MANAGING PUBLIC PROPERTIES IN SONOMA COUNTY
Uncoordinated Decisions and Neglect

SUMMARY

The Sonoma County Civil Grand Jury investigated the use of capital assets that the County of Sonoma uses primarily for general government purposes. These include the various departments that contribute to overall services. The Grand Jury did not study those relating to special districts and functions (parks, water, airport, and infrastructure such as roads, and bridges).

Sonoma County government serves the more than half million residents of the county at an annual cost of a billion dollars. These government activities are supported through the services of nearly 3,300 employees and investments of one and a half billion dollars in assets, about a third of it land and buildings.¹

The investigation focused on the policies and practices governing the management of properties owned and used by the County of Sonoma for general government purposes. The objective was to determine the existence, adequacy and implementation of policies, procedures, and financial records needed for sound management of government land and building assets.

This report examines the following areas and their identified issues:

- The Enterprise Financial System - the lack of a comprehensive data base.
- The 5-Year Capital Improvement Plan - usurped resources
- Deferred maintenance - continued deterioration of assets
- Lack of integration - departmental isolation
- Going forward - decision hurdles

The Grand Jury found that responsibilities, resources, and decisions for capital asset management are divided between various departmental units. The responsibilities are not always well identified, known, or coordinated. Records are kept on multiple platforms, leading to duplication and error-prone transfer of data. Limited funds for capital asset development are allocated heavily to a few high-profile needs. Necessary long-term decisions are being forfeited to meet near-term exigencies. Overdue maintenance leads to degrading facilities and impacts long-term planning. Useful metrics for capital asset management are not consistently generated, nor communicated regularly to decision makers. Funding for capital assets replacements and development are addressed retrospectively rather than prospectively. Policies may need enforcement, revision, or replacement.

The true cost of maintaining County facilities has been substantially understated. The Grand Jury found that normal maintenance and repair of County facilities have been underfunded and therefore neglected, leading to more rapid deterioration of the facilities. Deferred maintenance is considerable; the costs to rectify the problem distort current maintenance budgeting and impact plans for future facilities. The County Administrator’s Office is considering reorganizing maintenance services as an internal activity; costs would be allocated on an equitable basis to fund maintenance services at a more realistic level.
The Grand Jury recommends facility maintenance be provided at levels commensurate with industry standards. The Grand Jury also recommends that deferred maintenance be reported as an adjunct to regular financial reports so that statistics are available for review annually by department heads and the Board of Supervisors.

Hood House 1885, Los Guilicos, Sonoma County Heritage property. Although there was an important upgrade in 2008, the facility is essentially unused.

GLOSSARY

ACTTC  Sonoma County Auditor-Controller-Treasurer-Tax Collector
CAO    County Administrative Office
FASAB  Federal Accounting Standards Advisory Board
GAAP   Generally Accepted Accounting Principles
GASB   Government Accounting Standards Board
SFFAS  Statement of Federal Financial Accounting Standards
Capital Assets  Tangible and intangible assets of significant value that are used in operations and have a useful life beyond one year.
**Impaired asset**
An asset whose fair value is less than stated book value, often because it was impacted by a unique event such as fire or flood.

**Normal Maintenance and Repairs**
Routine recurring work required to keep a facility in such condition that it may be continuously used at its original capacity and efficiency for its intended purpose.

**Deferred Maintenance**
Normal maintenance and repairs that were not performed when they should have been or were scheduled to be, and which are put off or delayed for a future period.

**BACKGROUND**

County records show assets owned by Sonoma County are valued at approximately 2 billion dollars. There are over 90 county-owned buildings, comprising 1.6 million square feet of space located on almost 500 acres. Another 400,000 square feet of leased space are used by county departments. The County Administration Center alone represents 470,456 square feet of office space, not including the detention facility and the sheriff’s buildings.²

The County has established policies and procedures that guide:

- planning, funding, procurement, maintenance, and disposition of capital assets
- fiscal and budgetary authorization and control
- resource allocation, inventories, and valuation
- duties of those who implement the policies and procedures

The primary responsibility for implementing those policies rests with the senior managers and officers of the County. Their duties include compiling routine reports on the above and projecting the impact those findings have on the needs and well-being of the County and its residents.

