

Performance Audit of Facility Maintenance

JULY 2024 | OCA-25-01

Finding 1

The City has not been able to prioritize sufficient funding to maintain its facilities, which will cost the City more in the long term.

Finding 2

With or without increased funding, the City needs a facility management plan to ensure it spends its limited maintenance funds efficiently.

Finding 3

Departments have limited insight into the status of their repairs, resulting in unnecessary delays and unclear expectations.

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CITY OF SAN DIEGO



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- Fire-Rescue Department
- Library Department
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Performance Audit of Facility Maintenance

Why OCA Did This Study

The City of San Diego (City) owns more than 1,600 buildings and structures that cost tens of millions of dollars to maintain annually. Collectively, as of 2023, these libraries, recreation centers, museums, piers, lifeguard towers, and other facilities are worth more than \$7 billion. Failure to maintain these facilities can lead to greater costs in the long run and can have negative impacts on City services, worker morale, and visitors' and residents' overall impression of the City.

Therefore, we conducted a performance audit with three objectives:

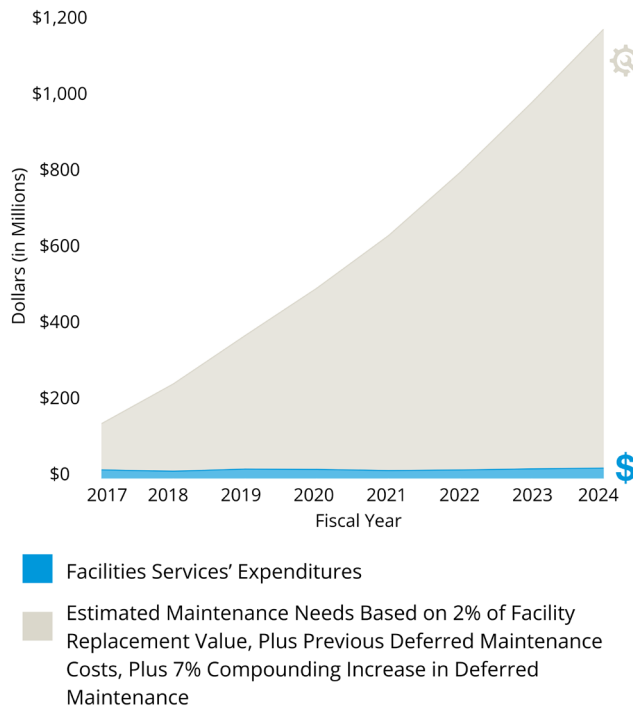
- (1) Determine whether the City efficiently funded maintenance needs of facilities;
- (2) Determine whether the City tracks and assesses the condition of facilities; and
- (3) Determine whether the City plans and conducts maintenance efficiently and effectively for facilities.

What OCA Found

Finding 1: The City has not been able to prioritize sufficient funding to maintain its facilities, which will cost the City more in the long term.

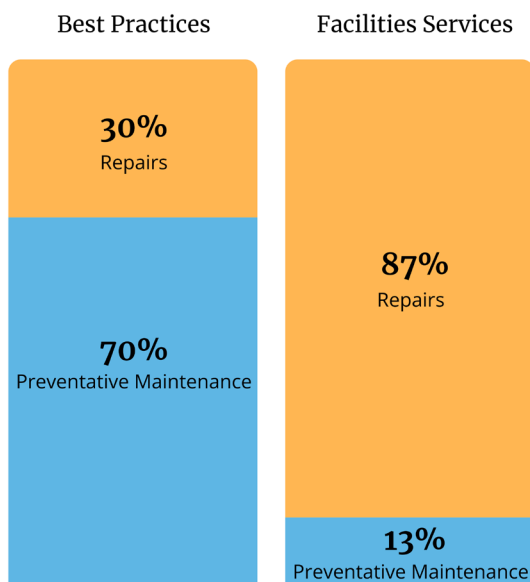
- The City budgeted about \$26 million for facility maintenance in FY2023, **far less than the \$143 million to \$287 million best practices recommend** budgeting annually for routine maintenance and repairs.
- With many urgent priorities competing for limited City funds, the City has deferred maintenance needs and underfunded facility maintenance for many years.
- Although deferring maintenance can save money in the short term, **deferring maintenance results in higher future costs** and can impact City services, worker morale, and the overall reputation of the City.
- Continuously underfunding facility maintenance has likely resulted in a significant backlog of maintenance needs. Combined, **annual maintenance and deferred maintenance needs exceeded \$1 billion in FY2024**, estimating conservatively.

Exhibit 9: The City Budgeted About \$27 Million for Facility Maintenance Needs in FY2024, But Due to Continued Deferred Maintenance, We Estimate Needs Exceeded \$1 Billion



Source: OCA generated based on City facility condition assessments, National Research Council, OpenGov, City budget documents, and the Consumer Price Index.

Exhibit 13: Just 13% of Facilities Services' Maintenance Activities Were Preventative Maintenance, Compared to 70% Recommended by Best Practices

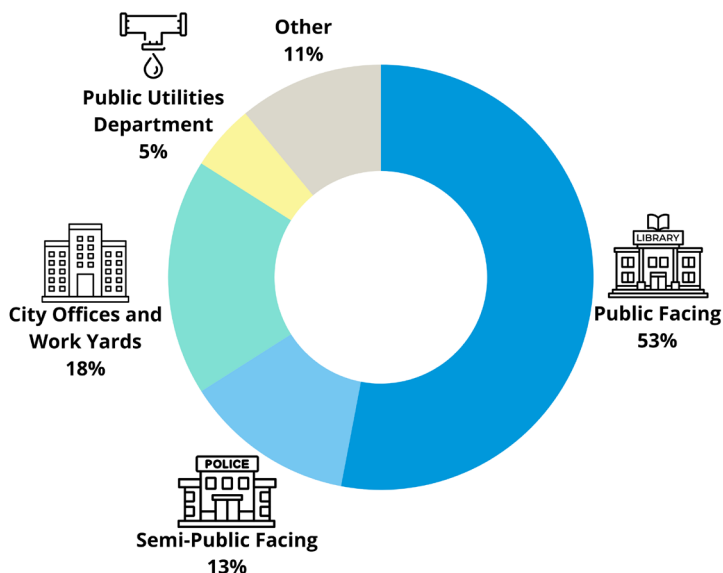


Source: OCA generated based on FY2023 key performance indicators and best practices.

Finding 2: With or without increased funding, the City needs a facility management plan to ensure it spends its limited maintenance funds efficiently.

- The City does not know the condition of its facilities or their maintenance needs.
- The City **does not have an asset management plan to maintain the condition of its \$7.2 billion facility portfolio.**
- Without an asset management plan, Facilities Services **does not clearly communicate facility maintenance needs** or the plan to address those needs to City Council.
- Facilities Services does not report how it spends its funding, but **we found most maintenance goes to facilities that are used by the public**, meaning maintenance benefits facilities commonly relied on by the public for City services.

Exhibit 17: We Estimate Most Facility Maintenance Funding Went to Public and Semi-Public Facing Facilities (FY2018–FY2023)

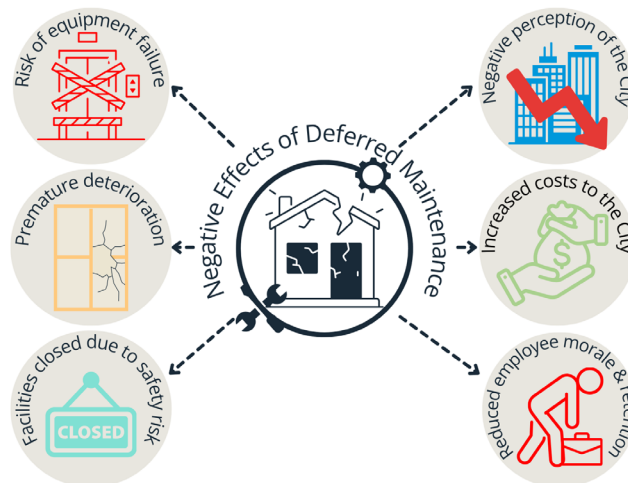


Source: OCA generated based data in EAM, from Facilities services, and the City’s facility condition assessments.

Finding 3: Departments have limited insight into the status of their repairs, resulting in unnecessary delays and unclear expectations.

- Facilities Services has not given department staff access to see the status of their maintenance request.
- Departments may believe they are still waiting on Facilities Services to address an issue when Facilities Services has already completed or canceled the request.

Exhibit 10: Inadequate Facility Maintenance Costs the City More and Negatively Impacts City Services, Worker Morale, and Residents’ and Visitors’ Overall Impression of the City



Source: OCA generated based on interviews with City staff and criteria from the Government Accountability Office and National Research Council.

What OCA Recommends

Key recommendations include:

- **Set a goal** for the percent of the facility replacement value the City intends to spend on facility maintenance;
- **Develop a long-term funding strategy** to address both annual maintenance needs and deferred maintenance;
- **Develop a facility management plan** to track and report prioritized facility maintenance needs, the plan to address those needs, the funding required, and the funding spent;
- **Update facility condition assessments** at least every 5 years;
- Include estimated cost of annual maintenance for existing and new facilities in City budget and planning documents; and
- Provide as self-service mechanism for departments to see the status of their maintenance requests.

City Management agreed with all 10 recommendations. However, Management indicated additional resources and staff would be needed for some recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or cityauditor@sandiego.gov.

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Background

The City of San Diego (City) owns more than 1,600 public buildings and structures that cost tens of millions of dollars to maintain annually. Many of these facilities are integral to the culture and image of the City, including the iconic museums at the heart of Balboa Park, the lifeguard towers at Mission Beach, the downtown Central Library with the dome terrace, the Ocean Beach pier, and the 60 recreation centers, 50 fire stations, 36 libraries, and 11 police stations across the City. The City, as the steward of these facilities, must ensure it maintains them to protect the City's investments. Failure to adequately maintain these facilities can lead to greater costs in the long run and can have negative impacts on City services, worker morale, and visitors' and residents' overall impression of the City. Although the City has a maintenance program intended to protect the public investment in City-owned facilities, limited resources have hampered the City's ability to adequately maintain them. Therefore, we conducted a performance audit of facilities maintenance in accordance with the Office of the City Auditor's Fiscal Year (FY) 2024 Audit Work Plan. The objectives of this audit were to:

1. Determine whether the City efficiently funded maintenance needs of City-owned, City-occupied facilities from FY2016 through FY2023;
2. Determine whether the City tracks and assesses the condition of City-owned, City-occupied facilities; and
3. Determine whether the City plans and conducts maintenance efficiently and effectively for City-owned, City-occupied facilities.

The City owns a wide variety of facilities, many of which serve public use.

Combined, we estimate City-owned facilities are worth well over \$7.2 billion.

The City owns more than 1,600 facilities, ranging from City offices and work yards to neighborhood libraries, recreation centers, and public restrooms. Combined, we estimate City-owned facilities are worth well over \$7.2 billion.¹ Facilities are buildings or structures, and include their facility system components, such as heating, ventilation, and air conditioning (HVAC), plumbing, electrical, and other systems. Many of the facilities serve the public by providing places for community activities, recreation, reading, and gathering. **Exhibit 1** shows examples of City facilities.

¹ As noted in Finding 1, our assessment of the estimated value for these facilities only includes 969 facilities. Finding 1 further discusses limitations in our analysis.

Exhibit 1

Many of the City’s Facilities Serve the Public, Such as Libraries, Recreation Centers, and Public Bathrooms



Source: Photographed by OCA.

Maintenance includes work needed to preserve property and equipment to ensure the full original useful life of a facility.

This report focuses on preventative maintenance, corrective maintenance, and deferred maintenance.

According to the National Research Council, maintenance is the upkeep of property and equipment to realize the originally anticipated useful life of a fixed asset.² The City’s definition for maintenance aligns with the National Research Council’s definition and expands by noting that maintenance should be routine and recurring. Although maintenance covers a broad range of work, this report focuses on routine maintenance and repairs, which are categorized as preventative maintenance, corrective maintenance, and deferred maintenance.

Exhibit 2 shows the different maintenance activities discussed in this report. **Exhibit 3** shows an example of a corrective repair.

² The National Research Council is the operating and programmatic arm of the National Academies of Sciences, Engineering, and Medicine, which is a private, nonprofit society of scholars engaged in scientific and engineering research, which Congress created in 1863 to advise the federal government on scientific and technical matters. Members are elected by their peers for outstanding contributions to research.

Exhibit 2

This Audit Focuses on Preventative, Corrective, and Deferred Maintenance of City-Owned Facilities

	Definition	Examples	Included in the Definition of Maintenance?	In Audit Scope?
Preventative Maintenance	Scheduled, routine, and recurring maintenance to prevent breakdowns and mitigate deterioration	<ul style="list-style-type: none"> • Annual roof inspections • Servicing HVAC systems 		
Corrective Maintenance	Repair or restoration of equipment to fix small-scale problems, shown in Exhibit 3	<ul style="list-style-type: none"> • Repairing a broken lock • Fixing a clogged bathroom • Replacing a broken window 		
Deferred Maintenance	Preventative or corrective maintenance that was not performed when it should have been or was scheduled to be and therefore, delayed for a future period	<ul style="list-style-type: none"> • Delaying repair on a leaking roof because the funding and resources are not available • Delaying HVAC servicing because limited staff are focused on addressing emergency repairs 		
Tenant Improvements	Changes to the interior or exterior of a facility that are not required for the structural integrity of the building	<ul style="list-style-type: none"> • Installing or relocating interior walls • Adding shelves • Upgrading lighting fixtures for aesthetics 		
Capital Improvement Projects	Generally large projects that provide long-term improvements	<ul style="list-style-type: none"> • Constructing a new facility • Expanding an existing facility • Installing a new roof 		

*Yes, but deferred maintenance may grow into a capital improvement project

**Yes, except for capital improvement projects, which were excluded

Source: OCA generated based on the City’s Administrative Regulation 40.10, the Public’s Guide to Infrastructure & FY2024 Adopted CIP Budget, Agreement Between the City and Local 127 Regarding the FY2023 Contracting Protocols’ Project List, literature from OpenGov, and criteria from the National Research Council.

For the purpose of this report, maintenance also does not include other activities that are not as connected to maintaining the long-term condition of facilities, such as groundskeeping and janitorial services.

Exhibit 3

Facilities Services Conducts Corrective Repairs, Such as Rebuilding and Replacing a Custom Window at an Older Facility in Balboa Park



Source: Photographed by OCA.

