

CLARK COUNTY STAFF REPORT

DEPARTMENT: Public Works

DATE: Dec. 18, 2018

REQUESTED ACTION: Authorize the use of the modified approach to account for road, stormwater facility, and bridge infrastructure assets as provided in Governmental Accounting Standards Board (GASB) Statement #34.

Consent Hearing County Manager

BACKGROUND

In 1999, the GASB promulgated Statement #34 which substantially changed accounting methods for governmental activities. Among the most significant changes was a requirement to record infrastructure assets and report the historical value of these assets in the annual financial statements. In promulgating this statement, the GASB recognized the unique nature of infrastructure assets: that if properly maintained their useful life could become indefinite, which in turn modified the handling of depreciation. In effect, they said if you can show you manage your infrastructure appropriately you can employ the modified approach and report your infrastructure at historical cost without calculating and reporting depreciation.

The county initially established the modified approach for roads, bridges, and stormwater facilities in 2003 through staff report SR438-03. Roads returned to the depreciation method in 2013 while bridges and stormwater facilities returned to depreciation effective 2017 through staff report SR253-16. Action was taken to return to the modified approach for roads as of January 1, 2018 to conform to the Clark County Capital Asset Policy as approved by the interim County Manager on February 1, 2018. Therefore, depreciation has not been recorded for roads in 2018. Bridge and stormwater facility assets have been depreciated throughout 2018 and would require significant effort to reverse those transactions in the accounting system. It is proposed that bridges and stormwater facilities return to the modified approach as of January 1, 2019 upon approval of the County Council.

In order to use the modified approach, the county would need to comply with the following requirements:

- The system must have an up-to-date inventory of eligible infrastructure assets.
- Condition level assessments of the eligible infrastructure assets must be performed and the results must be summarized using a measurement scale.
- The annual monetary amount required to maintain and preserve the eligible infrastructure assets at the condition level established must be estimated and disclosed by the government.
- Complete condition assessments of eligible infrastructure assets are performed in a consistent manner at least every three years.
- The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government.

FW18-137

The Auditor's Office and Public Works support the county readopting the modified approach for roads, stormwater facilities, and bridges. The main advantages of this approach are that the condition of infrastructure is better reported and that it encourages proactive asset management practices.

Public Works staff have reviewed asset management practices, and believe that inventory records and condition assessment practices will allow the county's infrastructure assets to qualify for the modified approach.

The attachment explains how the county meets the requirements for employing the modified approach, and should serve as the basis for Council approval of condition level standards.

COUNCIL POLICY IMPLICATIONS

Approval will establish a de facto policy that the modified approach be employed where the standards for doing so are met. If actual standards of maintenance are not achieved, the county may be required to reduce maintenance standards or cease following the modified approach.

ADMINISTRATIVE POLICY IMPLICATIONS

This action will return the county to a prior policy that was preferred, but that was vacated due to not meeting the requirements in a prior period. Staff are already collecting the data necessary to meet the requirements of this standard.

COMMUNITY OUTREACH

None required due to the technical nature of the discussion.

BUDGET IMPLICATIONS

YES	NO	
X		Action falls within existing budget capacity.
	X	Action falls within existing budget capacity but requires a change of purpose within existing appropriation
	X	Additional budget capacity is necessary and will be requested at the next supplemental. If YES, please complete the budget impact statement. If YES, this action will be referred to the county council with a recommendation from the county manager.

BUDGET DETAILS

Local Fund Dollar Amount	\$0
Grant Fund Dollar Amount	\$0
Account	Road fund, Clean water fund
Company Name	Clark County Public Works

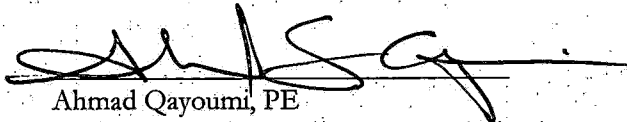
DISTRIBUTION:

Council staff will post all staff reports to the county website, www.clark.wa.gov/council-meetings.

Attachments: Resolution; GASB 34 Modified Method of Accounting for Infrastructure Assets, Clark County Public Works – List of Infrastructure Assets Recommended for the Modified Method

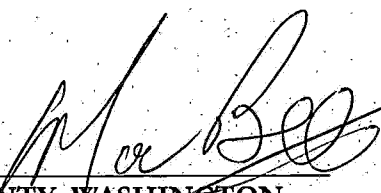


Lori Pearce
Administration & Finance Division Manager



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APPROVED:
CLARK COUNTY, WASHINGTON
CLARK COUNTY COUNCIL

DATE: Dec 13, 2018

SR# 200-18



**GASB 34 Modified Method of Accounting for Infrastructure Assets
Clark County Public Works – List of Infrastructure Assets Recommended for the Modified
Method**

ROADS

The county has employed qualifying methods for years in managing the county's road network. We use an ASTM International test method which employs industry standard road condition criteria to evaluate each road segment and provides a condition rating from 0 to 100. Each road segment is evaluated at least every three years. The county's road network has been maintained at or above the recommended standard for many years. Maintenance and preservation activities will be budgeted at sufficient levels to maintain the road condition level at or above the standard indefinitely. Maintenance activities are those that contribute to a road's existing useful life. Preservation activities are more substantial and can contribute to extended useful lives.

