## STAFF REPORT

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| **Agenda Item:** | 9 | **Name:** | Lise Kaye |
| **Proposed No**.: | 2016-0411 | **Date:** | October 17, 2016 |

**Subject**

A motion approving the second quarter 2016 report on Emergent Needs and Unanticipated Project Costs prepared by the Road Services Division in the Department of Transportation.

**Summary**

Proposed Motion 2016-0411 would approve the second quarter 2016 report on Emergent Needs and Unanticipated Project Costs prepared by the Road Services Division in the Department of Transportation as required by a proviso in the 2015-2016 adopted budget. The report shows a combined transfer of $580,000 of appropriation authority from the Quick Response project to the Dockton Road SW Erosion Protection project and the Berrydale Overcrossing Repair project and a $21 transfer from Emergent Needs to reconcile year-end accounting. Approval of the motion would release $75,000 to the Road Services Division, per the proviso.

**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**  **Adopted** | **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 (ADT) | $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 as a result 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 2016-0411 transmits the sixth of seven quarterly reports. The report shows a transfer of $580,000 of appropriation authority from the Quick Response project to the Dockton Road SW Erosion Protection project and the Berrydale Overcrossing Repair project and a $21 transfer from Emergent Needs to reconcile year-end accounting. Approval of the motion would release $75,000 to RSD per the proviso.

**analysis**

Quick Response Transfers

According to the Executive’s report, the Road Services Division transferred $500,000 of appropriation authority from the Quick Response project to the Dockton Road SW Erosion Protection project (No. 1129290). The project will construct a trench on the shoulder of the northbound side of the road and adjacent to a failed private barge dock to stabilize the roadway from further erosion. The Road Services Division also transferred $80,000 of appropriation authority from the Quick Response project to the Berrydale Overcrossing Repair project (No. 1129625). The bridge is on the Kent-Black Diamond Road that connects the town of Black Diamond and the city of Enumclaw to State Route 18. The project will re-repair failed patches on the timber deck and replace loose timber blocks that connect the bridge rails to the bridge posts.

The Executive reports that the basis for prioritizing these expenditures of the Quick Response funds over other unprogrammed needs was the risk of property and personal losses. The Report states 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.

At the end of the second quarter of 2016, the remaining appropriation authority in the Quick Response project was approximately $5.2 million.

Emergent Needs Transfers

The report shows a $21 transfer of Emergent Needs funds for the second quarter of 2016. The transfer to the sidewalk project on SW Roxbury (No. 1026740) makes a technical adjustment to close out year-end accounting. The report shows a balance of approximately $5.6 million in this project at the end of the second quarter of 2016.

**attachments**

1. Proposed Motion 2016-0411 and Attachment A. Road Services Division Second Quarter 2016 Expenditures for Emergent Needs and Unanticipated Project Costs Summary Report
2. Transmittal Letter

**Invited**

1. Brenda Bauer, Director, King County Road Services Division