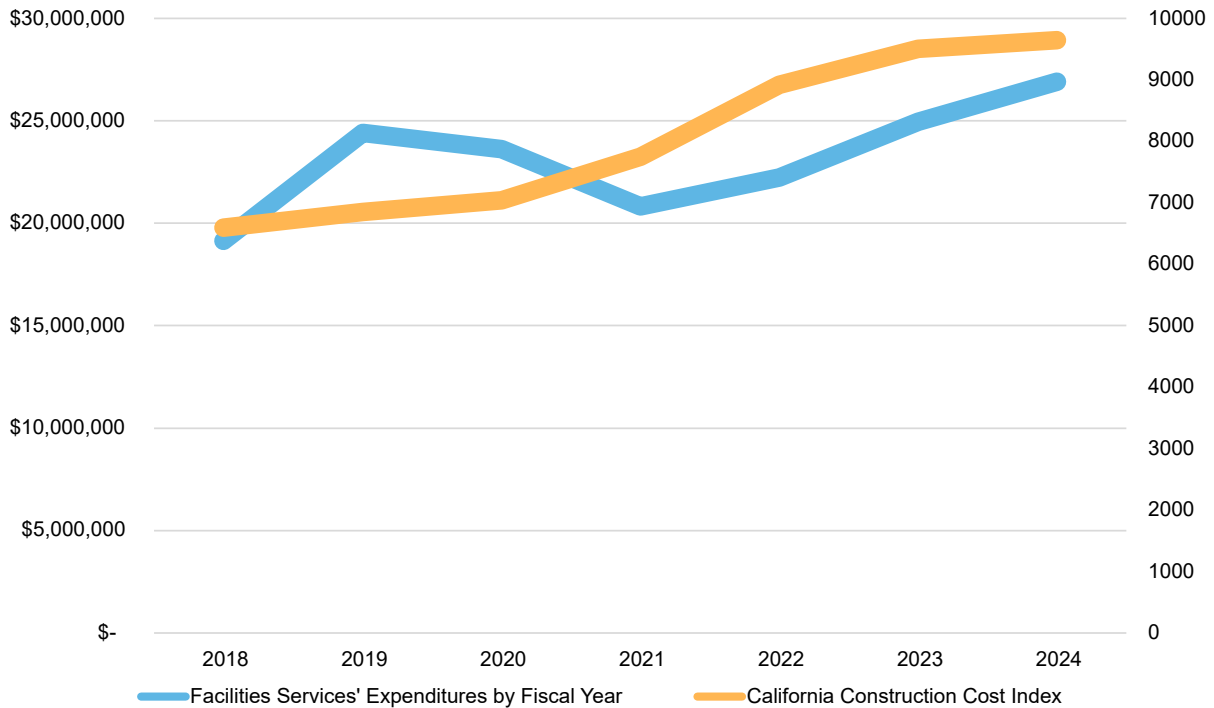
The Facilities Services Division is primarily responsible for routine maintenance and minor repairs of City-owned facilities.

The Facilities Services Division (Facilities Services) within the Department of General Services is responsible for the maintenance of City-owned facilities. Facilities Services is funded by the General Fund and in Fiscal Year (FY) 2024, Facilities Services was budgeted for \$26.9 million. This amount includes about \$17.8 million for personnel and \$9.1 million for non-personnel costs, such as supplies and contracts. In FY2023, the City budgeted 185.5 full-time equivalent positions for Facilities Services who respond to more than 10,000 maintenance requests on average each year, according to data in the City's Enterprise Asset Management (EAM) system, SAP.

As shown in **Exhibit 4** below, from FY2018 through FY2024, Facilities Services’ expenditures increased from \$19.1 million to \$26.9 million, an increase of 41 percent. Facilities Services’ budgeted full-time equivalent positions increased by 7 percent in this same time frame, from 168 positions in FY2018 to 181 positions in FY2024. During the same time period, the cost of construction increased by 46 percent, according to the California Construction Cost Index. In the Mayor’s Proposed FY2025 budget, revised in May 2024, Facilities Services was budgeted for \$24.7 million and 186 full-time equivalent positions.

Exhibit 4

From FY2018 Through FY2024, Facilities Services’ Expenditures Grew 41%, Less Than the 46% California Construction Cost Increase for the Same Period



Note: Amounts reflect actual expenditures, except for FY2024 where amount is budgeted amount.

Source: OCA generated based on the City’s Adopted Budget and the California Construction Cost Index.

Additionally, Facilities Services oversees some tenant improvements and capital improvement projects for City facilities. Because maintenance is defined as upkeep necessary to get the full original useful life of an asset, tenant improvements and capital improvement projects are excluded from this audit. Tenant improvement projects can change or enhance a facility's condition or performance, such as upgrading the fixtures in a bathroom. Capital improvement projects generally are larger-scale construction projects that change or enhance a facility's condition, location, or performance, such as building a new library or replacing a roof rather than repairing it. By definition, these types of projects are not considered maintenance.

Although Facilities Services is funded by the General Fund, it receives revenue from the maintenance it performs for non-General Fund departments, such as the Public Utilities Department. Facilities Services has a Service Level Agreement with the Public Utilities Department so that the department can reimburse Facilities Services for maintenance that is conducted on its facilities.

Facilities Services uses the City's Enterprise Asset Management system to receive, review, and prioritize maintenance requests.

To streamline the process for departments to submit non-emergency maintenance requests, Facilities Services implemented the Fiori application within in the City's Enterprise Asset Management System (EAM), SAP. Fiori requires the reporting staff to provide relevant information pertaining to the maintenance request, such as the location of the equipment of asset and the type of issue reported. The information provided in Fiori is automatically transcribed into EAM as a work notification. **Exhibit 5** below illustrates the information required for submitting a maintenance request in Fiori.

*Exhibit 5***Departments Use Fiori to Submit Maintenance Requests to Facilities Services**

Create Request

In case of a facilities related emergency, please contact Work Control at (619) 525-8540

<p>Requested By</p> <p>*Requested By: <input type="text"/></p> <p>*First Name: <input type="text"/></p> <p>*Last Name: <input type="text"/></p> <p>*Phone no.: <input type="text" value="Phone No..."/></p> <p>*Email: <input type="text"/></p>	<p>Issue Location</p> <p>*Location: <input type="text" value="F0471-ST"/></p> <p>Location Name: <input type="text" value="BOOTH-SPRAY PAINT-CENTRAL"/></p> <p>Facility Number: <input type="text" value="001229"/></p>
<p>Issue Description</p> <p>* Brief Description of Issue: <input type="text" value="Enter Description..."/></p> <p>Priority: <input type="text" value="Medium"/></p> <p>Date Required: <input type="text" value="MM/dd/yyyy"/></p> <p>* Request Type: <input type="text" value="Enter Code ..."/></p> <p>Object Part: <input type="text" value="Enter Object Part ..."/></p> <p>* Type of Issue: <input type="text" value="Enter Type of Issue ..."/></p>	
<p>Detailed Issue Description</p> <p><input type="text"/></p>	

Source: Review of documents provided by Facilities Services.

For emergency maintenance requests, City employees call the Work Control Unit. Emergency maintenance requests after-hours are forwarded to Station 38.³

The Work Control Unit (Work Control) within Facilities Services and Facilities Services' supervisors review and prioritize maintenance requests submitted by departments. For non-emergency maintenance requests, Work Control reviews the maintenance request information in EAM to prioritize the request and send it to the appropriate skilled trade group (i.e., carpentry, electrical, plumbing, etc.). Supervisors in each skilled trade group also review the maintenance request information, prioritize the request, and eventually assign the request to staff. For example, the electrician supervisor may assign a request to repair an outlet to an electrician already going to the same library to fix a different outlet that had been previously reported broken. Staff either update the maintenance request information in EAM or on a physical work order ticket. Lastly, supervisors review the information provided by staff to then close the request in EAM. **Exhibit 6** below, illustrates the process by which departments request non-emergency maintenance work from Facilities Services.

³ Station 38 is a 24-hour dispatch center managed by the Transportation Department. Station 38 handles issues related to infrastructure, such as potholes and issues with streetlights.

Exhibit 6

Designated City Staff Notify Facilities Services of Non-Emergency Maintenance Issues and Facilities Services Assigns Staff to Address the Issue as Workload Allows



Source: OCA generated based on interviews with Facilities Services and information provided by Facilities Services.

In addition to Facilities Services' conducting maintenance work for City-owned facilities, the City also contracts maintenance work.

Facilities Services and City departments contract out maintenance work. Specifically, Facilities Services contracts out maintenance work for various building systems, including elevators and escalators, fire-alarms, and garage bay doors (i.e., apparatus doors, fire station doors, etc.). City agreements with labor unions generally allow departments to contract work under two conditions: (1) when the work is not traditionally performed by represented staff; or (2) when staffing constraints do not allow for represented employees to perform the work. Maintenance work contracted out by Facilities Services for General Fund departments is expended through Facilities Services' budget. In contrast, when departments contract maintenance work, the cost for the maintenance work is expended out of the department's budget.

Council Policies guide asset management and maintenance of facilities.

Council Policies 800-16 and 200-13 establish guidelines to manage City assets and maintain public facilities. These policies require the City to maintain facilities to protect the City's capital investment as well as public safety. Specifically:

- Council Policy 800-16: Establishes overall guidelines and plan steps for asset management for departments that have the responsibility for the planning, acquiring, operating, maintaining, reporting and/or disposing of assets. Steps for managing assets include, but are not limited to:
 - Developing an asset registry for placing all City assets into an inventory system;
 - Optimizing operations and maintenance investment;
 - Determining a funding strategy; and
 - Creating an asset-specific plan for managing each asset class.
- Council Policy 200-13: Establishes guidelines specifically for the maintenance of City-owned and/or City-operated facilities. The policy provides definitions for maintenance, types of facilities (i.e., permanent or temporary), and uses of facilities (i.e., recreational, City operations, cultural, etc.). The policy is to be implemented through an Administrative Regulation.

Finding 1

The City has not been able to prioritize sufficient funding to maintain its facilities, which will cost the City more in the long term.

Finding Summary

The City of San Diego (City) owns more than 1,600 facilities, collectively estimated to be worth more than \$7.2 billion. However, given limited City funding overall and competing priorities, we found the City does not budget enough money to maintain its facilities. This leads to increased costs over time and negatively impacts City services, worker morale, and visitors' and residents' overall impression of the City.

We found that continually underfunding facility maintenance has also resulted in the Facilities Services Division (Facilities Services) needing to take a reactive approach to maintenance, meaning Facilities Services is fixing facility components as they break and delaying repairs until it has the needed staff time and funding. This pattern has created a substantial deferred maintenance backlog and limits Facilities Services' ability to conduct preventative maintenance. Best practices estimate the City needed at least \$143 million for annual maintenance in FY2024 and likely has more than \$949 million in additional deferred maintenance needs.

However, limited funding is available. The City faces a serious structural budget deficit, meaning ongoing costs of City services exceed the City's ongoing revenues. According to the Chief Financial Officer, rather than funding needs with increased revenue, for the past two decades, the City has attempted to fund core services by deferring capital maintenance for assets such as streets, stormwater infrastructure, and facilities. As a result, the City now faces many urgent priorities competing for limited funds.

At the same time, safe, operational facilities are essential to providing City services—public restrooms need toilets that flush. Libraries, recreation centers, and police stations need lights that turn on, roofs that do not leak, and doors that lock at the end of the day. To continue to provide the nearly \$6 billion worth of services the City provides to San Diegans, the City needs to keep its facilities in working order. Further, with limited funding, it is even more essential that funds are used efficiently and effectively.

Therefore, while limited funds are available for facility maintenance, Facilities Services should at minimum capture and inform City Council of the full extent of its funding needs and the impact of the current funding levels. We recommend the City establish a funding goal and funding strategy to ensure the City can communicate and prioritize the maintenance necessary to keep facilities safe and protect the billions of dollars the City has already invested in these assets. We also recommend the City include facility maintenance costs in its budget and planning documents so that City Council has sufficient information to oversee the City's stewardship of its assets.

The City has budgeted substantially less than recommended for maintenance, leading to deteriorated public facilities.

The City currently spends just 0.4% of the facility replacement value on maintenance.

In fiscal year (FY) 2023, the City budgeted \$25.6 million for the Facilities Services Division (Facilities Services), far less than the recommended \$143.2 million to \$286.5 million. According to the National Research Council,⁴ the City should spend 2 percent to 4 percent of the current facility replacement value on routine facility maintenance each year.⁵ We estimate the City's facility replacement value totals \$7.2 billion in 2023 dollars.⁶ Based on that estimate, the City currently spends just 0.4 percent of the facility replacement value on maintenance.⁷ If the City funded facility maintenance at the low end of the recommended amount, we estimate Facilities Services' budget would have been \$143.2 million in FY2023, as shown in **Exhibit 7**.⁸ Because the City does not have a funding strategy and has not prioritized funding to ensure it adequately budgets for maintenance of City-owned facilities, the current approach has resulted in the City continuously underfunding facility maintenance.⁹ By setting a goal on how much the City should spend on facility maintenance and publicly reporting this information, Facilities Services can inform decision-makers of how much it spends on facility maintenance and what the impact to the facilities and future costs may be.

- 4 The National Research Council is the operational and programmatic arm of the National Academies of Sciences, Engineering, and Medicine, which is a private, nonprofit society of scholars engaged in scientific and engineering research that Congress created in 1863 to advise the federal government on scientific and technical matters. Members are elected by their peers for outstanding contributions to research.
- 5 The facility replacement value refers to the amount it would cost in current dollars to replace a facility (excluding the cost of the land). Routine facility maintenance includes preventative maintenance and repair, as defined in the Background, and excludes tasks that are primarily operational, such as custodial and janitorial work, or construction work that expands or changes the function of a facility or asset (capitalized improvements).
- 6 The City does not know the full facility replacement value of its facilities because it has not conducted a facilities condition assessment of all of its current facilities, and its last assessment is outdated, as it was conducted in FY2014–FY2016. However, based on the previous assessment, we estimate the total facility replacement value of the facilities assessed was at least \$7.2 billion in 2023 dollars. The facility replacement value is likely significantly higher than \$7.2 billion because the assessments only included 969 facilities, about 57 percent of the City's facilities at the time according to a report stating the City had 1,700 facilities in FY2013.
- 7 The percent of the facility replacement value the City spends on maintenance is likely even lower than the 0.4 percent we estimate. The City did not assess all City-owned facilities during the last facility condition assessments, so our analysis of Facilities Services' budget compared to the total facility replacement value was based on just the 57 percent of City-owned facilities assessed. Had the City assessed all City-owned facilities, the total facility replacement value would be higher than \$7.2 billion. Therefore, Facilities Services' \$25.6 million budget in FY2023 would be a smaller percentage of the total facility replacement value.
- 8 This would include funding for both General Fund and Enterprise Fund facilities.
- 9 Departments pay for some facility maintenance work from their own operating budgets. However, according to the City, these additional costs do not substantially alter the percentage the City spends on facility maintenance.

Exhibit 7

We Estimate Facilities Services’ Budget Should Have Been At Least \$143.2 Million in FY2023, Compared to the Budgeted \$25.6 Million



Source: OCA generated based on the City’s FY2025 Proposed Budget, criteria from the National Research Council, and the United States Consumer Price Index.

Deferred maintenance and underfunding results in higher future costs and substandard facilities.

Deferred maintenance leads to higher maintenance expenses in the future.

