SECTION:	
ORIGINAL ISSUE DATE: October 7, 2008	**<u>SUB SECTION:</u>** DEFERRED MAINTENANCE FUND POLICY
REVISION DATE: November 13, 2018	

PURPOSE

To outline the policies and procedures regarding provisions for budgetary reserves and adequately fund deferred maintenance to ensure capital assets are properly maintained to maximize useful life of those assets.

BACKGROUND

The County of Humboldt (herein referred to as "county") should ensure that it has sufficient funds to assess, and provide maintenance and repairs of its capital assets in order to continue the provision of services that contribute to the public health, safety, and quality of life for the public. This policy is necessary to plan for large expenditures and to minimize deferred maintenance, and to ensure that facility maintenance receives appropriate consideration in the budget process.

Budgetary pressures often impede capital program expenditures or investments for maintenance, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance could reduce the county's ability to provide services. In addition, as the physical condition of a capital asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities.

The county therefore is establishing this policy to encourage adequate deferred maintenance spending levels in order to sufficiently maintain existing facilities and fund future capital projects. This policy references the 2008 Facilities Master Plan, which was brought before the Board of Supervisors that same year of the plan.

DEFINITIONS

A. <u>"Contingency Reserve"</u> - A budgetary provision designed to meet unforeseen expenditure requirements during a fiscal year. Government Code§ 29084 provides for the appropriation of contingencies.

B. <u>"Facilities Master Plan"</u> – An overall framework plan, brought before the Board in 2008, for making the best use of existing county space, and developing new facilities over a 20-year time frame. It is a starting point to developing a detailed Capital Improvement Plan.

C. <u>"Cannabis Excise Tax Revenues"</u> – Revenue generated from Measure S, the cannabis excise tax passed by voters in 2016.

D. “Total Deferred Maintenance Costs” – The rough order of magnitude corrective costs for the facilities evaluated in the 2008 Facilities Master Plan. This excludes the cost of any new construction and/or rearrangement/renovation proposed in the Facilities Master Plan.

POLICY

Deferred Maintenance Fund

A. The county shall target an annual contribution to the Deferred Maintenance Fund of an amount that is no less than 2 percent of the total deferred maintenance costs of $28.7 million as noted in the Facilities Master Plan brought before the BOS on July 8, 2008 (Agenda Item E-1). Beginning FY 2019-20, the total deferred maintenance cost shall be adjusted annually by a factor equivalent to the Consumer Price Index.

Expenditures

B. The Deferred Maintenance Fund will be used to support the following:
   1. Costs for maintenance and improvements to county-owned facilities, including personnel necessary to carry out and manage deferred maintenance projects.
   2. Maintenance needs identified in the Facilities Master Plan and items identified and recommended by Public Works staff, upon Board approval.

C. The allocation of Deferred Maintenance funding should occur at the time of bid award.
   1. No expenditure shall be made directly from the Deferred Maintenance Fund. Funds for expenditure shall be transferred to the associated Capital Project in Budget Unit 170 (Capital Projects) and be listed on the capital improvement program adopted by the Board.

Funding Source

D. Each fiscal year, the county shall deposit an amount equaling no less than 2 percent of Total Deferred Maintenance Costs to the Deferred Maintenance Fund.
   1. Funding for this annual contribution shall be made from local, unrestricted revenue sources, such as property taxes, sales taxes and local revenue measures.

E. In the event that the Deferred Maintenance contribution is less than 2 percent of the county’s Total Deferred Maintenance Costs at the time the budget is adopted, the CAO must identify and report to the Board on the specific circumstances that have led to a less than 2 percent contribution, and will report to the Board the strategy to ensure the policy level contribution will occur in the following fiscal year.

Implementation

F. The CAO shall coordinate the implementation of this policy. The CAO will work with all necessary departments and the Board to make appropriate contributions to the Deferred Maintenance Fund in an effort to ensure sound stewardship practices of public assets and a solid financial foundation for the county.