

Agenda Item: 1

Date: February 14, 2023

Subject: Minutes of the January 10, 2023, Del Paso Manor Water District/Sacramento Suburban Water District 2x2 Committee Meeting

Staff Contact: Dan York, SSWD General Manager
Alan Gardner, DPMWD General Manager

Recommended Committee Action:

Approve the draft minutes of the January 10, 2023, Del Paso Manor Water District/Sacramento Suburban Water District 2x2 Committee Meeting.

Attachment:

1 – Draft Minutes



Minutes

Del Paso Manor Water District/Sacramento Suburban Water District 2x2 Committee Meeting Tuesday, January 10, 2023

Location:

3701 Marconi Avenue, Suite 100, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting Id #839 0455 6332

Call to Order – Videoconference/Audioconference Meeting

DPMWD Director Saunders (Chair Saunders) called the meeting to order at 2:00 p.m.

Roll Call

SSWD Directors

Present: Jay Boatwright and Robert Wichert.

SSWD Directors

Absent: None.

DPMWD Directors

Present: Carl Dolk and Ryan Saunders.

DPMWD Directors

Absent: None.

SSWD Staff Present: General Manager Dan York (SSWD GM York), Assistant General Manager Matt Underwood, Jeff Ott, and Heather Hernandez-Fort,

DPMWD Staff Present: General Manager Alan Gardner (DPMWD GM Gardner).

Public Present: Dave Jones, Kevin Thomas, Gwyn Pratt, Craig Locke, Carol Rose, Desirae Fox, Jose Henriquez, Carl Jones.

Public Comment

None.

Consent Items

1. **Minutes of the December 6, 2022, DPMWD/SSWD 2x2 Committee Meeting**
SSWD Director Wichert moved to approve the Consent Item; SSWD Director Boatwright seconded. The motion passed by unanimous vote.

AYES:	Boatwright, Dolk, Saunders, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

2. **Municipal Services Review Update**

SSWD GM York introduced the Item.

DPMWD GM Gardner provided an update to DPMWD’s Municipal Services Review (MSR).

SSWD Director Wichert expressed concern over DPMWD’s MSR, pointing out the last paragraph in the LAFCo report that stated much of DPMWD’s water mains are in state of disrepair, and need to be repaired and or replaced. He further pointed out the \$61 million dollars in rehabilitations and replacements needed. He expressed concern over how negative the report appeared, noting it might be challenging to defend some of the items in the report to the public.

DPMWD GM Gardner expressed he felt the actual condition of DPMWD was better than represented in the report.

SSWD GM York expressed that the communications plan is going to be very detailed and accurate.

Discussion ensued over the priority of replacing infrastructure in DPMWD.

SSWD Director Wichert inquired if LAFCo considered mandating a consolidation with DPMWD.

Jose Henriquez, Executive Officer for LAFCo (Mr. Henriquez) expressed that with the two Districts working together collaboratively, there was no need for LAFCo to pursue that at this point. He additionally stated that the DPMWD MSR was pointing out the necessary replacements and improvements as a whole, expressing that those upgrades were not expected to be completed immediately, but over time. He additionally noted that the district, or districts, could use that information in an effort to obtain grant funding for improvements.

SSWD Director Wichert commented that he felt it might be easier for the two boards to be told by LAFCo that they had to combine.

Mr. Henriquez expressed that a consolidation meant dissolving both districts, and creating a new one in its place, which also requires an election. He expressed that it appears that what DPMWD and SSWD were looking at was a reorganization, where DPMWD dissolves and SSWD absorbs DPMWD in an annexation, noting that is less disruptive. He further expressed its more advantageous and successful to engage the public and work together versus being told to do it.

SSWD Director Wichert expressed the he was in support of the reorganization of the two districts, noting he still felt it would be better for LAFCo to tell the districts to do so.

SSWD Director Wichert requested for Mr. Henriquez to add the words “over the next 20 years,” to the \$52 million dollars in well rehabilitation and water main replacements in the DPMWD MSR.

Mr. Henriquez expressed he would ask their consultant to add it and should have it updated by March 1, 2023.