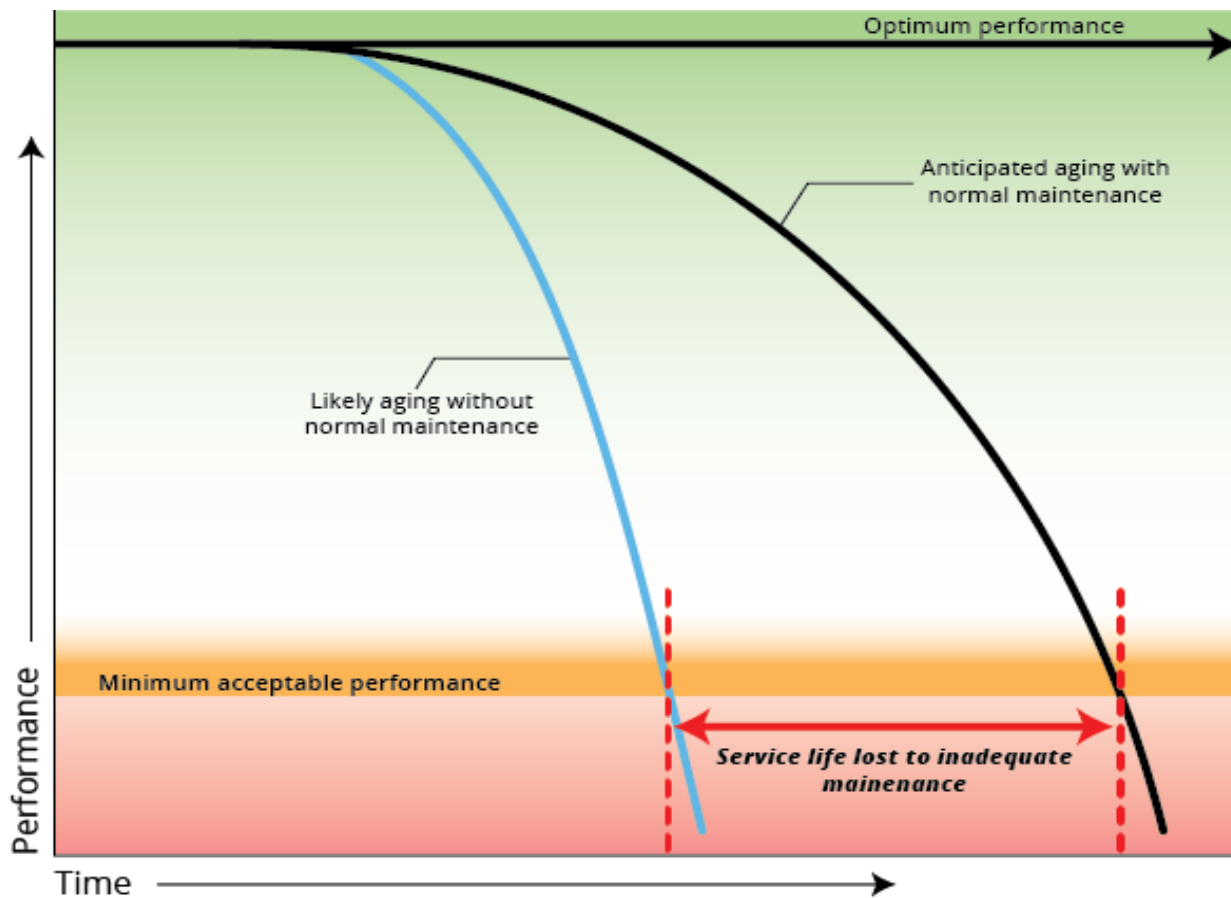
Although deferring maintenance can save money in the short term, deferring maintenance results in higher future costs. According to the United States Government Accountability Office, the National Research Council, the California Legislative Analyst’s Office, the City’s Independent Budget Analyst, and other sources, when buildings are not properly maintained due to underfunding and deferred maintenance, the cost of repairs increases, and the building or its component systems may need to be reconstructed or replaced prematurely.

Roof replacements are often large capital expenses, whereas roof repairs and roof preventative maintenance are comparatively cheaper.

For example, failure to conduct preventative maintenance on roofs or patch small leaks can lead to water damage and premature roof replacement. Roof replacements are often large capital expenses, whereas roof repairs and roof preventative maintenance are comparatively cheaper. Recently, Facilities Services said it cost \$208,605 for it to replace a roof at the Penn Recreation Center and

Athletic Field. For comparison, the average roof repair cost recorded in the City’s Enterprise Asset Management (EAM) system, SAP, was about \$1,039 in the last 2 years. As illustrated in **Exhibit 8** from the National Research Council, without regular maintenance, facilities will need to be replaced sooner, costing the City more.

Exhibit 8
Without Maintenance, Facilities Will Need to Be Replaced Sooner, Costing the City More



Source: OCA generated based on information from the National Research Council.

OpenGov estimates that deferring maintenance increases costs by 7% annually.

While research varies on the exact amount deferred maintenance costs increase over time, OpenGov¹⁰ conservatively estimates that deferring maintenance increases costs by 7 percent annually.¹¹ OpenGov notes that the increase in future costs primarily comes from fixing problems that have grown severe and buying brand new assets to replace assets that fail prematurely. Further illustrating rising costs of building supplies, the California Construction Cost Index increased by 36 percent in just three years from 2021 to 2023. Delaying maintenance due to underfunding will therefore result in future higher maintenance costs to the City.

We estimate that underfunding for facility maintenance has resulted in maintenance needs exceeding \$1 billion.

Given Facilities Services' limited funding, the City's limited funds overall, and the lack of a funding strategy to maintain facilities, the funding gap for maintenance has grown significantly. According to the FY2014–FY2016 facilities condition assessments, in 2014, the facility replacement value for 276 Public Utilities facilities was \$568.2 million and in 2016, the facility replacement value for 693 General Fund facilities was \$5.1 billion. Therefore, 2 percent of the total facility replacement value of these facilities in 2017 would have been \$115.2 million. However, Facilities Services spent just \$22.4 million in FY2017. This indicates a funding gap of deferred maintenance of nearly \$92.8 million in FY2017, as shown in **Exhibit 9**.

Over time, this gap grew each year and was compounded by the fact that deferred maintenance costs get more expensive over time. Using a very conservative approach, we estimate that the combined annual maintenance and deferred maintenance needs exceeded \$1 billion in FY2024, as shown in **Exhibit 9**.¹² Some of these deferred maintenance

10 OpenGov is a government cloud-based software provider for budgeting and planning; asset management; and financials, tax, and revenue. OpenGovs' mission is to power more effective and accountable government.

11 In a report from the U.S. Government Accountability Office, it found that deferred maintenance and repair costs increased by about 50 percent from FY2017 through FY2021 for agencies it reviewed, largely due to underfunding and increased cost of labor and materials.

12 Our estimate was conservative in that 1) we calculated the amount that should have been budgeted annually for facility maintenance by using 2 percent of the facility maintenance replacement value, the low end of the recommended 2 percent to 4 percent; 2) we estimated the total facility replacement value based on just the facilities assessed in FY2014–FY2016, which does not include about 43 percent of the City's facilities; 3) we used the Consumer Price Index (inflation) to estimate the increase in the facility replacement value from FY2014–FY2016 to 2023, as opposed to the California Cost Construction Index, which is higher than the Consumer Price Index and specifically looks at construction costs; and 4) we estimated a 7 percent increase in deferred maintenance costs annually, while literature from United States Government Accountability Office found increases in deferred maintenance costs of nearly 50 percent over 5 years at federal government entities.

issues over the years have likely become larger capital improvement projects, going beyond what would be addressed in Facilities Services' operating budget.¹³

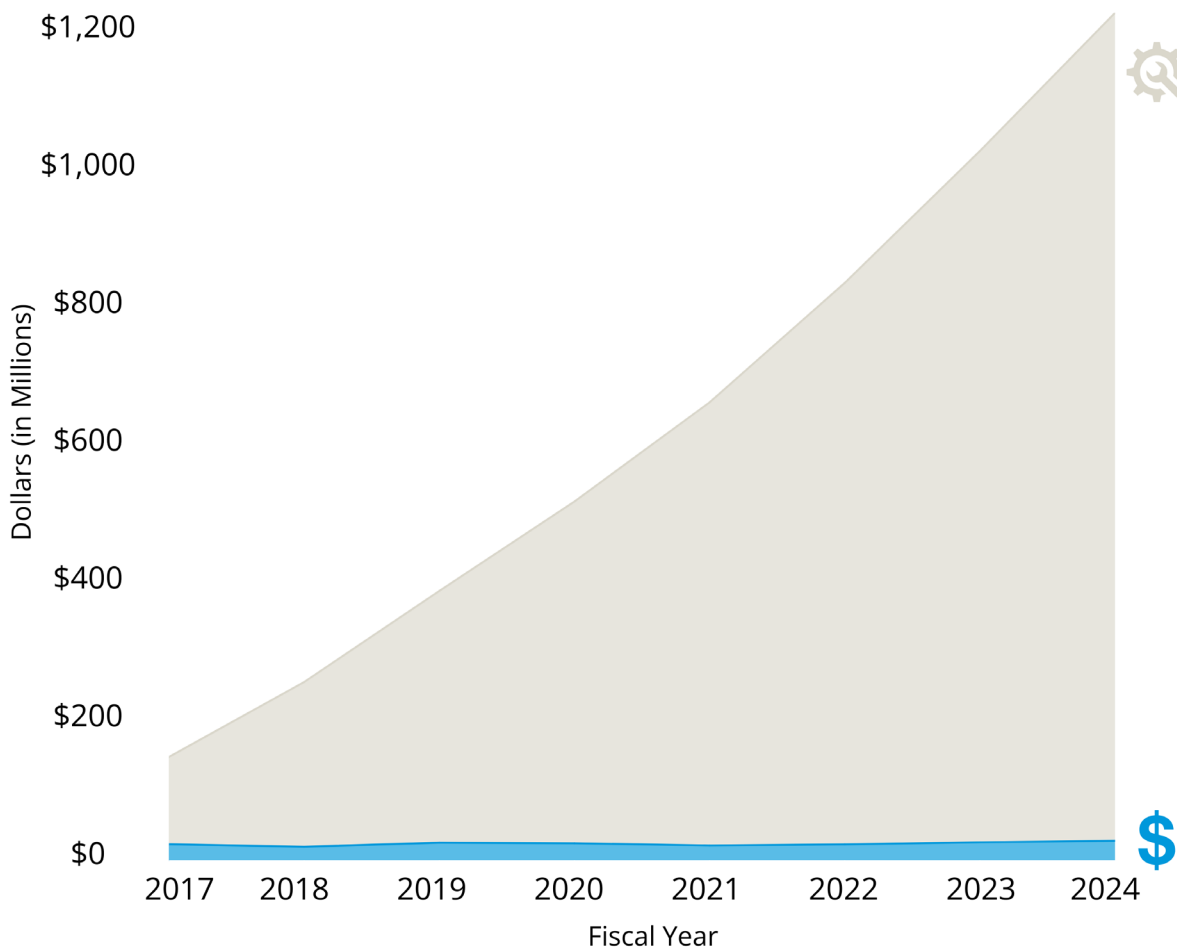
Without a funding strategy to communicate and prioritize regular facility maintenance needs, the City risks spending more money in the long term.

According to the National Research Council, underfunding of maintenance and repair is such a prevalent practice in the public sector that it has become a de facto policy that compounds the problem each year as the backlog of maintenance needs grows. Additionally, according to the Chief Financial Officer, the City has not pursued revenue increases in line with other cities, so the City has previously chosen to defer capital maintenance needs across the board to try to fund core services with limited revenues. Without a funding strategy to communicate and prioritize regular facility maintenance needs and address the growing backlog of deferred maintenance, the City risks spending more money in the long term. It also risks disrupted City services as facilities are closed due to public safety concerns and physical assets at the center of our City's culture and image such as museums, libraries, recreation centers, and piers fall into disrepair.

¹³ While capital improvement projects are not in the scope of this audit, deferring maintenance until it becomes a capital improvement project also contributes to the City's backlog of unfunded facility needs. For example, in the FY2025–FY2029 Five-Year Capital Infrastructure Planning Outlook, the City identifies \$146 million in needs for existing facilities in the next five years but projects less than \$6 million in funding during that time.

Exhibit 9

The City Budgeted About \$27 Million for Facility Maintenance in FY2024, But Due to Continued Deferred Maintenance, We Estimate Maintenance Needs Exceed \$1 Billion



- Facilities Services' Expenditures
- Estimated Maintenance Needs Based on 2% of Facility Replacement Value, Plus Previous Deferred Maintenance Costs, Plus 7% Compounding Increase in Deferred Maintenance

Note: Amounts reflect actual expenditures, except for FY2024 where amount is budgeted amount.

Source: OCA generated based on the Facility Condition Assessment: Interim Report for Water & Wastewater Facilities FY2014, Facilities Condition Assessment: Comprehensive Report for City-Occupied General Fund Facilities FY2014 to FY2016, Facilities Condition Assessment: FY2014-FY2016 Leased (Non-City Occupied) General Fund Facilities, criteria from the National Research Council and OpenGov, City adopted budgets, the FY2025 proposed budget, and the Consumer Price Index.

A funding strategy would help the City communicate and prioritize maintenance needs and address deferred maintenance.

According to the Government Finance Officers Association, governments should develop a funding strategy to ensure they effectively manage their assets.¹⁴ Specifically, the Government Finance Officers Association notes that the funding strategy should identify and prioritize expected needs based on a plan, include information on estimated amounts of funding, and project future costs. As discussed in Finding 2, the City has asset management plans that include funding strategies for other large City assets, such as streets and watershed assets. However, the City does not have a funding strategy or asset management plan for its facilities. Additionally, to maintain facilities, best practices recommend the City budget to address both deferred maintenance and routine maintenance and repairs.¹⁵

The City does not have a funding strategy or asset management plan for its facilities.

By implementing a funding strategy to address both deferred maintenance and routine maintenance and repairs, governments can begin to address their maintenance backlog and reduce the risk of more costly emergency repairs. For example, the City of Los Angeles developed a funding strategy to address \$50 million of the city's most critical deferred maintenance needs over a 5-year period. The City of Los Angeles plans to use \$39 million from the issuance of bonds and an additional \$10 million from its General Fund to eliminate the \$50 million in deferred maintenance by end of FY2027.¹⁶ This funding strategy is in addition to the city's annual maintenance funding. While the city's annual maintenance needs and backlogged needs exceed \$50 million, the City of Los Angeles is an example of a starting point—the city identified the most critical needs, made a plan to address those needs, identified the funding required, and created a plan to fund the needs over a set period of time.

¹⁴ The Government Finance Officers Association is an association of federal, state, and local finance officials involved in planning, financing, and implementing governmental operations in their jurisdictions. The association's mission is to advance excellence in public finance.

¹⁵ The Government Accountability Office is an independent, non-partisan agency that works for the United States Congress. The Government Accountability Office examines how taxpayer dollars are spent and provides Congress and federal agencies with objective, non-partisan, fact-based information to help government save money and work more efficiently.

¹⁶ The Municipal Improvement Corporation of Los Angeles (the City of Los Angeles General Fund lease financing authority that issues bonds on behalf of the City of Los Angeles) authorized these bonds for the construction or acquisition of larger capital projects. Funding from these bonds included money for projects pertaining to infrastructure (i.e., installation of electric vehicle chargers, etc.), hazard mitigation projects, the \$50 million identified for critical deferred maintenance needs, and others. These deferred maintenance projects included cleaning ducts, repairing broken glass panels, replacing HVAC systems, removing graffiti on windows, and replacing roofs.

Deferring maintenance can impact City services, worker morale, and the overall reputation of the City.

