CRESCENTA VALLEY WATER DISTRICT

2700 FOOTHILL BOULEVARD
LA CRESCENTA, CALIFORNIA

To be held on
March 15, 2022 at 1:00 PM

Agenda for the Meeting of the Finance Committee
of the Crescenta Valley Water District

Posted March 14, 2022 at 1:00 PM

TELECONFERENCING NOTICE

Under AB 361 and District Resolution No. 772, the District will continue to hold Board and Committee meetings by teleconference, due to the continuing State of Emergency for COVID-19 and the ongoing imminent risks to the health or safety of the attendees from COVID-19.

[This meeting will be held by teleconference only.]

Any member of the public may participate using a touchtone phone. You may select any of the following phone numbers (there are more than one for increased reliability during this time of increased phone traffic)

(669) 900-6833	**(346) 248-7799**	**(929) 205-6099**
(253) 215-8782	**(301) 715-8592**	**(312) 626-6799**

Then, enter Access Code: 830 1639 4559

[Pursuant to the above Executive Order, the public may not attend the meeting in person]

Those members of the public who are able to and would like to additionally participate with a computer through videoconference may access the Zoom videoconferencing tool available at the following link – https://us02web.zoom.us/j/83016394559

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by contacting the District by phone or in writing at customerservice@cvwd.com. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

Call to Order

Adoption of Agenda

Public Comment:

At this time, members of the public shall have an opportunity to address the Committee on items of interest that are within the subject matter jurisdiction of this Committee. This opportunity is non-transferable, and speakers are limited to three (3) minutes each. Under the provisions of the Brown Act, the Board is prohibited from taking action on items not listed on the agenda, except under certain circumstances.

Action Item(s)

The public shall have an opportunity to comment on any action item as each item is considered by the Committee. This opportunity is non-transferrable and speakers are limited to one two-minute (2) comment each.

1. Discuss proposed goals and priorities for the upcoming update to the District's Strategic Plan
2. Update on a near-term cost efficiency plan
3. Discuss the fleet asset management 5-year plan
4. Real estate update

Committee Members' Request for Future Agenda Items

Adjournment

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Crescenta Valley Water District

Finance Committee

March 15, 2022

Agenda Item #1 – Strategic Plan Update

This agenda item updates the Board with respect to updates to the 2020 Strategic Plan and seeks the Board's input in the Plan's development.

The 2020 Strategic Plan represented the District's priorities in terms of achieving the District's Mission and Vision. Seven overarching strategic goals were represented many more specific goals and objectives. Whereas the 2020 Plan was to be updated in 2023, staff have already accomplished the vast majority of goals with the support of the Board.

Staff has spent considerable time and effort developing updated strategic plan goals over the last five months, conducting a series of strategic planning meetings. Staff is sharing strategic plan goals by department, and seeks the Board's comments and feedback. The Finance and Administration Department's goals will be shared through the Finance Committee. The enclosed presentation will serve as a discussion point for today's meeting.

Agenda Item #2 – Cost Efficiencies Update

This agenda item updates the Board with respect to efforts currently underway to continue pursuing cost efficiencies.

Fiscal responsibility represents one of the District's 7 primary "strategic goals" as stated in the Strategic Plan, and staff continuously evaluates, pursues, and implements cost efficiencies. Cost efficiencies can include:

1. Savings opportunities;
2. Cost recoveries; and
3. New sources of revenue.

This approach helps to optimize revenue and also to mitigate the uncertainty of revenue projections during the fiscal year.