DPMWD Director Dolk requested for Mr. Henriquez to also add the Forsgren inspection in the MSR.

Mr. Henriquez expressed he would ask their consultant to add that in as well.

3. **Condition Assessment – Groundwater Production Wells**

DPMWD GM Gardner presented the staff report, provided an update of the condition assessment of the groundwater production wells, and answered clarifying questions.

4. **Condition Assessment – Infrastructure Replacement Options**

Jeff Ott (Mr. Ott) presented the staff report and answered clarifying questions.

DPMWD Director Dolk expressed that he liked the hybrid approach, and stated his appreciation to Mr. Ott for the fair approach.

5. **Combination Discussion Communications Plan Status Update**

SSWD GM York presented the staff report, noting communication will be drafted and brought to the Committee for feedback and approval. He further noted that SSWD will not be involved with DPMWD’s Prop 218 Process communication and outreach.

SSWD Director Wichert requested for Phase 1 to include potential advantages and benefits.

Chair Saunders expressed he was pleased with the presentation, noting it was well thought out.

SSWD GM York noted that staff usually would do most of the direct outreach to stakeholders, but that if any Director was interested in specifically speaking with a person or group, to let staff know.

6. **Combination Discussion– Next Phase/Activity**

SSWD GM York presented the staff report.

SSWD Director Wichert requested to change the term “phase” to an actual name.

DPMWD Director Dolk asked to remove or reword the phrase in the presentation, “reduction in future additional staffing.”

The Committee asked to bring back and prioritize the task list, placing Governance first.

7. **Next Meeting Date and Time**

The Committee agreed to hold the next meeting on Tuesday, February 14, 2023, at 2:00 p.m.

8. **Public Comment**

None.

Adjournment

Chair Saunders adjourned the meeting at 3:30 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

DRAFT

Agenda Item: 2

Date: February 14, 2023

Subject: Municipal Service Review Update

Staff Contact: Dan York, SSWD General Manager
Alan Gardner, DPMWD General Manager

Recommended Committee Action:

No action. Receive update on Del Paso Manor Water District and Sacramento Suburban Water District's Municipal Services Review.

Discussion:

An update on Del Paso Manor Water District's (DPMWD) Municipal Services Review (MSR) was provided at the January 10, 2023 2x2 Committee meeting. Based on comments from 2x2 Committee members, there were a few recommended amendments to the MSR, of which LAFCo's Executive Director stated he would have the consultant make the suggested amendments. It's anticipated that DPMWD's amended MSR will be complete by March 1, 2023.

Sacramento Suburban Water District (SSWD) has been informed by the LAFCo Executive Director that the MSR adopted by the LAFCo Commission, by resolution in March 2021, was not at the level preferred when it pertains to Combination Discussions. Therefore, the LAFCo Executive Director has requested that due to the Combination Discussions between SSWD, DPMWD and Carmichael Water District, each agency must complete up-to-date MSR's. In addition, the LAFCo Executive Director determined that the updated MSR's must be conducted by a neutral consultant. The LAFCo Executive Director obtained a proposal from their consultant, Plan West Partners, to conduct SSWD's MSR. The proposal is not to exceed \$25,000. Note: Plan West Partners completed DPMWD's MSR.

The LAFCo Commission approved the Plan West Partner contract at their February 1, 2023 meeting. The LAFCo Executive Director is meeting with Plan West Partner the week of February 6, 2023 to sign the contract and discuss the process/timeline necessary to complete SSWD's MSR.

Agenda Item: 3

Date: February 14, 2023

Subject: Combination Discussion – Next Steps/Analysis

Staff Contact: Dan York, SSWD General Manager
Alan Gardner, DPMWD General Manager

Recommended Committee Action:

Receive presentation and direct staff on next steps and further analysis on Combination Discussions between Del Paso Manor Water District and Sacramento Suburban Water District.

Background:

The Combination Discussions between Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) were initiated in 2022 by both Boards implementing a 2x2 Committee. The intent was for the DPMWD and SSWD Boards to receive information and develop a report that could provide direction moving forward in the Combination Discussions.

Discussion:

The intent of this staff report is to have the 2x2 Committee provide direction to staff on what items should be analyzed in this part of the analysis of the Combination Discussions.