The cost of keeping facilities maintained, repaired, and in good operating condition is substantial. Dollars to pay those costs come largely from the same limited resources that fund other important programs and services, resulting in a perennial budgeting tension. In recent years, the recession, fires, and floods have diminished tax revenues and increased demands for emergency services. One way the County has balanced the budget in the short run has been to spend less for maintenance and repairs. Unfortunately, facilities that aren’t adequately maintained wear out more rapidly, resulting in even higher maintenance or replacement costs.

Some of the County’s capital assets have reached the end of their useful lives and others are approaching that condition, in part because so many normal maintenance and repair measures have been deferred. The County does not have funds to replace the facilities, and might not be able to float a bond issue to finance them. The County is therefore considering other potential modes for solving the problem. Given these circumstances, it is reasonable to question if the County’s policies and practices for capital assets are both adequate and observed.
METHODOLOGY

The Sonoma County Civil Grand Jury studied issues of implementation and adequacy of policies and practices governing the management of county assets and the control of real properties owned and employed by the County of Sonoma for general government purposes.

The investigation included interviews of public officials and staff from the Sonoma County Administrator’s Office, Auditor-Controller-Treasurer-Tax-Collector’s Office, and the General Services Department.

DISCUSSION

Capital Assets and Their Management

Among Sonoma County’s resources are land, buildings, and related facilities, which constitute a substantial investment by the taxpaying public. It is the duty of government to provide and maintain capital assets that meet the needs of taxpayers, employees, and the general public, and to manage capital assets wisely. Government services can be unfavorably affected if investments are not sufficient, effective, or economical.

Most of the County’s general government facilities are contained in three campuses, County Administration Center, Chanate Medical Complex, and Los Guilicos. Two thirds of the buildings were constructed before 1970. At all three campuses, routine preventative maintenance and repairs have been neglected – either unfunded or underfunded due to budgetary constraints – with the result that physical deterioration is evident.

The County is attempting to sell the Chanate campus, the site of the abandoned hospital and several entities that remain. The Los Guilicos campus harbors a collection of unrelated structures which range from the 1858 Hood House and Knights of Pythias buildings to a modern Juvenile detention complex, Valley of the Moon Children’s Home, CASA (Court Appointed Special Advocate for children), and Grand Jury office. Much of the compound has long-abandoned buildings that will never be used again. Despite efforts by PRMD (Permit Sonoma) in 2006, the County still lacks an active long-term plan for the Los Guilicos property.3

Good management often begins with good information needed to make good decisions. In Sonoma County, considerable effort and expense has been applied over the past nine years to implement a new County-wide information system known as the Enterprise Financial System (EFS), with capabilities to budget, receive revenues, approve and make disbursements for expenditures, and generate financial reports. Management decisions must combine this other information such as the needs of citizens and the business community, employee workloads and working conditions, and the suitability of capital assets that support people and operations.

The Grand Jury has identified three policies that govern capital asset management for Sonoma County- one that governs accounting and financial reporting, and two that govern operational activities:

Sonoma County Government Policies Pertaining to Capital Asset Management
Policy FA-1: Accounting for Capital Assets  See Appendix A
Policy 5-2: Policy for Capital Project and Asset Responsibility
Policy 7-2: Real Property Acquisition and Management

**Assets Management and Organizational Integrity**

Capital assets management includes a wide variety of functions, divided among various departments: planning, funding, design, procurement, construction, recording, operation, maintenance, preservation, insurance, security, and demolition. No one person or department coordinates all of these activities.

The CAO is responsible for budgeting activities and many of the budget decisions that impact capital assets. The ACTTC is responsible for capital asset financial records and reporting. Many of the responsibilities for planning, development, operation, and maintenance of buildings and other capital assets fall to the General Services Department. Other departments are responsible for health and safety, and for property and liability insurance. A biennial inventory of capital assets is conducted by the ACTTC. Permit Sonoma convenes a commission with oversight of landmark properties throughout the county, while the County’s own heritage properties seem to be abandoned. The Grand Jury explored only part of this complex scope.

The General Services Department is responsible for most County real properties management, planning, maintenance, and repairs including those for Sonoma Water, the Open Space Districts, and Community Development Commission - all of which rent County properties. Approval for these activities requires general budgetary or project-specific approval from the Board of Supervisors. All departments report to the County Administrative Officer, who delegates responsibility.

