



Office of the City Manager

INFORMATION CALENDAR

March 19, 2024

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Andrew Murray, Interim Director of Public Works  
Subject: Audit Status Reports: Fleet Replacement Fund Short Millions & 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 solvency of the fund to sufficiently replace vehicles and asking if Public Works has key information necessary for managing the fleet program.

This is the second status report to City Council on the efforts made to implement the Audit Report's recommendations for both streets paving and fleet. A previous report was issued on November 3, 2022.

CURRENT SITUATION AND ITS EFFECTS

The street paving audit report included two findings and five recommendations for the Public Works Department and its Engineering Division and Administrative & Fiscal Services Division to review, implement and report to Council. As of this report, three recommendations have been implemented and two recommendations have been partially implemented. All recommendations currently tracking as partially implemented require funding source availability for appropriation to streets.

The fleet audit report noted two findings and twelve recommendations for the Public Works Department and its Equipment Management Division and Administrative & Fiscal Services Division 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 were related to the underfunding of the Equipment Replacement Fund. One recommendation has been partially 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 progress updates. The next status report for the fleet street paving audit are expected to be presented September 10, 2024.

### BACKGROUND

Public Works' Engineering Division is responsible for capital projects to maintain over 216 centerline miles of streets in the City, while the Streets & Utilities Division handles day-to-day maintenance of those streets. Public Works' Equipment Management 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. 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 replaces vehicles with alternative fuel, hybrid and electric vehicles whenever possible given availability of fleet technology, available budget and charging infrastructure. Improved streets benefit all users help encourage more bicycling and walking, which lowers greenhouse gas emissions. Improved streets 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 two partially implemented recommendations in the street paving audit and the twelve started and partially implemented recommendations in the fleet audit.

### FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

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. Significant additional funding would be needed to be allocated over several years to raise the pavement condition index (PCI) to 70-75 or "Good" status.

### CONTACT PERSON

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Ron Nevels, Manager of Engineering (510) 981-6439  
Greg Ellington, Equipment Management Superintendent (510) 981-9469

Attachment:

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

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	Last Period: Status
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> Public Works annually updates the fleet replacement costs in the FUND\$ Fleet Management System. This cost replacement data has also been validated for the upcoming switch to the Assetworks Fleet Management software, expected to go live Spring 2024. Public Works is also evaluating costs for adjustment in the FY 25-26 biennial operating budget and the five year replacement schedule communicated in the FY 25-29 CIP. A proposed rate adjustment for the Equipment Replacement Fund that would account for Public Works staff time supported by the fund is under consideration for adoption in the FY 25-26 Budget Development cycle.	Partly Implemented

<p>The Replacement Fund is underfunded by millions of dollars.</p>	<p>1.2</p>	<p>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.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> City Council approved a contract for Mercury Associates to conduct the fleet assessment study on November 21, 2023. The contract was executed in February 2024, and the study is expected to be completed by September 2024.</p>	<p>Started</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>Ongoing</p>	<p><u>Started:</u> The City decided to defer implementation of the Equipment Replacement Fund and Equipment Maintenance Fund rate models to the FY 25-26 Biennial Budget Development process. Public Works has since updated its fund rate models based on FY 23 actuals and is presenting the new rates for adoption during the next budget cycle. The new Public Works executive leadership is reviewing the draft Equipment Replacement Policy, and will complete the final departmental review in Spring 2024. The policy will then be reviewed by the City Manager's Office.</p>	<p>Started</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> The draft Equipment Replacement Policy is being reviewed by the new Public Works executive leadership staff for final departmental review. It includes language supportive of the listed recommendation. Next step will be review with the City Manager's Office, then it will be shared with citywide departments in Spring 2024.</p>	<p>Started</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> The draft Equipment Replacement Policy is being reviewed by the new Public Works executive leadership staff for final departmental review. It includes language supportive of this recommendation.</p>	<p>Started</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 draft Equipment Replacement Policy is being reviewed by the new Public Works executive leadership staff for final departmental review. It includes language supportive of this recommendation.</p>	<p>Started</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> The Fleet Division is meeting with EV manufacturers to demo and discuss potential future purchase options, and has a demo for medium and heavy-duty EV vehicles on site at the Corp Yard scheduled for late March 2024. The Fleet Division is also meeting with other manufacturers of EV vehicles directly. Staff is proposing a funding request to support installation of additional EV charging stations for the city fleet in the FY 25-26 budget development cycle and the FY 25-29 Capital Improvement Plan as well as researching possible grant opportunities.</p>	<p>Started</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> Funding for backlog vehicle purchases was included in the FY 23 and FY 24 budgets along with scheduled replacements in those years. Similarly, an expenditure budget to cover future projected backlog vehicles will be included in the FY 25 Public Works budget. A formal needs assessment document has not been completed and will be</p>	<p>Started</p>

