Regular Board Meeting - February 12, 2020

1. Agenda Packet

   Documents:

   200212 AGENDA PACKET - POSTED 200207.PDF

2. Related Agenda Item

   Documents:

   REVISED - AGENDA ITEM NO. 6 - POSTED 200211.PDF
   AGENDA ITEM NO. 6 - PUBLIC COMMENT - SAMPSEL.PDF
   AGENDA ITEM NO. 6 - PRESENTATION.PDF
   AGENDA ITEM NO. 6 - PRESENTATION FROM MERCURY.PDF
AGENDA

Regular Meeting
Governing Board of Sweetwater Authority
Wednesday, February 12, 2020 – 6:00 p.m.

- Call Meeting to Order and Roll Call
- Pledge of Allegiance to the Flag
- Opportunity for Public Comment
  Opportunity for members of the public to address the Board (Government Code Section 54954.6)
- Chair’s Presentation
  2020 Committees and Interagency Assignments

ACTION CALENDAR AGENDA
The following items on the Action Agenda call for discussion and action by the Board. All items are placed on the Agenda so that the Board may discuss and take action on the item if the Board is so inclined, including items listed for information.

1. Public Hearing on Sweetwater Authority Participation in the Statewide Community Infrastructure Program of the California Statewide Communities Development Authority
   A. Conduct Public Hearing
      Opportunity for members of the public to address the Board concerning the “Sweetwater Authority’s Participation in the Statewide Community Infrastructure Program of the California Statewide Communities Development Authority”
   B. Consideration to Adopt Resolution 20-05 – Approving, Authorizing, and Directing Execution of an Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority
   C. Consideration to Adopt Resolution 20-06 – Authorizing Sweetwater Authority to Join the Statewide Community Infrastructure Program; Authorizing the California Statewide Communities Development Authority to Accept Applications from Property Owners, Conduct Special Assessment Proceedings and Levy Assessments within the Territory of the Sweetwater Authority; Approving Form of Acquisition Agreement for Use When Applicable; and Authorizing Related Actions

2. Items to be Added, Withdrawn, or Reordered on the Agenda
3. Approval of Minutes
   A. Special Board Meeting of January 20, 2020
   B. Special Board Meeting of January 22, 2020
   C. Regular Board Meeting of January 22, 2020

**Consent Calendar Items**
Items to be acted upon without discussion, unless a request is made by a member of the Board, the Staff, or the Public to discuss a particular item, including items listed for information. All consent calendar items are approved by a single motion.

4. Approval of San Diego Gas & Electric Demands and Warrants

5. Approval of Demands and Warrants (excludes the San Diego Gas & Electric Demands and Warrants)

**Action and Discussion Items**

   **Recommendation:** Direct staff to incorporate the Report recommendations into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board

7. Consideration of Changes to Directors’ Fees (Finance and Personnel Committee Meeting of 2/5/20; Item 4. A.)
   **Recommendation:** Not make changes to Directors’ fees.

8. Review of Board Policies and Procedures (510 through 516 and 519) (Finance and Personnel Committee Meeting of 2/5/20; Agenda Item 4.B.)
   **Recommendation:** Approve the recommended changes as presented.

9. Consideration of Citizens Advisory Committee Recommendation to Perform an Energy Audit (Citizens Advisory Committee Meeting of 1/20/20)
   **Recommendation:** Conduct an Energy Audit of Authority Facilities

10. Old Business
    A. Review of Board Policies and Procedures (501 through 509) (Finance and Personnel Committee Meeting of 1/15/20, Item No. 4. B.)
        **Recommendation:** Approve the recommended changes as presented.
    B. Anticipated Schedule for Sediment Characterization Study (Information Item)

11. Approval of Directors’ Attendance at Meetings and Future Agenda Items
    A. Council of Water Utilities Meeting, San Diego County – The Butcher Shop Steakhouse, San Diego – Tuesday, February 18, 2020, 8:00 a.m. – “Water Innovation & Efficiency in Agriculture,” presented by Hank Rupp, COO/General Counsel, Rancho Guejito
    B. California Special Districts Association - San Diego Chapter Quarterly Meeting – Thursday, February 20, 2020, 6:00-9:00 p.m., The Butcher Shop Steakhouse, Kearny
Mesa; Program: “Issues Impacting San Diego’s Agricultural Communities,” Presented by: Hannah Gbeh, Executive Director, San Diego County Farm Bureau (Note: Sign-up sheets will be provided at Board meeting)

C. Water Education for Latino Leaders (WELL) Conference, San Jose, CA – March 20-21, 2020 (Note: Per diem approved on 1/8/20)

REPORTS AND INFORMATIONAL ITEMS

The following Agenda items are placed on the Agenda to allow the persons designated to provide information to the Board and the Public. There is no action called for in these items. The Board may engage in discussion on any report upon which specific subject matter is identified on the Agenda, but may not take any action other than to place the matter on a future Agenda.

12. Report of Legal Counsel
   • The Public Records Act and Public Comment (No Enclosure)

   • Recent/Upcoming Community Events (No Enclosures):
     - Sweetwater Authority High School Photography Competition Reception at Bonita Museum – April 10, 2020, 5:30-7:30 p.m.
     - Day of Play at Olivewood Gardens – July 18, 2020
     - Presentation to the Chula Vista Chamber of Commerce Utilities Subcommittee – July 29, 2020

14. Reports by Directors on Events Attended
    Reports and discussion relating to events attended by the Directors.
    A. Meeting with Federal Lobbyist – January 12-14, 2020
    B. CalDesal Annual Conference – February 6-7, 2020

15. Directors’ Comments
    Directors’ comments are comments by Directors concerning Authority business that may be of interest to the Board. Directors’ comments are placed on the Agenda to enable individual Board members to convey information to the Board and the Public. There is no discussion or action taken on comments made by Board members.

CLOSED SESSION

At any time during the regular session, the Governing Board may adjourn to closed session to consider litigation, personnel matters, or to discuss with legal counsel matters within the attorney-client privilege. Government Code Section 54954.5.

A. Conference with Real Property Negotiators pursuant to Government Code Section 54956.8:
   Property: Assessor Parcel Number:
   521-040-21-00, 521-040-22-00, 521-040-23-00

   Agency Negotiators: Tish Berge, General Manager
                       Jennifer Sabine, Assistant General Manager
                       Ron Mosher, Director of Engineering
                       Paula de Sousa, Legal Counsel
Negotiating Party: Paul W. Dunn and Joan M. Dunn Trust
Floyd Rosson, Agent

Under Negotiation: Price and Terms

B. Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9 (d)(1):
   Sweetwater Authority Middle Management Group v. Sweetwater Authority
   PERB Case No. LA-CE-1346-M

C. Conference with Legal Counsel – Existing Litigation pursuant to Government Code Section 54956.9 (d)(1):

16. Adjournment

This agenda was posted at least seventy-two (72) hours before the meeting in a location freely accessible to the Public on the exterior bulletin board at the main entrance to the Authority’s office and it is also posted on the Authority’s website at www.sweetwater.org. No action may be taken on any item not appearing on the posted agenda, except as provided by California Government Code Section 54954.2. Any writings or documents provided to a majority of the members of the Sweetwater Authority Governing Board regarding any item on this agenda will be made available for public inspection at the Authority Administration Office, located at 505 Garrett Avenue, Chula Vista, CA 91910, during normal business hours. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the Board Secretary at (619) 409-6703 at least forty-eight (48) hours before the meeting, if possible.

To e-subscribe to receive meeting agendas and other pertinent information, please visit www.sweetwater.org.

PUBLIC COMMENT PROCEDURES

Members of the general public may address the Board regarding items not appearing on the posted agenda, which are within the subject matter jurisdiction of the Governing Board. Speakers are asked to state name, address, and topic, and to observe a time limit of three (3) minutes each. Public comment on a single topic is limited to twenty (20) minutes. Anyone desiring to address the Governing Board regarding an item listed on the agenda is asked to fill out a speaker’s slip and present it to the Board Chair or the Secretary. Request to Speak forms are available at the Speaker’s podium and at www.sweetwater.org/speakerform.
## SWEETWATER AUTHORITY
### BOARD MEETING DATES

<table>
<thead>
<tr>
<th>1st BOARD MEETING</th>
<th>2nd BOARD MEETING</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Wednesday at 6:00 p.m.</td>
<td>4th Wednesday at 6:00 p.m.</td>
</tr>
</tbody>
</table>

## COMMITTEES – 2020

**FINANCE & PERSONNEL COMMITTEE**
1st & 3rd Wednesday at 4:30 p.m.
- José Cerda
- Jose Preciado
- Alejandra Sotelo-Solis

**OPERATIONS COMMITTEE**
1st & 3rd Wednesday at 3:00 p.m.
- Josie Calderon-Scott
- Jerry Cano
- Hector Martinez

**COMMUNICATIONS COMMITTEE**
Quarterly meeting; first Monday at 4:00 p.m.
- Josie Calderon-Scott
- José Cerda, Chair
- Alejandra Sotelo-Solis

**CONSULTANT SELECTION COMMITTEE**
As needed.
- Jerry Cano
- José Cerda
- Hector Martinez

**CONSERVATION GARDEN AUTHORITY**
Bi-annual meeting; other events as needed.
- Steve Castaneda, Delegate
- Alejandra Sotelo-Solis, Alternate

**CHULA VISTA INTERAGENCY WATER TASK FORCE**
As needed.
- Steve Castaneda, Delegate
- José Cerda, Alternate

**ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT POWERS INSURANCE AGENCY (SWA)**

**ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT POWERS INSURANCE AGENCY (SBID)**
- Hector Martinez, Delegate
- Josie Calderon-Scott, Alternate

**SOUTH COUNTY ECONOMIC DEVELOPMENT COUNCIL**
- Steve Castaneda, Delegate
- José Cerda, Alternate

**CHULA VISTA CHAMBER OF COMMERCE UTILITIES SUBCOMMITTEE (SBID)**
Quarterly meeting
- Josie Calderon-Scott
- José Cerda

**SWEETWATER RIVER WATERSHED ADVISORY PANEL**
- José F. Cerda

**NATIONAL WATER RESOURCES ASSOCIATION**
- Steve Castaneda, Delegate
- Hector Martinez, Delegate
- Tish Berge, Alternate

**SAN DIEGO LOCAL AGENCY FORMATION COMMISSION SPECIAL DISTRICTS ADVISORY COMMITTEE (SBID)**

**ACWA LOCAL GOVERNMENT COMMITTEE AND MEMBERSHIP COMMITTEE**
- Hector Martinez
This page intentionally left blank.
TO: Governing Board
FROM: Management
DATE: February 7, 2020
SUBJECT: Public Hearing and Consideration for the Authority to Become a Member of the California Statewide Communities Development Authority; Join the Statewide Community Infrastructure Program; and Adopt Resolutions 20-05 and 20-06

SUMMARY
Chair Castaneda requested this item be placed on the January 22, 2020 Board meeting agenda for the Board to consider the Authority's participation in the Statewide Community Infrastructure Program (SCIP), which is sponsored by the California Statewide Communities Development Authority (CSCDA). At the January 22, 2020 Board meeting, staff from CSCDA provided a presentation regarding SCIP that would allow developers to finance through CSCDA impact fees needed for private water infrastructure projects, as long as the Authority participates in SCIP. At that meeting, the Board directed staff to start the process to become a member of CSCDA in order to participate in SCIP, beginning with the February 12, 2020, meeting.

The public hearing scheduled for February 12, 2020, will allow the Board to take public testimony on the Authority participating in SCIP and bonds to be issued by CSCDA. The Board would then need to adopt Resolutions 20-05 and 20-06 making certain findings and authorizing certain matters necessary to participate in SCIP to complete the process of participating in CSCDA and SCIP. The January 22, 2020 Board Report (memo dated January 17, 2020) regarding CSCDA and SCIP is attached for additional information.

PAST BOARD ACTIONS
January 22, 2020 The Governing Board directed staff to start the process to become a member of the California Statewide Communities Development Authority in order to participate in the Statewide Community Infrastructure Program beginning with the next Board meeting.

June 7, 2019 The Governing Board approved the FY 2019-20 Strategic Plan Work Plan that included a goal to explore and implement process improvements to better serve developer customers.
Memo to: Governing Board
Subject: Public Hearing and Consideration for the Authority to Become a Member of the California Statewide Communities Development Authority; Join the Statewide Community Infrastructure Program; and Adopt Resolutions 20-05 and 20-06

February 7, 2020
Page 2 of 2

FISCAL IMPACT
There is no fiscal impact aside for staff time to implement and monitor the membership and program.

POLICY
Strategic Plan Goal 4: Customer Service, Citizen Engagement and Community Relations - Provide high-quality customer service based on customer feedback and serve the community through education, outreach, and partnerships.

- Objective CS3: Explore and implement process improvements to better serve developer customers.

ALTERNATIVES
1. Adopt Resolution 20-05 for the Authority to become a member of the California Statewide Communities Development Authority; and Adopt Resolution 20-06 authorizing the Authority to join the Statewide Community Infrastructure Program.

2. Determine not to become a member of the California Statewide Communities Development Authority and not participate in the Statewide Community Infrastructure Program.

STAFF RECOMMENDATION
Management defers to the Governing Board for direction.

ATTACHMENTS
1. Resolution 20-05
2. CSCDA JPA Agreement
3. Resolution 20-06
4. Board Report January 22, 2020 - Information Regarding the Statewide Community Infrastructure Program
RESOLUTION NO. 20-05

RESOLUTION OF THE GOVERNING BOARD OF SWEETWATER AUTHORITY
APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF AN
AMENDED AND RESTATED JOINT EXERCISE OF POWERS
AGREEMENT RELATING TO THE CALIFORNIA STATEWIDE
COMMUNITIES DEVELOPMENT AUTHORITY

WHEREAS, the Sweetwater Authority (the “Authority”), has expressed an interest
in participating in the economic development financing programs (the “Programs”) in
conjunction with the parties to that certain Amended and Restated Joint Exercise of
Powers Agreement Relating to the California Statewide Communities Development
Authority, dated as of June 1, 1988 (the “Agreement”); and

WHEREAS, there is now before the Authority the form of the Agreement for the
Authority to become a member (a “Program Participant”) of the California Statewide
Communities Development Authority; and

WHEREAS, the Authority proposes to participate in the Programs and desires that
certain projects to be located within the Authority be financed pursuant to the Programs
and it is in the public interest and for the public benefit that the Authority do so; and

WHEREAS, the Agreement has been submitted to the General Manager, Legal
Counsel, and members of the Governing Board of the Authority (the “Board”), all of
whom have reviewed said Agreement;

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the
Sweetwater Authority as follows:

Section 1. The Agreement is hereby approved and the Board Chair and the
General Manager are each hereby authorized and directed to execute said document,
with such changes, insertions and omissions as may be approved by the Board and
approved as to form by the Authority’s Legal Counsel.