Typically in Combination Discussions there is a necessity to determine if there are any fatal flaws. If no fatal flaws are identified, then the next steps are to develop a scope of work to analyze such items as governance structure, water supplies, administrative, Human Resources, financial, water rates, facilities and equipment, IT, operations, etc. Within each of the items listed in the Scope of Work are specific areas that need to be analyzed/compared for both DPMWD and SSWD.

Once the analysis is completed and presented to the 2x2 Committee, and ultimately to the Boards of DPMWD and SSWD, if determined to be positive, then there can potentially be another step, of which is typically near the end of Combination Discussions, where the DPMWD and SSWD Boards have enough information to make a decision to combine, or not.

Attachments:

1. PowerPoint Presentation – Further Analysis of Combining DPMWD / SSWD
2. Draft Report Further Analysis of Combining DPMWD / SSWD
3. Draft Scope of Work Schedule
4. Facilities and Equipment
5. Lessons Learned Consolidation of AWD / NWD



2X2 COMMITTEE MEETING

FEBRUARY 14, 2023

FURTHER ANALYSIS OF COMBINING
DEL PASO MANOR WATER DISTRICT AND
SACRAMENTO SUBURBAN WATER DISTRICT

DRAFT ANALYSIS REPORT

- Purpose of a Draft Analysis Report is to provide the DPMWD and SSWD Board of Directors adequate information to allow them to make a decision to combine the districts, or not.
- Information will address customers, rates, operations, finance, condition of systems, benefits, salaries, etc.

EXECUTIVE SUMMARY

- Perceived benefits of a Combination
- Overview of the process for further analysis
- Report findings
- Recommendations

COMMUNICATION AND OUTREACH APPROACH

- Meetings, identification of stakeholders and outreach strategy
- Retention of Communication Firm
- Summary of concerns, opinions and findings from outreach

DISTRICTS – CURRENT STRUCTURE

DPMWD and SSWD

- Facts, figures, personnel, organizational structure and chart, budget, communities served
- Policies and procedures
- Rate structure
- History, water rights, contracts for water, well inventory
- Wholesale responsibility and service area
- Retail responsibility and service area, rate structure
- Human Resources
- Finances, revenues/expenses
- Facilities, equipment, etc.
- Retirement plans
- Assessment of systems

MODEL MERGED DISTRICT

- How the combined district will be created:
Reorganization?
- Statistics and demographics: population, customers, registered voters, geographic service area/communities, assessed valuation, combined water resources/water availability
- New Board of Directors: Interim and long-term

MODEL MERGED DISTRICT

- What it will be: discuss advantages/disadvantages of combined agency
- Reductions in accounting and reporting
- Organizational structure and chart
- General Manager and Executive Staff
- Budget and cost to implement combined district
- Statistics and demographics: population, customers, registered voters, geographic service area/communities, assessed valuation, combined water resources/water availability

HOW REORGANIZATION WILL AFFECT CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

- Water reliability: use of all water, both surface and groundwater, conjunctive use plan, perfection of water rights and groundwater
- Residential and business customers, local governments, rates and debt
- Impacts of reorganization on other agencies – not a hostile takeover of other districts
- Employees, suggested HR principles (job status, salaries and benefits, other)

BOARD OF DIRECTORS

- How will a transition from 10 Directors to 5 occur
- Election boundaries for each phase
- Final election boundaries
- Options for Advisory Committees

DEL PASO MANOR WATER DISTRICT

- Financial Statements – 5 Year History
- Customer Rates – 5 Year History
- Staffing Levels – 5 Year History
- Operations Data – 5 Year History
- Infrastructure – Condition Assessments
- Capital Investments – 5 Year History
- Debt Structure

SACRAMENTO SUBURBAN WATER DISTRICT

- Financial Statements – 5 Year History
- Customer Rates – 5 Year History
- Staffing Levels – 5 Year History
- Operations Data – 5 Year History
- Infrastructure – Condition Assessments
- Capital Investments – 5 Year History
- Debt Structure

BENEFIT COMPARISON

Water Assurances:

- more efficient water management. Through seasonal and/or condition-dependent conjunctive use, move surface water from SSWD to DPMWD during “wet years” or pump ground water during dry/drought years.
- groundwater banking and conjunctive use program

FURTHER ANALYSIS FINDINGS AND RECOMMENDATIONS

- 2x2 recommendation to Joint Boards
- Joint Board meeting and approval by each board
- If approved, proceed to LAFCo and Division of Drinking Water process

LAFCO PROCESS

Step 1: District Boards of Directors adopt resolutions of applications to initiate reorganization and submit to LAFCo completed packet with supporting documents; updated Municipal Services Review, analysis and reorganization plan, and additional information requested by LAFCo during its review.

Step 2: LAFCo executive officer review, analysis, report and recommendation.

Step 3: Commission hearing(s) – opportunity for the public and agencies to comment on the proposed combination; support or oppose.

Step 4: At the conclusion of the hearing process LAFCo adopts resolution making determinations approving proposal, adopt CEQA exemption, and sets terms and conditions of approval.

LESSONS LEARNED FROM ARCADE/NORTHRIDGE CONSOLIDATION

- A Consolidation Evaluation was conducted in 2001 by a consultant for purpose of consolidating the former Arcade and Northridge Water Districts. The purpose of the Consolidation Evaluation was to evaluate practices, policies, procedures, rates, financial status, and other factors that would be important to the policy makers to consider the benefits, and risks, of a consolidation.
- The Consolidation Evaluation report identified areas that were dissimilar for both agencies and should have been analyzed upon consolidation.
- Following the consolidation, effective February 1, 2002, the new Board of Directors and management refrained from conducting an analysis on all areas that were noted in the Consolidation Evaluation report.
- This report will identify examples of areas that should have been analyzed in that consolidation.

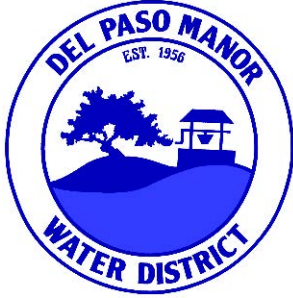
DIRECTION

Staff is requesting direction from the 2x2 Committee for the following items:

- Initiate further analysis by developing the Draft Report Outline
- Implement/initiate communications and public outreach
- Schedule a Joint Board meeting between DPMWD and SSWD



QUESTIONS?



DRAFT REPORT OUTLINE

Further Analysis of Combining
Del Paso Manor Water District and
Sacramento Suburban Water District

TABLE OF CONTENTS

Introduction

To Be Determined

Executive Summary

Introduction

Perceived benefits of the combination

Facts about the combination

Findings

Recommendations

1. Background

- a. Del Paso Manor Water District
- b. Sacramento Suburban Water District

2. Communication and Outreach Approach

- a. Meetings, identification of stakeholders and outreach strategy
- b. Retention of Communication Firm
- c. Summary of concerns, opinions and findings from outreach

3. Districts – Current Structure

a. Del Paso Manor Water District

- i. Facts, figures, personnel, organizational structure and chart, budget, communities served
- ii. Policies and procedures
- iii. History, water rights, contracts for water, well inventory
- iv. Retail responsibility and service area
- v. Rate structure
- vi. Human Resources
- vii. Finances, revenues/expenses
- viii. Facilities, equipment, etc.
- ix. Retirement plans
- x. Assessment of system

b. Sacramento Suburban Water District

- i. Facts, figures, personnel, organizational structure and chart, budget, communities served
- ii. Policies and procedures
- iii. History, water contract rights, well inventory
- iv. Retail responsibility and service area
- v. Rate structure
- vi. Human Resources
- vii. Finances, revenues/expenses,

- viii. Facilities, equipment, etc.
- ix. Retirement plans
- x. Assessment of system

4. Model Merged District

- a. What it will be: discuss advantages/disadvantages of combined agency
- b. How the merged district will be created: consolidation vs. reorganization
- c. Reductions in accounting and reporting
- d. Statistics and demographics: population, customers, registered voters, geographic service area/communities, assessed valuation, combined water resources/water availability
- e. New Board of Directors: Interim and long-term
- f. Organizational structure and chart
 - i. General Manager and Executive Staff
 - ii. Budget and Fiscal Cost

5. How Reorganization will affect Customers, Employees and Other Stakeholders

- a. Water reliability: use of all water, both surface and groundwater, conjunctive use plan, perfection of water rights and groundwater
- b. Residential and business customers, local governments, rates and debt
- c. Impacts of reorganization on other agencies – not a hostile takeover of other districts
- d. Employees, suggested HR principles (job classifications, salaries, and benefits, etc)
- e. Savings; Board of Directors, General Manager, legal counsel, accounting and reporting, audit fees, headquarters and administrative, etc.