**Assets Management and Planning**

Long-term facilities planning is embodied in a five-year capital development plan. The plan for 2018-2023 identifies $93 million of expenditures for fiscal year 2018-2019, with the bulk of the funding from grants, transfers, and other special funds. The General Fund contribution is $5.5 million.

Projected spending for the five years is considerably higher. $315 million of the total requested is for County government center facility capital improvements, with $68 million of the activity scheduled for 2018-2019. The total includes $70 million to remedy the most critical deferred maintenance needs, funded at $14 million a year.

The County’s five-year capital improvement plans are assembled annually by General Services from proposals submitted by departments. The CAO establishes criteria and an overall budget for these proposals. Departmental submittals are scored by General Services in a manner consistent with weighting scales established by the CAO, with safety and health standards high on the priority list. The CAO’s office determines the final consolidated proposal which will be presented to the BOS. When budgeted funding is minimal, capital improvements are low priority. In recent years, with recurring limited funding, 5-year plans consist largely of unfunded proposals from previous years.
Capital Assets planning goals for the current fiscal year are:

- Develop a County facilities financing and development plan, which may include a public-private arrangement to redevelop the County Administration campus to reduce deferred maintenance costs and enhance the public’s access and service delivery experience.
- Complete review of internal services cost allocation to departments with the goal of establishing a leveled operational cost that departments can use for fiscal planning.

The County conducts a biennial capital facilities survey, handled out of the CAO’s or ACTTC’s office, with no focused involvement of General Services. Asset activity responsibilities are spread throughout County agencies without close coordination.

*Additional Asset Responsibilities*

General Services also has responsibility for the County’s heritage facilities. When interpreted narrowly, heritage facilities are limited to those on the National Register. The Hood House Mansion at Los Guilicos is the only qualifying facility. There are no funds available to General Services for maintaining Hood House.

Permit Sonoma is responsible for the County’s Historic Landmarks effort, which monitors historic resources that a Landmarks Commission has determined to be significant based on local, state, and federal criteria. The Landmarks Commission reviews development proposals involving historic properties (most of them privately held), and administers an historic resources preservation program. Hood House is not on the historic resources list, where it presumably would be eligible for the preservation program.

*Assets Management and the Enterprise Financial System*

In a major shift that began in 2012 and took several years to complete, Sonoma County discarded an outdated program for financial accounting and reporting that it had been using and replaced it with a more capable Enterprise Financial System (EFS) leased from Oracle. The new system is being used by all departments and agencies of the County to manage budgeting, financial, and accounting transactions, and to produce reports.

The County’s EFS was instituted primarily for accounting/record and other financial purposes. It remains within the organizational responsibility and control of the County’s ACTTC (Auditor-Controller-Treasurer-Tax Collector) office. It contains a dozen or more operating modules including cost accounting and asset management.

The Asset Management module has capabilities that are more extensive than accounting and finance.

"Asset Management is designed to help maintain physical control over existing depreciable and non-depreciable assets, calculate and maintain depreciation schedules and lease information. With a single centralized repository of asset data, AM becomes the core for all assets and related activities. By incorporating these business processes into a single integrated database, AM
can help reduce reconciliation and data integrity problems. The AM module offers features that allow the addition of new assets, perform transactions during their useful life right through to retirement, and record the accounting entry details in accordance with regulatory requirements. AM will also be integrated with Project Costing in Phase 2 to share information about assets that are associated with ongoing projects.\footnote{7}

Most of the non-financial asset management features of the Asset Management module that are available to operating departments have not been implemented. This offers a cost-effective ongoing opportunity for departments to take advantage of the additional features. Departments are not currently implementing these features in spite of their recognized value.

The current accounting and financial programs used by various departments in the County and the slow implementation of the new EFS module could be hindering the flow of information to County department heads and the BOS. This delay may be due to cost and limited training time availability as well. Because the EFS has modular capabilities that could capture the maintenance history of various assets in addition to accounting data, information could be recalled quickly to facilitate decisions.

County employees also use in-house systems which serve departmental purposes, but are not employed uniformly throughout the County. A more extensive use of EFS would streamline procedures and provide an accessible depository of valuable information to be viewed and analyzed while making decisions regarding County assets.