As noted above, deferring maintenance can result in facilities deteriorating prematurely and increased costs to the City. However, it also means negative impacts to City operations, public safety, employee morale, and the overall perception of the City, as shown in **Exhibit 10**. For example, when agencies defer maintenance, they increase the risk of equipment failure, which can lead to disruptions in operations. In one example, one of the libraries we toured during the audit reported ongoing issues with its air conditioning system. Although the library is a designated “cool zone” during the summer heat, library staff reported temperatures reached 85 degrees inside, often making it difficult to work and not offering a cool space for the public to find relief from summer temperatures. Public safety is also a risk, as deferred maintenance can result in hazardous conditions that lead to injuries and illnesses or loss of life and property, according to the National Research Council. The City states that it closes facilities if the maintenance needs become so great that there is a risk to public safety. This further demonstrates the way deferred maintenance may hinder City services, as facilities may need to close rather than serve the public.

Although the library is a designated “cool zone” during the summer heat, staff reported temperatures reached 85 degrees inside.

Exhibit 10

Deferring Maintenance Can Have Many Negative Effects Beyond Increased Costs to the City



Source: OCA generated based on interviews with City staff and criteria from the Government Accountability Office and National Research Council.

As noted by the Government Accountability Office, deferred maintenance can also impact employee morale as the poor physical conditions of buildings affect employee recruitment, retention, and productivity. According to the City’s most recent employee sentiment survey, only one-third of respondents indicated being satisfied with the physical conditions at their workplace.¹⁷ In addition to employees, deferred maintenance can also impact the public’s view of the City, as the poor condition of buildings can result in a negative visual impression, giving the sense that the City has neglected its buildings.

¹⁷ Employee responses were collected from October 4 to November 1, 2023. A total of 2,050 employees (15.9 percent) responded to the survey. The survey would have also included employees who work in facilities not maintained by the City.

One example is the Central Library, which was completed in 2013 at an estimated cost of \$185 million. It was intended to be “a building of architectural distinction and unmistakable importance” according to the City’s mayor at the time. The library is located downtown, is an iconic part of San Diego’s skyline, and the City estimates the library hosted more than 8 million people in its first 10 years of service. However, when we toured the building, it had several broken exterior windows, detracting from its distinct architecture and giving the appearance of neglect, as shown in **Exhibit 11**.

Exhibit 11

The Central Library Had Several Broken Exterior Windows, Giving the Appearance of Neglect Despite the Library Being Relatively New



Source: Photographed by OCA during a site visit to the Central Library on November 1, 2023.

In another example, shown in **Exhibit 12**, the Mission Beach Lifeguard Tower has visible cracks inside and outside the facility that raise concerns about the structural integrity of the facility, according to the Fire-Rescue Department. This facility serves the busiest beach in the City, according to the department, and its disrepair is visible to both residents and tourists visiting the beach.

Exhibit 12

The Fire-Rescue Department Linked Visible Cracks on the Exterior and Interior of the Mission Beach Lifeguard Tower to Its Structural Integrity Concerns



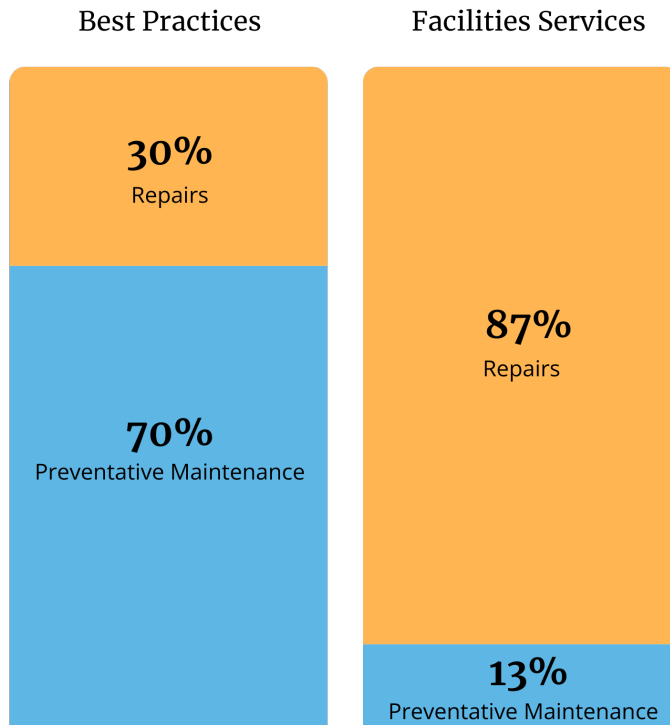
Source: Photographed by OCA during a site visit to the Mission Beach Lifeguard Tower on November 15, 2023.

Because of continued underfunding, Facilities Services reacts once something breaks, rather than being proactive and extending the service life of facilities through preventative maintenance.

The vast majority of Facilities Services' work is responding once something is broken. Best practices state that at least 70 percent of maintenance activities should be proactive preventative maintenance, such as ensuring HVAC systems are working properly and gutters are free from debris, and less than 30 percent should be repairs, as illustrated in **Exhibit 13**. Instead of 70 percent, just 13 percent of Facilities Services' maintenance activities were preventative maintenance, according to FY2023 key performance indicators.

Exhibit 13

Just 13% of Facilities Services' Maintenance Activities Were Preventative Maintenance, Compared to 70% Recommended by Best Practices



Source: OCA generated based on FY2023 key performance indicators and best practices.

Preventative maintenance lowers maintenance costs, increases the lifespan and productivity of assets, minimizes impacts to operations, and results in higher employee retention. According to one consultant study, preventative maintenance has a 545 percent return on investment. With a funding strategy and adequate funding, Facility Services could address its facility maintenance backlog and center more of its work on preventative maintenance.

Ongoing facility maintenance costs are not consistently included when the City projects future expenditures or plans for new facilities, limiting City Council’s oversight.

Both the City’s Five-Year Financial Outlook and the Five-Year Capital Infrastructure Planning Outlook are budget planning documents designed to inform City Council of the City’s anticipated revenues and expenditures. As shown in **Exhibit 14**, both planning documents should include estimates of the cost to address the annual facility maintenance needs and the maintenance backlog. As stated by the

City’s Independent Budget Analyst, if maintenance is not planned and budgeted for, the resulting deferral of maintenance can lead to more expensive emergency projects when facility assets fail.

Exhibit 14

Documents Designed to Facilitate City Council Oversight of City Budgets Do Not Include All Facility Maintenance Funding Needs

City Document	Purpose	Maintenance Cost Information that Should Be Included for Planning and Oversight
<p>5-Year Financial Outlook</p>	<ul style="list-style-type: none"> • Budget planning tool to illustrate anticipated revenues and expenditures over the next 5 fiscal years • Assists Mayor and City Council in budget decisions 	<p>Should include the annual ongoing maintenance costs to maintain facilities at recommended level or City goal levels</p>
<p>5-Year Financial Outlook, section <i>discussing new facility costs</i></p>	<ul style="list-style-type: none"> • Section of budget planning tool identifying funding needed to operate new facilities, including one-time and ongoing costs 	<p>Should include annual ongoing maintenance costs for new facilities</p>
<p>5-Year Capital Infrastructure Planning Outlook</p>	<ul style="list-style-type: none"> • Budget planning tool to help to determine capital infrastructure needs as well as the bases for revenue projections of capital funds over the next 5 fiscal years 	<p>Should include costs to address capital maintenance backlog</p>
<p>Staff Reports to City Council Proposing Acquiring or Building New Facilities</p>	<ul style="list-style-type: none"> • Reports to inform City Council of facility costs and other factors when deciding to acquire or build the new facility 	<p>Should include annual ongoing maintenance costs for new facilities</p>

Source: OCA generated based on review the FY2025–FY2029 Five-Year Financial Outlook, FY2025–FY2029 Five-Year Capital Infrastructure Planning Outlook, IBA reports, and Staff Reports.

The full extent of facility maintenance needs are not included in the City's Five-Year Financial Outlook.

Although the Five-Year Financial Outlook includes projected costs for salaries, supplies, contracts, and services, some of which are related to facility maintenance, the estimates for these costs are based off existing funding levels. As described above, existing funding levels are significantly less than what the City actually needs to invest to maintain its facilities and avoid future costly repairs. Including only existing funding levels in the Outlook does not inform City Council or other stakeholders of the true facility maintenance funding needs and the potential impact on the budget, limiting City Council's oversight over funding for maintenance of City facilities.

Including only existing funding levels in the Outlook does not inform City Council of the true maintenance funding needs.

In the section of the Five-Year Financial Outlook discussing future fiscal considerations that could significantly impact the General Fund, the City acknowledges that the cost of addressing the City's deferred maintenance needs is not included in the Outlook. The Outlook confirms that the costs for repairs will increase the longer they are unaddressed, and that Facilities Services should be provided enough funding to properly plan and perform deferred maintenance work. Instead of acknowledging but not putting a figure to a large potential cost, in the Outlook's discussion section, the City should at minimum include the best practices funding level required for annual maintenance or the City goal for the funding level.

When discussing the cost of new facilities, the Five-Year Financial Outlook does not include ongoing facility maintenance costs.

In addition to the baseline forecast for revenues and expenditures, the Five-Year Financial Outlook includes projected ongoing and one-time costs of new facilities, but it does not include the ongoing facility maintenance costs for these facilities. For example, the Outlook identifies funding needed to operate two new libraries and one library expansion, including their energy and utilities, janitorial, and landscaping costs, but does not include ongoing maintenance costs. Best practices recommend spending 2 percent to 4 percent of the facility replacement value per year on maintenance. Therefore, the City should set a goal for its maintenance spending, such as 2 percent of the facility replacement value, and then build that 2 percent of the new facility's replacement value into the anticipated costs in the Outlook when discussing the costs for each facility.

The City should set a goal for its maintenance spending and build that goal into the anticipated costs for new facilities.

The City's Five-Year Capital Infrastructure Planning Outlook mentions the backlog but does not integrate a plan to address facility maintenance backlog costs when calculating needs for the next five years.

The Outlook puts the City's projected \$641 million capital backlog in the "FY2030 and beyond" category—despite the fact that these needs were identified nearly a decade ago.

The City's Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) includes some facility capital improvement costs, but it does not incorporate the costs to address the maintenance backlog when calculating the needs for the next five years. Instead, the CIP Outlook puts the City's projected \$641 million capital backlog in the "FY2030 and beyond" category—despite the fact that these needs were identified nearly a decade ago. Given the backlog's age, the issues in the backlog likely need to be addressed before 2030, or they may arise as emergency repairs before then. To maintain its facilities efficiently, the City should develop a plan to address the facility maintenance backlog over time, even if the plan is limited to addressing just the most critical needs, and should then incorporate that plan into the Five-Year Capital Infrastructure Planning Outlook.

The City should ensure ongoing facility maintenance costs are included in Staff Reports to City Council when proposing building or buying new facilities.

City staff present Staff Reports to City Council when proposing that the City acquire or provide funding to build new facilities. These Staff Reports include the cost of the facility itself and do not consistently include the estimated maintenance costs, such as preventative maintenance for the HVAC and plumbing systems. The Council Policies dictating the elements to be presented in the Staff Report do not require that the City include maintenance costs. To ensure the full cost of the facility during its lifecycle is presented to City Council, the Staff Report should include the facility maintenance cost based on funding levels recommended by best practices.

The City requires that City-owned facilities be maintained to protect its capital investments and ensure public safety.

To establish guidelines for the maintenance of City-owned facilities, the City adopted Council Policy 200-13. Specifically, Council Policy 200-13 requires that City-owned facilities be maintained at a level to ensure protection of the capital investment as well as public safety. Although the Council Policy notes that implementation of the policy will be accomplished through an Administrative Regulation, neither the

Council Policy nor Administrative Regulation establish a funding goal or strategy for maintenance of City-owned facilities. As a result, the City cannot ensure that it prioritizes sufficient financial resources to adequately maintain its facilities.

The City should update its building design standards to reduce future maintenance costs.

Increasing the use of standardized facility component systems, such as HVAC systems or lighting fixtures, could reduce City maintenance costs in the future. When the City builds new facilities or updates facility component systems in existing facilities, the City does not always use the same facility component systems across all facilities. According to Facility Services, this means facilities across the City have different systems requiring different parts, different expertise, and sometimes different certifications to perform maintenance and repair. This increases the cost of maintenance.

These facility component systems are part of the facility largely unseen by the public, so standardizing the systems across the City when building new facilities or replacing existing systems would not mean a standard look to all the City facilities. For example, the United States General Services Administration notes that by standardizing lamp features in buildings, agencies can decrease the time it takes to maintain these features, which in turn reduces maintenance costs.

Standardizing features in buildings can decrease maintenance costs.

According to the Engineering and Capital Projects Department, the City has a design standards manual that sets out specific requirements for facility design based on the facility type, ranging from the doorknobs required to the plumbing pipes to be used. However, facility design standards and technology are always evolving and the facilities must meet all City requirements—some of which may go beyond maintenance needs. For example, City Council adopted the Zero Emissions Municipal Buildings and Operations Policy, which requires new facilities to be all-electric. This requirement may conflict with the systems preferred by Facilities Services in the design standards manual. As a result, the manual may be outdated and Facilities Services has not designated its preferred standardized systems under the new requirements, according to the Engineering and Capital Projects Department. Although it may take several years for the City to reap the financial benefits of an updated design standards manual, the upfront investment in time and planning would benefit the City in the long-term.

Recommendations

To facilitate the City prioritizing adequate funding to maintain safe, operational facilities, we recommend:

Recommendation 1.1

(Priority 1)

The Facilities Services Division (Facilities Services), working with the Department of Finance and City Council, should propose amendments to Council Policy 200-13 to set a goal for the percent of the facility replacement value the City intends to spend on facility maintenance. The Council Policy should include all facilities for which Facilities Services provides maintenance, although it could have one goal for General Fund facilities and a different goal for non-General Fund facilities. Facilities Services should ensure the goals are included in the facility management plan discussed in Recommendation 2.1.

Management Response: Agree [See full response beginning on page 54.]

Target Implementation Date: June 2026

Recommendation 1.2

(Priority 1)

As part of the facility management plan in Recommendation 2.1, Facilities Services Division (Facilities Services) should develop a multi-year, long-term funding strategy to address both deferred maintenance needs and routine maintenance of City-owned facilities. This funding strategy should incorporate the funding goal as specified in Recommendation 1.1 and should, at minimum, include the following scenarios that tie funding needs to facility maintenance outcomes:

- Scenario A: Show the current financial investments and the projected impact on the condition of facilities and the deferred maintenance backlog if funding levels stay the same.
- Scenario B: Show the financial investment that would be needed to address the maintenance backlog over time.
- Scenario C: Show the annual financial investment that would be needed to maintain facilities to the standard set in Council Policy 200-13, detailed by General Fund and non-General Fund funding levels.
- Scenario D: Show the combined financial investment that would be necessary to accomplish the goals of both Scenario B and C.

- Scenario E: For comparison, show the financial investment that would reflect the best practice funding level of addressing the backlog of maintenance over time and spending 2 percent to 4 percent of the facility replacement value on maintenance annually.

The funding strategy should be updated and presented annually to City Council or the appropriate Council committee as part of the facility management plan in Recommendation 2.1.

Facilities Services should work with the City of San Diego's Department of Finance to review long-term funding options and include these options in the funding strategy, such as: continued or increased reliance on the General Fund and special revenue funds, reallocation of resources from other priority areas, dedicated funds from non-General Fund departments, additional revenue sources, and any other options that may significantly contribute to closing the existing funding gap.

Management Response: Agree. However, Management indicates additional resources and staff would be needed to fully implement the recommendation. [See full response beginning on page 55.]