The following table summarizes current cost efficiency efforts –

Action	Status	Description	Projected Fiscal Impact
Energy Time-of-Use Billing Category Optimization (Utility Cost Management, LLC)	*In Process*	Analyze "time-of-use" (TOU) codes/rates to identify areas where billing can be optimized SoCal Edison bills and data have been submitted to and been processed by the consultant, which has identified savings opportunities for several of the District's energy-using sites Consultant will continue to identify savings	$14,000 - $22,000 savings annually, going forward
System Optimization/Maximizing Groundwater and Pumping Efficiency (CVWD)	*In Process*	Maximize groundwater pumping efficiency by analyzing water demands and: 1) determining the most efficient route for pumping through the District's distribution and storage system; and 2) realizing water expense savings by maximizing more economical groundwater production Optimization model has been developed in-house and is being validated/calibrated	$300,000 - $550,000 savings annually, going forward
Energy Audit (SoCalREN)	*In Process*	Audit the District's assets to identify energy efficiency projects and realize savings	TBD
Fleet Asset Management Program (CVWD)	*In Process*	Evaluate the District's fleet to determine the optimal size. Staff has determined that the District can eliminate 2 vehicles going forward Staff has also determined that the fleet can transition to smaller vehicles, which reduces maintenance costs	$90,000 one-time savings $15,000 - $30,000 savings annually, going forward
Arrearage Program Cost Recovery (Grant/CVWD)	*In Process*	Apply for federal funds as allocated through CA State for delinquent bills associated with the pandemic District has secured funds for water customers and expects to successfully secure funds for wastewater customers	$160,000 one-time cost recovery
Cellular Site Lease Program (CVWD)	*Preliminary*	Market District assets such as reservoirs to cellular providers to secure ongoing lease revenue from those sites Revenue is based on the number of sites identified and leased	$35,000 - $175,000 revenue annually, going forward
Removal of Main from Alabama/Cheryl Pipeline Project (CVWD)	*Complete*	Remove a main from E-1034 (Alabama/Cheryl) pipeline replacement project, as the cost to install that section of mains is $587K. This cost is estimated to be recovered over 95 years, which is beyond the useful life of the main	$587,000 one-time savings *less* service charge revenue from customers
Solar and Energy Storage Feasibility (TerraVerde Energy)	*Preliminary*	Determine opportunities for solar and battery energy storage projects to: 1) decrease energy costs; and 2) provide an intangible benefit of energy resiliency in the event of energy loss during an emergency	TBD + intangible resiliency benefit

Agenda Item #3 – Fleet Asset Management

This agenda item provides a discussion sharing how staff has further developed the District's approach to fleet management based on a recent Board directive. The agenda item also recommends the District's resultant 6-year fleet plan.

Background

In July 2020, staff developed a fleet management plan to address two goals in the 2020 Strategic Plan: 1) Identify Cost-Recovery or Cost-Saving Measures and 2) Leverage Business Software to Maximize Functionality – Implement modules to facilitate asset management.

Staff's goal was to provide information and analysis regarding the status of CVWD's vehicle and equipment fleet with respect to the following:

- Evaluate the condition of the current fleet to develop a fiscally responsible plan and proactive replacement strategy today and into the future.
- Identify optimum life cycle replacement costs for all vehicles and equipment to avoid increased annual maintenance, major repairs and determine the capital cost based on current market equity.
- Assess the needs of the fleet with respect to present and future assignments to assure the District's vehicle and equipment fleet meet CVWD's operations and maintenance needs.

CVWD's fleet is comprised of a variety of vehicles, equipment, and emergency generators. Staff has categorized CVWD's fleet into the following to account for the varying factors that may or may not impact CWVD's vehicle replacement life cycle:

- Pickup Trucks – Ford F-250 and smaller vehicles that are used for daily service to transport personnel, light loads and tools for operations and maintenance in the field.
- Heavy Duty Vehicles – Ford F-350 and larger that are used for hauling and/or towing large equipment and emergency generators and heavy loads such as base material, temporary AC, and spoils.
- Specialty Trucks/Equipment – Vehicles with a modified body or specialized equipment and/or tools for operating valves, hydro-excavating, sewer truck and sewer camera van.
- Emergency Generators – Portable emergency electrical generators.

Staff previously met with Enterprise Fleet Management to evaluate our long-term fleet needs and the possibility of a lease option for vehicles. Although determining a useful life cycle was favorable Enterprise suggested that we lease our vehicles and adhere to a five-year replacement strategy to optimize resale value and avoid depreciation. Their replacement strategy along with their administrative costs did not present a positive benefit to the District. The significant takeaway was determining a useful life cycle to avoid unnecessary major mechanical repair costs while capitalizing on potential resale value. Staff determined that it has the analytical capabilities to replicate their value through in-house resources which would yield further savings to the District.

Discussion

This staff memo focuses primarily on the status and replacement cycle for CVWD's pickup trucks, which is most of the District's fleet. The District has thirteen (13) pickup trucks in the fleet; four (4) of which are more than ten-years old and nine (9) being under ten years of age.

Currently, two (2) pickup trucks are out of service due to mechanical issues. This leaves us with a total of eleven (11) pickup trucks that are used daily between Operations, Maintenance, and Customer Service Departments.