**Assets Management and Deferred Maintenance**

Physical things require maintenance to keep them in working order. Deferred maintenance is the practice of postponing maintenance activities such as repairs on property in order to save current costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment. Generally, a policy of continued deferred maintenance may result in higher costs, asset failure, and in some cases, health and safety implications. The term “deferred maintenance” represents the difference between the estimated cost of normal maintenance and repairs, and how much was actually applied.\footnote{8}

Inadequate maintenance of heating, cooling, ventilation, or rain protection compromises health, comfort, and safety. A few examples in the County were: in one office building 4 of 6 rooftop HVAC units failed and remained that way during the entire winter season, resulting in employees working in coats and parkas to accommodate the 50-degree working conditions. In another example, an excessively high CO$_2$ level in a courtroom had to be treated with a costly night flush ventilation routine. And in the public men’s room at Los Guilicos, half of the urinals haven’t worked for years.

Building maintenance in Sonoma County was kept up fairly well until the 2008 Recession, and then was significantly deferred. Deferred maintenance has not recovered since then. Ongoing maintenance is underfunded. There is little funding for demolition; unused properties are largely abandoned in place.
Between 2000 and 2007 the maintenance budget increased as the square footage increased. From 2007 to 2011 there was a 47% reduction in the maintenance budget even with a reduction in staff and an increase in square feet. In a May 8, 2018 report to the BOS it was noted that the “assets demands for services has continued to grow.”

The insufficient operating budget has created a backlog of $258 million in deferred maintenance on the County Center Campus alone. Projected over 20 years, the deferred maintenance at the County Center grows to over $650 million assuming a 6% construction cost escalation. Deferred maintenance will continue to increase unless the buildings are replaced or significant investments are made to address the deferred maintenance backlog. Today the County would need to invest $25.3 million annually over the next 20 years just to catch up with the deferred maintenance.  

Both the 2017 firestorm and the 2019 floods have impacted the County’s ability to provide funding for deferred maintenance. The County is unable to cover those costs, and there are no additional funds to pay more towards all maintenance annually and pay off the backlog.

According to the May 2018 report, “the estimate to pay that off is to increase the General Services budget by almost 3 million dollars per year.” The solutions reviewed by the County were:

- continue the status quo, which would never catch up given the rate of structural and building systems deterioration
- catch up on deferred maintenance, which would require the County to dedicate a fixed annual amount and funding that outpaces inflation
- create new construction, which requires new funding
- lease buildings, which also requires budget allocation

Current building maintenance and deferred maintenance are untenable. Solutions will take years, and the BOS will be central to the process.

When deferred maintenance is allowed to accumulate significantly, the assets themselves are impaired; impaired assets warrant adjustments in book value if the amounts are material, and that impacts the value of collateral for other purposes. See Appendix B.

VFA Associates, a consultant engaged in 2014, established deferred maintenance dollar amounts for most County facilities. These values were based on facility age, condition, and component costs, using established standards. The figures are adjusted annually with a building cost index to reflect inflation. The County lacks an established internal resource capable of creating comparable estimates. The County will again need to contract with a consultant, at considerable expense when fresh estimates are needed.

The BOS did establish a deferred maintenance fund a year ago, but funding has been inconsistent and the fund has been used to cover other program costs. General Services recently proposed an Internal Service Fund approach in which all departments will be charged a occupancy fee.

The BOS receives sporadic reports of deferred maintenance. The BOS needs regular, consistent reports, preferably in the County’s annual CAFR (Comprehensive Annual Financial Reports).
An appropriate way to do this is illustrated by Federal Standards *Accounting for Property, Plant, and Equipment*. The Standards call for deferred maintenance and repairs information to be shown in a supplemental footnote within the regular financial reports. *See Appendix C.*

**Assets Management and the County’s Future Building Needs**

Several years ago, the County became concerned that some of its real estate holdings were not providing full value, such as generating revenue and/or increasing utilization. Two thirds of the buildings were constructed before 1970. At the three major campuses (Chanate Medical Complex, Los Guilicos and the County Administration Center), routine preventative maintenance and repairs had been neglected – either unfunded or underfunded due to budgetary constraints.