6. Political Influence

- a. Increased voice and importance in region, state; stronger negotiating position with State, Feds

7. Board of Directors

- a. Transition from 10 to 5
- b. Election boundaries for each phase
- c. Final election boundaries
- d. Options for Advisory Committees

8. Lessons learned from Arcade/Northridge Consolidation

9. Findings and Recommendations

- a. 2x2 recommendation to Joint Boards
- b. Joint Board meeting and approval by each board
- c. If approved, proceed to LAFCo and Division of Drinking Water

10. Process and Timeline

- a. Major steps to process

- b. Necessary tasks
- c. Approval process

11. Conclusion and Recommendations

Appendices

(A) Acronyms

(B) Del Paso Manor Water District

Financial Statements – 5 Year History
Customer Rates – 5 Year History
Staffing Levels – 5 Year History
Operations Data – 5 Year History
Infrastructure- Condition Assessment
Capital Investments – 5 Year History
Debt Structure

(C) Sacramento Suburban Water District

Financial Statements – 5 Year History
Customer Rates – 5 Year History
Staffing Levels – 5 Year History
Operations Data – 5 Year History
Infrastructure – Condition Assessment
Capital Investments – 5 Year History
Debt Structure

(D) Benefit Comparison

(E) Salary Comparison

Draft Scope of Work Schedule
Combination Discussion
DPMWD and SSWD

Chapter		Internal Draft	2x2 Committee	Board Meeting
1	Background: DPMWD / SSWD			
2	Governance			
3	Board of Directors			
4	Customer statistics and demographics			
5	How Reorganization would affect customers			
6	Political influence			
7	Water Supply Assurances			
8	Administration			
9	Human Resources			
10	Financial			
11	Water Rates – Short/Long Term			
12	Facilities & Fleet/Equip	1/31/2023	2/14/2023	
13	Production Facilities			
14	Integration of Software (e.g. billing, SCADA, etc.)			
15	Public Involvement Process			
16	Functional Setup of Combined Entity			
17	Lessons Learned AWD/NWD Consolidation	1/20/2023	2/14/2023	
18	Approval Process - LAFCo			
19	Permit Amendment Process - DDW			
	Appendices			
	Acronyms			
Overall Report	Final Report			

Chapter 12 – Facilities and Equipment

The purpose of this chapter is to determine central headquarters, determine phasing and/or maintaining Operations and Maintenance facilities. The chapter will also define current and transitional utilization of vehicles and equipment within Sacramento Suburban Water District (SSWD) and Del Paso Manor Water District (DPMWD).

Sacramento Suburban Water District

- a. Determine central headquarters

Administration Building (3701 Marconi Avenue)

If reorganization were to occur, due to the size and location, this facility could be utilized as the new Administration Building. This facility is SSWD's Administration Building which houses both administrative and engineering staff. Currently, forty staff persons report to this facility, which includes nine (9) intern/temporary staff. The entire building size is approximately 18,000 square feet (sf), which includes offices, a customer service area, two conference rooms, and a Board Room. The maximum occupancy of the Board Room is 125 people. The building also includes a separate suite that is currently unoccupied. This particular area is approximately 6,800 sf. If the unoccupied area is utilized, there is a potential to house an additional 15-20 staff persons. The building is raised above the surrounding public way and has an underground parking garage. The underground parking garage has the capability of accommodating 50 vehicles. This was the Administration Building for the former Arcade Water District (AWD). There is a cell tower located at this facility that currently generates annual revenues.

