

**A REPORT BY  
THE 2013-2014 CONTRA COSTA COUNTY GRAND JURY**  
725 Court Street  
Martinez, California 94553

**REPORT 1407**

# **DEFERRED MAINTENANCE**

*Fix it Now or Pay More Later*

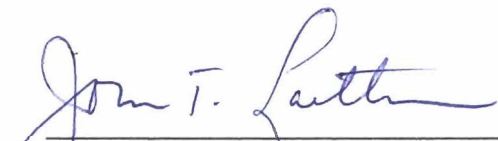
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Contra Costa County Grand Jury Report 1407

## **DEFERRED MAINTENANCE**

*Fix it Now or Pay More Later*

**TO:** Contra Costa County Board of Supervisors

### **SUMMARY**

This report on deferred maintenance is a follow-up to Grand Jury Report #1203, issued in June 2012.

For many years the County has struggled to chip away at the backlog of deferred maintenance on county-owned facilities. To better understand the magnitude of the situation and tackle the problem, the County's Facilities Life-Cycle Investment Program (FLIP) report in 2007 evaluated deferred maintenance for a portion of county-owned buildings. Although progress has been made in some areas, the County still lacks an adequate deferred maintenance budget. A comprehensive review of deferred maintenance needs and a coordinated effort to address the problem is required.

The cost of deferred maintenance on 89 county-owned buildings is currently estimated at \$265 million. The longer needed repairs are delayed, the greater the potential for increased deterioration of the structures and the greater the future cost of repair or replacement.

Areas where improvements are still needed include addressing the high priority projects in the FLIP report, expanding and updating the report, and placing more effort toward the integration of coordinated shared databases that track and report deferred maintenance needs, priorities and completed tasks.

## **METHODOLOGY**

Information was obtained from:

- Adopted Budgets – Fiscal Year (FY) 2008-2009 thru FY 2011-2014
- 2011-2012 Grand Jury Report #1203 and Responses
- Facilities Life-Cycle Investment Program (FLIP) Report (2007)
- Interviews with county officials from the Public Works Department
- County documents related to building maintenance

## **BACKGROUND**

Maintenance is the process of keeping buildings in a safe and acceptable condition. It includes routine maintenance, replacement of broken equipment, and preventive maintenance to extend the useful life of a facility.

Deferred maintenance refers to the postponement of maintenance and repair activities, such as, repair and replacement, as a result of budget constraints and competing priorities for limited funding.

For years Contra Costa County struggled with the backlog of deferred maintenance. To gain a better understanding of the magnitude of the problem and to prioritize the most critical problems, in 2007 the County conducted a comprehensive evaluation of 89 of the approximate 200 buildings owned by the County. The results of this evaluation were described in a report, titled the “Facilities Life-Cycle Investment Program (FLIP)” report.

The FLIP report estimated deferred maintenance costs for the 89 county-owned buildings at \$251 million. The report also prioritized deferred maintenance projects to focus efforts on the most critical projects. The projects were prioritized from level 1 to 4. Priority 1 projects are the highest priority for critical life safety and priority 4 are the least critical dealing with maintenance needed for such items as normal wear and tear. The report recommended maintenance efforts be focused first on the highest priority 1 items and identified the need for an annual expenditure of \$24.6 million for the following ten years. The report explained that after ten years of chipping away at the backlog of deferred maintenance, ongoing routine maintenance would then be more manageable for those 89 buildings. The FLIP report was to be updated after five years beginning in FY2013-2014, which according to county officials will not occur.

The distribution of costs by level of priority for 2013/2014 are as follows:

- Priority 1 – Currently Critical - \$2,165,000
- Priority 2 – Potentially Critical - \$27,391,000

- Priority 3 – Necessary, but not Critical - \$186,933,000
- Priority 4 - Necessary, within 6-10 years - \$53,743,000

Given that the FLIP report evaluated only 89 of the approximate 200 buildings in the County, it is likely the actual needed funding for deferred maintenance will increase dramatically once those additional facilities are assessed and cost estimates developed.

### **The Funding**

After the FLIP report was completed and priorities established, the next hurdle was funding. The FLIP report recommended that \$24.6 million be allocated annually for ten years to address the backlog of deferred maintenance and to sustain routine maintenance into the future. The report did not take into account whether such expenditures were feasible given the financial downturn and the resulting budgetary limitations of the County. Unfortunately, no funding was allocated for 3 years during the recent recession – FY 2009-2010 through FY 2011-2012. Consequently, in February 2011 the General Services Department acknowledged that the total cost of deferred maintenance had grown from \$251 million to \$265 million, and would continue to increase unless the County developed a plan to address deferred maintenance issues that identified funding.

To the credit of the Contra Costa County Board of Supervisors, \$5 million in funding was identified for deferred maintenance in FY 2012-2013. That number was then increased to \$10 million in FY 2013-2014. This is still less than half of the annual \$24.6 million recommended in the FLIP report. Although this limited funding begins to address the deferred maintenance backlog, new maintenance needs are growing faster than the rate of repairs. The budget for FY 2013-2014 showed the cost of deferred maintenance increased slightly from previous years.

In 2011, the County made another effort to increase efficiency and coordinate maintenance activities and resources by merging the Facilities Department and the Capital Improvements Department into the Public Works Department. Both Facilities and Capital Improvements departments were dealing with maintenance and management of county facilities. Each had their own separate databases and systems for tracking and completing needed improvements and maintenance.

With the consolidation of county facility maintenance and management needs into a single department, the County initiated a project to consolidate the databases of the former Facilities and Capital Improvement departments into a single system that could be accessed by all staff and that would provide a sole point of information about county facilities. The benefit of a coordinated system is the ability to prioritize, plan, track and report on maintenance efforts throughout the county. Unfortunately, this project has turned out to be more complicated than originally envisioned and progress has been slow, hindering the ability of the Public Works Department to easily access maintenance activities, determine priorities and coordinate resources most efficiently.

While some work has been completed since the previous Grand Jury Report in 2012, much more needs to be accomplished. The County provides estimates for deferred maintenance in the annual financial reports included in the County budget. As deferred maintenance costs continue to grow the County will need to determine if it wants to identify funds for this purpose now when the cost is lower or wait until its buildings have further deteriorated, requiring even greater funds for major renovations and capital investments.

## FINDINGS

1. The FLIP report has not been updated, and is not on schedule to be updated as originally planned.
2. The FLIP report prioritizes deferred maintenance needs and costs, but includes less than half of the total facilities owned and maintained by the County.
3. Funding allocations have not been adequate to meet the FLIP target goals that seek to tackle the backlog of deferred maintenance on county-owned facilities.
4. The Public Works Department does not have a database that integrates all existing information about county-owned facilities, which would more efficiently track and manage maintenance efforts.

## RECOMMENDATIONS

1. The Board of Supervisors should annually update the FLIP report, starting with FY 2014-2015, until the backlog of deferred maintenance and repairs have been completed.
2. The Board of Supervisors should expand the FLIP report to include all county-owned facilities.
3. The Public Works Department should identify funds to expedite integrating all existing databases related to county-owned facilities for coordinated tracking and reporting of all deferred maintenance needs, priorities, and completed tasks.

## REQUIRED RESPONSES

|  | <u>Findings</u> | <u>Recommendations</u> |
|--|-----------------|------------------------|
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