Staff's independent analyses based on the District's data showed a seven to eight-year replacement cycle. Staff determined life cycle and several other factors as the criteria for fleet management, and they are as follows:

1. **Life Cycle** – Seven to eight years is the optimum threshold for replacing vehicles before major repairs negate trade-in values.
2. **Size of Fleet** – Fewer vehicles means less cost in terms of vehicle purchases and ongoing maintenance. There is also less overhead in terms of time managing and storing vehicles.
3. **Size/Class of Vehicle** – Smaller vehicles cost less to purchase and maintain. They also have lower fuel and insurance costs. CVWD has historically purchased Ford trucks. A review of other brands such as Chevrolet and GMC has shown that smaller non-Ford models can tow as much as larger Ford models. For example, the Chevrolet 2500HD is smaller than the Ford F-350 but has similar capacity and towing power.
4. **Current Market Value** – When the trade-in market is strong such as has been over the past year and/or the District has a favorable dealer relationship, it could be advantageous to trade a vehicle in early to maximize trade-in value for a new vehicle, which resets the vehicle maintenance clock. The District currently has a "bid assistance" program through Chevrolet.

ANALYSIS

Based on the District's criteria for fleet management as summarized above, staff proposes a six-year plan as summarized below –

a. Reduce Fleet Size by Two Vehicles – Staff conducted a detailed analysis of how to do more with less. Based on sharing of vehicles and recent staff reductions, the District can reduce the number of light-duty trucks by two units.
b. Maintain Appropriate Vehicle Life Cycle – Staff developed a plan to reach a seven to eight-year life cycle over the next three years. One time-sensitive factor includes taking advantage of significantly favorable trade-in values associated with current supply chain impacts. For example, the sales of Units #51, #55 and #58 is estimated to yield $109,760 trade-in value, which is greater than their original purchase costs.
c. Reduce Vehicle Size – Further savings can be achieved by a dedicated shift toward smaller vehicles, which are associated with both lower acquisition and lower maintenance costs.

The first phase of the six-year plan includes the permanent elimination of two units (Ford F-150 and Ford F-250) and the trade-in of four units for newer and lighter-duty vehicles. The combination of eliminated vehicles and favorable trade-in terms is expected to yield significant immediate and long-term savings, and the FY 2022 budget.

Unit	Current Model	Action	FY 2022	FY 2023	FY 2024
8	Ford F-150	Eliminate - Dispose Of (inoperable)			
58	Ford F-250	Eliminate - Trade In Value			
9	Ford F-150	Trade In - Lighter Duty Vehicle FY 2022	Chevrolet Colorado		
51	Ford F-150	Trade In - Lighter Duty Vehicle FY 2022	Chevrolet Colorado		
36	Ford F-350	Trade In - Lighter Duty Vehicle FY 2022	Chevrolet 2500HD		
34	Ford F-250	Trade In - Lighter Duty Vehicle FY 2022	Chevrolet Colorado		
55	Ford Transit	Trade In - Lighter Duty Vehicle FY 2022	Chevrolet Colorado		
43	Ford F-150	Trade In - Lighter Duty Vehicle FY 2023		Chevrolet Colorado	
44	Ford F-150	Trade In - Lighter Duty Vehicle FY 2023		Chevrolet 1500	
48	Ford F-150	Trade In - Lighter Duty Vehicle FY 2024			Chevrolet Colorado
49	Ford F-150	Trade In - Lighter Duty Vehicle FY 2024			Chevrolet 1500

FY 21/22 - Funding Availability	Amount
Fiscal Year 20/21 – Carryover Funds from Capital Outlay	$75,000
Budgeted Fiscal Year 21/22 - Capital Outlay	$125,000
Units #51, 55 & #58 – Estimated Selling Price	$109,760
Estimated Funds Available:	**$309,760**
Unit #51 - Replacement with a smaller Pickup Truck	$(30,000)
Unit #34 - Replacement with a smaller Pickup Truck	$(30,000)
Unit #55 – Replacement with Pickup Truck	$(30,000)
Unit #36 - Replacement with a smaller Pickup Truck	$(68,000)
Estimated Costs for New Pickup Trucks:	**$(158,000)**
Funds Remaining:	**$151,760**

Fiscal Year 2023

Budget Needs	Amount
Replacement - Unit #43	$30,000
Replacement - Unit #44	$45,000
Estimated Costs:	**$75,000**

Fiscal Year 2024

Budget Needs	Amount
Replacement - Unit #48	$35,000
Replacement - Unit #49	$50,000
Estimated Costs:	**$85,000**

Recommendation

Staff seeks the Finance Committee's direction to proceed with implementing the 6-year fleet asset management plan.

Agenda Item #4 – Real Estate Update

This agenda item serves as a placeholder for discussion regarding the District's non-operational real estate assets. This agenda item also recommends that the properties continue to be held for potential future well development.

