will be in May.

BACKGROUND

Public Works' Engineering Division is responsible for capital projects to maintain over 216 centerline miles of streets in Berkeley, while the Streets & Utilities Division handles day-to-day maintenance of those streets. Public Works' Equipment Maintenance Division manages the maintenance, purchase, and replacement of the City's 730 fleet vehicles, heavy duty trucks and large equipment, including public safety, fire, and alternative fuel vehicles and equipment. Public Works' Administrative and Fiscal Services Division is responsible for the Department's budget and fiscal oversight, regulatory compliance and reporting, and analytical support for routine and special projects in all Public Works operating divisions.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Public Works replaces vehicles with alternative fuel, hybrid and electric vehicles whenever possible given availability of fleet technology, available budget and charging infrastructure. Streets that are improved to benefit all users help encourage more bicycling and walking, which lowers greenhouse gas emissions. Streets that are improved to include green infrastructure help reduce pollution and clean stormwater before it reaches the Bay.

POSSIBLE FUTURE ACTION

Public Works will continue to address the remaining three partially implemented recommendations in the Streets Audit and the twelve started and partially implemented recommendations in Fleet Audit.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

In the biennial budget adoption for FY 2023 and FY 2024, the City Council allocated an increase of \$5,000,000 (FY2023) and \$9,100,000 (FY2024) to street paving in the Capital Improvement Fund. The Council also passed a funding guideline to approve an \$8,000,000 increase in future fiscal years. This funding is intended to raise paving

funding to levels sufficient to maintain current pavement conditions. The Measure L Bond Measure, if approved by Berkeley voters on November 8, 2022, would raise \$300,000,000 towards street and traffic safety improvements, including improvements that advance bicycle and pedestrian use and safety. Project funding would be allocated over several years to raise the pavement condition index (PCI) to 70 or above, which is a "Good" status.

CONTACT PERSON

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Greg Ellington, Equipment Management Superintendent (510) 981-9469

Attachment:

1. Audit Findings and Recommendations Response Report – Streets
2. Audit Findings and Recommendations Response Report - Fleet

Audit Title: Rocky Road: Berkeley Streets at Risk and Significantly Underfunded					
Finding	Recommendation		Lead Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
Without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase.	1.1	Annually, conduct a budget analysis, based on the deferred maintenance needs at that point in time, to determine what level of funding is necessary to achieve the desired goals of the Street Rehabilitation Program. Report findings to City Council. This information will be helpful during updates to the Five-Year Street Rehabilitation Plan and during the budgeting process.	Public Works	Ongoing	<u>Partly Implemented:</u> The City received a PTAP grant to fund a consultant (PEI) to survey the entire City's paving condition. The consultant's report is pending. The newly adopted Street Rehab policy says that the City will conduct funding sufficiency analysis based on existing deferred maintenance. This analysis will be included as part of the biannual Paving Plan adoption. Public Works will propose a budget as part of the biannual CIP adoption to address the paving needs, based on available resources, and will present any funding shortfalls to the Council.
Without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase.	1.2	Identify funding sources to achieve and maintain the goals of the Street Rehabilitation Program.	Public Works	Ongoing	<u>Partly Implemented:</u> Funding sources for street improvement are identified in the Capital Improvement Program budget. The City Council also approved a ballot measure for the November 2022 ballot which if passed, will provide up to \$300,000,000 to improve Berkeley's streets, sidewalks and bike and ped infrastructure. Approximately \$230 million would be allocated to Street Rehabilitation and Repair.

<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.1</p>	<p>Update the Street Rehabilitation and Repair Policy annually and define who is responsible for ensuring the Policy is updated, as stated in the Policy.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> Public Works Commission approved a Street Rehabilitation and Repair Policy March, 2021, which was received and revised after consideration at the FITES Commission in May 2021, and ultimately adopted by City Council on January 25, 2022. The Policy and Five Year Paving Plan were considered and adopted on the same Council agenda. The Street and Maintenance Policy shall be adopted by City Council at a minimum interval of 5 years, after review by the Transportation and Infrastructure Commission.</p>
<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.2</p>	<p>When updating the Street Rehabilitation and Repair Policy, incorporate equity to align with Vision 2050 and clearly define how it will be applied to the street maintenance and rehabilitation planning process.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> The updated Street Rehabilitation and Repair Policy was adopted with clear language placing Equity as an objective: "The benefits of good infrastructure shall be distributed equally throughout the entire community regardless of income, political influence, or demographic characteristics of the residents in the area. Equity means that disadvantaged residents with more pressing needs experience benefits sooner than others, as defined by the City within the adopted Five Year Plan." The policy also calls for the designation of an Equity Zone, serving neighborhoods with historic underinvestment, which is to be prioritized to achieve the PCI goals of 70 sooner than the remainder of the City.</p>

