



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

Karen Ross, Secretary

January 1, 2023

The Honorable Josh Becker
Senate Budget Subcommittee #2, Chair
1020 N Street, Room 502
Sacramento, CA 95814

Assembly Budget Subcommittee #3
1021 O St, Suite 8230
Sacramento, CA 95814

SUBJECT: DEFERRED MAINTENANCE LEGISLATIVE REPORT

Dear Senator Becker and Assembly Budget Subcommittee #3 members:

Enclosed is a copy of the California Department of Food and Agriculture's (CDFA) Deferred Maintenance Report to the Legislature.

The Supplemental Reporting Requirements to the Budget Act of 2019 requires CDFA to report to the Legislature identifying the total size of its deferred maintenance backlog as of the 2018-19 fiscal year and as of September 2022. The report further requires CDFA to identify the reasons for the increase in the size of the backlog and the specific steps CDFA plans to take to improve its deferred maintenance practices on an ongoing basis.

Thank you for your continued support of CDFA's efforts regarding its deferred maintenance backlog. If you have any questions or would like to discuss this further, please do not hesitate to contact me or CDFA's Deputy Secretary for Legislative Affairs at 916-654-0433 or Rachael.Obrien@cdfa.ca.gov.

Yours truly,

Karen Ross
Secretary

cc: Members, Senate Budget Subcommittee #2
Members, Assembly Budget Subcommittee #3
Joanne Roy, Consultant, Senate Budget and Fiscal Review Committee
Shy Forbes, Consultant, Assembly Budget Committee
Frank Jimenez, Senior Fiscal and Policy Analyst, Legislative Analyst's Office





Pictured: Blythe Border Protection Station

**California Department of Food and Agriculture
Report to the Legislature
Deferred Maintenance
January 1, 2023**

Pursuant to the Supplemental Report of the 2019-20 Budget Act, this report is respectfully submitted.

The Supplemental Report of the 2019-20 Budget Act requires the California Department of Food and Agriculture (CDFA) to:

No later than January 1, 2023, the Department of Food and Agriculture shall submit to the fiscal committees of the Legislature and the Legislative Analyst's Office a report identifying the total size of its deferred maintenance backlog as of the 2018-19 fiscal year and as of September 2022. To the extent that the total size of the deferred maintenance backlog has increased over that period, the department's report shall also identify the reasons for the increase in the size of the backlog and the specific steps the department plans to take to improve its maintenance practices on an ongoing basis.

CDFA Owned Facilities

CDFA serves the citizens of California by promoting and protecting a safe, healthy food supply, and enhancing local and global agricultural trade, through efficient management, innovation and sound science, with a commitment to environmental stewardship. CDFA owns 23 facilities located throughout California, Arizona, and Hawaii that consist of field offices, laboratories, Border Protection Stations (BPSs), nine employee residences, and warehouse space.

Size of Deferred Maintenance Backlog: In 2018-19, CDFA reported a deferred maintenance (DM) backlog of \$5,929,000. As of September 2022, CDFA's reported DM backlog has increased to \$19,842,000.

Reasons for Increase: There are several factors that have resulted in the significant increase to CDFA's DM backlog. These include:

- Changes to DM Tracking: Historically DM has been managed by the CDFA programs who occupy the facilities. This was primarily due to a lack of resources and competing priorities of CDFA's Building and Property Management Unit (BPMU). Consistent with BPMU's strained resources, programs experienced the same obstacles. This, coupled with the lack of expertise for property management, made it difficult to manage the buildings' wear and tear, resulting in many standard maintenance and repair needs going unattended. The 2018-19 DM inventory reflected the self-reported needs by the programs occupying the facilities. In many cases, the cost estimates did not consider inflation, include project management costs, which can constitute approximately 20 percent of the project costs, or potential impacts to building code requirements.
- Age of Facilities: With the exception of the Truckee BPS (built in 2007), Vidal BPS (built in 1998), and Mountain Pass BPS (built in 2018), most BPSs were built between 40 and 90 years ago and are in various states of decay. All stations have seen a substantial increase in private vehicle and commercial truck traffic. In 1971, 9.3 million vehicles entered through the BPSs compared to over 29 million

in 2021. Increased traffic has resulted in more accidents occurring at these facilities, which further increases the BPS DM backlog.

