Policy 6.1
Major Infrastructure Renovation and Replacement Fund

EFFECTIVE November 2019

ADOPTED November 19, 2019, revised by BOD December 17, 2024

RESOLUTIONS 2019-11-291; 2024-12-XX

RELATED POLICIES

5.0 Balance Budget Policy
6.0 General Fund Reserve Policy

RELATED PROCEDURES

8.1 Purchasing Methods
8.2~~7~~ Purchase Orders Invoice Approval Limits
8.11 Vendor Payment Procedures

SUMMARY STATEMENT

The Government Finance Officers Association (GFOA) recommends capital planning, budgeting and reporting practices to encourage adequate capital and maintenance spending levels. Deferring essential asset maintenance and replacement reduces the ability to provide services, provide access to facilities and programs, and could negatively impact public safety and overall beneficial use of District facilities ~~quality of life~~, and increases long-term costs and liabilities.

GFOA recommendations include the following:

1. Develop a Complete Inventory Condition of Facility and Infrastructure Assets, including Paved Roads and Trails
2. Establish Performance Standards
3. Allocate Sufficient Resource
4. Monitor and Report Progress

Further, best practices for deferred maintenance strategies of assets include the following, which this Policy supports.

Regular Assessment: Conduct routine inspections to identify maintenance needs and prioritize based on urgency and impact on asset performance.

Comprehensive Documentation: Maintain detailed records of maintenance history, current condition, and deferred maintenance issues to inform decision-making.

Prioritization Framework: Develop criteria to prioritize deferred maintenance tasks based on factors like safety, operational impact, and cost-effectiveness.

Budgeting and Funding: Allocate resources specifically for addressing deferred maintenance to ensure that funds are available when needed.

Long-Term Planning: Create a strategic maintenance plan that includes timelines and milestones for addressing deferred maintenance issues.

Stakeholder/User -Engagement: Communicate with stakeholders about the importance of addressing deferred maintenance and involve them in decision-making processes.

Risk Management: Evaluate the risks associated with deferring maintenance, including potential asset failure and increased costs over time, and develop mitigation strategies.

Use of Technology: Implement asset management software or other technology tools to track maintenance needs and optimize scheduling.

DEFINITIONS The District uses established standards for Pavement Condition Index (PCI) and Facility Condition Index (FCI) to inventory and assess its infrastructure.

Pavement Condition Index (PCI) – A numerical index between 0 and

100 which is used to indicate the general condition of a pavement, with 0 representing the worst possible condition and 100 representing the best possible condition. Pavement with a PCI score below 66 may require complete reconstruction. PCI is a widely used score in transportation civil engineering and requires a manual survey of the pavement. The Park District has used the StreetSaver system since the mid-1990s to determine PCI scores District-wide.

Facility Condition Index (FCI) – A numerical index used in facility management to compare the relative condition of a group of facilities. FCI is used primarily in federal, state and local government facilities organization, including schools and universities. The Park District has been using an asset management assessment and management system called VFA since 2014. To match the PCI system, the District analyzes the remaining life for the asset to calculate FCI with 0 representing the worst possible condition and 100 representing the best possible condition. Facilities with an FCI score below 50 may need to be fully replaced rather than repaired.

Current Replacement Value (CRV) – The amount that an entity would have to pay to replace an asset at the present time according to its current worth.

Sustainability Metrics (SM): These may include energy and resource efficiency, emissions reduction, and resource usage, indicating how effectively public assets operate within environmental constraints, and net cost savings associated with replacement with energy efficient projects.

Net Present Value (NPV): Calculate the NPV of keeping the asset versus replacing it. If the NPV of future cash flows from a new asset is higher than that of the existing one, replacement may be ~~justified~~justified.

Total Cost of Ownership (TCO): Assess all costs associated with the asset over its lifecycle, including purchase price, maintenance, operation, and disposal costs. If TCO is trending upwards, it may indicate a need for replacement

MAJOR INFRASTRUCTURE RENOVATION AND REPLACEMENT INTERNAL SERVICE

The Park District's Internal Service Fund for Major Infrastructure Renovation and Replacement Fund (MIRR Fund, 553) was created in 2012. The MIRR Fund is designed to address the financial liability of aging infrastructure, and to set aside annual funding for infrastructure renovation and replacement, as necessary. The purpose of an Internal Service Fund is to recover the full cost of

FUND services, take advantage of economies of scale, avoid duplication of efforts, and recover funds from restricted resources. Ideally, the MIRR Internal Service Fund should have sufficient reserves to ensure that assets may be repaired, renovated or replaced as needed to achieve or maintain a particular FCI score.