Section 2. The Board Chair and the Secretary of the Board are hereby
authorized and directed to execute such other agreements, documents and certificates,
subject to approval as to form by the Authority’s Legal Counsel, and to perform such other
acts and deeds, as may be necessary to effect the purposes of this Resolution and the
transactions herein authorized.
RESOLUTION NO. 20-05

Section 3. The Secretary of the Board shall forward a certified copy of this Resolution and an originally executed Agreement to:

Kathleen Jacobe
Orrick, Herrington & Sutcliffe LLP
400 Capital Mall, Suite 3000
Sacramento, California 95814

Section 4. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED at a regular meeting of the Governing Board of Sweetwater Authority held on the 12th day of February 2020, by the following vote to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

__________________________
Steve Castaneda, Chair

ATTEST:

_________________________
Ligia Perez, Board Secretary
ATTACHMENT 2

AMENDED AND RESTATED
JOINT EXERCISE OF POWERS AGREEMENT
RELATING TO THE CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

THIS AGREEMENT, dated as of June 1, 1988, by and among the parties executing this Agreement (all such parties, except those which have withdrawn in accordance with Section 13 hereof, being herein referred to as the "Program Participants"): WITNESSETH

WHEREAS, pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act"), two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each of the Program Participants is a "public agency" as that term is defined in Section 6500 of the Government Code of the State of California, and

WHEREAS, each of the Program Participants is empowered to promote economic development, including, without limitation, the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, and the increase of the tax base, within its boundaries; and

WHEREAS, a public entity established pursuant to the Joint Exercise of Powers Act is empowered to issue industrial development bonds pursuant to the California Industrial Development Financing Act (Title 10 (commencing with Section 91500 of the Government Code of the State of California)) (the "Act") and to otherwise undertake financing programs under the Joint Exercise of Powers Act or other applicable provisions of law to promote economic development through the issuance of bonds, notes, or other evidences of indebtedness, or certificates of participation in leases or other agreements (all such instruments being herein collectively referred to as "Bonds"); and

WHEREAS, in order to promote economic development within the State of California, the County Supervisors Association of California ("CSAC"), together with the California Manufacturers Association, has established the Bonds for Industry program (the "Program").
WHEREAS, in furtherance of the Program, certain California counties (collectively, the "Initial Participants") have entered into that certain Joint Exercise of Powers Agreement dated as of November 18, 1987 (the "Initial Agreement"), pursuant to which the California Counties Industrial Development Authority has been established as a separate entity under the Joint Exercise of Powers Act for the purposes and with the powers specified in the Initial Agreement; and

WHEREAS, the League of California Cities ("LCC") has determined to join as a sponsor of the Program and to actively participate in the administration of the Authority; and

WHEREAS, the Initial Participants have determined to specifically authorize the Authority to issue Bonds pursuant to Article 2 of the Joint Exercise of Powers Act ("Article 2") and Article 4 of the Joint Exercise of Powers Act ("Article 4"), as well as may be authorized by the Act or other applicable law; and

WHEREAS, the Initial Participants desire to rename the California Counties Industrial Development Authority to better reflect the additional sponsorship of the Program; and

WHEREAS, each of the Initial Participants has determined that it is in the public interest of the citizens within its boundaries, and to the benefit of such Initial Participant and the area and persons served by such Initial Participant, to amend and restate in its entirety the Initial Agreement in order to implement the provisions set forth above; and

WHEREAS, it is the desire of the Program Participants to use a public entity established pursuant to the Joint Exercise of Powers Act to undertake projects within their respective jurisdictions that may be financed with Bonds issued pursuant to the Act, Article 2, Article 4, or other applicable provisions of law; and

WHEREAS, the projects undertaken will result in significant public benefits, including those public benefits set forth in Section 91502.1 of the Act, an increased level of economic activity, or an increased tax base, and will therefore serve and be of benefit to the inhabitants of the jurisdictions of the Program Participants;

NOW, THEREFORE, the Program Participants, for and in consideration of the mutual promises and agreements herein contained, do agree to restate and amend the Initial Agreement in its entirety to provide as follows:
Section 1. Purpose.

This Agreement is made pursuant to the provisions of the Joint Exercise of Powers Act, relating to the joint exercise of powers common to public agencies, in this case being the Program Participants. The Program Participants each possess the powers referred to in the recitals hereof. The purpose of this Agreement is to establish an agency for, and with the purpose of, issuing Bonds to finance projects within the territorial limits of the Program Participants pursuant to the Act, Article 2, Article 4, or other applicable provisions of law; provided, however that nothing in this Agreement shall be construed as a limitation on the rights of the Program Participants to pursue economic development outside of this Agreement, including the rights to issue Bonds through industrial development authorities under the Act, or as otherwise permitted by law.

Within the various jurisdictions of the Program Participants such purpose will be accomplished and said powers exercised in the manner hereinafter set forth.

Section 2. Term.

This Agreement shall become effective as of the date hereof and shall continue in full force and effect for a period of forty (40) years from the date hereof, or until such time as it is terminated in writing by all the Program Participants; provided, however, that this Agreement shall not terminate or be terminated until the date on which all Bonds or other indebtedness issued or caused to be issued by the Authority shall have been retired, or full provision shall have been made for their retirement, including interest until their retirement date.

Section 3. Authority.

A. CREATION AND POWERS OF AUTHORITY.

(1) Pursuant to the Joint Exercise of Powers Act, there is hereby created a public entity to be known as the "California Statewide Communities Development Authority" (the "Authority"), and said Authority shall be a public entity separate and apart from the Program Participants. Its debts, liabilities and obligations do not constitute debts, liabilities or obligations of any party to this Agreement.

B. COMMISSION.

The Authority shall be administered by a Commission (the "Commission") which shall consist of seven members, each
serving in his or her individual capacity as a member of the Commission. The Commission shall be the administering agency of this Agreement, and, as such, shall be vested with the powers set forth herein, and shall execute and administer this Agreement in accordance with the purposes and functions provided herein.

Four members of the Commission shall be appointed by the governing body of CSAC and three members of the Commission shall be appointed by the governing body of LCC. Initial members of the Commission shall serve a term ending June 1, 1991. Successors to such members shall be selected in the manner in which the respective initial member was selected and shall serve a term of three years. Any appointment to fill an unexpired term, however, shall be for such unexpired term. The term of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided, and provided that the term of any member shall not expire until a successor thereeto has been appointed as provided herein.

Each of CSAC and LCC may appoint an alternate member of the Commission for each member of the Commission which it appoints. Such alternate member may act as a member of the Commission in place of and during the absence or disability of such regularly appointed member. All references in this Agreement to any member of the Commission shall be deemed to refer to and include the applicable alternate member when so acting in place of a regularly appointed member.

Each member or alternate member of the Commission may be removed and replaced at any time by the governing body by which such member was appointed. Any individual, including any member of the governing body or staff of CSAC or LCC, shall be eligible to serve as a member or alternate member of the Commission.

Members and alternate members of the Commission shall not receive any compensation for serving as such but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a member or alternate member, if the Commission shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

C. OFFICERS; DUTIES; OFFICIAL BONDS.

The Commission shall elect a Chair, a Vice-Chair, and a Secretary of the Authority from among its members to serve for such term as shall be determined by the Commission. The Commission shall appoint one or more of its officers or
employees to serve as treasurer, auditor, and controller of the
Authority (the "Treasurer") pursuant to Section 6505.6 of the
Joint Exercise of Powers Act to serve for such term as shall
be determined by the Commission.

Subject to the applicable provisions of any
resolution, indenture or other instrument or proceeding
authorizing or securing Bonds (each such resolution,
indenture, instrument and proceeding being herein referred to
as an "Indenture") providing for a trustee or other fiscal
agent, the Treasurer is designated as the depositary of the
Authority to have custody of all money of the Authority, from
whatever source derived.

The Treasurer of the Authority shall have the
powers, duties and responsibilities specified in Section 6505.5

The Treasurer of the Authority is designated as the
public officer or person who has charge of, handles, or has
access to any property of the Authority, and such officer shall
file an official bond with the Secretary of the Authority in the
amount specified by resolution of the Commission but in no
event less than $1,000. If and to the extent permitted by law,
any such officer may satisfy this requirement by filing an
official bond in at least said amount obtained in connection
with another public office.

The Commission shall have the power to appoint
such other officers and employees as it may deem necessary
and to retain independent counsel, consultants and
accountants.

The Commission shall have the power, by resolution,
to the extent permitted by the Joint Exercise of Powers Act or
any other applicable law, to delegate any of its functions to
one or more of the members of the Commission or officers or
agents of the Authority and to cause any of said members,
officers or agents to take any actions and execute any
documents or instruments for and in the name and on behalf of
the Commission or the Authority.

D. MEETINGS OF THE COMMISSION.

(1) Regular Meetings.

The Commission shall provide for its regular
meetings; provided, however, it shall hold at least one regular
meeting each year. The date, hour and place of the holding of
the regular meetings shall be fixed by resolution of the
Commission and a copy of such resolution shall be filed with
each party hereto.
(2) **Special Meetings.**

Special meetings of the Commission may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California.

(3) **Ralph M. Brown Act.**

All meetings of the Commission, including, without limitation, regular, adjourned regular, special, and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California).

(4) **Minutes.**

The Secretary of the Authority shall cause to be kept minutes of the regular, adjourned regular, special, and adjourned special meetings of the Commission and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each member of the Commission.

(5) **Quorum.**

A majority of the members of the Commission which includes at least one member appointed by the governing body of each of CSAC and LCC shall constitute a quorum for the transaction of business. No action may be taken by the Commission except upon the affirmative vote of a majority of the members of the Commission which includes at least one member appointed by the governing body of each of CSAC and LCC, except that less than a quorum may adjourn a meeting to another time and place.

E. **RULES AND REGULATIONS.**

The Authority may adopt, from time to time, by resolution of the Commission such rules and regulations for the conduct of its meetings and affairs as may be required.

Section 4. **Powers.**

The Authority shall have any and all powers relating to economic development authorized by law to each of the parties hereto and separately to the public entity herein created, including, without limitation, the promotion of opportunities for the creation and retention of employment, the stimulation of economic activity, and the increase of the tax base, within the jurisdictions of such parties. Such powers shall include the common powers specified in this
Agreement and may be exercised in the manner and according to the method provided in this Agreement. All such powers common to the parties are specified as powers of the Authority. The Authority is hereby authorized to do all acts necessary for the exercise of such powers, including, but not limited to, any or all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located; to incur debts, liabilities or obligations; to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity; to sue and be sued in its own name; and generally to do any and all things necessary or convenient to the promotion of economic development, including without limitation the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, and the increase of the tax base, all as herein contemplated. Without limiting the generality of the foregoing, the Authority may issue or cause to be issued bonded and other indebtedness, and pledge any property or revenues as security to the extent permitted under the Joint Exercise of Powers Act, including Article 2 and Article 4, the Act or any other applicable provision of law.

The manner in which the Authority shall exercise its powers and perform its duties is and shall be subject to the restrictions upon the manner in which a California county could exercise such powers and perform such duties until a California general law city shall become a Program Participant, at which time it shall be subject to the restrictions upon the manner in which a California general law city could exercise such powers and perform such duties. The manner in which the Authority shall exercise its powers and perform its duties shall not be subject to any restrictions applicable to the manner in which any other public agency could exercise such powers or perform such duties, whether such agency is a party to this Agreement or not.

Section 5. Fiscal Year.

For the purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year as established from time to time by the Authority, being, at the date of this Agreement, the period from July 1 to and including the following June 30, except for the first Fiscal Year which shall be the period from the date of this Agreement to June 30, 1988.
Section 6. Disposition of Assets.

At the end of the term hereof or upon the earlier termination of this Agreement as set forth in Section 2 hereof, after payment of all expenses and liabilities of the Authority, all property of the Authority both real and personal shall automatically vest in the Program Participants and shall thereafter remain the sole property of the Program Participants; provided, however, that any surplus money on hand shall be returned in proportion to the contributions made by the Program Participants.

Section 7. Bonds.

The Authority shall issue Bonds for the purpose of exercising its powers and raising the funds necessary to carry out its purposes under this Agreement. Said Bonds may, at the discretion of Authority, be issued in series.

The services of bond counsel, financing consultants and other consultants and advisors working on the projects and/or their financing shall be used by the Authority. The fees and expenses of such counsel, consultants, advisors, and the expenses of CSAC, LCC, and the Commission shall be paid from the proceeds of the Bonds or any other unencumbered funds of the Authority available for such purpose.

Section 9. Local Approval.

A copy of the application for financing of a project shall be filed by the Authority with the Program Participant in whose jurisdiction the project is to be located. The Authority shall not issue Bonds with respect to any project unless the governing body of the Program Participant in whose jurisdiction the project is to be located, or its duly authorized designee, shall approve, conditionally or unconditionally, the project, including the issuance of Bonds therefor. Action to approve or disapprove a project shall be taken within 45 days of the filing with the Program Participant. Certification of approval or disapproval shall be made by the clerk of the governing body of the Program Participant, or by such other officer as may be designated by the applicable Program Participant, to the Authority.

Section 8. Bonds Only Limited and Special Obligations of Authority.

The Bonds, together with the interest and premium, if any, thereon, shall not be deemed to constitute a debt of any Program Participant, CSAC, or LCC or pledge of the faith and credit of the Program Participants, CSAC, LCC, or the
Authority. The Bonds shall be only special obligations of the Authority, and the Authority shall under no circumstances be obligated to pay the Bonds or the respective project costs except from revenues and other funds pledged therefor. Neither the Program Participants, CSAC, LCC, nor the Authority shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Program Participants nor the faith and credit of CSAC, LCC, or the Authority shall be pledged to the payment of the principal of, premium, if any, or interest on the Bonds nor shall the Program Participants, CSAC, LCC, or the Authority in any manner be obligated to make any appropriation for such payment.

No covenant or agreement contained in any Bond or Indenture shall be deemed to be a covenant or agreement of any member of the Commission, or any officer, agent or employee of the Authority in his individual capacity and neither the Commission of the Authority nor any officer thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.

Section 10. Accounts and Reports.

All funds of the Authority shall be strictly accounted for. The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any Indenture (to the extent such duties are not assigned to a trustee of Bonds). The books and records of the Authority shall be open to inspection at all reasonable times by each Program Participant.

The Treasurer of the Authority shall cause an independent audit to be made of the books of accounts and financial records of the Agency by a certified public accountant or public accountant in compliance with the provisions of Section 6505 of the Joint Exercise of Powers Act. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as public records with each Program Participant and also with the county auditor of each county in which a Program Participant is located. Such report shall be filed within 12 months of the end of the Fiscal Year or Years under examination.
Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants in making an audit pursuant to this Section, shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for that purpose.

In any Fiscal Year the Commission may, by resolution adopted by unanimous vote, replace the annual special audit with an audit covering a two-year period.

The Treasurer of the Authority, within 120 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to each of the Program Participants to the extent such activities are not covered by the reports of the trustees for the Bonds. The trustee appointed under each Indenture shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said Indenture. Said trustee may be given such duties in said Indenture as may be desirable to carry out this Agreement.

Section 11. Funds.

Subject to the applicable provisions of each Indenture, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Treasurer of the Authority shall receive, have the custody of and disburse Authority funds pursuant to the accounting procedures developed under Section 10 hereof, and shall make the disbursements required by this Agreement or otherwise necessary to carry out any of the provisions or purposes of this Agreement.

Section 12. Notices.

Notices and other communications hereunder to the Program Participants shall be sufficient if delivered to the clerk of the governing body of each Program Participant.


A Program Participant may withdraw from this Agreement upon written notice to the Commission; provided, however, that no such withdrawal shall result in the dissolution of the Authority so long as any Bonds remain outstanding under an Indenture. Any such withdrawal shall be effective only upon receipt of the notice of withdrawal by the Commission which shall acknowledge receipt of such notice of withdrawal in writing and shall file such notice as an amendment to this Agreement effective upon such filing.
Qualifying public agencies may be added as parties to this Agreement and become Program Participants upon: (i) the filing by such public agency of an executed counterpart of this Agreement, together with a certified copy of the resolution of the governing body of such public agency approving this Agreement and the execution and delivery hereof; and (ii) adoption of a resolution of the Commission approving the addition of such public agency as a Program Participant. Upon satisfaction of such conditions, the Commission shall file such executed counterpart of this Agreement as an amendment hereto, effective upon such filing.

