



Office of the City Manager

35INFORMATION CALENDAR

October 28, 2025

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Terrance Davis, Director, Public Works

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

INTRODUCTION

On November 19, 2020, the City Auditor published the Rocky Road: Berkeley Streets at Risk and Significantly Underfunded Audit Report, reviewing the funding resources to sufficiently maintain City streets, and asking if Public Works has clear policies and processes to guide paving decisions.

On June 2, 2021, the City Auditor published the Fleet Replacement Fund Short Millions Audit Report, reviewing the sufficiency of the fund to replace vehicles and asking if Public Works has key information necessary for managing the fleet program.

This is the fourth status report to City Council on the efforts made to implement the Audit Report's recommendations for both streets paving and fleet. Previous reports were issued on November 3, 2022, March 19, 2024, and December 10, 2024.

CURRENT SITUATION AND ITS EFFECTS

The street paving audit report included two findings and five recommendations for the Public Works Department to review, implement and report to Council. As of this report, all recommendations have been implemented. This implementation update is due to the November 2024, election, in which Measure FF was approved by voters, creating a new, multi-year funding source for paving.

On November 5, 2025, Measure FF, also known as the Sustainable and Accountable Funding for Equitable Street Transformation, Revitalization, Enhancements, and Essential Traffic Safety (SAFE STREETS) Initiative, was passed by Berkeley voters and adopted as Ordinance 7,952-N.S. on December 10, 2025. The SAFE STREETS Initiative authorizes an annual parcel tax of \$0.17 per square foot for residential properties and \$0.25 per square foot for other properties over a 14-year period. This measure is projected to generate approximately \$15 million annually, dedicated to funding street and sidewalk repairs, safety improvements, and environmental infrastructure projects.

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 ten of the twelve recommendations. The first set of seven recommendations were related to the underfunding of the Equipment Replacement Fund. All six have been partly implemented. The second set of five recommendations focused on Public Works having critical information available to inform management and decision making. One of these recommendations under this finding has been completed while the others have been partly implemented.

Additional staffing was utilized to assist with vehicle procurement, but that task was deprioritized to focus on AssetWorks implementation. Due to the ongoing focus on completing AssetWorks implementation, vehicle replacement remains as a key objective and will be prioritized after system implementation.

BACKGROUND

These Audit Status Reports support the Strategic Plan Priority of advancing our goal to provide state-of-the-art, well-maintained infrastructure, amenities, and facilities. The attachment provides a detailed table of audit report recommendations, steps towards corrective action, and implementation progress updates. The next status report for the fleet and street paving audits are expected to be presented in Fall 2026.

Public Works is responsible for capital rehabilitation projects and day-to-day maintenance of over 216 centerline miles of streets in the City. Public Works also manages the maintenance, purchase, and replacement of the City's 600 assets such as fleet vehicles, heavy duty trucks and large equipment, including public safety, fire, and alternative fuel vehicles and equipment. The Administrative and Fiscal Services Division is responsible for the Department's budget and fiscal oversight and analytical support for routine and special projects in all Public Works operating divisions.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Public Works strives to procure electric vehicles or other low emission, fuel-efficient vehicles and equipment suitable for required tasks. Staff also research the feasibility and availability of fully electric vehicles and hybrid-electric powertrains to support the City's transition away from fossil fuels towards an all-electric fleet.

Enhanced streets provide significant benefits for all users, including reducing greenhouse gas emissions through better vehicle mileage, and are a key focus of the Department. By improving infrastructure, we encourage more sustainable modes of transportation, such as bicycling and walking, which in turn help reduce greenhouse gas emissions and contribute to healthier, more vibrant communities. Additionally, these projects often incorporate green infrastructure elements, such as permeable pavement and bioswales, designed to filter pollutants and manage stormwater. This ensures that runoff is cleaner and better managed before it enters the Bay, helping to protect our

waterways and support long-term environmental sustainability. Through these improvements, we prioritize the safety, accessibility, and ecological health of our urban spaces.