- Inflation: Another significant driver of DM cost increases has been inflation. According to the Department of General Services (DGS), inflation on construction projects has typically been five percent, except in the last two years, where inflation increased to over 11 percent per year. At these inflationary rates, the DM project costs that were identified in 2018, but have not yet been fully addressed, would have increased approximately 35 percent to \$8,001,000.
- Identification of new DM needs as DM projects are completed: Several projects have been identified whereby, in the process of construction work, additional issues were discovered that needed to be addressed. These new issues either added to the existing DM backlog or required redirection of funding from other projects, depending on the severity of the problem. One example of this issue is at CDFA's Plant Pest Diagnostic Center Laboratory. PPDC has historically experienced water intrusion during storms. The water intrusion resulted in damage to the lab, including requiring the replacement of the lab flooring. During the floor replacement project, additional water intrusion damage was discovered. The additional damage included the presence of mold, which can pose a threat to the health and safety of personnel working within the facility. The flooring project was consequently put on hold, as CDFA and DGS evaluated the cost to remediate and address the mold.
- Lack of New DM Funds: As part of the budget development process, departments compile, prioritize, and submit an inventory of their DM needs to the Department of Finance. These inventories are then evaluated, and Budget Act DM funding is requested. CDFA was authorized DM funding of \$1,000,000 in 2018-19, \$3,000,000 in 2019-20, and \$2,000,000 in 2021-22. The appropriated funding has not been sufficient to address CDFA's existing backlog or the new DM projects identified. The administration prioritizes the statewide DM backlog versus the amount available to address it. In 2018-19, the Legislative Analyst's Office reported that the statewide DM backlog was \$67.2 billion, and funding is prioritized and allocated based on statewide DM needs.

Steps CDFA is taking to address the DM backlog.

- Centralization of facility evaluation and maintenance: Over the past year, CDFA's BPMU has established a Capital Outlay Project Management Team responsible for tracking known issues and acting as the Department's liaison between DGS, contractors, and on-site staff. This tracking process and liaison role provides administrative oversight and high-level project management to ensure facilities and maintenance projects continue to proceed on time and within budget. BPMU is currently seeking to expand this team with a dedicated position responsible for managing DM projects.

As part of the centralization effort, CDFA BPMU's Capital Outlay Project Management Team has engaged in monthly facility meetings with DGS, Real Estate Services Division to address its current and ongoing facility maintenance project needs. This has resulted in better tracking of DM needs and faster identification and resolution.

- Replacement of Aging Facilities: As stated above, one of the drivers of the increase in DM is the age of some CDFA facilities, particularly the BPSs. CDFA is actively working to replace the stations with the greatest need based on their programmatic and facility deficiencies. CDFA has two existing capital outlay projects to replace the BPSs in Needles (constructed in 1966) and Blythe (constructed in 1958). Additionally, in 2018, CDFA opened its Mountain Pass BPS, which replaced the Yermo BPS. Replacing these aging facilities significantly improves employee safety; improves traffic flows, saving the public from long wait times for their inspections and reducing vehicle emissions; and significantly reduces the DM needs for the program.

California Network of Fairs DM

California has one of the nation's largest fair systems (Network). The Network consists of 79 fairs that operate under a variety of governance structures, such as state institutions [District Agricultural Associations (DAAs)], counties, and non-profits; collectively they are statutorily known as "state-designated fairs." They provide agricultural education, emergency response, preparedness, and environmental leadership that generate millions of dollars in state and local revenues to cover operational needs.

Pursuant to Business and Professions (B&P) Code Section 19620, CDFA is responsible for providing oversight activities carried out by each fair within the Network. Additionally, B&P Code Section 19623 authorizes CDFA to expend funds for support and maintenance of the Network.

- Size of Fairs DM Backlog: In 2015, a survey of California Fairs was performed. The survey was divided into five categories: 1- immediate fire, life & safety, 2 - immediate building infrastructure, 3 – immediate building deficiencies, 4 – conservation measures, and 5 – deferred maintenance, for total of approximately \$215 million. The immediate building deficiencies categories (1-3) totaled \$43 million, which was the cost reported to the Department of Finance in 2018-19.
- Reason for Increase to Backlog: In 2019-20, CDFA reassessed the Network and asked each fairground to report their top five DM projects. The California Construction Authority (CCA), a Joint Powers Authority created to provide finance, design, and construction services for health and safety and other projects at fairgrounds throughout California, estimated that it would cost approximately \$139,708,975 to address these identified prioritized DM projects. Since the fairgrounds have not been assessed since 2019-20, annually CDFA has adjusted the projected cost from 2019-20 to account for the increase in

construction costs, arriving at the most recent estimated cost of \$253 million reported in September 2022; however, the list of prioritized projects is not comprehensive. There are over 370 facilities throughout the Network that require major infrastructure updates, including Americans with Disabilities Act upgrades.

- Steps Taken to Address the DM Needs of Fairs: Since 2018-19, the Network has received investments in DM through a variety of sources. Through the standard General Fund Budget Act appropriations, the Network has received \$3 million in 2018-19 through Control Section 6.10. Additionally, Proposition 68: California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All, provided \$18 million for Network DM costs. Finally, the Budget Act of 2021 provided CDFA with \$150 million one-time General Fund for community resilience centers, of which \$94 million has been allocated to DM or new structures at fairs.

In addition to the funds appropriated to CDFA, the CDFA Fairs and Expositions Branch has added two positions responsible for managing DM projects since 2018-19. The positions have been vital in ensuring the projects have appropriate oversight and are completed in a timely manner. Since 2018-19, five DM projects have been completed and 14 are in process. Disruptions in labor and supply caused by the COVID-19 pandemic have delayed the completion dates but are all expected to be completed by June 30, 2023. An additional 15 fairgrounds are being assessed for DM projects using the community resilience centers funding. These projects are expected to be awarded by Spring 2023.