Section 14. **Indemnification.**

To the full extent permitted by law, the Commission may authorize indemnification by the Authority of any person who is or was a member or alternate member of the Commission, or an officer, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a member or alternate member of the Commission, or an officer, employee or other agent of the Authority, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful and, in the case of an action by or in the right of the Authority, acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 15. **Contributions and Advances.**

Contributions or advances of public funds and of the use of personnel, equipment or property may be made to the Authority by the parties hereto for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment, and in such case shall be repaid, in the manner agreed upon by the Authority and the party making such advance at the time of such advance.

Section 16. **Immunities.**

All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activity of officers, agents or employees of Program Participants when performing their
respective functions within the territorial limits of their respective public agencies, shall apply to them to the same degree and extent while engaged as members of the Commission or otherwise as an officer, agent or other representative of the Authority or while engaged in the performance of any of their functions or duties extraterritorially under the provisions of this Agreement.

Section 17. Amendments.

Except as provided in Section 13 above, this Agreement shall not be amended, modified, or altered except by a written instrument duly executed by each of the Program Participants.

Section 18. Effectiveness.

This Agreement shall become effective and be in full force and effect and a legal, valid and binding obligation of each of the Program Participants at 9:00 a.m., California time, on the date that the Commission shall have received from each of the Initial Participants an executed counterpart of this Agreement, together with a certified copy of a resolution of the governing body of each such Initial Participant approving this Agreement and the execution and delivery hereof.

Section 19. Partial Invalidity.

If anyone or more of the terms, provisions, promises, covenants or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Agreement shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 20. Successors.

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto. Except to the extent expressly provided herein, no party may assign any right or obligation hereunder without the consent of the other parties.

Section 21. Miscellaneous.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

This Agreement is made in the State of California, under the Constitution and laws of such state and is to be so construed.

This Agreement is the complete and exclusive statement of the agreement among the parties hereto, which superscedes and merges all prior proposals, understandings, and other agreements, including, without limitation, the Initial Agreement, whether oral, written, or implied in conduct, between and among the parties relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

Program Participant:

Sweetwater Authority

[SEAL]

By

Name:

Title:

ATTEST:

By

Name:

Title:
RESOLUTION NO. 20-06

RESOLUTION OF THE GOVERNING BOARD OF SWEETWATER AUTHORITY
AUTHORIZING SWEETWATER AUTHORITY TO JOIN THE STATEWIDE
COMMUNITY INFRASTRUCTURE PROGRAM; AUTHORIZING THE CALIFORNIA
STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT
APPLICATIONS FROM PROPERTY OWNERS, CONDUCT SPECIAL ASSESSMENT
PROCEEDINGS AND LEVY ASSESSMENTS WITHIN THE TERRITORY OF THE
SWEETWATER AUTHORITY; APPROVING FORM OF ACQUISITION AGREEMENT
FOR USE WHEN APPLICABLE; AND AUTHORIZING RELATED ACTIONS

WHEREAS, the California Statewide Communities Development Authority (the
"Authority") is a joint exercise of powers authority the members of which include
numerous cities, counties and local agencies in the State of California, including the
Sweetwater Authority (the "Sweetwater Authority"); and

WHEREAS, the Authority has established the Statewide Community
Infrastructure Program ("SCIP") to allow the financing of certain development impact
fees (the "Fees") levied in accordance with the Mitigation Fee Act (California
Government Code Sections 66000 and following) and other authority providing for the
levy of fees on new development to pay for public capital improvements (collectively,
the "Fee Act") through the levy of special assessments pursuant to the Municipal
Improvement Act of 1913 (Streets and Highways Code Sections 10000 and following)
(the "1913 Act") and the issuance of improvement bonds (the "Local Obligations") under
the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and
following) (the "1915 Act") upon the security of the unpaid special assessments; and

WHEREAS, SCIP will also allow the financing of certain public capital
improvements to be constructed by or on behalf of property owners for acquisition by
the Sweetwater Authority or another public agency (the "Improvements"); and

WHEREAS, the Sweetwater Authority desires to allow the owners of property
being developed within its jurisdiction ("Participating Developers") to participate in SCIP
and to allow the Authority to conduct assessment proceedings under the 1913 Act and
to issue Local Obligations under the 1915 Act to finance Fees levied on such properties
and Improvements, provided that such Participating Developers voluntarily agree to
participate and consent to the levy of such assessments; and

WHEREAS, in each year in which eligible property owners within the jurisdiction
of the Sweetwater Authority elect to be Participating Developers, the Authority will
conduct assessment proceedings under the 1913 Act and issue Local Obligations under
the 1915 Act to finance Fees payable by such property owners and Improvements and,
at the conclusion of such proceedings, will levy special assessments on such property
within the territory of the Sweetwater Authority;
RESOLUTION NO. 20-06

WHEREAS, there has been presented to this meeting a proposed form of Resolution of Intention to be adopted by the Authority in connection with such assessment proceedings (the "ROI"), a copy of which is attached hereto as Exhibit A, and the territory within which assessments may be levied for SCIP (provided that each Participating Developer consents to such assessment) shall be coterminous with the Sweetwater Authority’s official boundaries of record at the time of adoption of each such ROI (the “Proposed Boundaries”), and reference is hereby made to such boundaries for the plat or map required to be included in this Resolution pursuant to Section 10104 of the Streets and Highways Code; and

WHEREAS, there has also been presented to this meeting a proposed form of Acquisition Agreement (the “Acquisition Agreement”), a copy of which is attached hereto as Exhibit B, to be approved as to form for use with respect to any Improvements to be constructed and installed by a Participating Developer and for which the Participating Developer requests acquisition financing as part of its SCIP application; and

WHEREAS, the Sweetwater Authority will not be responsible for the conduct of any assessment proceedings; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Local Obligations or any other bonds issued in connection with SCJP, including without limitation, compliance with applicable federal laws and regulations pertaining to maintenance of the tax-exempt status of the Local Obligations or any other bonds issued in connection with SCJP or pertaining to the original or continuing disclosure requirements applicable to the Local Obligations or any other bonds issued in connection with SCJP; and

WHEREAS, pursuant to Government Code Section 6586.5, notice was published at least five days prior to the adoption of this resolution at a public hearing, which was duly conducted by this Governing Board (the “Board”) concerning the significant public benefits of SCJP and the financing of the Improvements and the public capital improvements to be paid for with the proceeds of the Fees;

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Sweetwater Authority as follows:

Section 1. The Sweetwater Authority hereby consents to the conduct of special assessment proceedings by the Authority in connection with SCJP pursuant to the 1913 Act and the issuance of Local Obligations under the 1915 Act on any property within the Proposed Boundaries; provided, that

(1) Such proceedings are conducted pursuant to one or more Resolutions of Intention in substantially the form of the ROI; and
RESOLUTION NO. 20-06

(2) The Participating Developers, who shall be the legal owners of such property, execute a written consent to the levy of assessment in connection with SCIP by the Authority and execute an assessment ballot in favor of such assessment in compliance with the requirements of Section 4 of Article XIIIID of the State Constitution.

Section 2. The Sweetwater Authority hereby finds and declares that the issuance of bonds by the Authority in connection with SCIP will provide significant public benefits, including without limitation, savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs and the more efficient delivery of local agency services to residential and commercial development within the Sweetwater Authority.

Section 3. The Authority has prepared and will update from time to time the "SCIP Manual of Procedures" (the "Manual"), and the Sweetwater Authority will handle Fee revenues and funds for Improvements for properties participating in SCIP in accordance with the procedures set forth in the Manual.

Section 4. The form of Acquisition Agreement presented to this meeting is hereby approved, and the Board Chair and the General Manager are each authorized to execute and the Secretary of the Board is authorized to attest the execution of a completed Acquisition Agreement in substantially said form and pertaining to the Improvements being financed on behalf of the applicable Participating Developer.

Section 5. The appropriate officials and staff of the Sweetwater Authority are hereby authorized and directed to make SCIP applications available to all property owners who are subject to Fees for new development within the Sweetwater Authority and/or who are conditioned to install Improvements and to inform such owners of their option to participate in SCIP; provided, that the Authority shall be responsible for providing such applications and related materials at its own expense. The staff persons listed on the attached Exhibit C, together with any other staff persons chosen by the Board Chair or the General Manager from time to time, are hereby designated as the contact persons for the Authority in connection with the SCIP program.

Section 6. The appropriate officials and staff of the Sweetwater Authority are hereby authorized and directed to execute and deliver such closing certificates, requisitions, agreements and related documents, including but not limited to such documents as may be required by bond counsel in connection with the participation in SCIP of any districts, authorities or other third-party entities entitled to own Improvements and/or to levy and collect fees on new development to pay for public capital improvements within the jurisdiction of the Sweetwater Authority, as are reasonably required by the Authority in accordance with the Manual to implement SCIP for Participating Developers and to evidence compliance with the requirements of federal and state law in connection with the issuance by the Authority of the Local Obligations and any other bonds for SCIP. To that end, and pursuant to Treasury
RESOLUTION NO. 20-06

Regulations Section 1.150-2, the staff persons listed on Exhibit C, or other staff person acting in the same capacity for the Sweetwater Authority with respect to SCIP, are hereby authorized and designated to declare the official intent of the Sweetwater Authority with respect to the public capital improvements to be paid or reimbursed through participation in SCIP.

Section 7. This Resolution shall take effect immediately upon its adoption. The Secretary of the Board is hereby authorized and directed to transmit a certified copy of this Resolution to the Secretary of the Authority.

PASSED AND ADOPTED at a regular meeting of the Governing Board of Sweetwater Authority held on the 12th day of February 2020, by the following vote to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

__________________________________
Steve Castaneda, Chair

ATTEST:

__________________________________
Ligia Perez, Board Secretary
RESOLUTION NO. 20-06

EXHIBIT A TO THE RESOLUTION

FORM OF RESOLUTION OF INTENTION
TO BE ADOPTED BY CSCDA

RESOLUTION NO. ___SCIP_

RESOLUTION OF INTENTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO FINANCE CAPITAL IMPROVEMENTS AND/OR THE PAYMENT OF DEVELOPMENT IMPACT FEES FOR PUBLIC CAPITAL IMPROVEMENTS IN THE PROPOSED STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM ASSESSMENT DISTRICT NO. ___ (SWEETWATER AUTHORITY, COUNTY OF SAN DIEGO, CALIFORNIA), APPROVING A PROPOSED BOUNDARY MAP, MAKING CERTAIN DECLARATIONS, FINDINGS AND DETERMINATIONS CONCERNING RELATED MATTERS, AND AUTHORIZING RELATED ACTIONS IN CONNECTION THEREWITH

WHEREAS, under the authority of the Municipal Improvement Act of 1913 (the “1913 Act”), being Division 12 (commencing with Sections 10000 and following) of the California Streets and Highways Code (the “Code”), the Commission (the “Commission”) of the California Statewide Communities Development Authority (the “Authority”) intends to finance, through its Statewide Community Infrastructure Program, the payment of certain development impact fees for public improvements (the “Improvement Fees”) and/or to finance certain public capital improvements to be constructed by or on behalf of the property owner(s) and to be acquired by the Sweetwater Authority or another local agency (the “Improvements”) as described in Exhibit A attached hereto and by this reference incorporated herein, all of which are of benefit to the property within the proposed Statewide Community Infrastructure Program Assessment District No. ___ (Sweetwater Authority, County of San Diego, California) (the “Assessment District”);

WHEREAS, the Commission finds that the land specially benefited by the Improvements and/or the Improvement Fees is shown within the boundaries of the map entitled “Proposed Boundaries of California Statewide Communities Development Authority Statewide Community Infrastructure Program Assessment District No. ___ (Sweetwater Authority, County of San Diego,) State of California,” a copy of which map is on file with the Secretary and presented to this Commission meeting, and determines that the land within the exterior boundaries shown on the map shall be designated “Statewide Community Infrastructure Program Assessment District No. ___ (Sweetwater Authority, County of San Diego,) State of California”;

WHEREAS, the Sweetwater Authority is a member of the Authority and has approved the adoption on its behalf of this Resolution of Intention and has consented to the levy of the assessments in the Assessment District;

NOW, THEREFORE, BE IT RESOLVED that the Commission of the California Statewide Communities Development Authority hereby finds, determines and resolves as follows:

Section 1. The above recitals are true and correct.
Section 2. Pursuant to Section 2961 of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (the "1931 Act"), being Division 4 (commencing with Section 2800) of the Code, the Commission hereby declares its intent to comply with the requirements of the 1931 Act by complying with Part 7.5 thereof.

Section 3. The Commission has designated a registered, professional engineer as Engineer of Work for this project, and hereby directs said firm to prepare the report containing the matters required by Sections 2961(b) and 10204 of the Code, as supplemented by Section 4 of Article XIIIID of the California Constitution.

Section 4. The proposed boundary map of the Assessment District is hereby approved and adopted. Pursuant to Section 3111 of the Code, the Secretary of the Authority is directed to file a copy of the map in the office of the County Recorder of the County of San Diego within fifteen (15) days of the adoption of this resolution.

Section 5. The Commission determines that the cost of financing the Improvements and/or the payment of the Improvement Fees shall be specially assessed against the lots, pieces or parcels of land within the Assessment District benefiting from the financing of the Improvements and/or the payment of the Improvement Fees. The Commission intends to levy a special assessment upon such lots, pieces or parcels in accordance with the special benefit to be received by each such lot, piece or parcel of land, respectively, from the financing of the Improvements and/or the payment of the Improvement Fees.

Section 6. The Commission intends, pursuant to subparagraph (f) of Section 10204 of the Code, to provide for an annual assessment upon each of the parcels of land in the proposed Assessment District to pay various costs and expenses incurred from time to time by the Authority and not otherwise reimbursed to the Authority which result from the administration and collection of assessment installments or from the administration or registration of the improvement bonds and the various funds and accounts pertaining thereto.

Section 7. Bonds representing unpaid assessments, and bearing interest at a rate not to exceed twelve percent (12%) per annum, will be issued in the manner provided by the Improvement Bond Act of 1915 (Division 10 of the Code), and the last installment of the bonds shall mature not to exceed twenty-nine (29) years from the second day of September next succeeding twelve (12) months from their date.

Section 8. The procedure for the collection of assessments and advance retirement of bonds under the Improvement Bond Act of 1915 shall be as provided in Part 11.1 thereof.

Section 9. Neither the Authority nor any member agency thereof will obligate itself to advance available funds from its or their own funds or otherwise to cure any deficiency which may occur in the bond redemption fund. A determination not to obligate itself shall not prevent the Authority or any such member agency from, in its sole discretion, so advancing funds.

Section 10. The amount of any surplus remaining in the improvement fund after acquisition of the Improvements and/or payment of Improvement Fees and all other claims shall be distributed in accordance with the provisions of Section 10427.1 of the Code.

Section 11. To the extent any Improvement Fees are paid to the Authority in cash with respect to property within the proposed Assessment District prior to the date of issuance of the bonds, the amounts so paid shall be reimbursed from the proceeds of the bonds to the property owner or developer that made the payment.
PASSED AND ADOPTED by the California Statewide Communities Development Authority this ___ day of _______, 20__.

I, the undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on ______, 20__.

By ______________________________________
Authorized Signatory
California Statewide Communities
Development Authority
EXHIBIT A TO THE RESOLUTION OF INTENTION

DESCRIPTION OF WORK

The payment of development impact fees levied within the Assessment District and/or public capital improvements to be acquired and owned by the Sweetwater Authority or another local agency upon or for the benefit of parcels within the Assessment District, for the project known as [Project Name], which are authorized to be financed pursuant to the Municipal Improvement Act of 1913 and as to which the owners of the applicable parcels within the Assessment District have applied for participation in SCIP, as more particularly described below.