If this facility were to be designated as the Administration Building, to avoid inconvenience to customers who rely on walk-in service, a recommendation would be to continue to allow CWD retail customers to pay their water bills at their existing facility in Carmichael. Upon consolidation of the former AWD and Northridge Water (NWD) districts, the new District made arrangements to allow customers who preferred walk-in service, to pay their water bills at the Walnut Avenue facility. In approximately three years, the walk-in customers diminished to a point the District alleviated this particular service at the subject facility.

- b. Determine phasing (or maintaining) number of remote O&M facilities

SSWD currently owns and maintains 40 separate buildings or structures of different types. Most of these are pump houses at well sites. The majority of the well site buildings are constructed of cement masonry units or blocks.

Walnut Corporation Yard (5331 Walnut Avenue)

The District's existing Corporation Yard building is approximately 16,000 square feet in size. This building incorporates offices, a maintenance shop and an inventory warehouse. The building is split level in configuration with the older portion of the building being single story and the newer portion of the building at two stories. Currently, forty-two staff persons report to this facility. If the reorganization were to occur, this facility should continue to be utilized as an operations facility. The facility would be in a central location of the new district's western service area. This allows for continuing efficiencies in operations. This was the Administration/Operations Building for the former NWD. If the reorganization were to occur, this facility could be utilized as a corporation yard. There is a cell tower located at this facility that currently generates annual revenues.

Auburn Yard (2736 Auburn Blvd.)

There are three buildings and a separate carport structure that make up this facility. All three buildings are currently leased out to Skip's Music. The lease agreement was approved by the Board in August 2014 to potentially extend through August 2024. However, the District still utilizes the corporation yard itself. The yard area has material storage bins for asphalt, sand and gravel. There is also a standalone carport structure at this site. In addition, there is one active well site located on this property. One building is the former AWD Administration Building. This building is approx. 3,100 sf in size. The second building is the former AWD operations building. The first half of this building was constructed in the 1960's, but a building addition was later constructed in 2000. The total size of the building is 4,400 sf. In addition, there is an old steel storage building approximately 1,300 sf in size. There is a cell tower located at this facility that currently generates annual revenues. If the reorganization were to occur, it is recommended that this facility be maintained as an unmanned offsite facility as it is utilized on a daily basis for operations and maintenance activities. In addition to the cellular tower revenue, SSWD currently receives annual revenues for the lease agreement with Skip's Music.

Antelope Reservoir Operations Building, Antelope Garden and Booster Pump Station (7800 Antelope North Road)

This building was built in 1999 at the same time that the 5 million gallon (MG) reservoir was constructed. The building is two story, 18,000 sf in size, and is metal frame with a CMU block exterior and metal roof. The building houses the booster pump station and equipment and also includes a separate standby generator room, motor control center, a large meeting room, kitchen area, locker rooms/shower/bathrooms, office space, storage areas, and a shop. The large meeting rooms are utilized for training seminars and water related events for associations such as ACWA, AWWA, SAWWA, JPIA. The yard area has material storage bins for asphalt, sand and gravel. It also houses some of the District's large equipment (e.g., backhoe, dump truck, etc.). In addition, there is also a

standalone carport structure at this site. If the reorganization were to occur, it is recommended that this facility be maintained as an unmanned offsite facility as it is utilized on a regular basis for operations and maintenance activities.

Well Buildings and Pump Houses

The well site buildings range from only a few hundred square feet in size up to approximately 1,500 sf. The older well site buildings tend to be very small, typically only a few hundred square feet in size. The newer buildings tend to be much larger, typically over 1,000 sf in size. The majority of these buildings are constructed of CMU block and they generally have either prefabricated metal or composite shingle roofs. In some cases, the block is unpainted but incorporates a sealer on the surface of the block to prevent moisture from passing through.