To illustrate some of the problems with decaying infrastructure, the Civil Grand Jury offered this example: the Chanate Property in 2016 was appraised unimproved at $7 million and estimated improved at $275.5 million. Measures to prevent vandalism, fires and cover security cost the County more than $800,000 annually. The remaining eleven aging buildings over the past ten years have cost the County $2.6 million in capital improvements while maintenance and utilities have cost approximately $6.3 million.

A consultant’s report last year, May 2018, recommended replacing “the campus” using a developer in public/private partnership. An update of that proposal was presented to the BOS on January 29, 2019. One group of County leaders prefers construction of new facilities using a Public/Private/Partnership Model (Performance Based Infrastructure). Under the PBI Model, design, construction, financing, operations, and maintenance are bundled together into a single program with a contracted entity. The government entity continues to own the land through the duration of the term. The cost to the government can be distributed over a longer period of time than bonding – typically 35-40 years vs 25 years- and payments can be linked to operational performance. Other county leaders recommended a Certificate of Participation that would need to be collateralized by another asset. This option would not require voter approval.

The County has looked at reports since 2007 as tools to determine how to better increase utilization of the County Administrative Center and surrounding properties for possible commercial development that could generate revenue.

In 2009, Sonoma County developed a Comprehensive County Facilities Plan under the Strategic Plan Objectives for County facilities. Some proposals to address limited funds included:

1. Reduce the number of major complexes owned by the County, using the unneeded assets to generate revenue.
2. Start the process to analyze the county’s needs and assets, develop strategies for how the real estate can be developed, improve services, reduce carbon footprint, increase asset utilization, and possibly generate additional revenue.
3. Consider the project charter roadmap, Comprehensive County Facilities Plan, includes service delivery, real estate and financial plan. The financial plan includes an analysis of surplus real estate which could be leased, sold or developed.
A beneficial outcome from the proposals is that the County owns a considerable amount of valuable real estate which is generally under-developed and underutilized. This proposal was a way to determine the use of the assets “to generate revenue to help pay for facility improvements.”

The strategic priority to replace the County building structure has multiple goals, one of which is to revitalize the County campus to reinvent and improve County facilities, and to identify land available for housing, retail and office development in order to achieve long term revenue generation. The County has been spending a significant amount of money on costs associated with empty/unused buildings. The County Administrator’s Office is considering new funding programs which may create stable flows of revenue. It would function like an internal savings account for each department to save funds for deferred maintenance and new projects. However, if departments are currently scraping by, how could they contribute to a sufficiently robust “savings” account?

**Concluding Thoughts on the Investigation**

The history and present moment of managing public property in Sonoma County has led to uncoordinated decisions and neglected assets. County administrators and employees have been stymied by economic realities, shifting state resources, a fragmented data system, catastrophic fires and floods. These public property issues are formidable and County administrators are tasked with difficult decisions. The Sonoma County Civil Grand Jury hopes that this report will assist county administrators and the public in understanding how we got here, where things stand presently, and create an interest and involvement in civic decisions regarding public property as we go forward.

**FINDINGS**

The Sonoma County Civil Grand Jury has determined that:

**F1.** Deferred maintenance of County buildings and other facilities has become so considerable that it requires extraordinary measures and limits management’s ability to plan effectively for future facilities.

**F2.** Sonoma County Capital Assets Policy FA-1 fails to provide sufficient reporting for management to determine the extent to which normal maintenance and repairs of buildings and other County facilities are being deferred.

**F3.** There is no formal requirement that County departmental administrators inform the Board of Supervisors regarding current-year deferred maintenance decisions on capital assets including cost to the County budget.

**F4.** Real asset records are scattered over an excessive number of record keeping and asset management systems.

**F5.** General Services, as well as other departments, have yet to take advantage of integrating with the Enterprise Financial System’s Asset Management module which provides asset tracking, acquisition, maintenance, inventory, and cost-sharing.
F6. The true cost of maintaining the County’s facilities has been substantially understated for over a decade by deferring needed maintenance.

F7. Facility maintenance is persistently underfunded, at levels substantially below recommended industry standards.

F8. Deferred maintenance costs are continuing to accumulate to an extent that they constitute a major reduction in asset value not reported in the County’s financial statements.

F9. Deferred maintenance contributes to more rapid deterioration of facilities and therefore, in the long run, to higher facilities costs.