Target Implementation Date: June 2026

Recommendation 1.3

(Priority 2)

The Department of Finance should include the estimated cost of annual maintenance for facilities in the Five-Year Financial Outlook. The estimated cost for annual maintenance should align with the goal funding level set in Council Policy 200-13 or should explain why it deviates from the goal set in Council Policy 200-13. If the costs are not included in the projected expenditures, the costs should, at minimum, be estimated and discussed in the report.

Management Response: Agree [See full response beginning on page 56.]

Target Implementation Date: December 2026

Recommendation 1.4

(Priority 2)

The Department of Finance should include the cost of maintenance for new facilities when discussing ongoing costs of facilities in the Five-Year Financial Outlook. The estimated cost for annual maintenance should align with the goal funding level set in Council Policy 200-13 or should explain why it deviates from the goal set in Council Policy 200-13.

Management Response: Agree [See full response beginning on page 56.]

Target Implementation Date: December 2026

Recommendation 1.5

(Priority 2)

The Department of General Services, working with the relevant City departments, should propose amendments to the relevant Council Policy or policies on acquiring new facilities to require that when presenting new facility acquisitions, the anticipated cost of ongoing maintenance be included in the financial analysis and Staff Report to Council. The cost of maintenance should align with the goal funding level set in Council Policy 200-13 or explain why it deviates from the goal.

Management Response: Agree [See full response beginning on page 56.]

Target Implementation Date: TBD based upon the established goals and the amendment of Council Policy 200-13

Recommendation 1.6

(Priority 3)

The Facilities Services Division, working with the Engineering and Capital Projects Department and the City's asset managing departments, should describe in its facility management plan how it plans to update the design standards manual for efficient maintenance and keep the manual updated in the future. The facility management plan is detailed in Recommendation 2.1.

Management Response: Agree. However, Management indicates additional resources and staff would be needed to fully implement the recommendation. [See full response beginning on page 57.]

Target Implementation Date: TBD based upon Fiscal Year 2026 budgeted resource allocations

Finding 2

With or without increased funding, the City needs a facility management plan to ensure it spends its limited maintenance funds efficiently.

Finding Summary

Without adequate maintenance of City facilities, the libraries, recreation centers, police and fire stations, lifeguard towers, and other facilities central to City services are deteriorating faster than they should and require emergency repairs to keep them safe and functional. Although providing funding for maintenance is a key element to the issue, as discussed in Finding 1, the City has limited funds across the board and therefore must make difficult decisions on how to prioritize spending those funds.

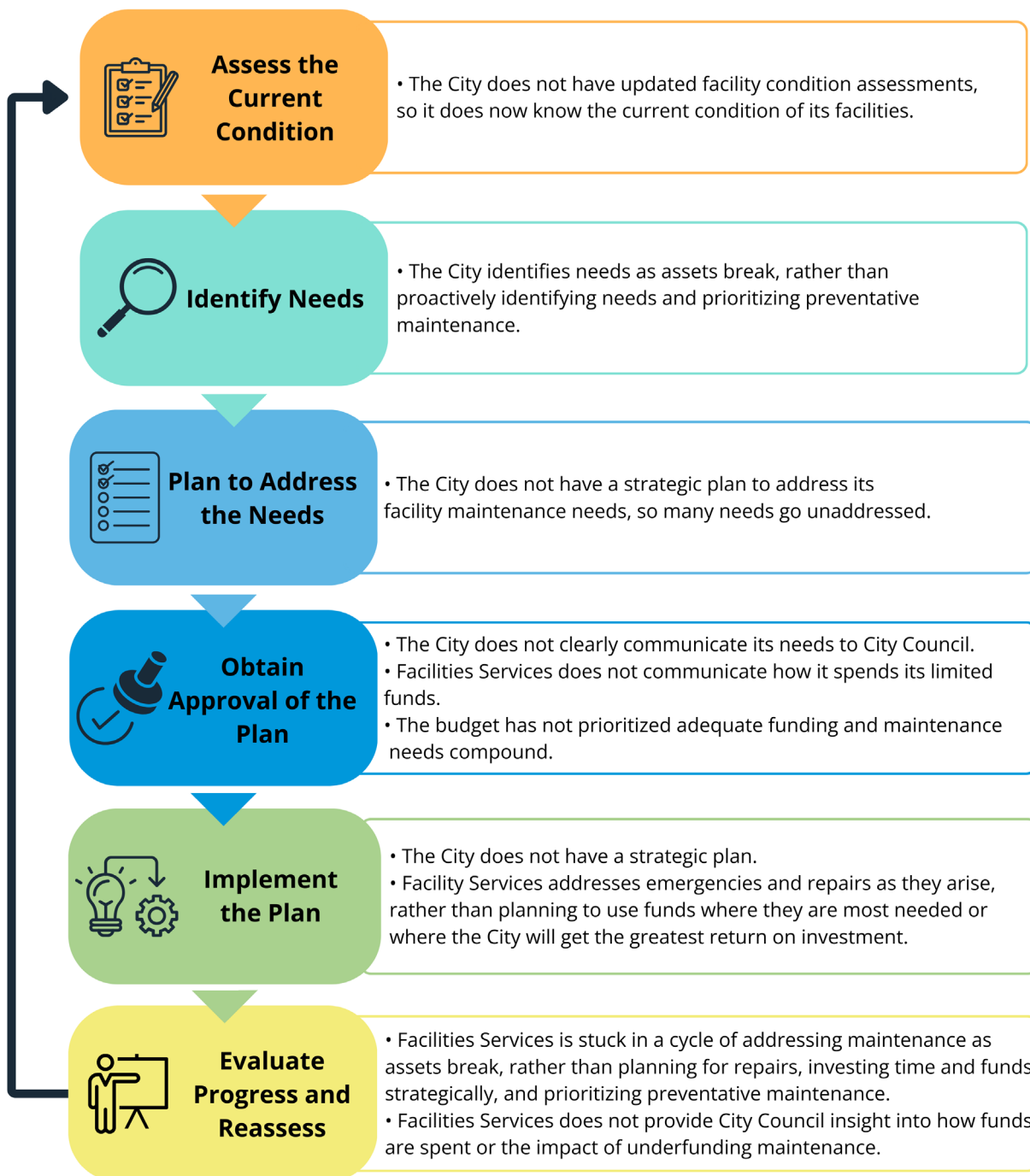
Without knowing the condition of its facilities and making a plan to best address the maintenance needs of those facilities, the City cannot ensure it is spending its limited funds on the most important needs. The City uses condition assessments and asset management plans to maintain other major assets like City streets and watershed assets, but we found the City does not have updated condition assessments or an asset management plan for its \$7 billion facility portfolio.

Exhibit 15 illustrates the Government Finance Officers Association's strategic planning process and summarizes the negative effects of the City operating without a facility management plan.¹⁸ To protect the City's investment in its facilities and minimize impacts to City services due to deteriorated facilities, we recommend the City update its facility condition assessments to identify and prioritize its maintenance needs. We also recommend the City develop a facility management plan to describe how it will address its prioritized maintenance needs, how its limited funding is spent, and the impact of current or planned funding levels on the condition of the facilities.

¹⁸ The Government Finance Officers Association is an association of federal, state, and local finance officials involved in planning, financing, and implementing governmental operations in their jurisdictions. The association's mission is to advance excellence in public finance.

Exhibit 15

Although the Steps for Strategic Planning Help Align Budgets with Organizational Priorities, the City Does Not Have a Plan to Maintain the Condition of Its Facilities



Source: OCA generated based on information from the Government Finance Officers Association and auditor review of City materials and audit interviews.

The City does not know the condition of its facilities or their maintenance needs.

The City has not assessed the condition of its facilities in nearly a decade.

Assessing the condition of facilities and identifying their maintenance needs would be the first two steps in strategic planning. The City's most recent facility condition assessments were conducted in FY2014–FY2016, meaning the information is 8–10 years old. As a result, the City does not have an accurate picture of the condition of its facilities or their needs. Best practices recommend assessing facilities at least every 5 years.

Facility condition assessments ensure the City knows the condition of its facilities so it can prioritize, plan, and budget to keep facilities operational and safe.

Facility condition assessments are essential for effective facility maintenance. Facility condition assessments ensure the City knows the condition of its facilities so it can prioritize what maintenance needs to do first, plan for upcoming maintenance needs, and budget for longer-term investments to keep facilities operational and safe. The Office of the Independent Budget Analyst (IBA) has repeatedly recommended the City update its condition assessments. Furthermore, Council Policy 800-16 establishes the City's Enterprise Asset Management (EAM) framework, which requires periodic condition assessments of all facilities. However, the policy does not specify how frequently these condition assessments should be conducted.

The Facilities Services Division (Facilities Services) within the Department of General Services requested funds in both FY2024 and FY2025 to conduct facility condition assessments. In FY2024, the Mayor and City Council did not fund the request, likely due to competing priorities. Facilities Services requested \$3.5 million in the FY2025 budget to conduct the assessments.¹⁹ However, the Mayor's Proposed Budget for FY2025, revised in May 2024, did not include funding for the assessments. In the future, the City could conduct the assessments on a rolling basis, so that the needed funds are spread across multiple years rather than presenting one large cost to the City every 5 years. For example, \$3.5 million across 5 years would total \$700,000 per year, which may be easier to fund.

¹⁹ In FY2025, the \$3.5 million Facilities Services requested for the condition assessments included: \$2.2 million to update the FY2014–FY2016 Facilities Condition Assessment report; \$330,000 to assess approximately 60 facilities that were not included in the original assessments; and \$1 million to assess three major service work yards (Chollas, 20th and B, and Rose Canyon).

According to the department, the City's Enterprise Asset Management System had not included all preventative maintenance plans.

Preventative maintenance is necessary to maintain the expected service life of a facility—meaning the City saves money in the long run by conducting the necessary preventative maintenance because the elements of the facility last longer before needing to be replaced and run more effectively during their useful life. Facilities Services uses the City's EAM system, SAP, to log its service requests and work orders. Facilities Services then uses EAM work orders to prioritize and assign maintenance work to staff. According to Facilities Services, prior to the addition of the EAM Program Coordinator for Facilities Division in April 2023, not all preventative maintenance plans had been entered into EAM. Therefore, some preventative maintenance may not have been completed because it was not known or planned for. Facilities Services reports that it has made significant progress on entering preventative maintenance plans in EAM.

The City does not have an asset management plan to maintain the condition of its \$7.2 billion facility portfolio.

Despite spending funds on assessments to identify facility maintenance needs, the City did not then create an asset management plan for facilities.

The third step of strategic planning is developing a plan to address the needs identified in the assessment. However, the City does not have an asset management plan to ensure facilities, one of its largest assets groups, are maintained to the target level of service.²⁰ In FY2014–FY2016, the facility condition assessments identified more than \$1.5 billion in backlogged maintenance and capital improvement needs for facilities. Despite spending the funds on assessments to identify these maintenance needs, the City did not then create an asset management plan to address the identified needs and maintain the facilities going forward. As a result, maintenance has been delayed and maintenance needs have compounded over time, and Facilities Services is stuck in a cycle of addressing maintenance as assets break, rather than planning for repairs, investing time and funds strategically, and prioritizing preventative maintenance.

²⁰ We estimate the City's facilities are worth more than \$7.2 billion, based on the FY2014–FY2016 facilities condition assessment estimated facility replacement value and adjusted for inflation.

The City has asset management plans for maintaining streets and watershed assets, but not facilities.

Council Policy 800-16 requires the City to create an asset-specific plan for managing each asset class, such as facilities. To manage City streets, for example, the City developed the Pavement Management Plan, which outlines pavement funding needs and the planned resurfacing work over the next five years to align street conditions with City goals.²¹ To manage City watershed assets, the City has a Watershed Asset Management Plan that describes the level of investment needed to manage assets to meet levels of service. The plan also shows the current conditions of assets and the steps the department will take to accomplish asset management goals in the next year.²² The City does not have a similar plan for its facilities.

In addition to Council Policy requirements, the Government Finance Officers Association recommends that governments create strategic plans to align budgets with organizational priorities. **Exhibit 15** outlines its recommended process. In addition, we found that other cities and government entities use facility management plans to prioritize their maintenance needs and budget for those priorities.

Without an asset management plan, Facilities Services does not clearly communicate facility maintenance needs or the plan to address those needs to City Council.

The fourth step of strategic planning is obtaining approval of the strategic plan. In effect, this means communicating to City Council the condition of the facilities, the facilities' needs, the prioritization of those needs, and the plan to address those needs. City Council is then responsible for prioritizing budget allocations so Facilities Services can implement the plan and address the prioritized needs. However, because the City does not have a facility management plan, Facilities Services does not clearly and consistently communicate facility maintenance needs or the plan to address those needs to City Council.

²¹ The City's Pavement Management Plan can be found here: <https://www.sandiego.gov/sites/default/files/2024-01/pavement-management-plan-report.pdf>. OCA's audit of City streets and review of the pavement management plan can be found here: https://www.sandiego.gov/sites/default/files/2024-02/24-07_performance_audit_citys_street_maintenance.pdf

²² The City's Watershed Asset Management Plan 2.0 can be found here: https://www.sandiego.gov/sites/default/files/watershed_asset_mgmt_plan_01262021.pdf

The City has not communicated the extent of Facility Services' funding needs to City Council.

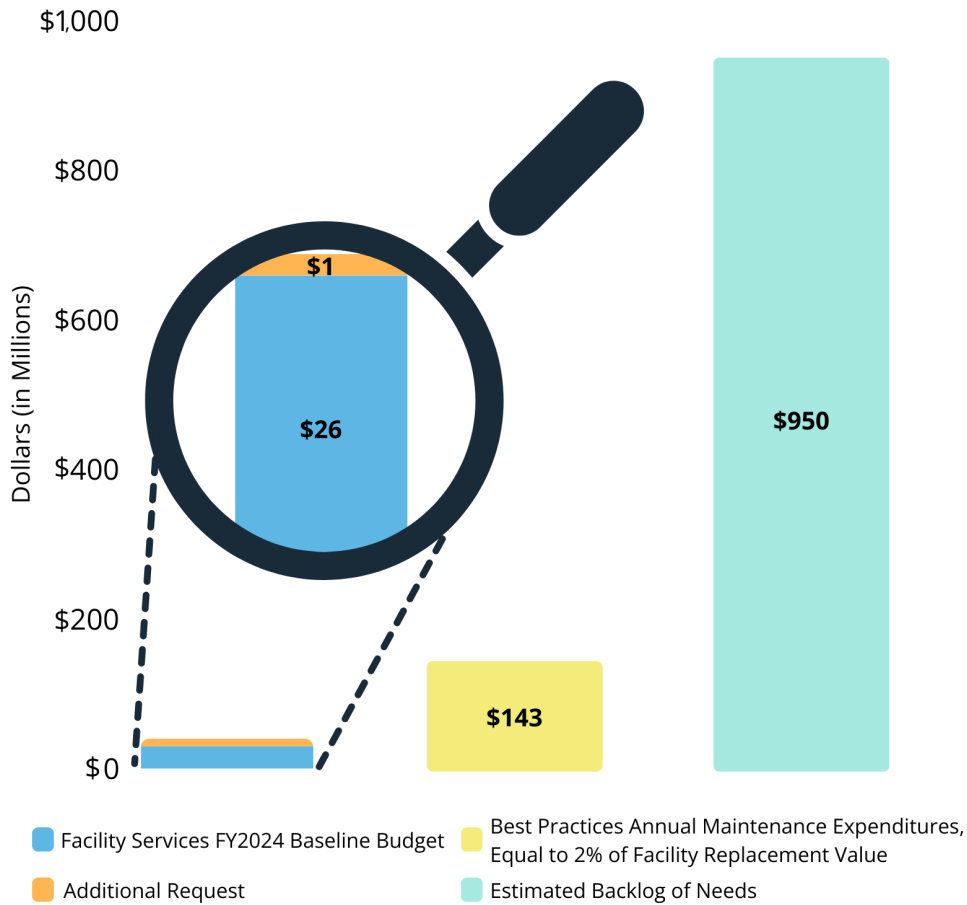
Although Facilities Services received the additional \$1 million it requested, combined with its baseline budget, this was far less money than the nearly \$143 million we estimate it needed.