Recommended Standard: 70 (The county has established a motivational standard of 76. We do not propose to change that – rather we believe a buffer between our motivational standard and our GASB 34 standard is prudent.)

BRIDGES

The county has employed qualifying methods for years in managing the county's bridge network. We employ detailed, state-mandated evaluation methodologies for evaluating bridges which score the bridges on a scale of 0 to 100. We must evaluate every bridge every other year. Maintenance activities will be budgeted at sufficient levels to maintain the bridge condition level at or above the standard indefinitely.

Recommended Standard: 50

STORMWATER FACILITIES

The county has employed qualifying methods for years in managing the county's stormwater infrastructure. As a State of Washington Phase 1 Municipal Stormwater Permittee, the county applies detailed, Federal Clean Water Act-mandated criteria for evaluating stormwater infrastructure.

Public Works is required to inspect at least 95 percent of county-owned stormwater systems every year.

Based on yearly inspections, Public Works is required to maintain and repair stormwater infrastructure to state-approved standards as described in the Clark County Stormwater Manual. Repairs must be completed under specific timelines depending on the nature of the maintenance or repair required. Typical maintenance activities must be completed within one year of inspection. Maintenance requiring capital construction costing less than \$25,000 must be completed within two years. Major maintenance needs with capital construction costing over \$25,000 are required to be scheduled for maintenance under the county's stormwater capital program but do not have a specific Permit-driven compliance deadline. Compliance documentation is required to be submitted annually to the Washington State Department of Ecology as part of the Permit annual report. The \$25,000 threshold for an item being considered a capital item in this instance is in relation to the NPDES permit requirements, and not the Clark County Capital Assets policy which has a \$100,000 threshold for capitalization.

To ensure continued Permit compliance, maintenance and repair activities will be budgeted at sufficient levels to maintain stormwater asset condition at or above the standard indefinitely.

Assets with capital maintenance needs exceeding \$25,000 are the only assets considered at risk of functional failure. The proportion, by asset count, of capitalized stormwater assets rated in this category during a given evaluation period represents the GASB condition rating.

Recommended standard: 80 (No more than 20% of capitalized stormwater facilities require capital repairs exceeding \$25,000).

As allowed per GASB 34, paragraph 24. a. footnote 19, the condition assessment for roads, bridges, and stormwater facilities will be performed using a statistical sample that is representative of the eligible infrastructure assets being preserved.

RESOLUTION NO. 2018-12-68

A resolution authorizing a policy change regarding the method of accounting used to report infrastructure assets like roads, bridges and storm water facilities on annual statements.

WHEREAS, Clark County is required to abide by the standards adopted by the Government Accounting Standards Board (GASB); and

WHEREAS, GASB statement 34 allows for the financial reporting of infrastructure assets under a modified approach if an entity meets certain conditions; and

WHEREAS, Clark County initially adopted the modified approach for roads, bridges and storm water facilities in 2003, but circumstances required roads to discontinue use of the modified approach in 2013, with bridges and storm water facilities discontinuing use of the modified approach in 2017; and

WHEREAS, Clark County now meets all the criteria of GASB 34 to utilize the modified approach for financial reporting of infrastructure assets; and

WHEREAS, the modified approach provides better information to the public and other stakeholders about the condition of infrastructure assets owned by Clark County, the cost to maintain infrastructure assets at an agreed upon condition level, and encourages proactive asset management; and

WHEREAS, data is being collected to assess the condition of roads, bridges and storm water assets for other purposes which limit the amount of work required of county staff to implement the modified approach; and

WHEREAS, asset records are prepared for a return to the modified approach as of January 1, 2018 for roads and as of January 1, 2019 for bridges and storm water facilities; and

WHEREAS, the staff of the Auditor's Office and Public Works recommend that the County reinstate the modified approach for infrastructure reporting.

NOW THEREFORE, BE IT RESOLVED, by this Clark County Council that we do hereby authorize the use of the modified approach to account for road, bridge, and storm water assets under GASB 34. The effective date will be January 1, 2018 for road infrastructure, and January 1, 2019 for bridge and storm water infrastructure.

ADOPTED this 18th day of December, 2018.

Attest: 

Clerk to the Council

COUNTY COUNCILORS
FOR CLARK COUNTY, WASHINGTON


Marc Boldt, Chair



Jeanne E. Stewart, Councilor

APPROVED AS TO FORM ONLY:

Anthony F. Golik
Prosecuting Attorney

By: _____

Deputy Prosecuting Attorney

Julie Olson, Councilor

John Blom, Councilor

Eileen Quiring, Councilor