F10. Public and employee safety are adversely affected by deteriorating building conditions brought about by deferred maintenance.

F11. The current condition of facilities creates a difficult environment for making future plans and decisions about used and new facilities.

F12. The County lacks in-house capabilities for determining and setting deferred maintenance valuations.

F13. Capital assets that suffer from significant accumulations of deferred maintenance may be impaired assets for accounting purposes.

F14. The Board of Supervisors has not been able to fully implement the Capital Improvement Plan due to appropriation of funding to other departments.

RECOMMENDATIONS

The Sonoma County Civil Grand Jury recommends that:

R1. The ACTTC (Auditor-Controller-Treasurer-Tax Collector) establish a procedure by October 1, 2019, to supplement Capital Assets Policy FA-1 with deferred maintenance reporting comparable to that in Federal Accounting Standards SFFAS 6, 40 & 42. [F2, F8]

R2. The County Administrator obtain an independent cost analysis and justification of deferred maintenance on capital assets from each department head and present to the Board of Supervisors by March 2020, and following on an annual basis. [F3]

R3. The County Administrator work with department heads to evaluate and take advantage of the EFS Capital Asset Management module to avoid duplication, consolidate data, provide cost savings, and report updates to the Board of Supervisors by December 31, 2019. [F4, F5]

R4. The County Administrator and the Board of Supervisors budget regularly for facility maintenance at levels consistent with recommended industry standards by December 31, 2019. [F6, F7]
R5. The Director of Health Services reduce employee and public exposure to hazards, minimize risks of OSHA and liability exposure by enforcing a higher level of maintenance by December 31, 2019. [F10]

R6. The County Administrator and the General Services Director assign resources such as sufficient staffing for determining and setting deferred maintenance valuations by December 31, 2019. [F12]

R7. ACTTC review assets with accumulated deferred maintenance and adjust the record of accumulated depreciation if material impairment is found by July 1, 2020. [F13]

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the Civil Grand Jury requires responses from the following officials as follows:

- Auditor-Controller-Treasurer-Tax Collector (R1, R7))
- Board of Supervisors (R1,R4)
- County Administrator (R2, R3, R4 R5, R6)
- General Services Director (R2, R3, R5, R6)
- Director of Health Services (R5)

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APPENDIX A - Accounting for Capital Assets and Deferred Maintenance

Sonoma County’s standards for accounting and financial reporting of capital assets appear in Policy FA-1, Accounting for Capital Assets. "The purpose of this policy is to present a uniform method of maintaining Sonoma County's capital asset records and to apply a consistent method of accounting for capital assets." Among the features: Safeguard sizable public investments, Establish responsibility and accountability for custody of assets, and Formulate future acquisition policies.”

The Auditor-Controller “…shall prescribe, and shall exercise a general supervision over the accounting forms and the method of keeping the accounts of all offices, departments and institutions under the control of the board of supervisors…. ” The California Government Code, on which this Policy is based, provides further: “In addition to the accounts required by law the auditor-controller shall, upon order of the board of supervisors, maintain such accounts and statistics and prepare such reports therefrom as the board may deem necessary for its information and use ….” The Board of Supervisors is therefore responsible for specifying what information they need to manage deferred maintenance costs, among other interests.

APPENDIX B – Capital Assets: Impaired Values

When events occur or circumstances change in ways suggesting that the carrying value of a long-lived asset may not be recoverable, the value should be reviewed; when appropriate the impaired asset should be recorded at its estimated fair value. This is the current standard practice acknowledged by Sonoma County staff.

Depreciation schedules and accumulated depreciation values are premised on normal maintenance and repairs; facilities that get less than normal maintenance and repairs are subject to extraordinary physical deterioration. While a small amount of deferred maintenance may not be material for accounting purposes, if deferred maintenance is permitted to accumulate, the value of the asset may be impaired and should trigger an adjustment in the book value of the asset.

APPENDIX C – GAAP and Deferred Maintenance

To promote consistency and good practice, the accounting profession follows Generally Accepted Accounting Principles (GAAP) and recognizes the authority of several accounting standards boards.
There is a Financial Accounting Standards Board (FAS), a Government Accounting Standards Board (GASB), a Federal Accounting Standards Advisory Board (FASAB), and groups that serve professional consortia, industries, and countries overseas. They pay attention to each other and their standards are similar, but there are differences too. Despite the differences, all the groups claim their standards follow GAAP.