CVWD owns and maintains several residential properties and a parcel of undeveloped land. None of the properties are used directly for District operations, and all properties were acquired with the purpose of holding for potential well development in the future.

In August 2019, staff completed the Report on Valuation of District Assets as directed by the Board. The primary recommendations resulting from this report were to:

1. Update the leases to reflect current market values;
2. Implement an "escalation clause" for automatic annual rent increases;
3. Convert one of the properties being used as a District office location to a rental property;
4. Continue holding the properties as future well development sites.

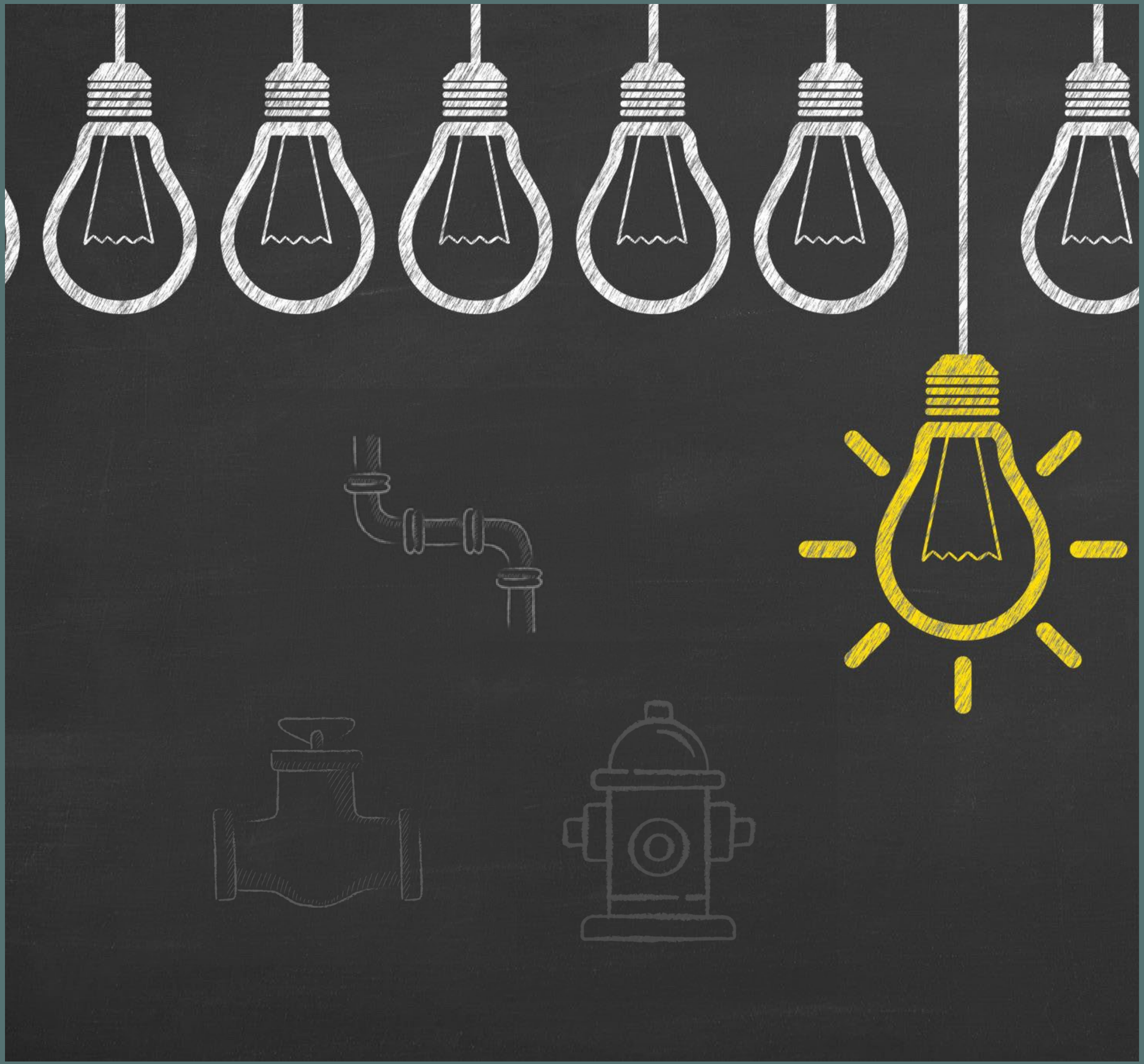
Since then, the leases have been updated to reflect current market values, and all new lease agreements have incorporated escalation clauses. The "Mills" property has also been converted from an office into a residence and currently yields approximately $41K in additional rental income annually. Recently, the Board requested that staff revisit whether it would be favorable to realize gains on property value by selling one or more of the properties, particularly given the accelerated rate of appreciation over the last several years. Whereas in 2019, the combined value of the four properties was estimated at $2-$2.5 million, current analysis indicates a value of $2.9-$3.2 million. As noted above, the District now receives additional rental income it previously did not.