Groundwater Well Sites and Real Property

SSWD owns 127 parcels that house groundwater well and water storage infrastructure. Listed below is a breakdown of those parcels:

- 71 - Active groundwater wells
- 52 – Inactive/Destroyed groundwater wells
- 4 – New groundwater well projects under construction
- 3 – 5 million gallons storage reservoirs
- 1 – 500,000 gallon storage tank
- 1 – 150,000 gallon storage tank
- 1 – 125,000 gallon storage tank

c. Vehicles and Equipment

SSWD has a total fleet of 44 vehicles that range from a compact electric vehicle to as large as a 5 yard dump truck. In regards to large equipment, there are 3 backhoes, 1 front end loaders, 3 vacuum trailers, 1 valve exerciser/vacuum trailer, 3 mini excavators and 2 forklifts. The need for the subject vehicles equates quite closely to the number of operations staff, with the exception of a number of vehicles in the Distribution Department where 2 staff persons are assigned to one vehicle to handle larger scale tasks. With reorganization and a sufficient Fleet Management Program, it is expected the total fleet and equipment will not be reduced.

Del Paso Manor Water District

a. Administration Building

Del Paso Manor Water District's (DPMWD) currently leases their Administration Building located at Maryal Drive and Watt Avenue. It houses approximately 4/5 staff persons with 2 enclosed offices. The building also includes a 31-person capacity Board Room. The

unit is approximately 1,500 square feet and would be a good candidate as a satellite office for employees and customer payment center.

b. O&M Facilities

In addition to the leased Administration Building facility, DPMWD owns their Corporation Yard located at Lusk Drive and Eastern Avenue. This facility is approximately 11,500 sf and includes a small office space, garage and a pump house with backup emergency generator.

c. Groundwater Well Sites

DPMWD holds titles to 8 groundwater wells. Currently, there are 5 active wells, 1 is off and 2 are on standby.

d. Vehicles and Equipment

DPMWD has a total fleet of 2 vehicles. A $\frac{3}{4}$ ton crew cab truck with utility bed and boxes and a $\frac{1}{2}$ ton double cab truck with utility box and cover. The District is authorized to purchase a 3rd vehicle for an approved additional field position.

DRAFT

Chapter 17 - Lessons Learned - Consolidation of Arcade and Northridge Water Districts

A Consolidation Evaluation was conducted in 2001 by a consultant for purpose of consolidating the former Arcade and Northridge Water Districts. The purpose of the Consolidation Evaluation was to evaluate practices, policies, procedures, rates, financial status, and other factors that would be important to the policy makers to consider the benefits and risks of a consolidation. The Consolidation Evaluation report identified areas that were dis-similar for both agencies and should have been analyzed upon consolidation. Following the consolidation, effective February 1, 2002, the new Board of Directors and management refrained from conducting an analysis on all areas that were noted in the Consolidation Evaluation report. Below are examples of areas that should have been analyzed:

- A detailed assessment of total employee compensation and benefits was not conducted. Promotions and salary increases were given with no consideration of merit.
- There were noted differences in work rules and administrative policies and procedures mentioned in the report. Upon consolidation, management did not conduct an assessment to develop new/revised work rules and administrative policies and procedures.
- Should have developed cost of service and rate design principles.
- Should have developed asset management plans for distribution/transmission replacement, groundwater production facilities, buildings, meter retrofit, etc.
- Arcade outsourced billing and Northridge conducted billing internally. No analysis was conducted on cost efficiencies regarding outsourcing or internal labor.
- A thorough analysis of staff utilization was not conducted. The Administration Building (3701 Marconi Avenue) was designated. However, there was no plan on utilizing various buildings for operational purposes.
- No assessment was conducted on vehicles and equipment. There was duplication on a large number of small equipment and tools. No plan to surplus redundant tools and equipment.
- No analysis on customer walk-ins, phone calls, operational issues, etc.
- No assessment on which billing software program was to be utilized for new district.
- No assessment on which work order system should be utilized. One district utilized a vendor supported system, while the other district sole sourced a one person Disk Operating System program.

- Both districts had different retirement and post-retirement programs. A thorough analysis was not conducted.
- It was noted in the report that initial start-up costs was expected to be significant. The report recommended that the first level of evaluation should have been legal fees, reorganization, consumer education, office modifications and accounting systems. The only area initially addressed was the office modifications related to the designated Administration Building.

The purpose of an evaluation process for reorganization of SSWD and DPMWD is to guide the Board of Directors and General Manager to ensure all areas within the operational parameters of both districts are prioritized and thoroughly analyzed in a timely manner.