					scheduled, drafted and presented to Council in calendar year 2024.	
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	Ongoing	<u>Started:</u> The draft Equipment Replacement Policy is being reviewed by the new Public Works executive leadership staff for final departmental review. It includes language supportive of the listed recommendation. The next step will be review with the City Manager's Office, then it will be shared with citywide departments in Spring 2024.	Started

<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"> <li>• Tracking Replacement Funds collected and leftover funds by department;</li> <li>• Zeroing out the balance after a vehicle is replaced;</li> <li>• Adjusting the replacement date and reporting the rationale if a replacement is deferred;</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>• Displaying any information needed to prioritize replacements based on specified criteria.</li> </ul>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> Public Works is gathering data for the AssetWorks fleet management software and expects the system to go live in April 2024. Reporting on vehicle replacement will be more thorough as the vehicle usage and maintenance costs will be more readily available. User departments will be consulted to verify replacement schedules as part of the annual budgeting process.</p>	<p>Started</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>Ongoing</p>	<p><u>Started:</u> Data gathering for the AssetWorks fleet management software is nearing completion with end user training anticipated in April 2024. The system is expected to go live shortly thereafter.</p>	<p>Started</p>



<p>Public Works lacks information on vehicle and equipment replacement for decision making.</p>	<p>2.5</p>	<p>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.</p>	<p>Public Works</p>	<p>Ongoing</p>	<p><u>Started:</u> The draft Equipment Replacement Policy is being reviewed by the new Public Works executive leadership staff for final departmental review. Reporting on vehicle replacement will be more thorough as the vehicle usage and maintenance costs will be more readily available, and user departments will be consulted to verify the replacement schedule as part of the annual budgeting process following the criteria identified in the replacement policy. The policy will then be reviewed by the City Manager's Office and citywide departments in Spring 2024.</p>	<p>Started</p>
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<b>Audit Title: Rocky Road: Berkeley Streets at Risk and Significantly Underfunded</b>					
<b>Finding</b>	<b>Recommendation</b>	<b>Lead Department</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Audit Recommendations, Corrective Action Plan, and Progress Summary</b>	<b>Last Period: Status</b>
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 conducts a survey of its pavement condition index (PCI) every two years. The Street Saver software constantly updates a model of pavement condition based on the lifecycle and accounting for the paving treatment applied. PCI condition was last reported to City Council at the adoption of the current Five-Year Paving Plan on November 28, 2023. Public Works will propose its budget needs to achieve paving all of the street segments listed in the Five-Year Paving Plan in the FY 25-29 CIP Budget Development process.	Partly Implemented
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> Council adopted a policy in 2022 that commits \$8 million annually in General Funds to address street paving: The Adequate General Fund Contribution for Street Maintenance to Prevent Deterioration of Pavement Condition. The Five-Year Plan	Partly Implemented

					<p>assumes this elevated General Fund contribution will be allocated. Second, Council has adopted new Zero Waste rates and a budget that included \$1-\$2 million annually in rate revenue from the Zero Waste Fund to offset the impact of Zero Waste collection vehicles on the City's pavement. This revenue will transfer from the Zero Waste Fund to the City's annual paving project. Additionally, funding from the Clean Stormwater Fund will support green infrastructure street project elements given the new Municipal Regional Permit (MRP) requirements. According to PEI's analysis, an additional amount of approximately \$12,000,000 per year until 2037, averaging a total of \$30,000,000 in annual paving funding, is needed to reach a PCI of 75</p>	
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<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>Implemented</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>Implemented</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>Implemented</p>
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