The primary benefit of divesting one or more properties is an influx of cash to support the District's water and wastewater reserve funds. Currently, both of the reserve funds are above the target levels set by policy in July 2020. Although reserve funds are projected to drop below target levels over the next 5 to 10 years, this is a planned and calculated approach based on the Long-Term Infrastructure and Funding Roadmap discussed from 2020-2021. The primary reason not to divest properties is that, should the District need to drill a new well, the cost of acquiring the site would presumably be higher in the future.

At this point, staff believes that the opportunity cost of not retaining potential well sites outweighs the urgency of needing an influx into the reserve funds. Based on this, staff recommends that the properties continue to hold the properties.

STRATEGIC PLANNING

Finance & Administration



STRATEGIC PLANNING

/strəˈtējik/ˈplaniNG/

An organizational management activity used to set and prioritize the goals of your organization, focus energy and ensure everyone is working towards a common goal

WHY
ARE WE DOING THIS

Mission

To provide quality water and wastewater services to the Crescenta Valley community in a dependable and economically responsible manner.

Vision

Secure sustainable water supplies and ensure infrastructure reliability, while furthering our commitment to accountability, transparency, and cost-effectiveness.

Values

Teamwork, Professionalism, Integrity, Innovation, Safety, Diversity

CVWD

Finance & Administration

- Customer Service
- Human Resources
- Accounting
- Finance
- Administration
- IT

SWOT

- Honest
- Open Minded & Flexible
- Creative
- Balanced

S	Professionalism, Institutional Knowledge, Brand, Systems
W	Communication, Lean, SOPs, Cross Training, File Management
O	X-Training, Technology, Professional Development, Peer Agency
T	Perception, Lawsuits, Injuries, Turnover, Drought, Bad Data

FINANCE & ADMINISTRATION

Near-Term (within 1 year)

- File Digitization
- Analyze Procedures
- Emergency Protocol
- Peer Agency Visits

Long-Term (beyond 1 year)

- Leverage Technology (Interactive Voice Response, Customer Outreach)
- SOPs

CUSTOMER SERVICE/ UTILITY BILLING

Near-Term (within 1 year)

- Past Due Accounts/Arrearage Program
- Backflow Software/ Redundancy
- Customer Account Audit
- Customer Service Training

Long-Term (beyond 1 year)

- AMI Implementation
- Asset Management (Meters)

HUMAN RESOURCES

Near-Term (within 1 year)

- Internal Customer Service
- Employee Handbook
- Benefit Review
- Open House
- Wellness Webinars
- Personnel File Management

Long-Term (beyond 1 year)

- Retention Policies
- Benefit Fair
- Certificate and License Tracking
- Professional Development (Trainings)
- Employee Engagement

ADMINISTRATION

Near-Term (within 1 year)

- Intranet (Fun & Informational)
- Labor Negotiations
- Review Administrative Policies
- C2E Grant Application & Implementation

Long-Term (beyond 1 year)

- Virtual Meetings
- Rules & Reg
- Flag Pole Locations and Size
- Contract Management Workshops

ACCOUNTING

Near-Term (within 1 year)

- Audit
- Cross Training/Optimization
- CIP Dashboard
- Expense Groupings/ GL Focusing
- Inventory Review

Long-Term (beyond 1 year)

- Timekeeping/Payroll Automation
- Auditor RFP
- Retention Policies

FINANCE

Near-Term (within 1 year)

- Investment Dashboard
- CIP Budget
- Bond Covenants
- CA Arrearage Payment Program

Long-Term (beyond 1 year)

- Import v Pumping
- Linear Optimization
- Production v Revenue
- Focused Cost Centers

IT

Near-Term (within 1 year)

- IT Roadmap
- Local and Offsite Backups
- Asset Inventory and Management
- Internet Redundancy

Long-Term (beyond 1 year)

- AMI Implementation
- SCADA Integration, Support and Backup
- Microsoft Enterprise Level 5
- VOIP
- PC Replacements
- Website/Online Offering Upgrade
- Water Quality Reporting
- WaterSmart Customer Outreach
- GIS Integration