PAYMENT OF IMPACT FEES

CAPITAL IMPROVEMENTS*

*Capital improvements includes funding for incidental costs associated with the capital improvements, including but not limited to, contingency, design, engineering, and construction management

[End of Form of Resolution of Intention]
RESOLUTION NO. 20-06

EXHIBIT B TO THE RESOLUTION

FORM OF ACQUISITION AGREEMENT

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM

ACQUISITION AGREEMENT

BY AND BETWEEN
SWEETWATER AUTHORITY
AND
[DEVELOPER]

Dated as of _____, 20__
ACQUISITION AGREEMENT

Recitals

A. The parties to this Acquisition Agreement (the "Agreement") are the SWEETWATER AUTHORITY, (the "Local Agency"), and [DEVELOPER], a [here indicate type of legal entity] (the "Developer").

B. The effective date of this Agreement is ________, 20__. 

C. The Developer has applied for financing of certain public capital improvements (the “Acquisition Improvements”) and capital facilities fees though the Statewide Community Infrastructure Program (“SCIP”) administered by the California Statewide Communities Development Authority (the “Authority”) and such application has been approved by the Local Agency.

D. The administration, payment and reimbursement of the capital facilities fees is agreed to be governed by the provisions of the SCIP Manual of Procedures as it may be amended from time to time. The administration, payment and reimbursement of the Acquisition Improvements shall be as provided herein.

E. Under SCIP, the Authority intends to issue bonds to fund, among other things, all or a portion of the costs of the Acquisition Improvements, and the portion of the proceeds of such bonds allocable to the cost of the Acquisition Improvements to be constructed and installed by the Developer, together with interest earned thereon prior to such acquisition, is referred to herein as the “Available Amount”.

F. SCIP will provide financing for the acquisition by the Local Agency of the Acquisition Improvements and the payment of the Acquisition Price (as defined herein) of the Acquisition Improvements from the Available Amount. Attached hereto as Exhibit A are descriptions of the Acquisition Improvements, which descriptions are subject to modification by written amendment of this Agreement, subject to the approval of the Authority.

G. The parties anticipate that, upon completion of the Acquisition Improvements and subject to the terms and conditions of this Agreement, the Local Agency will acquire such completed Acquisition Improvements with the Available Amount.

H. Any and all monetary obligations of the Local Agency arising out of this Agreement are the special and limited obligations of the Local Agency payable only from the Available Amount, and no other funds whatsoever of the Local Agency shall be obligated therefor.

I. In consideration of Recitals A through H, inclusive, and the mutual covenants, undertakings and obligations set forth below, the Local Agency and the Developer agree as stated below.
ARTICLE I

DEFINITIONS; ASSESSMENT DISTRICT FORMATION AND FINANCING PLAN

Section 1.01. Definitions. As used herein, the following capitalized terms shall have the meanings ascribed to them below:

"Acceptable Title" means free and clear of all monetary liens, encumbrances, assessments, whether any such item is recorded or unrecorded, and taxes, except those items which are reasonably determined by the Local Agency Engineer in his sole discretion not to interfere with the intended use and therefore are not required to be cleared from the title.

"Acquisition Improvements" shall have the meaning assigned to such term in Recital C and are described in Exhibit A.

"Acquisition Price" means the amount paid to the Developer upon acquisition of all of the Acquisition Improvements as provided in Section 2.03.

"Actual Cost" means the cost of construction of all of the Acquisition Improvements, as documented by the Developer to the satisfaction of the Local Agency, as certified by the Local Agency Engineer in an Actual Cost Certificate.

"Actual Cost Certificate" shall mean a certificate prepared by the Developer detailing the Actual Cost of all of the Acquisition Improvement to be acquired hereunder, as revised by the Local Agency Engineer pursuant to Section 2.03.

"Agreement" means this Acquisition Agreement, dated as of ______, 20__.

"Assessment District" means the assessment district established by the Authority pursuant to SCIP which includes the Developer's property for which the Acquisition Improvements are being funded.

"Authority" means the California Statewide Communities Development Authority.

"Available Amount" means the amount of funds deposited in the Developer Acquisition Account by the Authority pursuant to SCIP, together with any interest earnings thereon.


"Developer" means [Developer], a [here indicate type of legal entity].

"[Developer] Acquisition Account" means the account by that name established by the Authority pursuant to SCIP for the purpose of paying the Acquisition Price of the Acquisition Improvements.
“Local Agency” means the Sweetwater Authority.

“Local Agency Engineer” means the Director of Public Works of the Local Agency (the “Director”) or the designee of the Director, who will be responsible for administering the acquisition of the Acquisition Improvements hereunder.

“Project” means the land development program of the Developer pertaining to the Developer’s property in the Assessment District, including the design and construction of the Acquisition Improvements and the other public and private improvements to be constructed by the Developer within or adjacent to the Assessment District.

“SCIP” means the Statewide Community Infrastructure Program of the Authority.

“SCIP Requisition” means a requisition for payment of funds from the [Developer] Acquisition Account in substantially the form attached hereto as Exhibit B.

“SCIP Trust Agreement” means the Trust Agreement entered into by the Authority and the SCIP Trustee in connection with the financing for the Acquisition Improvements.

“SCIP Trustee” means Wilmington Trust, National Association, as trustee under the SCIP Trust Agreement.

“Title Documents” means, for each Acquisition Improvement acquired hereunder, a grant deed or similar instrument necessary to transfer title to any real property or interests therein (including easements) necessary or convenient to the operation, maintenance, rehabilitation and improvement by the Local Agency of that Acquisition Improvement (including, if necessary, easements for ingress and egress) and a Bill of Sale or similar instrument evidencing transfer of title to that Acquisition Improvement (other than said real property interests) to the Local Agency, where applicable.

Section 1.02. Participation in SCIP. Developer has applied for financing through SCIP of the Acquisition Improvements, and such application has been approved by the Local Agency. Developer and Local Agency agree that until and unless such financing is completed by the Authority and the Available Amount is deposited in the Developer Acquisition Account, neither the Developer nor the Local Agency shall have any obligations under this agreement. Developer agrees to cooperate with the Local Agency and the Authority in the completion of SCIP financing for the Acquisition Improvements.

Section 1.03. Deposit and Use of Available Amount.

(a) Upon completion of the SCIP financing, the Available Amount will be deposited by the Authority in the [Developer] Acquisition Account.

(b) The Authority will cause the SCIP Trustee to establish and maintain the [Developer] Acquisition Account for the purpose of holding all funds for the Acquisition Improvements. All earnings on amounts in the [Developer] Acquisition Account shall remain in the [Developer] Acquisition Account for use as provided herein and pursuant to SCIP. The amounts in the [Developer] Acquisition Account shall be withdrawn by the Local Agency in
accordance with SCIP procedures upon completion of the Acquisition Improvements within 30
days (or as soon thereafter as reasonably practicable) of receipt by the Local Agency of the
certification of the Local Agency Engineer required by Section 2.03 of this Agreement, and
subject to satisfaction of all other conditions precedent to such acquisition pursuant to Section
2.04 of this Agreement, to pay the Acquisition Price of such completed Acquisition
Improvements, as specified in Article II hereof. Upon completion of all of the Acquisition
Improvements and the payment of all costs thereof, any remaining funds in the [Developer] Acquisition Account (less any amount determined by the Local Agency as necessary to reserve for claims against such account) (i) shall be applied to pay the costs of any additional improvements eligible for acquisition with respect to the Project as approved by the Authority and, to the extent not so used, thereafter (ii) shall be applied by the Authority as provided in Section 10427.1 of the Code to pay a portion of the assessments levied on the Project property in the Assessment District.

Section 1.04. No Local Agency Liability; Local Agency Discretion; No Effect
on Other Agreements. In no event shall any actual or alleged act by the Local Agency or any
actual or alleged omission or failure to act by the Local Agency with respect to SCIP subject the
Local Agency to monetary liability therefor. Further, nothing in this Agreement shall be
construed as affecting the Developer’s or the Local Agency’s duty to perform their respective
obligations under any other agreements, public improvement standards, land use regulations or
subdivision requirements related to the Project, which obligations are and shall remain
independent of the Developer’s and the Local Agency’s rights and obligations under this
Agreement.

ARTICLE II

DESIGN, CONSTRUCTION AND ACQUISITION OF ACQUISITION IMPROVEMENTS

Section 2.01. Letting and Administering Design Contracts. The parties presently
anticipate that the Developer has awarded and administered or will award and administer
engineering design contracts for the Acquisition Improvements to be acquired from Developer.
All eligible expenditures of the Developer for design engineering and related costs in connection
with the Acquisition Improvements (whether as an advance to the Local Agency or directly to
the design consultant) shall be reimbursed at the time of acquisition of such Acquisition
Improvements. The Developer shall be entitled to reimbursement for any design costs of the
Acquisition Improvements only out of the Acquisition Price as provided in Section 2.03 and
shall not be entitled to any payment for design costs independent of or prior to the acquisition of
Acquisition Improvements.

Section 2.02. Letting and Administration of Construction Contracts. State law
requires that all Acquisition Improvements shall be constructed as if they were constructed under
the direction and supervision of the Local Agency. In order to assure compliance with those
provisions, except for any contracts entered into prior to the date hereof, Developer agrees to
comply with the guidelines of the Local Agency for letting and administering said contracts. The
Developer agrees that all such contracts shall call for payment of prevailing wages as required by
the Labor Code of the State of California.
Section 2.03. **Sale of Acquisition Improvements.** The Developer agrees to sell to the Local Agency the Acquisition Improvements to be constructed by Developer (including any rights-of-way or other easements necessary for the operation and maintenance of the Acquisition Improvements, to the extent not already publicly owned) when such Acquisition Improvements are completed to the satisfaction of the Local Agency for an amount not to exceed the lesser of (i) the Available Amount or (ii) the Actual Cost of the Acquisition Improvements. Exhibit A, attached hereto and incorporated herein, contains a list of each Acquisition Improvement. At the time of completion of each Acquisition Improvement, the Developer shall deliver to the Local Agency Engineer a written request for acquisition, accompanied by an Actual Cost Certificate and executed Title Documents for the transfer of the Acquisition Improvement, where necessary. In the event that the Local Agency Engineer finds that the supporting paperwork submitted by the Developer fails to demonstrate the required relationship between the subject Actual Cost and the related Acquisition Improvement, the Local Agency Engineer shall advise the Developer that the determination of the Actual Cost (or the ineligible portion thereof) has been disallowed and shall request further documentation from the Developer. If such further documentation is still not adequate, the Local Agency Engineer may revise the Actual Cost Certificate to delete any disallowed items, and such determination shall be final and conclusive.

In the event that the Actual Cost is in excess of the Available Amount, the Local Agency shall withdraw the Available Amount from the [Developer] Acquisition Account and transfer said amount to the Developer. In the event that the Actual Cost is less than the Available Amount, the Local Agency shall withdraw an amount from the [Developer] Acquisition Account equal to the Actual Cost, and shall transfer said amount to the Developer. Any amounts then remaining in the [Developer] Acquisition Account shall be applied as provided in Section 1.03.

In no event shall the Local Agency be required to pay the Developer more than the amount on deposit in the [Developer] Acquisition Account at the time such payment is requested.

Section 2.04. **Conditions Precedent to Payment of Acquisition Price.** Payment by the Local Agency to the Developer from the [Developer] Acquisition Account of the Acquisition Price for an Acquisition Improvement shall be conditioned first upon the determination of the Local Agency Engineer, pursuant to Section 2.03, that such Acquisition Improvement is all complete and ready for acceptance by the Local Agency, and shall be further conditioned upon prior satisfaction of the following additional conditions precedent:

(a) The Developer shall have provided the Local Agency with lien releases or other similar documentation satisfactory to the Local Agency as evidence that the property which is subject to the special assessment liens of the Assessment District is not subject to any prospective mechanics lien claim respecting the Acquisition Improvements.

(b) All due and payable property taxes, and installments of special assessments shall be current on property owned by the Developer or under option to the Developer that is subject to the special assessment liens of the Assessment District.

(c) The Developer shall certify that it is not in default with respect to any loan secured by any interest in the Project.
(d) The Developer shall have provided the Local Agency with Title Documents needed to provide the Local Agency with title to the site, right-of-way, or easement upon which the subject Acquisition Improvements are situated. All such Title Documents shall be in a form acceptable to the Local Agency (or applicable governmental agency) and shall convey Acceptable Title. The Developer shall provide a policy of title insurance as of the date of transfer in a form acceptable to the Local Agency Engineer insuring the Local Agency as to the interests acquired in connection with the acquisition of any interest for which such a policy of title insurance is not required by another agreement between the Local Agency and the Developer. Each title insurance policy required hereunder shall be in the amount equal to or greater than the Acquisition Price.

Section 2.05. SCIP Requisition. Upon a determination by the Local Agency Engineer to pay the Acquisition Price of the Acquisition Improvements pursuant to Section 2.04, the Local Agency Engineer shall cause a SCIP Requisition to be submitted to the Program Administrator. The Program Administrator will review the SCIP Requisition and forward it with instructions to the SCIP Trustee and the SCIP Trustee shall make payment directly to the Developer of such amount pursuant to the SCIP Trust Agreement. The Local Agency and the Developer acknowledge and agree that the SCIP Trustee shall make payment strictly in accordance with the SCIP Requisition and shall not be required to determine whether or not the Acquisition Improvements have been completed or what the Actual Costs may be with respect to such Acquisition Improvements. The SCIP Trustee shall be entitled to rely on the SCIP Requisition on its face without any further duty of investigation.

ARTICLE III

MISCELLANEOUS

Section 3.01. Indemnification and Hold Harmless. The Developer hereby assumes the defense of, and indemnifies and saves harmless the Local Agency, the Authority, and each of its respective officers, directors, employees and agents, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from or alleged to have resulted from the acts or omissions of the Developer or its agents and employees in the performance of this Agreement, or arising out of any contract for the design, engineering and construction of the Acquisition Improvements or arising out of any alleged misstatements of fact or alleged omission of a material fact made by the Developer, its officers, directors, employees or agents to the Authority's underwriter, financial advisor, appraiser, district engineer or bond counsel or regarding the Developer, its proposed developments, its property ownership and its contractual arrangements contained in the official statement relating to the SCIP financing (provided that the Developer shall have been furnished a copy of such official statement and shall not have objected thereto); and provided, further, that nothing in this Section 3.01 shall limit in any manner the Local Agency's rights against any of the Developer's architects, engineers, contractors or other consultants. Except as set forth in this Section 3.01, no provision of this Agreement shall in any way limit the extent of the responsibility of the Developer for payment of damages resulting from the operations of the Developer, its agents and employees. Nothing in this Section 3.01 shall be understood or construed to mean that the Developer agrees to
indemnify the Local Agency, the Authority or any of its respective officers, directors, employees or agents, for any negligent or wrongful acts or omissions to act of the Local Agency, Authority its officers, employees, agents or any consultants or contractors.

Section 3.02. Audit. The Local Agency shall have the right, during normal business hours and upon the giving of ten days' written notice to the Developer, to review all books and records of the Developer pertaining to costs and expenses incurred by the Developer (for which the Developer seeks reimbursement) in constructing the Acquisition Improvements.

Section 3.03. Cooperation. The Local Agency and the Developer agree to cooperate with respect to the completion of the SCIP financing for the Acquisition Improvements. The Local Agency and the Developer agree to meet in good faith to resolve any differences on future matters which are not specifically covered by this Agreement.

