

COUNTY OF SAN MATEO

Inter-Departmental Correspondence

Date: June 6, 2001

Board Meeting Date: June 19, 2001

TO: Honorable Board of Supervisors
FROM: Neil R. Cullen, Director of Public Works
SUBJECT: **Minimum Condition Levels for County Maintained Roads**

RECOMMENDATION

Adopt a resolution establishing minimum condition levels for County maintained roads to conform to the requirements of the Government Accounting Standards Board Statement No. 34.

Previous Board Action

Adopted the 2001-01 County Budget that included Outcome Based Management (OBM) Goals of maintaining at least 75 percent (75%) of the County's primary roads at a Pavement Condition Index (PCI) of 55 or better and the secondary roads at a PCI of 40 or better.

Key Facts

- The Department has been using the Metropolitan Transportation Commission's (MTC) Pavement Management Program to evaluate the condition of County roads that have defined structural sections as an aide in developing priorities for resurfacing or reconstruction projects.
- MTC's program has defined the pavement of roads with PCI's of 40 or better to be in a "Fair" or better condition and roads with PCI's of 55 or better to be in a "Good" or better condition.
- The County Controller has advised us that they will be adhering to the new requirements of the Government Accounting Standards Board Statement No. 34 (GASB34) which provides new financial reporting requirements for infrastructure for state and local governments.
- We believe the Modified Approach as provided by GASB34 is the most useful approach as it will provide more information about the condition of the assets and when they will need to be replaced.
- GASB34 requires governments that choose to use the Modified Approach in the financial reporting of eligible infrastructure assets "to establish the Condition Level at which such assets shall be maintained in a formal, documented manner through appropriate administrative or executive policy, or by legislative action."

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Discussion

The Government Accounting Standards Board has released GASB34, which sets a comprehensive financial reporting standard of eligible infrastructure assets for state and local governments. Infrastructure assets include roads, bridges, drainage systems, water and sewer systems, and other long-lived capital assets that are stationary in nature, but generally do not include buildings.

The Controller is adhering to GASB34 in the current fiscal year, a year early of its effective implementation date. We are proposing to report the County's Maintained Road System, which is identified as a major network with eligible infrastructure assets, using the Modified Approach. Under this method, additions and improvements will be capitalized for financial reporting purposes but are not required to be depreciated; and maintenance and preservation costs will be expensed in the fiscal year when they are incurred.

We are required under GASB34, if we use the Modified Approach, to perform a condition assessment of the eligible infrastructure assets. MTC's Pavement Management Program is an acceptable method of evaluating the condition of the road system and we expect to have all 316 miles of the maintained system evaluated by the end of the current fiscal year. The roads have been segregated into primary and secondary classifications for OBM purposes and are also being classified as roads with or without formal structural sections. Each road segment is rated and given a PCI value from zero to one hundred (0 - 100). We can then track the condition of each road and use this information to evaluate one of our OBM objectives while adhering to the requirements of GASB34.

GASB34 requires that the condition level be established in a formal, documented manner and we are therefore recommending that you adopt a resolution setting the minimum PCI level for roads with no defined structural section at 40, and the minimum PCI level for roads with a defined structural section at 55, as the levels to be used for GASB34 reporting purposes.

Fiscal Impact

The condition assessment is estimated to cost \$50,000 per year and will be financed by the Road Fund and through grants of "in kind" services (currently \$25,000 per year) that we receive from MTC in support of our using their Pavement Management Program.

There is no fiscal impact to the General Fund.

Honorable Board of Supervisors

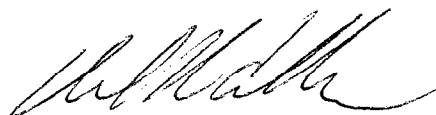
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A form of resolution has been approved by County Counsel.



Neil R. Cullen
Director of Public Works

NRC:DJV:sdd

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cc: Milt Mares, County Counsel
Tom Huening, County Controller
Donna Vaillancourt, Management Services Division Manager
Rudy N. Gopez, Financial Services Manager

Resolution No. _____

Board of Supervisors, County of San Mateo, State of California

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Resolution Establishing Minimum Condition Levels for County Maintained Roads

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the Government Accounting Standards Board has released Statement 34 (GASB34) which sets a comprehensive financial reporting standard for State and Local Governments; and

WHEREAS, GASB34 requires governments to capitalize their eligible infrastructure assets, and where the Modified Approach is used in the financial reporting of any such assets, to document that these assets are being preserved at or above a condition level established and disclosed by the government; and

WHEREAS, a recommendation has been made to this Board to use the Modified Approach in the financial reporting of its eligible road infrastructure assets which will be capitalized in the Road Fund; and

WHEREAS, GASB34 requires that condition level methodology be formally adopted for eligible infrastructure assets where the Modified Approach will be used in the financial reporting of such assets; and

WHEREAS, a condition level assessment of the County Maintained Road System using the Metropolitan Transportation Commission's (MTC) Pavement Management Program which establishes a Pavement Condition Index (PCI) on a scale from zero to one hundred (0 – 100) for each road segment is being used by the Department of Public Works in identify the condition of County Maintained Roads for Outcome Based Management purposes, and said PCI values are an appropriate method of evaluating the condition of roads as required by GASB34:

NOW, THEREFORE, this Board of Supervisors hereby establishes the condition level for that group of County roads with identified structural sections to be at the Pavement Condition Index of 55; and for that group of County roads without identified structural sections to be at the Pavement Condition Index of 40, both as defined by the Metropolitan Transportation Commission's Pavement Management Program. These indices will be used, respectively, as the approximate minimum condition levels at which the County Road infrastructure assets shall be maintained.

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