Without a facility management plan to project facility maintenance needs, Facilities Services has not communicated the full funding it needed to meet its ongoing maintenance needs or address the backlog in recent budget cycles. For FY2024, Facilities Services requested an additional \$1 million over its baseline budget of about \$25 million. Although Facilities Services received the additional \$1 million it requested, combined with its baseline budget, this was far less money than the nearly \$143 million we estimate Facilities Services needed to address the City's annual facility maintenance needs and the additional \$950 million we estimate is needed to address the maintenance backlog, as illustrated in **Exhibit 16**.

Without a facility management plan informing City Council of the full extent of funding needs for facility maintenance, City Council and the public had little public information showing that the funding needs for facility maintenance were much greater than the additional \$1 million requested. A facility management plan and updated facility condition assessments would allow Facilities Services to determine the funding level needed to maintain facilities, communicate that need to City Council, prioritize the use of the funds, and illustrate how the maintenance funds are being used to meet City goals.

Exhibit 16

Due to Competing City Priorities and Limited Funding, Facilities Services Requested an Additional \$1 million in Funding—a Fraction of the Funding It Needed to Maintain City Facilities in FY2024



Source: OCA generated based on City budget documents, information provided by Facilities Services, and National Research Council best practices.

Facilities Services has not communicated a plan to prioritize or address the City's extensive facility maintenance needs.

To justify the cost of facility maintenance among the many competing priorities of the City, Facilities Services should develop a facility management plan to prioritize its needs, detail how the plan would address those needs, and communicate to City Council the full facility maintenance funding needs and the impacts of underfunding. In doing so, Facilities Services can assure City Council that Facilities Services is using its limited funds efficiently. Further, communicating the full extent of the maintenance needs allows City Council full insight into the problem so it can exercise oversight, even if City Council determines not to fund all maintenance needs in light of the City's budget realities.

According to the National Research Council, maintenance needs are often underfunded because departments do not fully communicate the need for maintenance and the potential impacts of underfunding.²³ The National Research Council found, “Public officials...faced with neither convincing technical arguments for the need nor immediately visible consequences of neglect are typically persuaded to give higher priority to other demands for limited public resources.” Facilities Services falls into this pattern.

A facility management plan would allow the City to evaluate the effectiveness of its facility maintenance program and shed light on the impacts of underfunding maintenance.

The final step of strategic planning is evaluating the program and reassessing the plan. Without a facility management plan or better reporting, the City does not have insight into how facility maintenance funding its being spent. Additionally, a facility management plan would illustrate the impact of the current funding level and allow the City to assess what funding level would be necessary to achieve its facility maintenance goals.

Facilities Services does not report how it spends its funding, but we found most maintenance goes to facilities that are used by the public.

We found City data shows that the majority of facility maintenance funding goes to public-facing facilities.

There is a misconception that funding for facility maintenance means funding to make office spaces for City workers better. Facilities Services does not counter this misconception by tracking and reporting how funds are spent by facility type or by department. However, we found City data shows that the majority of facility maintenance funding goes to public-facing facilities, such as park bathroom facilities, recreation centers, and libraries. As shown in **Exhibit 17**, the City spent 53 percent of its total labor and materials costs on public-facing facilities and an additional 13 percent on semi-public facilities, such as police stations, lifeguard towers, and fire stations, according to data in EAM from 2018 through 2023.²⁴ This means that when the City does not maintain its facilities, it impacts facilities commonly relied on by the public and not

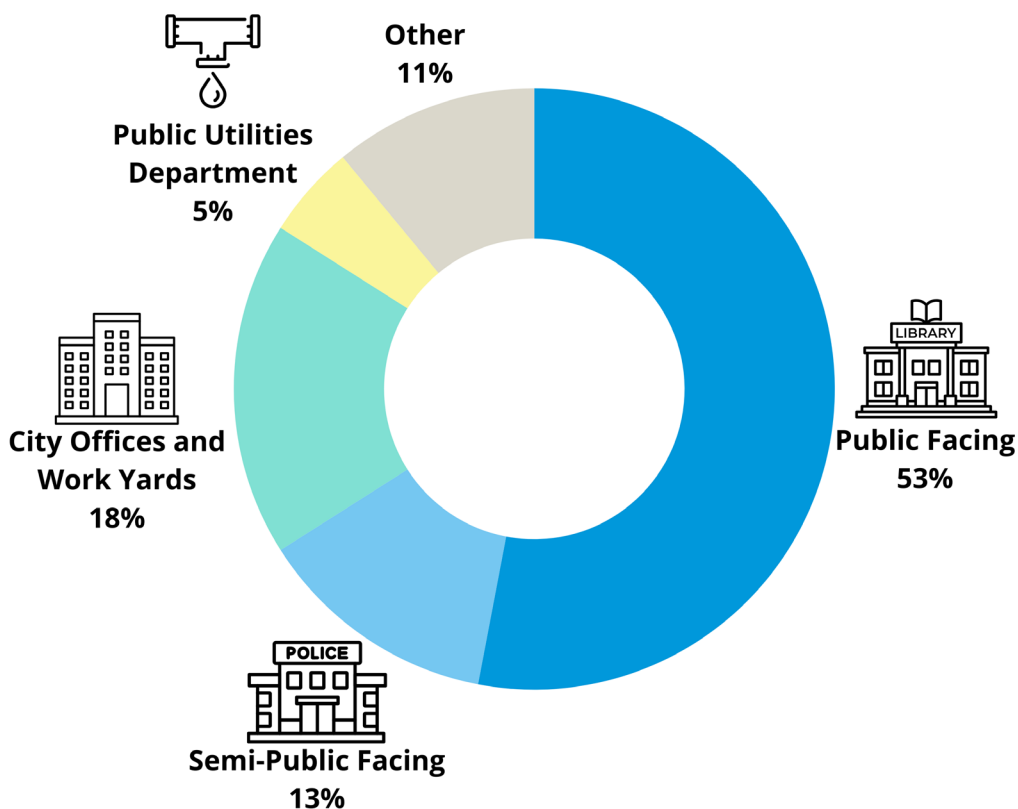
²³ The National Research Council is the operational and programmatic arm of the National Academies of Sciences, Engineering, and Medicine, which is a private, nonprofit society of scholars engaged in scientific and engineering research that Congress created in 1863 to advise the federal government on scientific and technical matters. Members are elected by their peers for outstanding contributions to research.

²⁴ Facilities Services has tracked its labor and materials costs in its Enterprise Asset Management (EAM) system, SAP, since 2018. We found the data in EAM to be sufficiently reliable for estimating the percentages of total facilities maintenance costs by facility type.

just office buildings used by City employees. Facilities Services should report this information as part of its facility management plan to shed light on where it is spending its limited funds and to evaluate if the program aligns with its goals.

Exhibit 17

Based on City Data, We Estimate Most Facility Maintenance Funding From FY2018 through FY2023 Went To Public and Semi-Public Facing Facilities



Source: OCA generated based on data in EAM, data from Facilities Services, and the City’s facility condition assessments.

We also found the City is spending facility maintenance funds on items that go beyond maintenance, such as major repairs on facilities past their useful life and constructing new facilities.

According to the National Research Council, maintenance is the upkeep of property and equipment to realize the originally anticipated useful life of an asset. Maintenance would therefore exclude repairs on an asset past its originally anticipated useful life, such as the Ocean Beach Pier, shown in **Exhibit 18**. However, according to Facilities Services, the City has tasked it with making extensive repairs to the Ocean Beach

Pier several times in recent years. For example, in FY2019, Facilities Services spent \$203,972 repairing the Ocean Beach Pier, according to data in EAM.²⁵ The funds and staff time spent on the pier were the equivalent to about 200 average repairs the funds and staff time could have been spent on. In FY2023, Facilities Services spent about \$170,000 on the same pier, the equivalent of 247 average repairs that year.

The definition of maintenance would also exclude constructing new facilities. However, in FY2023, the City tasked Facilities Services with constructing an inclement weather shelter. According to data in EAM, Facilities Services spent \$69,299 on this project, which is equivalent to about 102 average repairs that year.²⁶

While these are worthwhile causes, funding these projects takes away from Facilities Services' limited funding for facility maintenance. When the City spends Facilities Services' funds on activities that are not facility maintenance, Facilities Services should communicate how those funds were spent so the City can evaluate the effectiveness of the facility maintenance funds and evaluate if the program's spending aligns with the City's goals.

Exhibit 18

Despite the Work Not Being Facility Maintenance, the City Has Tasked Facilities Services With Making Extensive Repairs to the Ocean Beach Pier Several Times in Recent Years



Source: Photographed by OCA.

²⁵ This amount is according to data in EAM and may not capture all costs Facilities Services spent in FY2019 on repairing the Ocean Beach Pier. See the Objectives, Scope, and Methodology section of the report for further information on the limitations of EAM data.

²⁶ This amount is according to data in EAM and may not capture all costs Facilities Services spent in FY2023 on constructing an inclement weather shelter. See the Objectives, Scope, and Methodology section of the report for further information on the limitations of EAM data.

Without a facility management plan, Facilities Services is not effectively communicating to City Council the impact of underfunding facility maintenance.

As discussed in Finding 1, not funding facility maintenance to meet the City's needs will have both short- and long-term impacts. In the short term, the City will have public bathrooms out of commission longer, roof leaks in libraries that go unaddressed for longer, and doors in recreation centers that do not work for longer. In the long term, the City will spend more money replacing roofs, HVAC systems, and pumps sooner than scheduled. Instead of quantifying and clearly stating these impacts, when asked by City Council Committee the impact of reduced funding for FY2025, the department reported in general terms that response times will be delayed but critical repair needs will be addressed. With a facility management plan, Facilities Services could present a clearer picture of the level of funding necessary to maintain facilities at the service level desired and could evaluate the effectiveness of the current program, including the impact of not funding facility maintenance at that level.

The City's current approach, operating without a facility management plan and underfunding facility maintenance, is more expensive in the long run.

Without a strategic plan to address facility maintenance, the City cannot ensure it is using its limited funds strategically.

As discussed in Finding 1, deferred maintenance costs increase substantially in the long term. The City's Office of the Independent Budget Analyst, the City's Five-Year Financial Outlook, the City's Five-Year Capital Infrastructure Planning Outlook, the National Research Council, the United States Government Accountability Office, and the California Legislative Analyst's Office all state that failing to spend money on routine maintenance needs leads to greater deterioration of the facility and greater costs in emergency repairs and facility replacement. Without a strategic plan to identify, prioritize, and address the City's facility maintenance needs; communicate those needs; and evaluate the impact of funding or underfunding those needs, the City cannot ensure it is using its limited funds strategically.

Recommendations

To ensure the City uses its limited funds strategically and efficiently to maintain City assets, we make the following recommendations:

Recommendation 2.1

(Priority 1)

The Facilities Services Division (Facilities Services) should develop a facility management plan and present it to City Council or the appropriate Council Committee annually. Facilities Services should propose updates to Council Policy 200-13 to require an updated facility management plan. The Council Policy should require the plan to include, at minimum:

- a. The facility maintenance funding strategy, as set out in Recommendation 1.2;
- b. The target funding goals, as set out in Recommendation 1.1;
- c. Actual spending levels for the previous 5 years;
- d. Where the funds from the previous year were spent, such as the amount spent by facility category type, by department, for non-maintenance activities like setting up homelessness services spaces, or for specific initiatives across facility types, such as an initiative for multiple elevator repairs or roof repairs;
- e. Anticipated facility maintenance needs in the next 1–5 years, with input regularly gathered from departments and updated condition assessments;
- f. Actual and anticipated facility maintenance needs compared to actual and anticipated spend by facility type and department;
- g. The latest information and results from the facilities condition assessments, including the date of the most recent assessment and the date of the next assessment according to updated Council Policy 200-13 requirements; and
- h. The plan for addressing those needs in the next 1–5 years.

If the City prefers, certain elements of the facility management plan, such as the target funding level (item b), anticipated facility maintenance needs (item e), and results from the latest facility condition assessments (item g) may not change substantially each year and therefore may not need to be updated annually. However, the reports on funding, including the funding strategy (item a), spending levels (item c), how funds were spent (items d and f), and the plan for addressing needs (item h), should be updated annually to reflect maintenance budget patterns and maintenance funding needs before the City makes budget decisions.

Management Response: Agree. However, Management indicates additional resources and staff would be needed to fully implement the recommendation. [See full response beginning on page 57.]

Target Implementation Date: December 2026 contingent upon the approval of requested resources and additional budget

Recommendation 2.2

(Priority 2)

The Facilities Services Division should propose updates to Council Policy 200-13 and request the Mayor and City Council approve funding to update its facility condition assessments at least every 5 years, in line with best practices. If best practices dictate that specific facility asset classes require assessment less often than 5 years, the division should note those asset classes and their corresponding recommended assessment timelines in the Council Policy. To smooth the budgetary cost of the assessments, the update should allow the City to conduct these reviews on a rolling basis, so that not every facility is assessed at once.

Management Response: Agree. However, Management indicates additional resources and staff would be needed to fully implement the recommendation. [See full response beginning on page 59.]

Target Implementation Date: June 2025

Recommendation 2.3

(Priority 2)

The Department of General Services should update its standard operating procedures to require the Facilities Services Division to capture all preventative maintenance plans in its Enterprise Asset Management system.

Management Response: Agree [See full response beginning on page 59.]

Target Implementation Date: March 2025

Finding 3

Departments have limited insight into the status of their repairs, resulting in unnecessary delays and unclear expectations.

Departments have limited insight into the status of their maintenance requests, and the current follow-up process is inefficient.