Section 3.04. General Standard of Reasonableness. Any provision of this Agreement which requires the consent, approval or acceptance of either party hereto or any of their respective employees, officers or agents shall be deemed to require that such consent, approval or acceptance not be unreasonably withheld or delayed, unless such provision expressly incorporates a different standard. The foregoing provision shall not apply to provisions in the Agreement which provide for decisions to be in the sole discretion of the party making the decision.

Section 3.05. Third Party Beneficiaries. The Authority and its officers, employees, agents or any consultants or contractors are expressly deemed third party beneficiaries of this Agreement with respect to the provisions of Section 3.01. It is expressly agreed that, except for the Authority with respect to the provisions of Section 3.01, there are no third party beneficiaries of this Agreement, including without limitation any owners of bonds, any of the Local Agency’s or the Developer’s contractors for the Acquisition Improvements and any of the Local Agency’s, the Authority's or the Developer’s agents and employees.

Section 3.06. Conflict with Other Agreements. Nothing contained herein shall be construed as releasing the Developer or the Local Agency from any condition of development or requirement imposed by any other agreement between the Local Agency and the Developer, and, in the event of a conflicting provision, such other agreement shall prevail unless such conflicting provision is specifically waived or modified in writing by the Local Agency and the Developer.

Section 3.07. Notices. All invoices for payment, reports, other communication and notices relating to this Agreement shall be mailed to:
If to the Local Agency:

Sweetwater Authority  
[Address to Come]

If to the Developer:

[Developer]  
[Address to Come]

Either party may change its address by giving notice in writing to the other party.

Section 3.08. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

Section 3.09. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

Section 3.10. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement.

Section 3.11. Singular and Plural; Gender. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

Section 3.12. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 3.13. Successors and Assigns. This Agreement is binding upon the heirs, assigns and successors-in-interest of the parties hereto. The Developer may not assign its rights or obligations hereunder, except to successors-in-interest to the property within the District, without the prior written consent of the Local Agency.

Section 3.14. Remedies in General. It is acknowledged by the parties that the Local Agency would not have entered into this Agreement if it were to be liable in damages under or with respect to this Agreement or the application thereof, other than for the payment to the Developer of any (i) moneys owing to the Developer hereunder, or (ii) moneys paid by the Developer pursuant to the provisions hereof which are misappropriated or improperly obtained, withheld or applied by the Local Agency.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that the Local Agency shall not be liable in damages to the Developer, or to any assignee or transferee of the Developer other than
for the payments to the Developer specified in the preceding paragraph. Subject to the foregoing, the Developer covenants not to sue for or claim any damages for any alleged breach of, or dispute which arises out of, this Agreement.

[THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

SWEETWATER AUTHORITY

By ____________________________
[Chairperson]

ATTEST:
Secretary of the Board

By ____________________________

[DEVELOPER],
a [here indicate type of legal entity]

By ____________________________
(Signature)

____________________________
(Print Name)
EXHIBIT A TO THE ACQUISITION AGREEMENT

DESCRIPTION OF ACQUISITION IMPROVEMENTS AND BUDGETED AMOUNTS

<table>
<thead>
<tr>
<th>ACQUISITION IMPROVEMENTS</th>
<th>BUDGETED AMOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>$</td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
</tr>
</tbody>
</table>
EXHIBIT B TO THE ACQUISITION AGREEMENT

FORM OF SCIP REQUISITION

To: BLX Group LLC
   SCIP Program Administrator
   777 S. Figueroa St., Suite 3200
   Los Angeles, California 90017
   Attention: Vo Nguyen
   Fax: 213-612-2499

Re: Statewide Community Infrastructure Program

The undersigned, a duly authorized officer of the SWEETWATER AUTHORITY hereby requests a withdrawal from the [DEVELOPER] ACQUISITION ACCOUNT, as follows:

Request Date: [Insert Date of Request]
Name of Developer: [Developer]
Withdrawal Amount: [Insert Acquisition Price]
Acquisition Improvements: [Insert Description of Acquisition Improvement(s) from Ex. A]
Payment Instructions: [Insert Wire Instructions or Payment Address for Developer]

The undersigned hereby certifies as follows:

1. The Withdrawal is being made in accordance with a permitted use of such monies pursuant to the Acquisition Agreement, and the Withdrawal is not being made for the purpose of reinvestment.

2. None of the items for which payment is requested have been reimbursed previously from other sources of funds.

3. If the Withdrawal Amount is greater than the funds held in the [Developer] Acquisition Account, the SCIP Program Administrator is authorized to amend the amount requested to be equal to the amount of such funds.

4. To the extent the Withdrawal is being made prior to the date bonds have been issued on behalf of SCIP, this withdrawal form serves as the declaration of official intent of the SWEETWATER AUTHORITY, pursuant to Treasury Regulations 1.150-2, to reimburse with respect expenditures made from the Developer Acquisition Account listed above in the amount listed above.

SWEETWATER AUTHORITY

By: ____________________
Title: ____________________
This page intentionally left blank.
RESOLUTION NO. 20-06

EXHIBIT C TO THE RESOLUTION

SWEETWATER AUTHORITY CONTACTS FOR SCIP PROGRAM

**Primary Contact**

Name: Rich Stevenson  
Title: Director of Finance  
Mailing Address: 505 Garrett Avenue, Chula Vista, CA 91910  
Delivery Address (if different):  
E-mail: rstevenson@sweetwater.org  
Telephone: (619) 409-6711  
Fax: (619) 425-7469

**Secondary Contact**

Name: Jennifer Sabine  
Title: Assistant General Manager  
Mailing Address: 505 Garrett Avenue, Chula Vista, CA 91910  
Delivery Address (if different):  
E-mail: jsabine@sweetwater.org  
Telephone: (619) 409-6702  
Fax: (619) 425-7469
CERTIFICATION OF RESOLUTION

I, the undersigned, the duly appointed and qualified Secretary of the Governing Board of the SWEETWATER AUTHORITY, do hereby certify that the foregoing Resolution No. _________ was duly adopted at a regular meeting of the Governing Board of the SWEETWATER AUTHORITY duly and regularly held at the regular meeting place thereof on the ______ day of ________, 20____, of which meeting all of the members of said Governing Board had due notice and at which a majority thereof were present.

An agenda of said meeting was posted at least 72 hours before said meeting at ____________________________, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda.

I have carefully compared the foregoing with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

Dated: _______________, 20____

______________________________
Secretary of the Governing Board

SWEETWATER AUTHORITY

By: __________________________

[Seal]
TO: Governing Board
FROM: Management
DATE: January 17, 2020
SUBJECT: Information Regarding the Statewide Community Infrastructure Program

SUMMARY
This memo is provided as background to Chair Castaneda’s request for information on the Statewide Community Infrastructure Program (SCIP), which is sponsored by the California Statewide Communities Development Authority (CSCDA), be presented to the Board for consideration. Based on public noticing requirements, action to participate in SCIP would need to take place at a future meeting. The Authority’s participation in SCIP would allow developers to finance impact fees required for private water infrastructure projects through CSCDA. A staff member from CSCDA will attend the January 22, 2020 Board meeting, to provide an overview of the program and answer any questions the Board may have at that time.

Process for Participating in SCIP
The Authority would need to hold a public hearing, adopt certain resolutions, and sign an agreement to become members of CSCDA and to participate in the SCIP. The resolutions would also authorize CSCDA to:

- Form assessment districts within the Authority’s boundaries, conduct assessment proceedings and levy assessments against the property of participating owners.
- Accept applications from owners of property within our planning jurisdiction to apply for tax-exempt financing of public capital improvements and development impact fees through SCIP.
- Approves the form of an Acquisition Agreement to be entered into between the Authority and the participating property owner/developer, if applicable, to provide the terms and conditions under which financing for public capital improvements will be provided and to establish the procedure for disbursement of bond proceeds to pay for completed facilities; and also authorizes miscellaneous related actions and makes certain findings and determinations required by law.
Program Information

The following information is a summary provided by the representatives for SCIP. Developers that are interested in the program could use SCIP to finance the Authority’s capacity and construction fees; however, the San Diego County Water Authority’s capacity fees are not eligible for SCIP financing. In addition, only projects in the City of Chula Vista or the County of San Diego could be financed through SCIP, as those entities are members of the program. National City currently does not participate in SCIP and, for statutory reasons, developers would not be able to finance Authority projects within National City through SCIP.

CSCDA is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of CSCDA include approximately 389 cities, 56 counties, and 75 special districts throughout California, including the Authority.

SCIP was instituted by CSCDA in 2002 to allow owners of property in participating cities and counties to finance the development impact fees that would be payable by property owners upon receiving development entitlements or building permits. The program has since been expanded to include financing of public capital improvements directly. If a property owner chooses to participate, the selected public capital improvements and the development impact fees owed to the Authority will be financed by the issuance of tax-exempt bonds by CSCDA. CSCDA will impose a special assessment on the owner’s property to repay the portion of the bonds issued to finance the fees paid with respect to the property. With respect to impact fees, the property owner will either pay the impact fees at the time of permit issuance, and will be reimbursed from the SCIP bond proceeds when the SCIP bonds are issued; or the fees will be funded directly from the proceeds of the SCIP bonds. In the former case, the Authority is required to pay the fees over to SCIP, and in the latter case, SCIP holds the bond proceeds representing the fees. In both cases the fees are subject to requisition by the Authority at any time to make authorized fee expenditures. By holding and investing the money until it is spent, SCIP is able to monitor the investment earnings (which come to the Authority) for federal tax law arbitrage purposes. SCIP encourages the Authority to spend those amounts before any other fee revenues of the Authority. If the fees are paid by the property owner and bonds are never issued, the fees are returned to the Authority by SCIP. In this way, the Authority is never at risk for the receipt of the impact fees. Since its inception, SCIP has financed approximately $600 million of bonds for local projects.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
• Instead of paying cash for public capital improvements and/or development impact fees, the property owner receives low-cost, long-term tax-exempt financing of those fees, freeing up capital for other purposes.

• The property owner can choose to pay off the special assessments at any time. Because SCIP is a fixed lien, assessment payments will not escalate over time and no property owner is in any way responsible for another property’s assessment.

• For home buyers, paying for the costs of public infrastructure through a special assessment is superior to having those costs “rolled” into the cost of the home. Although the tax bill is higher, the amount of the mortgage is smaller. Moreover, because the special assessment financing is at tax-exempt rates, it can come at a lower cost than mortgage rates.

• Owners of smaller projects, both residential and commercial, can have access to tax-exempt financing of infrastructure. Before the inception of SCIP, only projects large enough to justify the formation of an assessment or communities facilities district had access to tax-exempt financing. SCIP can finance project amounts as low as $500,000.

The benefits to the Authority include:

• As in conventional assessment financing, the Authority is not liable to repay the bonds issued by CSCDA or the assessments imposed on the participating properties.

• CSCDA handles all district formation, district administration, bond issuance and bond administration functions. At its discretion, the local agency can charge an administrative fee to cover staff time taken to review the SCIP application and request for funding.

• Providing tax-exempt financing helps participating cities and counties cushion the impact of rising public capital improvements costs and development impact fees on property owners.

• The availability of financing can encourage developers to pull permits and pay fees in larger blocks, giving the participating authority immediate access to revenues for public infrastructure, rather than receiving a trickle of revenues stretched out over time.

• In some cases, the special assessments on successful projects can be refinanced through refunding bonds. Savings achieved through refinancing will be directed back to the participating county for use on public infrastructure, or credits to property owners, subject to applicable federal tax limitations.

• SCIP is an important tool for developers in determining the overall feasibility of a project and in certain instances the decision to purchase land.
PAST BOARD ACTION

June 7, 2019  The Governing Board approved the FY 2019-20 Strategic Plan Work Plan that included a goal to explore and implement process improvements to better serve developer customers.

FISCAL IMPACT

Fiscal impact associated with participating in the program would be staff time to implement and monitor the membership and program, and would vary depending upon the number of developers who participate.

POLICY

Strategic Plan Goal 4: Customer Service, Citizen Engagement and Community Relations - Provide high-quality customer service based on customer feedback and serve the community through education, outreach, and partnerships.

- Objective CS3: Explore and implement process improvements to better serve developer customers.

CONCLUSION

This report is presented for informational purposes only.

ATTACHMENTS

1. Sample Resolution to Become Members of CSCDA
2. CSCDA JPA Agreement
3. Sample Resolution to Participate in the SCIP
The Governing Board of Sweetwater Authority held a Special meeting on Monday, January 20, 2020 at the Sweetwater Authority Administrative Office, 505 Garrett Avenue, Chula Vista, California. Chair Castaneda called the meeting to order at 4:31 p.m.

- **Roll Call**

  Directors Present: *Josie Calderon-Scott (4:32 p.m.), Jerry Cano, Steve Castaneda, José F. Cerda, Hector Martinez, and Jose Preciado

  Directors Absent: Alejandra Sotelo-Solis

  Management, Staff and Others Present: General Manager Tish Berge, Assistant General Manager Jennifer Sabine, Legal Counsel Paula de Sousa, and Board Secretary Ligia Perez. Staff members: Director of Water Quality Justin Brazil, Engineering Manager Erick del Bosque, Biologist Pete Famolaro, Environmental Project Manager Israel Marquez, and Director of Engineering Ron Mosher Others Present: Warren Coalson of EnviroMINE, Inc., Jose Ortiz of Ortiz Corporation, Abel Parra of Hofer Corporation, and John Atkins of Vulcan Corporation

- **Pledge of Allegiance to the Flag**

- **Opportunity for Public Comment** (Government Code Section 54954.3)

  There were none.

- **Consideration of Letters of Interest for Materials Dredging/Sand Mining In and Around Sweetwater Authority Reservoirs (Information Item)**

  Staff presented on the project’s goals and objectives, background, considerations and issues.

  Abel Parra of Hofer Corporation, Jose Ortiz of Ortiz Corporation, and John Atkins of Vulcan Materials Company presented their Letters of Interest.

  Warren Coalson of EnviroMINE, Inc. provided insights on the potential materials dredging/sand mining process.

  **Director Preciado made a motion, seconded by Director Cano, that the Governing Board direct staff to hire a consultant to conduct a study into materials dredging/sand mining in and around Sweetwater Authority Reservoirs. The motion carried unanimously, with Director Sotelo-Solis absent.**
Adjournment

With no further business before the Board, Chair Castaneda adjourned the meeting at 6:09 p.m.

Steve Castaneda, Chair

Attest:

Ligia Perez, Board Secretary
SWEETWATER AUTHORITY GOVERNING BOARD
MINUTES OF THE SPECIAL MEETING
January 22, 2020

The Governing Board of Sweetwater Authority held a Special meeting on Monday, January 22, 2020 at the Sweetwater Authority Administrative Office, 505 Garrett Avenue, Chula Vista, California. Vice Chair Martinez called the meeting to order at 5:00 p.m.

- Roll Call
  Directors Present: Josie Calderon-Scott, Jerry Cano, *Steve Castaneda (5:55 p.m.), José F. Cerda, Hector Martinez, *Jose Preciado (5:06 p.m.), and *Alejandra Sotelo-Solis (5:06 p.m.)
  Directors Absent: None
  Management, Staff and Others Present: General Manager Tish Berge, Assistant General Manager Jennifer Sabine, Legal Counsel Paula de Sousa, and Board Secretary Ligia Perez. Others Present: Special Labor Counsel Frances Rogers of Liebert Cassidy Whitmore

- Pledge of Allegiance to the Flag

- Opportunity for Public Comment (Government Code Section 54954.3)
  There were none.

