

## Capital Set-Aside

**PBOT's ask: Will BBAC consider including a recommendation in their narrative for greater consideration of asset management priorities in the capital set-aside evaluation process and to identify the capital investments that best serve Portlanders?**

In deliberating your response, please consider the following information for context:

The City Budget Office is currently re-evaluating the capital set-aside scoring process in anticipation of an extension of Resolution 37107 that created the capital set-aside allocation from the GF

PBOT recommends the following changes to the capital set-aside scoring criteria

- The current Capital Set-Aside process is risk-driven and tends to favor urgency or projects already in crisis. As a result, we are underinvesting in deferred maintenance and those projects that could do the most good (highest return on investment (ROI), greatest increase in service levels); by doing the urgent thing, we miss out on what could be right thing.
- Transportation needs predictable revenue streams to leverage against other streams. We are able to get greater returns on committed funds when we have the money for a year or more; with less than a year to deliver on a project, it is more difficult to identify matching funds. *A predictable source of funds that we can use to plan our investment strategy will pay dividends in what we are able to deliver and how efficiently we can deliver it*
- PBOT is in favor of promoting collaboration on projects, particularly where benefits to multiple bureaus can be realized. This is consistent with the goals identified in Resolution 37107 (2015) creating the Capital Set-Aside process
- PBOT is in favor of making the Capital Set-Aside project evaluation process more data-driven, accessible, replicable, and transparent. A data-driven approach guided by the Bureau's and the City's missions should be used to prioritize projects for the year
- Assets that are a critical facility or otherwise provide a critical function for disaster resilience or recovery planning should be given extra points. As an example, PBOT's emergency transportation routes (those corridors identified to provide valuable emergency access immediately after a disaster event and critical access for the recovery period that follows) should be considered above non-critical assets that do not provide an important life safety function (all else being equal)

## Suggested Changes to Policy

Recommendation	Rationale
Dedicate an annual funding stream to support PBOT's Signals and Street Lights (SSL) group instead of asking them to compete for funding every cycle	PBOT's SSL group requests funding during every iteration of the capital set-aside process for street light or signal improvements. The projects always score well and they always receive funding. Reliable revenue would support SSL in project planning, coordination with other capital and maintenance activities, and working with contractors.
Consider funding for other programmatic buckets, similar to how we fund SSL projects. Allow funding requests like the following to compete: - High crash corridors and intersections - Bridge maintenance (full bridge replacements are too expensive to ever receive funding) - ADA improvements (for Parks or PBOT)	Resources to support program goals rather than specific projects allows flexibility in the geography, timing, and scale of the project.
Introduce a more quantitative process and a database to evaluate and rank projects using data-driven metrics	A more replicable, transparent process would be appreciated by our stakeholders, inside and outside the City

**Suggested Improvements to Capital Set-Aside Scoring Metrics**

Recommendation	Current Metric	Rationale
<p><b>If asset failure as a result of seismic impacts is estimated 5+ years in the future, project weighting should be adjusted so these impacts are weighted at 30% rather than 10%</b></p>	<p><u>Likelihood of Failure</u>            Without this investment, the asset is expected to fail in ...            More than 5 years: multiply final score by 10%            3 – 5 years: multiply by 50%            0 – 2 years: 70%            Already failed: use 100% of total score</p>	<p>Seismic resilience and hazard planning are again a priority among leadership. In responding to the need to more aggressively plan for seismic (or other natural hazard) events, I propose increasing the LIKELIHOOD weighting for assets that are expected to fail in more than 5 years</p>
<p><b>Increase weighting for ROI (Financial Impacts): 0 - 20 points.</b>  <i>Consider the following breakout</i>            Reduces Asset Repair, Rehab, Replacement Costs by:            &gt;\$5M: award the project 20 points            3 – 5M: 15 points            1 – 3M: 10 points            500K – 1M: 5 points            50K – 500K: 3 points            &lt;50K: 1 points            No financial impact: 0 points</p>	<p><u>Financial Impacts</u>            Reduces Asset Repair, Rehab, Replacement Costs by:            &gt;\$2M: 10 pts            \$500K – \$2M: 6 pts            \$50K - \$500K: 4 pts            &lt;\$50K: 2 pts            No financial impact: 0 pts</p>	<p>If the goal of the program is to make measurable impacts to major maintenance and asset replacement, we should lead with ROI and respond to real asset needs. If a bureau can identify a project that results in ~\$5M in savings, we should prioritize that work.</p>
<p><b>Increase the range included in Service Impacts</b>            Asset failure results in disruption to service to:            20K customers: 10            10K-20K customers: 6            1K-10K: 4            &lt;1K: 2            No potential service impacts: 0</p>	<p><u>Service Impacts</u>            Asset failure results in disruption to service to:            &gt;10K customers: 10            1K-10K customers: 6            &lt;1K customers: 4            Community Complaints: 1            No service impacts: 0</p>	<p>The City is growing, our facilities are expanding – it seems that every project touches more and more people. Also, as noted above, we should have as our focus more major projects. In addition, we have seen that all projects proposed have received community complaints so I suggest dropping that value from the list.</p>

<p><b>Include business case criteria in evaluation, such as if/how a project supports economic development and accessibility</b></p>	<p>N/A</p>	<p>Whether couched in Service of Financial Impact, identifying the business case of a proposed project offers compelling reasons to reinvestment that go beyond safety and risk</p>
<p><b>Consider resilience goals in assigning Benefit Scores:</b></p> <ul style="list-style-type: none"> <li>- Priority for time-to-recovery assets (key features needed for recovery, such as community centers and emergency routes)</li> <li>- Priority for projects with limited redundancy</li> </ul>	<p><u>Benefit Bonus</u> Project promotes positive benefits by:</p> <ul style="list-style-type: none"> <li>- improving health and safety,</li> <li>- providing increased levels of service</li> <li>- improving environmental conditions</li> <li>- advancing City policy or audit recommendation</li> <li>- reducing future O&amp;M costs</li> </ul>	<p>Consistent with our goals surrounding time-to-recovery and resilience planning, we should consider which assets play a vital role to the city’s recovery, through protection of life, access, and emergency response. Similarly, if an asset provides a unique service in an area (the only accessible park in a neighborhood or the only bridge crossing a rail track, for example), these should be given higher weighting</p>
<p><b>Expand the definition of Service Impacts under Benefits to include those with mobility disabilities (ADA)</b></p>	<p><u>Benefit Bonus</u> re/establish service to underrepresented or underserved groups</p>	<p>With ADA getting additional attention lately, we should consider the benefits of investing in accessible assets</p>
<p><b>Include under Benefits the ability to leverage funds or support coordination</b></p>	<p>Fund leverage language is related only to external funding sources rather than opportunities within the City</p>	<p>As noted above, Resolution 37107 includes as a goal “promot[ing] collaboration”. As we are able to do more together, in coordination with our bureau partners, it is useful to highlight those projects that leverage the project activities, investments, or resources of another bureau / agency to deliver on the goals of both groups</p>