GASB is an important standards board for Sonoma County because it establishes accounting and financial reporting standards for Federal, state and local governments. Of similar interest is the guide from the California State Controller’s Office, “Accounting Standards and Procedures for Counties.” Both prescribe conformity to GAAP, and Sonoma County’s Fiscal Policy FA-1, “Accounting for Capital Assets” cites both GASB and GAAP.

Physical plant managers are concerned that the facilities they manage will not remain in good operating condition if their budgets aren’t large enough to pay for normal maintenance and repairs; they identify the deficiency as “deferred maintenance” However, none of the accounting standards organizations recognizes deferred maintenance as a regular GAAP accounting entry. Deferred maintenance is not a revenue or expense item, and neither is it an asset or liability (although it could appropriately be classed as an asset contra item, in the same sense as accumulated depreciation). Because it does not appear in financial reports, the result could be that authoritative information is never developed; or, if developed, it may not have been seen regularly by responsible managers.

The problem of how to report deferred maintenance has been solved by FASAB in their Statement of Federal Financial Accounting Standards (SFFAS) 42 and SFFAS 6 Accounting for Property, Plant, and Equipment standards. They call for “deferred maintenance and repairs” information to be shown in a supplemental footnote within the regular financial reports. Supplemental notes are so common in financial statements that they are known as the RSI (required supplementary information) presentation. Deferred maintenance has become part of the RSI for these reports.

“Deferred Maintenance and Repairs (DM&R) reporting enables the government to be accountable to citizens for the proper administration and stewardship of its assets. Specifically, DM&R reporting assists users by providing an entity’s realistic estimate of DM&R amounts and the effectiveness of asset maintenance practices the entities employ in fulfilling their missions. This Statement amends the required supplementary information (RSI) presentation." Details of the requirements are found in the standards themselves, but they critically include requirements for entities to: 1) describe their maintenance and repairs (M&R) policies and how they are applied, 2) discuss how they rank and prioritize M&R activities among other activities, 3) identify factors considered in determining acceptable condition standards.

END NOTES

1 Data reported in the County’s Comprehensive Annual Financial Report for 2017-2018. During the previous decade, the county’s estimated population grew by 3.4% while per capital personal income increased by more than 20% to $56,538.
2 Numbers vary from one County report to another, primarily because they depend on which operating entities are being counted and frequently the scope is not well defined. For comparison, a FY2017-2018 paper titled “County Strategic Priority: Rebuilding Our Infrastructure” tallies “158 county buildings which represent a total of 2.6 million square feet.”
3 A study in 2006 provided “an architectural and historical evaluation for the Los Guilicos Long Range Plan being prepared by the County of Sonoma.” It established that the Hood House was already on the National Register and found that four additional buildings constructed by the Knights of Pythius a century ago “appear eligible for inclusion.”
The County relied on a system called "FAMIS" (for Financial Accounting Management Information System) for over 30 years. It had reached the end of its useful life when the decision to replace it was made in 2012. The new Enterprise Financial System (EFS), has been running since 2015. Data entries were transferred to the new system, unchanged, without further verification. Some archival transaction data has been retained and is available by special search.

Oracle Corporation is a major computer software and information systems company, ranked high in the Fortune 500 list of the largest corporations. Sonoma County is using Oracle's PeopleSoft and Hyperion software.

The Auditor-Controller-Treasurer-Tax Collector is one of Sonoma County's elected officials. The department is staffed with approximately 100 employees. Their stated mission is "to promote public oversight, provide accountability, support financial decision-making and provide quality financial services."

Notification issued by the implementation team during the first phase of Sonoma County's EFS implementation.

Amendments to SFFAS 6, Para. 77. Recognized standards/metrics for maintaining capital assets are published by BOMA (Building Owners and Managers Association International) and IFMA (International Facility Management Association). The Federal standard cited sets methods for how estimates are to be made for accumulated deferred maintenance: (a) surveys based on field inspections, (b) mathematical predictive models (such as life cycle), and (c) a combination of surveys and models.

May 2018 Report on Solutions for Addressing the Growing County Government Center Administration Buildings.