POSSIBLE FUTURE ACTION

Public Works will continue to address the remaining two partly implemented recommendations in the street paving audit and the remaining eleven partly implemented recommendations in the fleet audit.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

In the mid-Biennial FY2027/2028 Budget update a new rate model for the Equipment Maintenance Fund will be proposed to include the cost of fleet electrification, updated personnel allocations, and possible facility changes or improvements that will be needed during and after the Transfer Station remodel. It is estimated that the additional costs to convert the planned replacement vehicles to all electric in the next five years may be \$9,000,000. For the corresponding infrastructure required to support this conversion, the installation of chargers will cost an estimated \$6,500,000.

In the biannual budget adoption for FY 2023 and FY 2024, Council approved a funding guideline to approve an \$8,000,000 annual increase to street paving funding in future fiscal years (plus annual CPI adjustments). This funding is intended to raise paving funding to levels sufficient to maintain current pavement condition.

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Attachments:

1. Fleet Audit Findings and Recommendations Response Report
2. Street Audit Findings and Recommendations Response Report

Audit Title: Fleet Replacement Fund Short Millions				
Audit Issue Date: June 2, 2021				
Finding	Recommendation	Department	Previous Status Update	Current Status Update
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	Partly Implemented	<p><u>Partly Implemented</u>: Public Works updated the replacement costs in AssetWorks, the new fleet management software, to accurately reflect current amortization values. The ongoing amortization charges are passed on to the end user departments.</p> <p>However, additional charges are still being calculated which include personnel and electric vehicle charging infrastructure. Billing for and collecting for these additional charges will be presented to the Budget Office and City Departments as part of the next mid-biennial budget update in Fall 2025. Additionally, previous costs for radio and light installations done by City staff were not billed to the corresponding vehicles, and Public Works anticipates finalizing this process in Fall 2025.</p>
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	Started	<p><u>Partly Implemented</u>: Mercury Associates delivered their 360 fleet assessment survey to the City in September 2024. The assessment recommends the City conduct a right-sizing and right-typing study of the fleet. PW launched the Right Sizing Survey in March 2025, but received less than 10 responses. The survey was relaunched in August 2025 to updated contacts and end users. The results of this survey and corresponding fleet analysis are anticipated to be completed by November 2025.</p>

<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>Partly Implemented</p>	<p><u>Partly Implemented:</u> Mercury Associates is currently working on a revised rate structure. Public Works Senior Management is reviewing the draft Equipment and Vehicle Replacement Policy AR. PW will present the new A.R. to the City Manager once the rate study and funding model has been reviewed and approved by the budget office.</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>Partly Implemented</p>	<p><u>Partly Implemented:</u> Public Works Senior Management is reviewing the draft Equipment and Vehicle Replacement Policy AR. Personnel expenditures that are currently being allocated to the Equipment Replacement Fund will be evaluated annually as part of the budget update process. Additionally, the reallocation of funding for personnel that work outside of Public Works but are funded by Public Works will be elevated to the City Manager during the budget process.</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>Partly Implemented</p>	<p><u>Partly Implemented:</u> Public Works Senior Management is reviewing the draft Equipment and Vehicle Replacement Policy AR. It includes provisions to prevent replacing unfunded vehicles by ensuring that contributed funds are available for the purchase.</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>Partly Implemented</p>	<p><u>Partly Implemented:</u> Mercury and Associates is currently working on a revised rate structure. The Draft Equipment and Vehicle Replacement policy is undergoing review by Senior Management, and it will include a section regarding if/when/how Equipment Replacement Funding may be spent on non-direct replacement expenses such as Fleet Electrification. In FY2025 \$2m and in FY2024 \$500,000 was transferred from Equipment Replacement Fund 671 to Equipment Maintenance Fund 672.</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>Partly Implemented</p>	<p><u>Partly Implemented:</u> The Electric Mobility Coordinator together with AVA Energy and Frontier Energy have completed the Fleet Electrification Assessment which provides a plan for charging infrastructure, vehicle transition, and costs. EV charging infrastructure is currently proposed to be funded by the Equipment Replacement Fund with reimbursement to the fund from an updated rate model.</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>Partly Implemented</p>	<p><u>Partly Implemented:</u> Public Works launched a right sizing survey in March 2025 and relaunched it in August 2025 to updated contacts and end users. The results of this survey and corresponding fleet analysis are anticipated to be completed by November 2025 with a Council Report to City Council in early 2026. Additionally, the replacement plan will be presented as part of the two year budget process.</p>