CLOSED SESSION

At 5:01 p.m., the Board convened to meet in closed session with legal counsel for:
Conference with Labor Negotiator pursuant to Government Code Section 54957.6
  Agency Negotiators: Frances Rogers, Special Labor Counsel
  Tish Berge, General Manager
  Jennifer Sabine, Assistant General Manager
  Employee Organizations: Sweetwater Authority Employees’ Committee
  Sweetwater Authority Middle Management Group
  Sweetwater Authority Confidential Group

There were no minutes taken, and the session was not audio-recorded. At 5:57 p.m., Chair Castaneda declared the meeting to be in open session. No reportable action was taken by the Governing Board.

- Adjournment
  With no further business before the Board, Chair Castaneda adjourned the meeting at 5:58 p.m.

Attest:

Steve Castaneda, Chair

Ligia Perez, Board Secretary
This page intentionally left blank.
SWEETWATER AUTHORITY GOVERNING BOARD
MINUTES OF THE REGULAR MEETING

January 22, 2020

The Governing Board of Sweetwater Authority held a Regular meeting on Wednesday, January 22, 2020, at the Sweetwater Authority Administrative Office, 505 Garrett Avenue, Chula Vista, California. Chair Castaneda called the meeting to order at 6:04 p.m.

• Roll Call

Directors Present: Josie Calderon-Scott, Jerry Cano, Steve Castaneda, José F. Cerda, Hector Martinez, Jose Preciado, and *Alejandra Sotelo-Solis (left at 8:01 p.m.)

Directors Absent: None

Management, Staff, and Others Present: General Manager Tish Berge, Assistant General Manager Jennifer Sabine, Legal Counsel Paula de Sousa, and Board Secretary Ligia Perez. Staff Members: Director of Water Quality Justin Brazil, Director of Engineering Ron Mosher, Public Affairs Manager Leslie Payne, Director of Operations Greg Snyder, Director of Finance Rich Stevenson, and Director of Administrative Services Dina Yorba. Others present: James Hamill of the California Statewide Communities Development Authority and Mike Sampsel.

• Pledge of Allegiance to the Flag

• Opportunity for Public Comment (Government Code Section 54954.3)

Mike Sampsel commented on the two-percent employee pay rate increase, availability of meeting minutes, succession planning and retirement of employees, employee salaries, quality of the 36-inch pipeline project, responses to questions from the public, and the three-minute time limit for members of the public to present items.

• Chair's Presentation

Comments from the Public Regarding Agency Staff

ACTION CALENDAR AGENDA

1. Items to be Added, Withdrawn, or Reordered on the Agenda

There were none.

Agenda Items 11 and 12 were later reordered to accommodate a presentation. See Items to be Added, Withdrawn, or Reordered on the Agenda following Agenda Item 10.
2. Approval of Minutes - Regular Meeting of January 8, 2020

Director Sotelo-Solis made a motion, seconded by Director Cano, that the Governing Board approve the minutes of the January 8, 2020 Regular meeting. The motion carried unanimously.

Consent Calendar Items

Chair Castaneda recused himself from consideration of Agenda Item 3 (Approval of San Diego Gas & Electric Demands and Warrants – Check number 152806 due to his contract with Sempra Energy, parent company of SDG&E, which Director Castaneda disclosed on the record.

Chair Castaneda pulled item 4 and Director Preciado pulled item 10 for discussion.

Director Preciado made a motion, seconded by Director Sotelo-Solis, that the Governing Board approve consent calendar items three and five through nine. The motion carried unanimously, with Director Castaneda recused.

3. Approval of San Diego Gas & Electric Demands and Warrants

5. Communications Plan Metrics Reporting – FY 2019-20 First Quarter (Information Item) (Communications Committee Meeting of 1/6/20, Item No. 4. A.)

Recommendation: No action was required from the Governing Board.

6. Participation and Water Service at Community Events (Information Item) (Communications Committee Meeting of 1/6/20, Item No. 4. B.)

Recommendation: No action was required by the Governing Board.

7. Communications Team and Tasks (Information Item) (Communications Committee Meeting of 1/6/20, Item No. 4. C.)

Recommendation: No action was required by the Governing Board.

8. Consideration to Award a Task Order for Design and Construction Services Related to the City of San Diego Direct Transfer Facility and Authorize an Extension to the On-call Contract for SCADA Design Services (Operations Committee Meeting of 1/15/20, Item No. 4. B.)

Recommendation: Authorize an extension of the contract for On-call SCADA Design Services to June 2021 (or when the last project assigned is complete if different than this date) to allow for completion of work already assigned to the consultant and award a Task Order to Timberline for design and construction-related services on the City's DTF in an amount not to exceed $144,804.

9. Strategic Plan Reporting – Bi-annual Detailed Work Plan Status Report (Information Item) (Operations Committee Meeting of 1/15/20, Item No. 4. C. and Finance and Personnel Committee Meeting of 1/15/20, Item 4. D.)

Recommendation: No action was required by the Governing Board.
Items Pulled from Consent Calendar

4. Approval of Demands and Warrants (excludes San Diego Gas & Electric Demands and Warrants) – Check numbers 152688 through 152815 and electronic fund transfers 32023 through 32308

Mike Sampsel commented on the Demands and Warrants.

Director Sotelo-Solis made a motion, seconded by Director Preciado, that the Governing Board approve the Demands and Warrants (excluding the San Diego Gas & Electric Demands and Warrants). The motion carried unanimously.

10. Review of Board Policies and Procedures (501 through 509) (Finance and Personnel Committee Meeting of 1/15/20, Item No. 4. B.)

Recommendation: Approve the recommended changes as presented.

Director Preciado made a motion, seconded by Director Sotelo-Solis, that the Governing Board approve the recommended changes to Board Policies and Procedures 501 through 509 as presented.

Chair Castaneda made a substitute motion, seconded by Director Cano, that the Governing Board continue discussion on Board Policies and Procedures 501 through 509 to a future meeting. The motion carried with Directors Calderon-Scott, Cano, Castaneda, Martinez, and Preciado in favor, and Directors Cerda and Sotelo-Solis opposed.

Action and Discussion Items

Items to be Added, Withdrawn, or Reordered on the Agenda

Per General Manager Berge’s request, the Governing Board concurred to move agenda item 12 before item 11 to accommodate a guest speaker.

12. New Business

Information Regarding the Statewide Community Infrastructure Program (Information Item) (Item Requested by Chair Castaneda)

James Hamill of the California Statewide Communities Development Authority presented on the Statewide Community Infrastructure Program.

Chair Castaneda made a motion, seconded by Director Cerda, that the Governing Board direct staff to start the process to become a member of the California Statewide Communities Development Authority in order to participate in the Statewide Community Infrastructure Program beginning with the next Board meeting. The motion carried unanimously.

11. Consideration to Approve Contract with Enterprise Automation, Irvine, CA, for On-call SCADA System Integration Professional Services (Operations Committee Meeting of 1/15/20, Item No. 4. A.)
Recommendation: Award an On-call SCADA System Integration Professional Services contract to Enterprise Automation, Irvine, CA, with an end date of June 2021 (or when the last project assigned is complete if different than this date).

Director Sotelo-Solis made a motion, seconded by Director Cerda, that the Governing Board award an On-call SCADA System Integration Professional Services contract to Enterprise Automation, Irvine, CA, with an end date of June 2021 (or when the last project assigned is complete if different than this date). The motion carried unanimously.

13. Approval of Directors' Attendance at Meetings and Future Agenda Items

A. Consideration to Approve Per diem for Directors Who Wish to Attend the San Diego Union-Tribune Neighborhood Town Hall, San Diego - January 28, 2020 (Communications Committee Meeting of 1/6/20, Item No. 4. D.)

B. Per diem approval for Directors who wish to attend the Local Government Commission’s Annual Yosemite Leadership and Policy Conference, Yosemite National Park - March 5-8, 2020

(Director Sotelo-Solis left the meeting at 8:01 p.m.)

Director Preciado made a motion, seconded by Chair Castaneda, that the Governing Board approve per diem for Directors who wish to attend the Local Government Commission’s Annual Yosemite Leadership and Policy Conference, Yosemite, National Park – March 5-8, 2020; and deny per diem for Directors who wish to attend the San Diego Union-Tribune Neighborhood Town Hall, San Diego – January 28, 2020. The motion carried unanimously, with Director Sotelo-Solis absent.

REPORTS AND INFORMATIONAL ITEMS

14. Financial Reports
   • Monthly Financials – November 2019
   • Monthly Financials – December 2019
   • Quarterly Capital & Expense Projects Report – Second Quarter FY 2019-20


18. Report of Management
   • Upcoming Community Events (Information Item) (No Enclosure)
- Presentation to the Chula Vista Chamber of Commerce Utilities Subcommittee – July 29, 2020
- Day of Play at Olivewood Gardens – July 18, 2020

General Manager Berge reported on:
- the sponsorship of the Kimball Holiday event;
- thefts and break-ins at the water treatment plant;
- positive media coverage;
- flushing notification letters being sent to residents of Bonita;
- upcoming presentation at the Chula Vista Chamber of Commerce Utilities Subcommittee on July 29, 2020;
- taste and odor metrics will be included in the Feasibility Study;
- provided a review of agendas for the next Operations and Finance and Personnel Committees;
- highlighted major happenings and work efforts including Special Meetings on February 10, 2020, for a workshop on the 2020-21 Strategic Plan Work Plan and February 11, 2020, to discuss developer policies;
- the fleet study will be presented at the February 12, 2020, Regular meeting;
- the initial results of the flushing program;
- and a presentation from Energage, LLC regarding the employee survey will be presented at the February 26, 2020, Regular meeting.

19. Report of Representatives to the San Diego County Water Authority

Director Preciado reported on the upcoming meeting of the SDCWA to discuss three lawsuits with Metropolitan Water District; provided a memo to Directors that highlights the points of contention; offered to discuss the memo with Board members and the potential of having a representative from SDCWA present to the South Bay Irrigation District Board of Directors regarding the lawsuits.

20. Reports by Directors on Events Attended

A. Meeting with Federal Lobbyist – January 13-14, 2020

Directors Cano, Preciado, Martinez, Calderon-Scott, Cerda, and Castaneda provided a report.

B. Council of Water Utilities meeting – January 21, 2020

Directors Martinez, Cerda, Calderon-Scott, and Castaneda provided a report.

21. Directors’ Comments

Director Cano commented that he is not available during the current meeting times of the Operations Committee; and announced the appointment of a new City of National City representative to the SDCWA.

Director Martinez commented on looking forward to the upcoming Special Board Meeting on February 11, 2020, to discuss developer issues and its relation to housing;
the Board's effort to improve the taste and odor of Authority water; and congratulated Authority management on the Special Board meeting regarding sand mining.

Director Calderon-Scott commented on the conditions of the south portion of the Sweetwater Trail; invited Board members to the Mexican American Business and Professional Association Monthly Lunch Meeting on February 12, 2020, which will focus on Planning for the Future: Safe and Reliable Water for All at the SDCWA offices.

Director Castaneda commented on the Authority's membership with the San Diego Economic Development Council.

CLOSED SESSION – There was none.

22. Adjournment

With no further business before the Board, Chair Castaneda adjourned the meeting at 8:58 p.m.

__________________________
Steve Castaneda, Chair

Attest:

__________________________
Ligia Perez, Board Secretary
<table>
<thead>
<tr>
<th>Warrant Number</th>
<th>Amount</th>
<th>Payable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>152884</td>
<td>21,446.63</td>
<td>San Diego Gas &amp; Electric</td>
<td>Gas and electric service</td>
</tr>
</tbody>
</table>
This page intentionally left blank.
## Warrant

<table>
<thead>
<tr>
<th>Warrant Number</th>
<th>Amount</th>
<th>Payable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>152816</td>
<td>$1,473.92</td>
<td>TransAmerican Mailing &amp; Fulfillment, Inc.</td>
<td>Flushing notification mailing</td>
</tr>
<tr>
<td>152817</td>
<td>3,000.00</td>
<td>City of Chula Vista</td>
<td>Permit deposit</td>
</tr>
<tr>
<td>152818</td>
<td>1,507.82</td>
<td>Payroll</td>
<td></td>
</tr>
<tr>
<td>152819</td>
<td>200.00</td>
<td>Franchise Tax Board</td>
<td>Employees' contribution</td>
</tr>
<tr>
<td>152820</td>
<td>23,658.85</td>
<td>John Hancock USA</td>
<td>Employer's contributions</td>
</tr>
<tr>
<td>152821</td>
<td>559.00</td>
<td>Lincoln National Life Insurance Co.</td>
<td>Employees' contributions</td>
</tr>
<tr>
<td>152822</td>
<td>2,898.00</td>
<td>Nationwide Retirement Solutions, Inc.</td>
<td>Employees' contributions</td>
</tr>
<tr>
<td>152823</td>
<td>274.62</td>
<td>Payroll</td>
<td></td>
</tr>
<tr>
<td>152824</td>
<td>107.81</td>
<td>Shu Chuan Chou</td>
<td>Customer refund</td>
</tr>
<tr>
<td>152825</td>
<td>46.11</td>
<td>Money Property Inc.</td>
<td>Customer refund</td>
</tr>
<tr>
<td>152826</td>
<td>18.19</td>
<td>Nickie Investments Inc.</td>
<td>Customer refund</td>
</tr>
<tr>
<td>152827</td>
<td>22.60</td>
<td>AT&amp;T CALNET3</td>
<td>Monthly phone service</td>
</tr>
<tr>
<td>152828</td>
<td>3,805.39</td>
<td>Brenntag Pacific, Inc.</td>
<td>Water treatment chemicals</td>
</tr>
<tr>
<td>152829-</td>
<td>4,708.30</td>
<td>City of Chula Vista</td>
<td>Permit deposit</td>
</tr>
<tr>
<td>152830</td>
<td>360.00</td>
<td>Coastal Chlorination and Backflow</td>
<td>Chlorination service</td>
</tr>
<tr>
<td>152832-</td>
<td>4,670.80</td>
<td>County of San Diego</td>
<td>Excavation permits</td>
</tr>
<tr>
<td>152833</td>
<td>107.51</td>
<td>Federal Express Corporation</td>
<td>Delivery service</td>
</tr>
<tr>
<td>152835</td>
<td>59,483.79</td>
<td>Frank &amp; Son Paving, Inc.</td>
<td>Trench paving</td>
</tr>
<tr>
<td>152836</td>
<td>784.11</td>
<td>FSC Coatings, Inc.</td>
<td>Maintenance supplies</td>
</tr>
<tr>
<td>152837</td>
<td>800.00</td>
<td>Krause's Hang-Rite Wallcovering, Inc.</td>
<td>Maintenance repairs - Administration Building</td>
</tr>
<tr>
<td>152838</td>
<td>375.00</td>
<td>Modern Septic Services</td>
<td>Septic system services - Loveland and residence</td>
</tr>
<tr>
<td>152839</td>
<td>190.00</td>
<td>PACE, Inc.</td>
<td>Construction management - OD Arnold Fire Flow</td>
</tr>
<tr>
<td>152840</td>
<td>500.00</td>
<td>PARS - Public Agency Retirement Services</td>
<td>monthly trust administrator service fee</td>
</tr>
<tr>
<td>152841</td>
<td>1,300.00</td>
<td>Reclaimed Aggregates, Inc.</td>
<td>Dump fees</td>
</tr>
<tr>
<td>152842</td>
<td>1,965.66</td>
<td>Recon Environmental, Inc.</td>
<td>On-call Environmental projects</td>
</tr>
<tr>
<td>152843</td>
<td>9,439.17</td>
<td>Roman's Truck Body &amp; Paint</td>
<td>Vehicle body repairs</td>
</tr>
<tr>
<td>152844</td>
<td>380.03</td>
<td>Sectran Security, Inc.</td>
<td>Monthly armored car service</td>
</tr>
<tr>
<td>152845</td>
<td>1,602.50</td>
<td>Separation Processes, Inc.</td>
<td>Membrane support services</td>
</tr>
<tr>
<td>152846</td>
<td>2,061.00</td>
<td>Sharp Rees-Stealy Medical Group</td>
<td>Regulatory medical exams and tests</td>
</tr>
<tr>
<td>152847</td>
<td>290.36</td>
<td>Sir Speedy Printing 02890</td>
<td>Printing services</td>
</tr>
<tr>
<td>152848</td>
<td>1,228.00</td>
<td>State Water Resources Control Board</td>
<td>Annual permit fee</td>
</tr>
<tr>
<td>152849</td>
<td>536.00</td>
<td>TC Welding &amp; Engineering, Inc.</td>
<td>Welding services</td>
</tr>
<tr>
<td>152850</td>
<td>11,877.28</td>
<td>Terracare Associates, LLC</td>
<td>Landscape maintenance services</td>
</tr>
<tr>
<td>152851</td>
<td>17,242.50</td>
<td>The Water Conservation Garden Authority</td>
<td>Quarterly JPA member agency funding</td>
</tr>
</tbody>
</table>
### SWEETWATER AUTHORITY
### REVENUE FUND DISBURSEMENTS