<p>The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.</p>	<p>2.3</p>	<p>Define goals and performance measures to guide the Street Rehabilitation and Repair Policy and Street Rehabilitation Program that align with other plans and policies relevant to street paving (e.g., Complete Streets Policy, Vision 2050, etc.). Regularly report to Council on performance measures.</p>	<p>Public Works</p>	<p>January 2022</p>	<p><u>Implemented:</u> Performance Metrics are included as a major part of the adopted Specific Policy. Key areas: 1) The goal is to get to standard PCI of 70 for roadways: Arterials, Collectors, Bus Routes, Bikeway Network, and Equity Zone. 2) Funding should be prioritized with Equity in mind 3) Performance metrics reporting will be included with the biannual Paving Plan review.</p>
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Audit Title: Fleet Replacement Fund Short Millions					
Finding	Recommendation		Lead Department	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
The Replacement Fund is underfunded by millions of dollars.	1.1	Calculate the dollar value of the City's replacement needs. Use results from the recent rate study to adjust departments' replacement fees to cover their share of the costs associated with vehicle replacement, including customization and personnel.	Public Works	Ongoing	<u>Partly Implemented:</u> The current fleet replacements costs have been updated in FUND\$ Fleet Management System to include all costs, and have been reflected in the FY 23 & FY 24 Operating budget and the five year replacement schedule communicated in the FY 23-27 CIP.
The Replacement Fund is underfunded by millions of dollars.	1.2	Conduct an analysis of the City's current fleet and determine the optimal fleet size to provide services efficiently and effectively. This analysis should include fleet units identified as reserve, backup, and "pool" vehicles. The outcome of the analysis should be a plan to achieve and provide funding for the optimal fleet size.	Public Works	February - May 2023	<u>Started:</u> Staff issued an RFP to analyze its fleet and received two solicitations. Public Works has selected Mercury Associates to be the consultant to lead the study.

<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.3</p>	<p>Work with the City Manager’s Office to adjust the funding model of the Equipment Replacement Fund or adopt a new one to ensure appropriate funding for timely fleet replacement, such as annually transferring money from the General Fund based on an assessment of the City’s overall fleet needs and priorities. Expand the current vehicle and equipment replacement policy to ensure transparency of key provisions of the new or updated model.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Public Works presented an Equipment Replacement Fund deficit reduction proposal in its departmental budget presentation to the Budget & Finance Policy Committee and in submittals for General Fund consideration to the City Manager. While not funded in FY 23/24, the department will keep monitoring the fund health and make funding proposals in future budget development cycles.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.4</p>	<p>Revise the vehicle and equipment replacement policy to include that Public Works should regularly assess the personnel expenditures related to vehicle and equipment replacement and ensure that they are appropriate and proportional to their duties.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Draft policy has been updated and is going through final departmental review.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.5</p>	<p>Revise the vehicle and equipment replacement policy to prevent replacing unfunded vehicles by ensuring that contributed funds are available for the purchase.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Draft policy has been updated and is going through final departmental review.</p>

<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.6</p>	<p>Develop an Administrative Regulation that clarifies Public Works’ responsibilities to manage the fleet and maintain sufficient fleet replacement funding.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> The department has drafted a policy document use instead of an AR.</p>
<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.7</p>	<p>To help secure the funding needed for transitioning to electric vehicles by 2030, work with the City Manager’s Office to develop a budgetary plan to purchase electric vehicles. The plan should align with the City’s fleet electrification goals and take into consideration the current economic downturn, funding availability, available infrastructure, and electric vehicle availability.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> EV purchases for FY 23-24 have been outlined in the budget. A budgetary plan for transitioning to EVs by 2030 is not yet available.</p>
<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.1</p>	<p>Conduct a needs assessment of vehicles overdue for replacement and create a plan that documents a timeline and cost for replacement. Report the findings to City Council.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Backlog vehicles to be purchased have been included in the FY 23-24 budget, though a formal needs assessment has not been completed.</p>

<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.2</p>	<p>Update the vehicle and equipment replacement policy to include criteria for prioritizing fleet replacement. The policy should include a requirement to communicate a delay in replacement of their fleet to affected departments. In Administrative Regulation described in recommendation 1.6, specify that the vehicle and equipment replacement policy should include such criteria.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Policy update is in draft form and awaits final approval.</p>
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<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.3</p>	<p>Work with the vendor of the new fleet management system to configure it to address the data issues identified in this report, including:</p> <ul style="list-style-type: none"> • Tracking Replacement Funds collected and leftover funds by department; • Zeroing out the balance after a vehicle is replaced; • Adjusting the replacement date and reporting the rationale if a replacement is deferred; <p>and</p> <ul style="list-style-type: none"> • Displaying any information needed to prioritize replacements based on specified criteria. 	<p>Public Works</p>	<p>December 2022</p>	<p><u>Started:</u> Data issues have been presented to the vendor/project management team, though the new data system has not yet been implemented.</p>
<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.4</p>	<p>Clean and update the vehicle and equipment database before migrating it to the new fleet management system to ensure accuracy and data integrity.</p>	<p>Public Works</p>	<p>December 2022</p>	<p><u>Started:</u> Data cleanup is underway however the Assetworks implementation is behind schedule and the go-live date is planned for the future.</p>

Public Works lacks information on vehicle and equipment replacement for decision making.	2.5	Update the vehicle and equipment replacement policy or develop a separate policy to require staff manage the City's data appropriately to ensure accurate complete information to support management decisions.	Public Works	Ongoing	<u>Started:</u> Policy update is in draft form and awaits final approval.
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