Public Works lacks information on vehicle and equipment replacement for decision making.	2.2	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.	Public Works	Partly Implemented	<u>Partly Implemented:</u> Public Works Senior Management is reviewing the draft Equipment and Vehicle Replacement Policy AR. It includes the criteria for the annual replacement list.
Public Works lacks information on vehicle and equipment replacement for decision making.	2.3	Work with the vendor of the new fleet management system to configure it to address the data issues identified in this report, including: - 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; and - Displaying any information needed to prioritize replacements based on specified criteria.	Public Works	Partly Implemented	<u>Partly Implemented:</u> The Equipment Maintenance Team has ongoing meetings with AssetWorks to address functionality of the software. The process of managing excess amortization has yet to be documented.
Public Works lacks information on vehicle and equipment replacement for decision making.	2.4	Clean and update the vehicle and equipment database before migrating it to the new fleet management system to ensure accuracy and data integrity.	Public Works	Partly Implemented	<u>Implemented:</u> AssetWorks is the only system used by the Equipment Maintenance Division as of May 2025. There have been continuous updates to the asset records to ensure it reflects the most accurate information.
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	Partly Implemented	<u>Partly Implemented:</u> Public Works Senior Management is reviewing the draft Equipment and Vehicle Replacement Policy AR. It includes required sharing of data for management decisions.

Audit Title: Rocky Road - Berkeley Streets at Risk and Significantly Underfunded						
Issue Date: November 19, 2020						
Finding	Recommendation	Department	Previous status update	Current status update		
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	Partly Implemented	<u>Implemented:</u> Public Works staff has presented updated revenue and PCI projections to City Council in 2023 and 2024. They will present the findings of the 2024 Pavement Management Program Update PTAP final report which will be reported to Council in Fall 2025 in advance of the approval of the next iteration of the 5-Year Paving Plan..	
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	Partly Implemented	<u>Implemented:</u> Since adoption of the Street Rehabilitation Policy in 2022, Council has increased paving allocations to an average of \$20–25M annually, supported by the General Fund, Zero Waste Fund, and Stormwater Fund. In November 2024, voters approved Measure FF, a parcel tax expected to generate \$15M annually for 14 years, with about 45% (~\$6.5M/year) dedicated to street paving. However, this amount is still less than the estimated \$42 million annually needed to achieve the target of an average Pavement Condition Index (PCI) of 70.	

The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.	2.1	Update the Street Rehabilitation and Repair Policy annually and define who is responsible for ensuring the Policy is updated, as stated in the Policy.	Public Works	Implemented	<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.
The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.	2.2	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.	Public Works	Implemented	<u>Implemented:</u> The updated Street Rehabilitation and Repair Policy was adopted with clear language placing Equity as an objective. The updated Policy can be viewed here: https://berkeleyca.gov/sites/default/files/2022-04/Street%20Maintenance%20and%20Rehabilitation%20Policy_01_25_2022.pdf .
The Streets Rehabilitation and Repair Policy is out-of-date and Public Works is not following it.	2.3	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.	Public Works	Implemented	<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. The updated policy can be viewed here: https://berkeleyca.gov/sites/default/files/2022-04/Street%20Maintenance%20and%20Rehabilitation%20Policy_01_25_2022.pdf .