**February 7, 2020**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>152852</td>
<td>$52,112.50</td>
<td>United States Geological Survey</td>
</tr>
<tr>
<td>152853</td>
<td>809.78</td>
<td>Vallen Distribution, Inc.</td>
</tr>
<tr>
<td>152854</td>
<td>500.00</td>
<td>Video Fact Documentation Service</td>
</tr>
<tr>
<td>152855</td>
<td>492.98</td>
<td>Western Water Works Supply Co., Inc.</td>
</tr>
<tr>
<td>152856</td>
<td>325.00</td>
<td>Water Education for Latino Leaders</td>
</tr>
<tr>
<td>152857</td>
<td>12.36</td>
<td>Rosie Montero</td>
</tr>
<tr>
<td>152858</td>
<td>546.26</td>
<td>S&amp;B Engineering</td>
</tr>
<tr>
<td>152859-</td>
<td>109.51</td>
<td>AT&amp;T</td>
</tr>
<tr>
<td>152860</td>
<td>2,069.68</td>
<td>AT&amp;T CALNET3</td>
</tr>
<tr>
<td>152861</td>
<td>6,375.65</td>
<td>Brenntag Pacific, Inc.</td>
</tr>
<tr>
<td>152862</td>
<td>424,845.70</td>
<td>CCL Contracting, Inc.</td>
</tr>
<tr>
<td>152863</td>
<td>968.42</td>
<td>City of Chula Vista</td>
</tr>
<tr>
<td>152864-</td>
<td>4,209.46</td>
<td>Colonial Life &amp; Accident Insurance Company</td>
</tr>
<tr>
<td>152865</td>
<td>1,319.00</td>
<td>County of San Diego</td>
</tr>
<tr>
<td>152866</td>
<td>170.28</td>
<td>D &amp; H Water Systems, Inc.</td>
</tr>
<tr>
<td>152867</td>
<td>5,900.44</td>
<td>Domino Solar, LTD</td>
</tr>
<tr>
<td>152868</td>
<td>159.52</td>
<td>General Logistics Systems US, Inc.</td>
</tr>
<tr>
<td>152869</td>
<td>107.12</td>
<td>Globalstar USA</td>
</tr>
<tr>
<td>152870</td>
<td>3,258.75</td>
<td>Hudson Safe<em>T</em>Lite Rentals</td>
</tr>
<tr>
<td>152871</td>
<td>9,158.00</td>
<td>Liebert Cassidy Whitmore</td>
</tr>
<tr>
<td>152872</td>
<td>1,631.61</td>
<td>Low Voltage Integrated Systems, Inc.</td>
</tr>
<tr>
<td>152873</td>
<td>27,379.50</td>
<td>Merkel &amp; Associates, Inc.</td>
</tr>
<tr>
<td>152874</td>
<td>1,947.65</td>
<td>Otay Mesa Sales, Inc.</td>
</tr>
<tr>
<td>152875</td>
<td>55.56</td>
<td>Otay Water District</td>
</tr>
<tr>
<td>152876</td>
<td>10,339.14</td>
<td>Prizm Janitorial Services, Inc.</td>
</tr>
<tr>
<td>152877</td>
<td>1,125.00</td>
<td>Reclaimed Aggregates, Inc.</td>
</tr>
<tr>
<td>152878</td>
<td>30,398.75</td>
<td>Reliable Water Solutions, LLC</td>
</tr>
<tr>
<td>152879</td>
<td>50.18</td>
<td>Shimadzu Scientific Instruments, Inc.</td>
</tr>
<tr>
<td>152880</td>
<td>129.02</td>
<td>Sigma-Aldrich, Inc.</td>
</tr>
<tr>
<td>152881</td>
<td>3,600.00</td>
<td>SVPR Communications</td>
</tr>
<tr>
<td>152882</td>
<td>2,174.62</td>
<td>Third Avenue Village Association</td>
</tr>
<tr>
<td>152883</td>
<td>2,000.00</td>
<td>Thomas Walters &amp; Associates, Inc.</td>
</tr>
<tr>
<td>152884</td>
<td>1,710.00</td>
<td>Total Compensation Systems, Inc.</td>
</tr>
<tr>
<td>152885</td>
<td>39,610.64</td>
<td>U.S. Bank Corporate</td>
</tr>
<tr>
<td>152886</td>
<td>1,480.00</td>
<td>UC Regents, Inc.</td>
</tr>
<tr>
<td>152887</td>
<td>1,290.95</td>
<td>USA Blue Book</td>
</tr>
<tr>
<td>152888</td>
<td>1,750.00</td>
<td>Payroll</td>
</tr>
<tr>
<td>152889</td>
<td>5,247.00</td>
<td>Water Education Foundation</td>
</tr>
</tbody>
</table>

### San Diego Formation Study
- Maintenance supplies
- Preconstruction video survey
- Inventory supplies
- Conference Registration - Director Calderon-Scott
- Customer refund
- Customer refund
- Monthly phone service

### Employees' contributions
- Monthly phone service
- Water treatment chemicals
- 36-in transmission main replacement
- Sewer service
- Employees' contributions
- Permit renewal

### Laboratory supplies
- Solar electric service
- Delivery service
- Monthly communication service - Loveland
- Traffic control plans
- Monthly legal fees and services - Labor Negotiation
- Security maintenance - Perdue Facility
- Biological Monitoring - Desal Facility
- Equipment rental
- Water purchase
- Monthly janitorial services
- Dump fees
- Flushing services
- Laboratory supplies
- Laboratory supplies
- Public relations and digital marketing program
- Annual property assessment 2020
- Monthly federal legislative affairs consultant
- Actuarial valuation services
- CAL-Card purchases
- Laboratory testing
- Operating supplies
- Payroll
- Membership renewal
<table>
<thead>
<tr>
<th>Code</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>152896</td>
<td>$10,511.70</td>
<td>West Coast Sand &amp; Gravel, Inc. Construction supplies</td>
</tr>
<tr>
<td>152897</td>
<td>1,930.32</td>
<td>Western Water Works Supply Co., Inc. Inventory supplies</td>
</tr>
<tr>
<td>152898</td>
<td>261,274.97</td>
<td>Aetna Life Insurance Monthly health insurance premium</td>
</tr>
<tr>
<td>152899</td>
<td>64,334.00</td>
<td>Kaiser Foundation Health Plan Monthly health insurance premium</td>
</tr>
<tr>
<td>152900</td>
<td>2,518.06</td>
<td>Medical Eye Services, Inc. Monthly vision insurance premium</td>
</tr>
<tr>
<td>152901</td>
<td>10,608.18</td>
<td>Mutual of Omaha Monthly life insurance premium</td>
</tr>
<tr>
<td>152902</td>
<td>19,377.00</td>
<td>Standard Insurance Company Monthly dental insurance premium</td>
</tr>
<tr>
<td>152903</td>
<td>58,145.12</td>
<td>ABC Construction Company, Inc. Paving repairs</td>
</tr>
<tr>
<td>152904</td>
<td>400.00</td>
<td>Angelos Towing &amp; Recovery Tow services</td>
</tr>
<tr>
<td>152905</td>
<td>948.00</td>
<td>Art's Trench Plate &amp; K-Rail Service, Inc. Equipment rental</td>
</tr>
<tr>
<td>152906</td>
<td>29.91</td>
<td>Federal Express Corporation Delivery service</td>
</tr>
<tr>
<td>152907</td>
<td>860.00</td>
<td>Golden Eagle Messenger Service Courier service</td>
</tr>
<tr>
<td>152908</td>
<td>300.00</td>
<td>Hudson Safe<em>T</em>Lite Rentals Traffic control plans</td>
</tr>
<tr>
<td>152909</td>
<td>12,595.00</td>
<td>Mercury Associates, Inc. Fleet consulting services</td>
</tr>
<tr>
<td>152910</td>
<td>16,345.58</td>
<td>Parron Hall Office Interiors Office workspace furniture - Operations Center</td>
</tr>
<tr>
<td>152911</td>
<td>325.00</td>
<td>Reclaimed Aggregates, Inc. Dump fees</td>
</tr>
<tr>
<td>152912</td>
<td>11,864.38</td>
<td>Reliable Water Solutions, LLC Flushing services</td>
</tr>
<tr>
<td>152913</td>
<td>4,449.12</td>
<td>San Diego Mulch Maintenance supplies</td>
</tr>
<tr>
<td>152914</td>
<td>6,026.40</td>
<td>Terracare Associates, LLC Landscape maintenance services</td>
</tr>
<tr>
<td>152915</td>
<td>401.61</td>
<td>Vallen Distribution, Inc. Operating supplies</td>
</tr>
<tr>
<td>152916</td>
<td>5,072.68</td>
<td>West Coast Sand &amp; Gravel, Inc. Construction maintenance services</td>
</tr>
<tr>
<td>152917</td>
<td>60.00</td>
<td>Carson M. Dollick Reimbursement - certification</td>
</tr>
<tr>
<td>152918</td>
<td>75.00</td>
<td>Maury Hill Reimbursement - DMV license</td>
</tr>
<tr>
<td>152919</td>
<td>1,062.62</td>
<td>Highland PM LLC Customer refund</td>
</tr>
</tbody>
</table>

Electronic Transfer:

<table>
<thead>
<tr>
<th>Code</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>32309</td>
<td>$21,744.35</td>
<td>CalPERS 457 Plan Employees' contributions</td>
</tr>
<tr>
<td>32310</td>
<td>83,047.68</td>
<td>CalPERS Retirement Plan Employees' and employer's contributions</td>
</tr>
<tr>
<td>32311</td>
<td>20,838.14</td>
<td>EDD State of California State income tax withheld</td>
</tr>
<tr>
<td>32312</td>
<td>125,768.46</td>
<td>Internal Revenue Service Federal and Social Security tax withheld</td>
</tr>
<tr>
<td>32313</td>
<td>7,525.32</td>
<td>CalPERS Retirement Plan Employees' and employer's contributions</td>
</tr>
<tr>
<td>32314-310,390.90</td>
<td>Payroll Payroll</td>
<td></td>
</tr>
<tr>
<td>32503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32504</td>
<td>1,926.44</td>
<td>WageWorks, Inc. Employees' contributions</td>
</tr>
<tr>
<td>32505</td>
<td>4,909.54</td>
<td>WageWorks, Inc. Employees' contributions</td>
</tr>
<tr>
<td>32506</td>
<td>46.15</td>
<td>Payroll</td>
</tr>
<tr>
<td>32507</td>
<td>297.00</td>
<td>City Employees Association (CEA) Employees' contributions</td>
</tr>
<tr>
<td>32508</td>
<td>90.00</td>
<td>SWA Confidential Group Employees' contributions</td>
</tr>
<tr>
<td>32509</td>
<td>467.00</td>
<td>SWA Association (SARA) Employees' contributions</td>
</tr>
<tr>
<td>32510</td>
<td>1,335.16</td>
<td>Airgas USA, LLC Welding supplies</td>
</tr>
</tbody>
</table>

Page 3 of 5
$20,934.59  Best Best & Krieger
435.00  Boot World, Inc.
152.00  Clinical Laboratory of San Bernardino, Inc.
1,129.38  Environmental Resource Associates
1,400.00  Eurofins Eaton Analytical, LLC
272.75  Evoqua Water Technologies LLC
1,454.25  Hach Company
5,023.05  Idexx Laboratories, Inc.
261.76  Infosend, Inc.
555.00  Jena! Engineering Corporation
1,123.60  OfficeTeam
643.68  Onesource Distributors LLC
24,431.88  Polydyne, Inc.
476.89  Prudential Overall Supply
22,527.08  SC Fuels
93.18  Southwest Mobile Storage, Inc.
541.54  Thermo Electron North America LLC
7.40  United Parcel Service
550.90  W. W. Grainger
1,932.78  David L. Torres
30.68  Patricia Berge
3,694.50  Paymentus Credit Card Fees
7,105.63  Union Bank of California
1,213.63  WageWorks, Inc.
205.00  California Commercial Security
5,934.12  California Water Technologies LLC
8.00  Clinical Laboratory of San Bernardino, Inc.
61.68  Cole-Parmer Instrument Co.
658.45  Day Wireless Systems
716.74  DSR - Door Service & Repair Inc.
896.19  Ferguson Enterprises, Inc.
943.86  Hach Company
801.20  Hi-Tech Air Conditioning, Inc.
1,155.00  Hill Brothers Chemical Co.
950.48  Indoff, Inc.
3,304.60  JCI Jones Chemicals, Inc.
5,099.23  Kemira Water Solutions, Inc.
883.87  Myriad Industries
1,123.60  OfficeTeam
633.48  Prudential Overall Supply

Monthly legal fees and services
Safety shoes
Laboratory testing
Laboratory supplies
Laboratory testing
Laboratory supplies
Laboratory supplies
Laboratory supplies
Laboratory supplies
Laboratory supplies
Laboratory supplies
Customer water billings - Census insert fee
Fuel compliance and test service
Temporary help
Operating supplies
Water treatment chemicals
Uniform service
Monthly fuel purchase
Monthly storage container rental - Desal Facility
Laboratory supplies
Delivery service
Pump maintenance
Computer loan
Reimbursement - expenses
Customer credit card fees
Administrative fees - custodial account
Employees' contributions
Electronic service - NC Wells
Water treatment chemicals
Laboratory testing
Laboratory supplies
Monthly vehicle radio service
Door repairs - Desal Facility
Inventory supplies
Laboratory supplies
HVAC maintenance - Perdue Plant and Administration Building
Water treatment chemicals
Ergonomic supplies
Water treatment chemicals
Laboratory supplies
Temporary help
Uniform service
## SWEETWATER AUTHORITY
### REVENUE FUND DISBURSEMENTS

