## REVISED STAFF REPORT

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| **Agenda Item:** |  | **Name:** | Lise Kaye |
| **Proposed No**.: | 2015-0330 | **Date:** | December 7, 2015 |

**COMMITTEE ACTION**

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| ***Proposed Substitute Motion 2015-0330.2, which would accept the second quarterly report on*** ***Emergent Needs and Unanticipated Project Costs, passed out of committee on December 1, 2015, with a “Do Pass” recommendation. The motion was amended in committee to include Attachment A, dated November 12, 2015 (a revised quarterly report), and to add language from the proviso noting that the quarterly reports are to detail the prioritization process used if anticipated needs and funding requests exceed budgeted capital improvement program revenue.***  |

**Subject**

A motion approving the second quarterly report on Emergent Needs and Unanticipated Project Costs prepared by the road services division in the Department of Transportation.

**Summary**

Proposed Motion 2015-0330 would approve the second quarterly report on Emergent Needs and Unanticipated Project Costs prepared by the road services division in the Department of Transportation. The report shows transfer of $275,302 from the Quick Response project to the Duvall Bridge Approach project, and reports $7,539 in expenditures from the Emergent Need project for end of the year financial reconciliation. Approval of the motion would release $75,000 of the expenditure restriction.

**Background**

The Executive's proposed 2015-16 budget for the Road Services Division (RSD) implemented an operational shift from planned investments to reactive system management. The RSD's 2015-2016 business plan states that, "With insufficient funds for preservation or replacement of infrastructure, available revenues will be focused on reacting to the higher risks associated with the deteriorating road system." This revision was a response to the RSD funding shortfall, recent experience with emergency roadwork expenses, and a desire not to promise capital projects that would be cancelled if emergency repairs required additional revenue.

The adopted RSD CIP for 2015-2016 cancelled 11 projects and pooled revenue into response-oriented programs such as Emergent Need-Existing Projects, which replaces the Cost Model pooled contingency program, and Quick Response, which addresses core safety and regulatory-driven repairs. Table 1 below identifies funding changes from the approved 2013-2014 budget associated with major RSD CIP projects:

**Table 1. Road Services Division CIP Funding Changes: 2013/14 vs. 2015/16**

| **CIP Project** | **Description** | **2015/16****Proposed** | **2013/14****Approved** | **Percent Change** |
| --- | --- | --- | --- | --- |
| **Emergent Needs – Existing Projects (1026798)** | Replaces the "cost model" line item from previous years; serves as a pooled contingency fund for unanticipated costs. | $6 million | $4.1 million | +46% |
| **Bridge Priority Maintenance (1027160)** | Down from previous funding levels of $800,000 in 2013/14; projects selected from priority array in the annual Bridge report. | $0.5 million | $0.725 million | -31% |
| **Quick Response (1027163)** | Repair fund will prioritize emerging core safety and regulatory-driven repairs on Tier 1, 2 and 4 roadways (Tier 4 are sole access routes), as well as those for which it is significantly more cost effective to repair now than later. Some repairs may only stabilize the site pending additional revenue. | $7 million | $4 million | +75% |
| **Preservation** | One $4 million overlay contract to be let in Spring 2015, *if emergent needs do not arise earlier in the biennium.* The remaining funds will address spot treatments at high risk areas. Areas will be selected by pavement condition score, tier and average daily trips. | $7.5 million | $9.1 million | -17% |
| **South Park Bridge** | Costs for contractor's delay in meeting construction milestones | $6 million | $0 | +100% |
| **Drainage Preservation** | Addresses high priority drainage projects (existing or emergent) that pose a high safety and/or regulatory risk to Tier 1, 2 and 4 roadways. Drainage priorities are identified by a combined Field Priority Score and Habitat Evaluations.  | $8 million | $9.5 million | -15% |
| **Facility Preservation** | Addresses approximately half of the most urgent deferred maintenance and preservation needs of the division's facility assets, and funds additional facility consolidations. | $2.4 million | $0 | +100% |

Table 2 lists projects deleted from the previous (2013/2014) CIP because of the shift toward more programmatic budgeting:

**Table 2: Projects Deleted from 2013/14 CIP**

|  **Project No.** | **Name** | **Proposed Disappropriation** |
| --- | --- | --- |
| **1026727** | 100 Ave NE/NE 132 - NE 137 | ($372,713) |
| **1026791** | SE Summit Landsburg Rd | ($462,659) |
| **1026793** | Green Valley Bridge –end of 180 Ave NE | ($229,171) |
| **1047575** | Green Valley Bridge: 202 Place-212 Ave SE | ($236,960) |
| **1111170** | Cottage Lake Creek Bridge Replacement | ($178,124) |
| **1111174** | Miller River Bridge Replacement | ($2,500,000) |
| **1114796** | SE 277 St Bridge | ($86,380) |
| **1115255** | NE Woodinville/Duvall Road @ West Snoqualmie Valley Road | ($498,000) |
| **1115260** | Bear Creek Bridge | ($172,463) |
| **1116546** | SW Cemetery Rd & Beall Road SW | ($790,000) |
| **1111817** | South Regional Maintenance Facility | ($35,293) |
| **TOTAL** |  | **($5,561,763)** |

The significant shift from specific project investments to a program-based capital budget led Council to adopt the following budget proviso to track expenditures for emergent needs and unanticipated project costs:

*SECTION 53.P2.*

*Of this appropriation, $525,000 shall not be expended or encumbered until the executive transmits seven quarterly reports on expenditures for each prior quarter for emergent needs and unanticipated project costs and motions that approve the quarterly reports and the motions are passed by the council. The motions shall reference the subject matter, the proviso’s ordinance, ordinance section and proviso number in both the title and body of the motion. Upon transmittal of each motion, $75,000 is released for the expenditure.*

*Each report shall include, but not be limited to, identified needs, funding requests and expenditures for emergent needs and unanticipated project costs and shall explain the rationale and the policy basis relative to the 2014 update to the Strategic Plan for Road Services for project selection. If identified unanticipated needs and funding requests exceed budgeted capital improvement program revenue, the report shall detail the process used by the department to prioritize the expenditures.*

*The executive must file the seven quarterly reports by May 15, 2015, August 15, 2015, November 15, 2015, February 15, 2016, May 15, 2016, August 15, 2016, and November 15, 2016, and the motions required by this proviso by those same dates in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff, the policy staff director and the lead staff for the transportation, economy and environment committee or its successor.*

Proposed Motion 2015-0330 transmits the second of these quarterly reports. The transmitted report shows the transfer of $275,302 from the Quick Response project no. 1027163 to the Duvall Bridge Approach project no. 1126430 and reports $7,539 in expenditures from the Emergent Need project no. 1026798 for end of the year financial reconciliation. The initial transmitted report (Attachment A) did not provide all of the information required by the proviso, specifically:

* The report does not explain the rationale and the policy basis relative to the 2014 update to the Strategic Plan for Road Services for project selection.
* The report does not detail the process used by the department to prioritize the expenditures.

Executive staff requested approval of a revised Attachment A, which includes additional information to conform to the proviso requirement. The revised report includes the policy basis relative to the 2014 update to the Strategic Plan for Road Services for using the Quick Response funds for the Duvall Bridge Approach project. It also explains how the RSD prioritized that project over other unprogrammed needs.

**analysis**

Table 3 below shows first and second quarter expenditures for the Emergent Needs – Existing Projects and Quick Response projects.

**Table 3: Road Services Division Expenditures 1st and 2nd Quarters 2015**

| **CIP Project** | **Description** | **Carryover** | **2015** | **1st Qtr Actuals** | **2nd Qtr Actuals** |
| --- | --- | --- | --- | --- | --- |
| **Emergent Needs – Existing Projects (1026798)** | Replaces the "cost model" line item from previous years; serves as a pooled contingency fund for unanticipated costs. | $8,839,989[[1]](#footnote-1) | $2,665,751 | $0 | $7,539 |
| **Quick Response (1027163)** | Repair fund will prioritize emerging core safety and regulatory-driven repairs on Tier 1, 2 and 4 roadways[[2]](#footnote-2). | $4,668,900 | $3,500,000[[3]](#footnote-3) | $158,624 | $103,723[[4]](#footnote-4) |

RSD staff report that the basis for prioritizing the expenditure of the Quick Response funds over other unprogrammed needs was the risk of property and personal losses should the bridge fail due to damage from a 2015 winter flooding event, as well as its Tier 1 classification and traffic volume (approximately 12,000 vehicles per day). The roadway also provides access when flooding has closed other routes across the valley. RSD staff state that the project meets Goals 1 and 3 of the Strategic Plan for Road Services:

Goal 1: Prevent and respond to immediate operational life safety and property damage hazards.

Goal 3: Maintain and preserve the existing roadway facilities network.

King County's 2014 Bridge Report identifies the Duvall Bridge as Functionally Obsolete and lists its sufficiency rating as 70.63.

* Functional obsolesce may reflect substandard bridge widths, low vertical clearance, load-carrying capacity, or flood potential. King County's 2014 Bridge Report lists 41 bridges as functionally obsolete.
* The bridge Sufficiency Rating is a federal standard measurement based on a 100-point scale that takes into account several factors including structural adequacy, serviceability and how essential the bridge is for public use.

The 2014 Bridge Report lists 178 bridges with sufficiency ratings from 2.0 to 99.99. The average sufficiency rating of all 178 bridges is 72.03 and the median rating is 74.53 (half of the bridges score higher, and half score lower). The average sufficiency rating of bridges longer than 20 feet (which includes the Duvall Bridge) is 79.29.

It is unclear from this report whether RSD uses a formal set of criteria used to prioritize expenditure of Quick Response funds or if funds are expended on a "first come, first served" basis.

It remains too early in the year and biennium to know the extent to which funds in the Quick Response and Emergent Needs – Existing Projects programs will be expended to address unanticipated costs. Council will be asked to approve a mid-biennium budget update, which may reprogram some unexpended funds.

Approval of the proposed Motion 2015-0330 would release $75,000 of the expenditure restriction.

1. Correction from RSD. First quarter report incorrectly included 2014 carryover and showed this amount as $11,500,000. [↑](#footnote-ref-1)
2. As well as those for which it is significantly more cost effective to repair now than later. Some repairs may only stabilize the site pending additional revenue. [↑](#footnote-ref-2)
3. RSD's 2nd Quarter Report shows the two-year 2015/16 appropriation as $7 million. [↑](#footnote-ref-3)
4. The RSD 2nd Quarter Report showed that $273,302 was allocated from Quick Response to the Duvall Bridge Approach, but the amount shown on this table is what was expended in the 2nd Quarter. [↑](#footnote-ref-4)