ELIGIBLE USES

Eligible work includes renovation, repair, replacement, upgrade, and demolition of existing facilities, systems and infrastructure. It also includes soft costs associated with design, project management, construction management, permitting, and software expenses related to asset, project, and work order management, and tracking, monitoring and reporting on the PCI, FCI, CRV and SM indices~~.~~

Eligible pavement work includes pavement replacement, seal treatments, removal of pavement, conversion to natural surface, and related pavement categories such as striping, signage, ADA accessibility, and safety measures using the PCI~~.~~

PERFORMANCE STANDARDS

Pavement

To protect public safety, provide overall quality service and reduce long-term costs and liabilities, the Park District has set a goal of maintaining its PCI at an average score of above 80. The Bay Area average PCI score has been maintained at a score of approximately 67. A PCI score of 70 – 84 is considered “good.” The Board of Directors will review this performance standard every five years.

Facilities

To protect the public and employees, provide safety and high-quality service, and reduce long-term costs and liabilities, the Park District has set a goal to maintain its infrastructure at an average score of 72. International Facility Management Association (IFMA) standards indicate that facilities should have an FCI of 90%, however, the Park District would be challenged to meet this industry standards. The Board of Directors will review this performance standard every five years~~.~~

APPROPRIATION OF The Park District’s Board of Directors approves the appropriation of all MIRR Funds. Approval can be obtained through the annual

MIRR Funds

budget process, regular Board of Directors meeting approvals, or through the mid-year budget process. Projects over $100,000 will be budgeted to individual project accounts. Non-capitalizable MIRR fund projects will be budgeted as operating funds, into the following ~~four~~ five ~~above~~ categories.

1. Paving
2. Buildings/Structures
3. Bridges/Docks and Piers
4. Utilities/Communication
5. ~~4.~~ Residences

Allocation of Sufficient Resources

The ~~initial inventory of the~~assessment of the Park District's paving, bridges, piers, docks, water utilities, buildings, and structures resulted in a projected~~n estimated~~ need to fund and deliver $14.8 million per year ~~between $7.5 and $9.5 million per year in renovation and replacement projects. In 2018, after the review of 80% of the District assets using the VFA, the system predicts $10 million/year~~ in renovations and replacement projects across the District to reach recommended performance standards.

The District's annual General Fund budget is limited, and budget capacity is split between many high priorities. The AGM of Finance & Management Services/CFO is responsible for considering the above factors and recommending a prudent internal service fund annual budget to the Board of Directors.

MIRR Reserve Fund

The Park District will maintain an adequate level of fund balance in the MIRR Fund based on anticipated or potential future events, sufficient to ensure financial stability and to mitigate current and future risks that could adversely affect the District's services to the public. Retaining an adequate fund balance is critical for long term financial planning. For the purpose of this policy, the MIRR Fund reserve fund balance is the amount of total fund balance in the internal service fund.

Calculation of Reserve Amount

The AGM of Finance & Management Services/CFO is responsible for considering the above factors and recommending a prudent reserve amount to the Board of Directors. The ~~initial~~ reserve amount is recommended at ~~10%~~ 1-3% of the Current Replacement Value (CRV) of assets. In ~~2019~~2024, the CRV of facilities and pavement was $~~324~~ 499 million, which equates to a reserve amount of $~~32.4~~ 5-$15 million.

MONITORING AND REPORTING

Annually, ~~at the Board Workshop,~~ staff will report on the Park District's current FCI and PCI scores and performance compared to the targeted standard for the two asset categories as well as the estimated amount of resources needed to meet the targeted standard. In addition, staff will report on the operational impacts of the program and on the delivery of projects.

POLICY ADMINISTRATION

The AGM of Management Services~~-~~/CFO is responsible for bringing an updated Major Infrastructure and Renovation Fund (553) Policy to the Board Finance Committee for review and approval every five years, in compliance with the funding targets in place at the time.

The funding target in place will be reviewed by the Board of Directors at least every five years and adjusted as necessary to include consideration of all relevant factors, including:

- Best practices in deferred maintenance of assets
- Condition of assets
- Impact of infrastructure failure
- Availability of funds
- Delivery and completion of projects
- Other Unfunded long-term liabilities