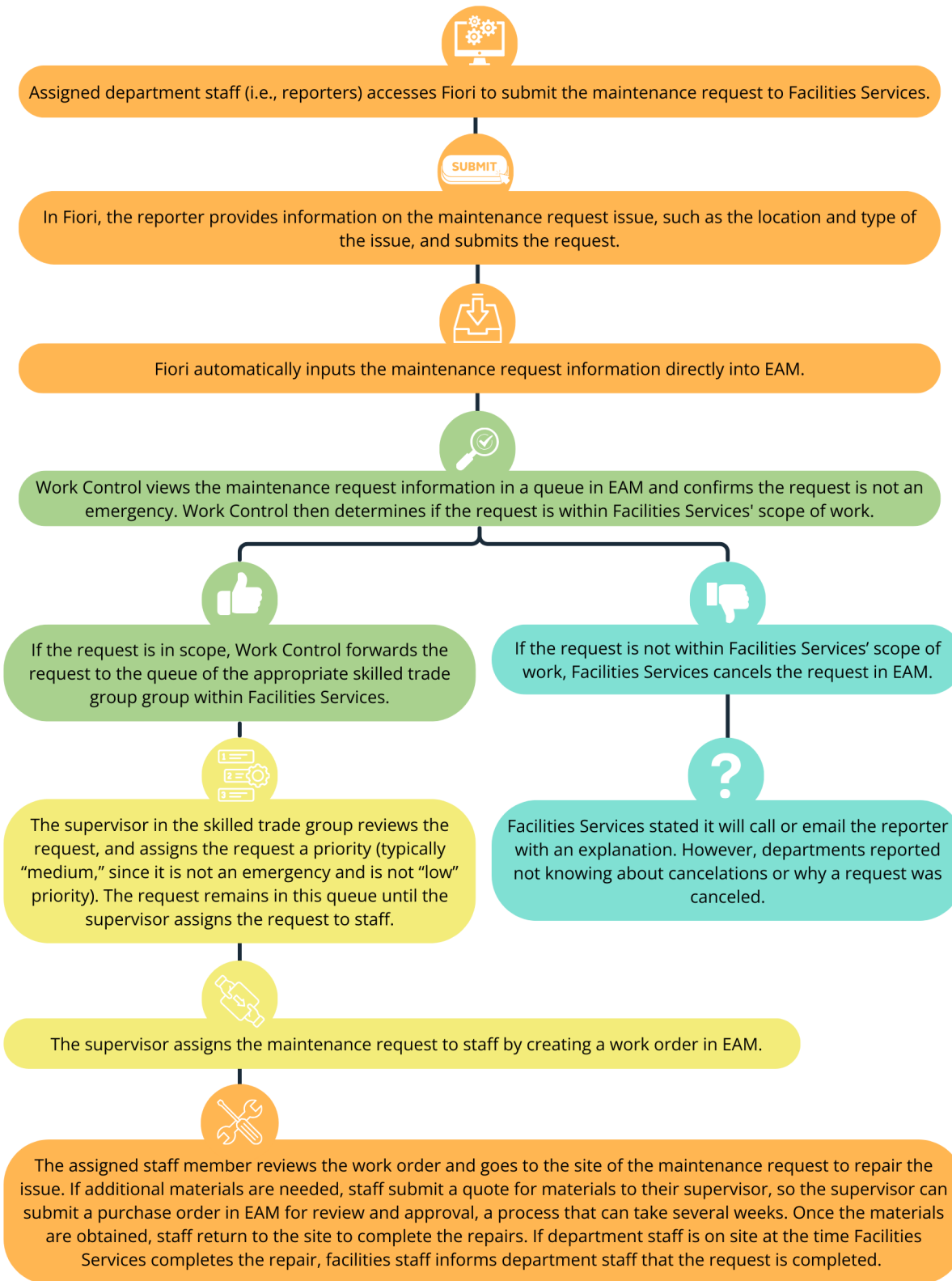
The Facilities Services Division (Facilities Services) does not provide departments access to view the status of their maintenance requests. As a result, departments report being unaware of the steps Facilities Services has taken to resolve the request. As shown in **Exhibit 19**, departments first submit maintenance requests through Fiori, a webform that takes maintenance request information and puts it into the City's Enterprise Asset Management System (EAM), SAP. However, Fiori access does not provide departments access to see information in EAM. Departments do not have access to view the status of the request, including when Facilities Services prioritizes the request, assigns staff to address the issue, completes the repair, or cancels the request. Facilities Services stated that EAM emails the maintenance issue reporter when the request is submitted, when the request is in-process, and when the request is completed. Because these three milestones may have significant time in between them, or because departments may have multiple requests in at a time, departments report that they often must call or email Facilities Services to learn the status of their request.

Having to call or email, potentially repeatedly, is an inefficient approach for obtaining information about maintenance requests.

Having to call or email, potentially repeatedly, is an inefficient approach for obtaining information about maintenance requests. Departments stated that this can cause confusion and frustration, as Facilities Services may have stalled or canceled a request while departments believe they are still waiting for Facilities Services to complete the repair. This approach results in unnecessary delays for some repairs and unclear expectations regarding what Facilities Services is doing to address requests.

Exhibit 19

The Current Process for Departments to Submit Maintenance Requests Does Not Provide Status Updates



Source: OCA generated based on interviews with Facilities Services and information provided by Facilities Services.

Communicating and updating maintenance request information is essential for customer service and efficiency.

Providing departments with the status of their requests can ensure they are informed of the steps Facilities Services is taking to resolve their requests.

For optimal customer service, best practices recommend facility managers inform their customers of the status of their maintenance requests. The International Facility Management Association emphasizes the importance of high-quality customer service and notes that one of the most effective ways to enhance customer service is to provide maintenance updates to customers. Additionally, the Facilities Management Journal highlights the importance of communication between facility managers and customers and notes that one of the ways in which communication can be fostered is by enabling self-service options. Specifically, the journal says that customers want to see what is going on with their requests and self-service options empower customers with autonomy without the need to call someone to follow-up on their requests. By providing departments with the status of their maintenance requests, Facilities Services can ensure it informs departments of the steps it is taking to resolve their request and avoid delays in addressing some repairs.

Facilities Services has not given department staff that report maintenance issues access to see if a maintenance request has been assigned, closed, or canceled.

Although Facilities Services streamlined the process for departments to submit maintenance requests, it does not sufficiently proactively inform departments of the status of their requests. As mentioned in the Background section, Facilities Services has granted department reporters access to EAM to submit maintenance requests; however, it has not implemented a similar mechanism to ensure reporters can see in the system when Facilities Services assigns staff, addresses the request, or cancels the request. Although Facilities Services noted the possibility of implementing a dashboard or similar tool in the future to provide additional information beyond the status of maintenance requests, Facilities Services should at minimum provide read-only access to EAM for department reporters while it develops and implements the dashboard. By providing read-only access to an existing system, department reporters can immediately and efficiently have access to the status of their maintenance requests.

Departments may believe they are still waiting on Facilities Services to address an issue when Facilities Services has closed, completed, or canceled the request.

In one instance, Parks & Rec waited for months for Facilities Services to address a request, unaware that it had canceled the request.

Multiple departments stated the lack of access to EAM to view the status of maintenance requests results in unnecessary delays and unclear expectations. In one instance, the Parks and Recreation Department (Parks and Rec) stated it waited for months for a storefront door to be replaced because it was unaware that Facilities Services had not created the request and then had canceled a later created request. According to Parks and Rec, after the repair remained unaddressed for months, it followed up with Facilities Services on the status of the request only to learn that Facilities Services had canceled the request because it was outside its scope of work and Parks and Rec would have to contract the work out. Parks and Rec noted that had Facilities Services informed Parks and Rec that the request was canceled, it would have contracted the work right away. Parks and Rec said that having read-only access to view the status of maintenance requests in EAM would be helpful.

Recommendation

To improve communication on the status of maintenance requests, we recommend:

Recommendation 3.1

(Priority 2)

The Facilities Services Division (Facilities Services) should provide a self-service mechanism for departments to see the status of each of their maintenance requests. At minimum, Facilities Services should provide read-only access in the Enterprise Asset Management system, SAP, to select staff from each department, such as those that report facility maintenance issues. The mechanism Facilities Services uses to inform departments of the status of their maintenance requests should include, but not be limited to:

- The status of the maintenance request (i.e., assigned a work order, completed, canceled, etc.);
- For canceled maintenance requests, the reason for cancellation; and
- Accurate key dates, such as when the maintenance request was assigned to staff, canceled, or completed.

When implementing the mechanism, the City should provide training to department staff on how to monitor the status of their repair requests.

Management Response: Agree [See full response beginning on page 60.]

Target Implementation Date: June 2025

Appendix A

Definition of Audit Recommendation Priorities

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below.

While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration’s responsibility to establish a target date to implement each recommendation, taking into consideration its priority. The City Auditor requests that target dates be included in the Administration’s official response to the audit findings and recommendations.

PRIORITY CLASS*	DESCRIPTION
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent nonfiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

* The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation that clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B

Audit Objectives, Scope, and Methodology

Objective

In accordance with the Office of the City Auditor's approved Fiscal Year (FY) 2024 Audit Work Plan, we conducted a performance audit of facility maintenance for City-owned facilities. Our audit included the following objectives:

- Determine whether the City efficiently funded maintenance needs of City-owned, City-occupied facilities from FY2016 through FY2023;
- Determine whether the City tracks and assesses the condition of City-owned, City-occupied facilities; and
- Determine whether the City plans and conducts maintenance efficiently and effectively for City-owned, City-occupied facilities.

Scope

Our analysis focused primarily on the City of San Diego's (City) Department of General Services Facilities Services Division (Facilities Services) maintenance of City-owned buildings and structures from FY2016 through FY2023. In certain instances, our analyses included data from FY2014, FY2024, and FY2025 (Proposed Budget). For example, to determine how much the City should have spent on facility maintenance based on industry best practices, using the facility condition as a starting point, we used data from FY2014 through FY2024. We also reviewed FY2025 budget documents to determine the City's most current plans for facility maintenance for the upcoming fiscal year.

For maintenance captured in the City's Enterprise Management System, SAP (EAM), our analysis primarily included data from FY2018 through FY2023. Because the City implemented EAM in FY2018, we were not able to analyze maintenance data prior to FY2018.

As outlined in our objectives, our scope focused primarily on facilities that are both owned and occupied by the City. However, the previous facility condition assessments included a subset of facilities the City owns and maintains but does not occupy. Therefore, when calculating the total facility replacement value, we included all facilities included in the latest facility condition assessments because it represented the best data available on the sites Facilities Services maintains. Our analysis excluded leased facilities that are owned by the City but the tenant is responsible for maintenance.

Our audit scope included maintenance activities included in the definition of maintenance set forth in the Background of this report. As such, our audit scope largely did not include capital improvement projects or tenant improvements.

Methodology

To address all three of our audit objectives, we:

- Reviewed information from the:
 - Government Finance Officers Association;
 - United States Government Accountability Office;
 - National Research Council within the National Academies of Sciences, Engineering, and Medicine;
 - California Legislative Analyst’s Office; and
 - Other relevant industry information for best practices relevant to facility maintenance, strategic planning, and communicating progress updates for maintenance requests.
- Reviewed existing City policies and regulations relevant to asset planning and maintenance of City facilities.
- Reviewed City budget and planning documents relevant to facility maintenance:
 - Adopted Budgets
 - Proposed Budgets
 - Five-Year Financial Outlooks
 - Five-Year Capital Infrastructure Planning Outlooks
- Reviewed reports from the Office of the Independent Budget Analyst pertaining to the City’s asset management practices and reviews of the Five-Year Capital Infrastructure Planning Outlooks.
- Reviewed General Services Department presentations to the Budget Review Committee to determine whether it communicated its funding needs to the City.
- Reviewed Staff Reports pertaining to new facilities to ascertain how these documents inform the City about costs associated with maintaining the facilities.
- Reviewed employee satisfaction surveys for the City of San Diego to gauge employee satisfaction with the physical condition of City facilities.
- Reviewed the City’s facility condition assessments, Facilities Services’ historical funding data, industry studies on the costs of deferring maintenance, and the United States Consumer Price Index data to estimate the facility replacement value in 2023 dollars and estimate how much the City’s maintenance needs have grown.
- Analyzed Facilities Services’ facility list data, the City’s facility condition assessments, EAM data, and City documents to categorize City facilities based on asset type (i.e., public, semi-public, City offices/work yard/operations, etc.) to estimate how much Facilities Services spent on maintenance costs for the different facility asset types.
- Analyzed data on the California Construction Cost Index to determine how much the cost of construction has increased in California.

- Interviewed key staff from:
 - Department of General Services and Facilities Services Division
 - Council Administration
 - Development Services Department
 - Engineering and Capital Projects Department
 - Environmental Services Department
 - Department of Finance
 - Fire-Rescue Department
 - Office of the Independent Budget Analyst
 - Library Department
 - Parks and Recreation Department
- Conducted site visits to City facilities, including:
 - Libraries
 - Lifeguard towers
 - A fire station
 - A gymnasium
 - A recreation center
 - The City Administration Building
 - The Ocean Beach Pier
 - Balboa Park facilities
- Benchmarked Facilities Services' approach for funding, budgeting, and planning for facility maintenance with:
 - County of San Diego, CA
 - County of Santa Clara, CA
 - City and County of Denver, CO
 - City and County of San Francisco, CA
 - City of Alameda, CA
 - City of Laguna Beach, CA
 - City of Los Angeles, CA
 - City of San Jose, CA
 - City of Oakland, CA
 - City of Boulder, CO
 - State of California
 - San Diego Unified School District
 - San Francisco Unified School District

Data Reliability

We primarily used expenditure and budget data from City budget documents, which are created and reviewed by the Department of Finance and reviewed by the Office of the Independent Budget Analyst. Accordingly, we determined that the expenditure and budget data were sufficiently reliable for the purposes of this report.

We also used maintenance cost data extracted directly from EAM. We assessed the reliability of data from EAM by interviewing Facilities Services management and staff knowledgeable about the data, conducting reasonableness tests, and conducting field interviews with staff to determine how the data is entered. We determined the data was not sufficiently reliable to accurately determine all of Facilities Services' costs, as the costs entered in the work orders do not include overhead and other costs and may not accurately reflect the time spent on individual preventative maintenance activities. As a result, we generally used budget and expenditure data from City budget documents when discussing dollar amounts associated with facilities maintenance costs. However, we determined that the EAM data were sufficiently reliable for estimating the percentages of total facilities maintenance costs by facility type. Specifically, we used the data in EAM to estimate labor and materials costs as a percentage of total expenditures by the type of facility (public, semi-public, and City offices). Additionally, the EAM data was determined to be the best available information to estimate the cost of specific activities (such as work on the Ocean Beach Pier). We note the limitations of the EAM data when that data is referenced in the findings of this report.

Internal Controls Statement

We limited our review of internal controls to specific controls relevant to our audit objectives, described above.

Compliance Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: July 12, 2024

TO: Andy Hanau, City Auditor, Office of the City Auditor

FROM: Musheerah Little, Director, Department of General Services
Rolando Charvel, Director of Finance and City Comptroller

SUBJECT: Management Response to the City Auditor's Performance Audit of Facilities Maintenance

This memorandum serves as the Management Response to the Performance Audit of the City's Facilities Maintenance. Management appreciates the Performance Audit prepared by the Office of the City Auditor and thanks the staff involved. Management agrees with all recommendations.

The City of San Diego owns more than 1,600 public buildings and structures. Based upon industry best practices, the cost to maintain these facilities is in the tens of millions of dollars annually. Historically, the Department of General Services - Facilities Services Division (FSD) has had limited resources available to maintain the City's facilities. The lack of funding for appropriate resources has been the limiting factor in conducting the proper percentage of maintenance operations. As noted in this response, significant investment in FSD is required to correct the underfunding issues and be able to take actions required for on-going maintenance to protect the City's investments in its facilities.

There are several underlying causes that have reduced the City's ability to properly fund facilities maintenance. Historically, the General Fund has been underfunded, requiring prioritization of competing critical needs such as public safety, homelessness strategies and solutions, and street maintenance. This is due to various factors: (1) two of the General Fund's major revenue sources, Sales Tax and Transient Occupancy Taxes, have been lower than comparable cities in California; (2) the City has been unable to charge for trash collection services due to City Charter restrictions; and (3) the City has not established a dedicated capital infrastructure funding source (e.g., stormwater fee). In addition, there have been budgetary pressures over the last two decades, such as those generated by aggressively funding the City's pension system, high compliance costs to meet stormwater regulations, a significant increase in public liability claims, and, more recently, inflationary increases in non-discretionary operating costs such as rent, utilities, and insurance.

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Although FSD has had limited resources, staff have consistently demonstrated the ability to maintain the City's building assets in a safe and serviceable condition for both the public and City employees. Beyond the basic maintenance activities required to do this, FSD has also been able to manage additional efforts, such as tenant improvements, large emergency projects, and special requests and initiatives for the greater good of the City. FSD has shown a passion for its mission and demonstrated the values of service and responsiveness consistent with civil service. Staff have consistently provided outstanding customer service, extraordinary effort, and creative solutions with their limited resources.

FSD agrees with the recommendations made by the Office of the City Auditor. To implement these recommendations and ultimately increase maintenance and service levels to the appropriate amounts, additional resources will be required. However, it is important to state that, absent new revenues, it will be very challenging to address facilities maintenance needs unless there are service level reductions in other critical service areas.

As described in the following Management Response, initial funding resources will be required to respond to and satisfy the recommendations. It is also evident that additional and ongoing resources will be required to maintain the increased service levels on an ongoing basis. While the value of the ongoing resources is yet to be determined, it is anticipated that these will include additional full time equivalent positions, funding for non-personnel expenses, and contractor support. These funding decisions will need to be made through the annual budget process and, according to the City Charter, are within the purview of both the Mayor and the City Council.

RECOMMENDATION 1.1

The Facilities Services Division (Facilities Services), working with the Department of Finance and City Council, should propose amendments to Council Policy 200-13 to set a goal for the percent of the facility replacement value the City intends to spend on facility maintenance. The Council Policy should include all facilities for which Facilities Services provides maintenance, although it could have one goal for General Fund facilities and a different goal for non-General Fund facilities. Facilities Services should ensure the goals are included in the facility management plan discussed in Recommendation 2.1. (Priority 1)

MANAGEMENT RESPONSE: Management agrees with the recommendation. FSD will work with the Department of Finance, the Mayor's Office, and the City Council to establish this goal and amend council policy 200-13 as applicable.

Target Implementation Date: June 30, 2026

RECOMMENDATION 1.2

As part of the facility management plan in Recommendation 2.1, Facilities Services Division (Facilities Services) should develop a multi-year, long-term funding strategy to address both deferred maintenance needs and routine maintenance of City-owned facilities. This funding strategy should incorporate the funding goal as specified in Recommendation 1.1 and should, at minimum, include the following scenarios that tie funding needs to facility maintenance outcomes:

- *Scenario A: Show the current financial investments and the projected impact on the condition of facilities and the deferred maintenance backlog if funding levels stay the same.*
- *Scenario B: Show the financial investment that would be needed to address the maintenance backlog over time.*

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- *Scenario C: Show the annual financial investment that would be needed to maintain facilities to the standard set in Council Policy 200-13, detailed by General Fund and non-General Fund funding levels.*
- *Scenario D: Show the combined financial investment that would be necessary to accomplish the goals of both Scenario B and C.*
- *Scenario E: For comparison, show the financial investment that would reflect the best practice funding level of addressing the backlog of maintenance over time and spending 2-4 percent of the facility replacement value on maintenance annually.*

The funding strategy should be updated and presented annually to City Council or the appropriate Council committee as part of the facility management plan in Recommendation 2.1.

Facilities Services should work with the City of San Diego's Department of Finance to review long-term funding options and include these options in the funding strategy, such as: continued or increased reliance on the General Fund and special revenue funds, reallocation of resources from other priority areas, dedicated funds from non-General Fund departments, additional revenue sources, and any other options that may significantly contribute to closing the existing funding gap. (Priority 1)

MANAGEMENT RESPONSE: Management agrees with the recommendation. FSD will work with the Department of Finance to develop the funding strategy and include funding options within the funding strategy.

FSD will request specific resources to assist in the development of the funding strategy and manage this recommendation and other recommendations listed in this report. (See also Management Responses to Recommendations 1.6, 2.1, and 2.2). This request will include initial resources of internal staff, consultants, and ongoing funding allocation to develop the funding strategy:

- **Consultant(s)**
 - To conduct Facility Condition Assessments
 - To advise on funding strategy options
- **Two (2) full-time equivalent positions**
 - One (1) Program Manager to oversee, coordinate, implement, and administer the development and execution of the Facility Maintenance Strategy for City facilities, create short and long-term Funding Plans, and manage the development of Facility Condition Assessments. This position will also liaise with various departments, consultants, and contractors, provide oversight of budgetary and administrative support to the program, facilitate contractual development, and ensure the effective planning and execution of maintenance assessments. Management of technical support and strategic guidance for maintenance strategies are also key responsibilities of this position.
 - One (1) Associate Management Analyst to provide budgetary and administrative support for the Facility Maintenance Program. This position will primarily focus on supporting the development and management of funding plans, providing costs and projections to support facility condition assessments, and ensuring effective coordination across various administrative functions.

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Target Implementation Date: June 30, 2026.

RECOMMENDATION 1.3

The Department of Finance should include the estimated cost of annual maintenance for facilities in the Five-Year Financial Outlook. The estimated cost for annual maintenance should align with the goal funding level set in Council Policy 200-13 or should explain why it deviates from the goal set in Council Policy 200-13. If the costs are not included in the projected expenditures, the costs should, at minimum, be estimated and discussed in the report. (Priority 2)

MANAGEMENT RESPONSE: Management agrees with the recommendation. The Department of Finance will work to incorporate into the Five-Year Financial Outlook the estimated cost of annual maintenance for existing facilities based on the goal established by FSD under the modified Council Policy 200-13 and based on the most recent facilities condition assessment.

Target Implementation Date: December 31, 2026.

RECOMMENDATION 1.4

The Department of Finance should include the cost of maintenance for new facilities when discussing ongoing costs of facilities in the Five-Year Financial Outlook. The estimated cost for annual maintenance should align with the goal funding level set in Council Policy 200-13 or should explain why it deviates from the goal set in Council Policy 200-13. (Priority 2)

MANAGEMENT RESPONSE: Management agrees with the recommendation. The Department of Finance will work to incorporate into the Five-Year Financial Outlook the estimated cost of annual maintenance for new facilities based on the goal established by FSD under the modified Council Policy 200-13 and based on the cost estimate to construct or acquire the new facility.

Target Implementation Date: December 31, 2026.

RECOMMENDATION 1.5

The Department of General Services, working with the relevant City departments, should propose amendments to the relevant Council Policy or policies on acquiring new facilities to require that when presenting new facility acquisitions, the anticipated cost of ongoing maintenance be included in the financial analysis and Staff Report to Council. The cost of maintenance should align with the goal funding level set in Council Policy 200-13 or explain why it deviates from the goal. (Priority 2)

MANAGEMENT RESPONSE: Management agrees with the recommendation. FSD will work with the relevant departments to update the appropriate policy to communicate the ongoing maintenance costs when presenting new facilities to City Council.

Target Implementation Date: To be determined based upon the established goals and the amendment of Council Policy 200-13

RECOMMENDATION 1.6

Facilities Services Division, working with the Engineering and Capital Projects Department and the City's asset managing departments, should describe in its facility management plan how it plans to update the design standards manual for efficient maintenance and keep the manual updated in the future. The facility management plan is detailed in Recommendation 2.1. (Priority 3)

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MANAGEMENT RESPONSE: Management agrees with the recommendation. FSD will coordinate with the Engineering and Capital Projects Department, Purchasing and Contracting Department, and the City Attorney's Office, to review and update the standardization of building systems and equipment. This recommendation requires implementation of the Facilities Management Program described in our response to Recommendation 1.2.

Target Implementation Date: To be determined, based upon Fiscal Year 2026 budgeted resource allocations.

RECOMMENDATION 2.1

The Facilities Services Division (Facilities Services) should develop a facility management plan and present it to City Council or the appropriate Council Committee annually. Facilities Services should propose updates to Council Policy 200-13 to require an updated facility management plan. The Council Policy should require the plan to include, at minimum:

- a. The facility maintenance funding strategy, as set out in Recommendation 1.2;*
- b. The target funding goals, as set out in Recommendation 1.1;*
- c. Actual spending levels for the previous 5 years;*
- d. Where the funds from the previous year were spent, such as the amount spent by facility category type, by department, for non-maintenance activities like setting up homelessness services spaces, or for specific initiatives across facility types, such as an initiative for multiple elevator repairs or roof repairs;*
- e. Anticipated facility maintenance needs in the next 1-5 years, with input regularly gathered from departments and updated condition assessments;*
- f. Actual and anticipated facility maintenance needs compared to actual and anticipated spend by facility type and department;*
- g. The latest information and results from the facilities condition assessments, including the date of the most recent assessment and the date of the next assessment according to updated Council Policy 200-13 requirements; and*
- h. The plan for addressing those needs in the next 1-5 years.*

If the City prefers, certain elements of the facility management plan, such as the target funding level (item b), anticipated facility maintenance needs (item e), and results from the latest facility condition assessments (item g) may not change substantially each year and therefore may not need to be updated annually. However, the reports on funding, including the funding strategy (item a), spending levels (item c), how funds were spent (items d and f), and the plan for addressing needs (item h), should be updated annually to reflect maintenance budget patterns and maintenance funding needs before the City makes budget decisions. (Priority 1)

MANAGEMENT RESPONSE: Management agrees with the recommendation. In addition to the resources requested in the response to Recommendation 1.2, FSD will request following resources for the development and implementation of the Facilities Management Program:

- **Consultant(s)**
 - Develop Facilities Maintenance Plan
- **Nine (9) full-time equivalent positions**
 - One (1) Administrative Assistant to assist the Program Manager, Associate Management Analyst, and the rest of the team in coordinating administrative and budgetary functions within the Facility Maintenance Program. This role will

be responsible for assisting with administrative tasks, organizing documentation, scheduling meetings, and facilitating communication among team members. Additionally, the Administrative Assistant will support budgetary activities, financial tracking, and other duties in support of the program.

- One (1) Project Officer 1 to manage, plan, and coordinate projects related to facility maintenance, with a focus on contract development, consultant coordination, and execution of Facility Condition Assessments (FCAs). This position will also be responsible for liaising with consultants, contractors, operations staff, the Program Manager, and other stakeholders to ensure effective planning and execution of maintenance initiatives and other related efforts.
- Two (2) Project Assistants to assist with providing essential support in the planning and execution of facility maintenance initiatives, particularly in contract development, consultant coordination, purchase order creation and related cost tracking, and support of the execution of Facility Condition Assessments (FCAs). These positions will also ensure effective communication and collaboration exists among consultants, contractors, and operations staff, in support of the Program Manager and Project Officer 1
- One (1) Building Maintenance Supervisor to supporting the Facility Maintenance Strategy by providing crucial technical support to the Project team by overseeing consultants and contractors involved in maintaining specific City facilities and building systems. This position's responsibilities extend to coordinating field operations and ensuring the efficient execution of maintenance activities. Additionally, the BMS will play a vital role in directly supervising Building Services Technicians, ensuring they adhere to high standards of performance and safety protocols. This position's expertise and leadership will ensure the continuous operational integrity and optimal functioning of our facilities.
- Four (4) Building Services Technicians to provide direct support to the project team, the Building Maintenance Supervisor, and consultants in executing field tasks efficiently. Responsibilities include ensuring adherence to rigorous standards of performance and safety protocols during maintenance operations. These position's contributions are essential in supporting the Building Maintenance Supervisor and the Program Manager's efforts to maintain the continuous operational integrity and optimal functionality of our facilities.
- **Ongoing Funding Allocation**
 - To support the expansion and operational efficiency of the program, non-personnel expenses are essential for the acquisition of additional office spaces, equipment, vehicles, IT systems, software, support services, and contractual obligations.

Target Implementation Date: December 2026 contingent upon the approval of requested resources and additional budget

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RECOMMENDATION 2.2

The Facilities Services Division should propose updates to Council Policy 200-13 and request the Mayor and City Council approve funding to update its facility condition assessments at least every 5 years, in line with best practices. If best practices dictate that specific facility asset classes require assessment less often than 5 years, the division should note those asset classes and their corresponding recommended assessment timelines in the Council Policy. To smooth the budgetary cost of the assessments, the update should allow the City to conduct these reviews on a rolling basis, so that not every facility is assessed at once. (Priority 2)

MANAGEMENT RESPONSE: Management agrees with the recommendation. FSD will request resources to conduct facilities assessments during the Fiscal Year 2026 Budget Cycle. This recommendation requires implementation of the Facilities Management Program described in our response to Recommendation 1.2.

Target Implementation Date: June 30, 2025

RECOMMENDATION 2.3

The Department of General Services should update its standard operating procedures to require the Facilities Services Division to capture all preventative maintenance plans in its Enterprise Asset Management system. (Priority 2)

MANAGEMENT RESPONSE: Management agrees with the recommendation. In April 2023, the FSD created and onboarded a new Program Coordinator position to manage its EAM. The efforts of this new position have resulted in the addition of 2,066 Preventative Maintenance plans to various equipment and functional locations in the EAM. All equipment in the EAM now has a scheduled Preventative Maintenance plan assigned to it. This position has also implemented new Standard Operating Procedures for FSD to ensure all appropriate preventive maintenance plans for new or additional functional locations and its associated equipment are captured in the EAM. FSD will formalize this new Standard Operating Procedure in a Division Instruction.

Target Implementation Date: March 31, 2025

RECOMMENDATION 3.1

The Facilities Services Division (Facilities Services) should provide a self-service mechanism for departments to see the status of each of their maintenance requests. At minimum, Facilities Services should provide read-only access in the Enterprise Asset Management system, SAP, to select staff from each department, such as those that report facility maintenance issues. The mechanism Facilities Services uses to inform departments of the status of their maintenance requests should include, but not be limited to:

- *The status of the maintenance request (i.e., assigned a work order, completed, canceled, etc.);*
- *For canceled maintenance requests, the reason for cancellation, and;*
- *Accurate key dates, such as when the maintenance request was assigned to staff, canceled, or completed.*

When implementing the mechanism, the City should provide training to department staff on how to monitor the status of their repair requests. (Priority 2)

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MANAGEMENT RESPONSE: Management agrees with the recommendation. FSD has already begun to work with Department of Information Technology's Enterprise Resource Planning Support section to develop a customer department view screen for Maintenance Notifications and Maintenance Orders that will include the recommended information listed above. FSD will create documentation and training for Facilities Service Request users to access this information in the EAM.

Target Implementation Date: June 30, 2025



Musheerah Little
Director, Department of General Services



Signed by Jeff Peelle, Assistant Director,
on behalf of Rolando Charvel
Department of Finance Director
and City Comptroller

ML/hdl

cc:

Paola Avila, Chief of Staff, Office of the Mayor
Eric K. Dargan, Chief Operating Officer
Charles Modica, Independent Budget Analyst
Matt Vespi, Chief Financial Officer
Scott Wahl, Chief, Police Department
Colin Stowell, Chief, Fire-Rescue Department
Kristina Peralta, Deputy Chief Operating Officer
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Rania Amen, Acting Deputy Chief Operating Officer
Christiana Gauger, Chief Compliance Officer
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