February 7, 2020

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>32551</td>
<td>$389.63 Restek Corporation</td>
</tr>
<tr>
<td>32552</td>
<td>541.83 SC Fuels</td>
</tr>
<tr>
<td>32553</td>
<td>7,323.00 Thermo Electron North America LLC</td>
</tr>
<tr>
<td>32554</td>
<td>1,960.62 Verizon Wireless</td>
</tr>
<tr>
<td>32555</td>
<td>210.24 WageWorks, Inc.</td>
</tr>
<tr>
<td>32556</td>
<td>691.46 Weck Laboratories, Inc.</td>
</tr>
<tr>
<td>32557</td>
<td>21,334.80 CalPERS 457 Plan</td>
</tr>
<tr>
<td>32558</td>
<td>80,305.21 CalPERS Retirement Plan</td>
</tr>
<tr>
<td>32559</td>
<td>20,447.32 EDD State of California</td>
</tr>
<tr>
<td>32560</td>
<td>123,614.29 Internal Revenue Service</td>
</tr>
<tr>
<td>32561</td>
<td>455.00 Boot World, Inc.</td>
</tr>
<tr>
<td>32562</td>
<td>928.47 Bravo Three</td>
</tr>
<tr>
<td>32563</td>
<td>1,262.64 California Commercial Security</td>
</tr>
<tr>
<td>32564</td>
<td>37.00 Clinical Laboratory of San Bernardino, Inc.</td>
</tr>
<tr>
<td>32565</td>
<td>2,142.68 Diamond Environmental Services</td>
</tr>
<tr>
<td>32566</td>
<td>215.25 Door-Man</td>
</tr>
<tr>
<td>32567</td>
<td>206.50 DSR - Door Service &amp; Repair Inc.</td>
</tr>
<tr>
<td>32568</td>
<td>270.00 Eurofins Eaton Analytical, LLC</td>
</tr>
<tr>
<td>32569</td>
<td>29,796.83 Evoqua Water Technologies LLC</td>
</tr>
<tr>
<td>32570</td>
<td>650.33 Hi-Tech Air Conditioning, Inc.</td>
</tr>
<tr>
<td>32571</td>
<td>5,884.17 Infosend, Inc.</td>
</tr>
<tr>
<td>32572</td>
<td>4,600.00 JCI Jones Chemicals, Inc.</td>
</tr>
<tr>
<td>32573</td>
<td>2,450.00 Mobil Construction Sweeping</td>
</tr>
<tr>
<td>32574</td>
<td>798.37 Myriad Industries</td>
</tr>
<tr>
<td>32575</td>
<td>17.54 NDS</td>
</tr>
<tr>
<td>32576</td>
<td>1,123.60 OfficeTeam</td>
</tr>
<tr>
<td>32577</td>
<td>1,116.63 Prudential Overall Supply</td>
</tr>
<tr>
<td>32578</td>
<td>422.33 Red Wing Business Advantage Account</td>
</tr>
<tr>
<td>32579</td>
<td>648,916.88 San Diego County Water Authority</td>
</tr>
<tr>
<td>32580</td>
<td>1,073.27 SC Fuels</td>
</tr>
<tr>
<td>32581</td>
<td>1,471.19 Thermo Electron North America LLC</td>
</tr>
<tr>
<td>32582</td>
<td>266.90 Trident Aquarium Service</td>
</tr>
<tr>
<td>32583</td>
<td>12,457.86 Urban Corps of San Diego County, Inc.</td>
</tr>
<tr>
<td>32584</td>
<td>216.06 Weck Laboratories, Inc.</td>
</tr>
<tr>
<td>32585</td>
<td>750.00 Western Truck School</td>
</tr>
<tr>
<td>32586</td>
<td>89.53 Patricia Berge</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laboratory supplies</td>
</tr>
<tr>
<td>Monthly fuel purchase</td>
</tr>
<tr>
<td>Laboratory supplies</td>
</tr>
<tr>
<td>Monthly cellular service</td>
</tr>
<tr>
<td>Monthly fees - flexible spending account benefit</td>
</tr>
<tr>
<td>Laboratory testing</td>
</tr>
<tr>
<td>Employees' contributions</td>
</tr>
<tr>
<td>Employees' and employer's contributions</td>
</tr>
<tr>
<td>State income tax withheld</td>
</tr>
<tr>
<td>Federal and Social Security tax withheld</td>
</tr>
<tr>
<td>Safety shoes</td>
</tr>
<tr>
<td>Security patrol services</td>
</tr>
<tr>
<td>Quarterly alarm monitoring - Desal Facility</td>
</tr>
<tr>
<td>Laboratory testing</td>
</tr>
<tr>
<td>Monthly portable toilet rentals</td>
</tr>
<tr>
<td>Door repairs - Administration Building</td>
</tr>
<tr>
<td>Door repairs - Operations Center</td>
</tr>
<tr>
<td>Laboratory testing</td>
</tr>
<tr>
<td>Laboratory supplies</td>
</tr>
<tr>
<td>HVAC maintenance - Administration Building</td>
</tr>
<tr>
<td>Monthly utility billing service</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
</tr>
<tr>
<td>Monthly street sweeping services</td>
</tr>
<tr>
<td>Laboratory supplies</td>
</tr>
<tr>
<td>Courier service</td>
</tr>
<tr>
<td>Temporary help</td>
</tr>
<tr>
<td>Uniform service</td>
</tr>
<tr>
<td>Safety shoes</td>
</tr>
<tr>
<td>Monthly wholesale water bill</td>
</tr>
<tr>
<td>Monthly fuel purchase</td>
</tr>
<tr>
<td>Laboratory testing</td>
</tr>
<tr>
<td>Fish aquarium maintenance</td>
</tr>
<tr>
<td>Habitat brush management</td>
</tr>
<tr>
<td>Laboratory testing</td>
</tr>
<tr>
<td>Staff training</td>
</tr>
<tr>
<td>Reimbursement - expenses</td>
</tr>
</tbody>
</table>

**$2,964,549.22 Warrant Disbursements**

Page 5 of 5
This page intentionally left blank.
TO: Governing Board
FROM: Management
DATE: February 7, 2020

SUMMARY
At its April 24, 2019 meeting, the Governing Board rejected the bids for the Vehicle Replacement Program and directed staff to procure the services of a consultant to perform an analysis of staff's methodology to evaluate and recommend vehicles for replacement that is data-driven and states source document and industry standards. Staff's methodology was summarized in the FY 2018-19 Budget as follows:

Vehicle and Equipment Replacement Assessment Policy considers vehicle age, mileage, maintenance cost, cost of downtime, depreciation, and salvage value when replacing vehicles. It also ensures the most cost-effective balance of fleet composition and utilization and the timely replacement of vehicle assets. The Authority utilizes a fleet asset management system (Maximo) to evaluate fleet vehicles semi-annually, and assists in tracking and reporting those vehicles that are nearing, or have met, the following minimum criteria:

- Age - 10 years or older
- Mileage - 100,000 miles or greater
- Repair/Cost Ratio - repair costs equal to or greater than 50 percent of the original purchase price.

Staff sought and received proposals from consultants to perform a comprehensive analysis of the policies and procedures for the Authority’s fleet replacement, management, maintenance, and operations. The objectives of the analysis were to compare the Authority’s vehicle and equipment replacement criteria practices to current industry standards, and practices that are in alignment with the Authority’s Strategic Plan.

BACKGROUND
Through a Request for Proposal (RFP) the Authority sought a fleet consultant to review its current vehicle and equipment replacement policy and fleet management practices, with particular attention in evaluating the current criteria used in determining lifecycle cost and total cost of ownership. The purpose of the RFP was to identify a consultant that is qualified
to conduct a detailed evaluation of the Authority's fleet management operations. The selected consultant was required to have a proven track record of providing comprehensive analyses of government/public fleet maintenance and management. Additionally, the selected consultant was required to have the aptitude to recommend steps the Authority can take to improve the effectiveness and efficiency for the utilization of equipment, infrastructure, personnel, and financial resources in support of fleet management, maintenance, and replacement.

The overall goal of the engagement was to provide a vehicle replacement strategy while ensuring the Authority is providing vehicles and equipment that are suitable to users' needs, available when needed, and achieve expectations regarding service, reliability and safety, and environmental sustainability.

The Report on a Review of Fleet Replacement and Management Practices (Report) provided findings and recommendations in the following areas:

- Optimal Replacement Cycle Analysis
- Fleet Replacement Analysis
- Management Practices and Resources Review
- Fleet Management Information System
- Fleet Cost Control and Financial Management

A representative from Mercury Associates, Inc. will be at the February 12, 2020 Board meeting to provide a summary of the Report findings; the Report is attached.

**FISCAL IMPACT**

The study cost was $33,485 which was funded by the administration consulting service budget.

Implementing the recommendations from the Report has the potential to save the Authority $9,000 per year in operating costs.

**POLICY**

The Authority's Procurement Policy requires that the Governing Board approve all equipment purchases in excess of $75,000.

Strategic Plan Goal 2: System and Water Supply Reliability: Achieve an uninterrupted, long-term water supply through investment, maintenance and innovation.
Memo to: Governing Board
Subject: Consideration of Recommendations from Report on the Review of Fleet Replacement and Management Practices
February 7, 2020
Page 3 of 3

- Objective SR4: Maintain and replace fleet vehicles and equipment in accordance with manufacturers’ recognized standards and practices, and the Authority’s Fleet Maintenance and Replacement Program.
  - 004.00 Complete a study of the Authority’s Fleet replacement criteria and practices for lifecycle of the assets; compare the findings with current industry standards and practices. Study to be used for consideration of Authority’s FY 2019-20 Fleet Budget of $1,065,000 which was moved to the Operating Reserve Fund on June 12, 2019 (Completion Date: June 2020).

ALTERNATIVES
1. Direct staff to incorporate the Report recommendations into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board.

2. Return to the Authority’s prior replacement plan approach of evaluating fleet vehicles that are nearing, or have met, the following minimum criteria:
   - Age - 10 years or older
   - Mileage - 100,000 miles or greater
   - Repair/Cost Ratio - repair costs equal to or greater than 50 percent of the original purchase price.

3. Other alternatives as identified by the Governing Board.

STAFF RECOMMENDATION
Staff recommends that the Governing Board direct staff to incorporate the Report recommendations into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board.

ATTACHMENTS
Fleet Replacement and Management Practices Report (Mercury Associates Inc.)
This page intentionally left blank.
Report on
Fleet Replacement
and Management
Practices
for

December 2019

MERCURY ASSOCIATES, INC.
December 22, 2019

Mr. Greg Snyder
Director of Distribution
Sweetwater Authority
744 “F” Street
Chula Vista, CA 91910

Dear Mr. Snyder:

Mercury Associates, Inc. is pleased to submit this final report on Fleet Replacement and Management Practices. We would like to express our appreciation to all of the Authority’s officials and employees, for the time and effort extended to our project team in conducting this study.

The report includes several in depth vehicle life cycle analyses, a strategic 20-year fleet asset replacement plan, which details each asset’s replacement date and calculates future responding requirements over the course of the plan, and a high-level assessment of the Authority’s fleet management practices, resources and needs. We have provided a set of recommendations that we are confident will be instrumental in facilitating improved fleet management practices, which will result in both economic efficiencies and improved service delivery, and enable to the Authority to better anticipate and manage its future fleet costs. We have also provided several data analyses that will assist the Authority in having a more thorough understanding of its current fleet assets.

Mercury appreciates the opportunity to work with the Sweetwater Authority, and would welcome the opportunity to present our findings to Authority representatives and stakeholders. We hope that you will not hesitate to call on Mercury in the future as the need for consulting services arise in determining future fleet management improvement activities.

Very truly yours,

Paul T. Lauria
President
# TABLE OF CONTENTS

Executive Summary ......................................................................................................................... i
Introduction ................................................................................................................................... 1
Fleet Replacement .............................................................................................................................. 3
  Principles of Asset and Fleet Replacement .................................................................................. 3
  Optimal Vehicle Replacement Cycle Analyses ........................................................................... 6
Replacement Plan Development ........................................................................................................ 17
Baseline Replacement Plan ............................................................................................................ 19
Recommendations ............................................................................................................................ 23
Management Practices and Resources ............................................................................................ 24
  Fleet Policy and Procedures ........................................................................................................ 28
Asset Specification, Acquisition and Disposal .................................................................................. 29
Fleet Sustainability and Use of Alternative Fuels ............................................................................ 31
Fuel Management ........................................................................................................................... 32
Asset Maintenance and Repair Practices ........................................................................................ 33
Fleet Maintenance Resource Management, Organization, and Staffing ....................................... 37
Fleet Management Information System .......................................................................................... 42
Fleet Cost Control and Financial Management ............................................................................... 43

Appendix

  ORCA Results - Heavy-Duty Dump Trucks
EXECUTIVE SUMMARY

OVERVIEW

The Sweetwater Authority engaged Mercury Associates, Inc. to perform a review of its current fleet management program. The three central tasks of the study included an Optimal Replacement Cycle Analysis (ORCA) of two asset classes, an analysis of fleet replacement practices and future replacement spending requirements for the Authority's capital fleet assets, and an evaluation of fleet management practices and resources of the Fleet Management Section (FM) within the Distribution and Maintenance Department. Our assessment and the report herein focus on identifying process improvement and/or cost reduction opportunities associated with specific fleet management practices within the agreed upon scope of study. In conducting our study, Mercury reviewed available pertinent documentation (e.g. policies, procedures, forms, etc.), interviewed numerous stakeholders directly involved in fleet management activities (i.e., manager, fleet supervisor, maintenance mechanics, etc.), and conducted various analyses of available data.

FINDINGS AND RECOMMENDATIONS

Optimal Replacement Cycle Analysis

We performed Optimal Replacement Cycle Analysis (ORCA) for two asset types within the Authority's fleet: 250-Series Utility Trucks and Heavy-Duty Dump Trucks. For each, we performed extensive statistical analysis of historical asset usage, maintenance and repair cost data, and available cost and resale data, in order to develop regression equations for estimating a) annual asset maintenance and repair costs, and b) end-of-year asset fair market values (FMV), as a function of changes in asset age and accumulated miles of use (i.e., potential replacement cycle).

Key Findings

Based on existing asset ages, we can see that 250-Series Utility Trucks have been replaced on average every 11 years, and Heavy-Duty Dump Trucks every 16. Our analyses show that both asset types should be replaced more quickly, at 9 years and 13 years, respectively. Doing so will save the Authority approximately $9,210 per year in operating cost, and will reduce the Total Cost of Ownership (TCO) for these asset types.

Key Recommendations

1. Implement the replacement cycles noted for 250-Series Utility Trucks and Heavy-Duty Dump Trucks.

2. Perform optimal replacement cycles for other key asset types, so as to generate additional operational cost savings. The utility and dump trucks noted above only make up a combined 13 percent of the fleet; therefore, there is additional opportunity to realize operational savings via life cycle analyses.
Fleet Replacement Analysis

The objective of this analysis was to 1) quantify the replacement costs of the Authority's fleet for the purposes of determining the extent to which any backlog of fleet replacement needs may exist; and 2) to identify the amount of money the Authority should expect to spend on the purchase of vehicles and equipment each year, if these assets are to be replaced in a reasonably timely manner. To accomplish this, we developed a Baseline Replace Plan for the Authority.

Key Findings

There is a very large replacement backlog. 59 of the Authority's 141 capital assets (41 percent) will exceed replacement criteria as of the start of 2020, amounting to $2.7 million in replacement costs. Over the past five years (2015-2019), Sweetwater has spent an annual average of $0.5 million (when adjusted for inflation to reflect 2019 dollars) on fleet replacements, which is 50 percent of the necessary average annual spending level required ($1 million) based on the entire fleet inventory and recommended replacement parameters. Additional spending will be required to eventually eliminate the backlog.

In comparison to a younger fleet whose assets are replaced in a consistently timely manner, an old fleet typically has higher operating costs, lower residual values, and poorer asset availability and reliability, which affects employee safety and productivity. An increase in fleet replacement spending aimed at modernizing a fleet often is essential for achieving an overall reduction in fleet costs, which, in turn, increases the availability of funds to support a particular agency's primary mission.

Key Recommendations

1. Develop a Smoothed Replacement Plan based on knowledge of existing fleet assets to ensure relatively consistent year over year spending for fleet replacement based on the average annual replacement cost of the fleet.

2. Follow through on replacement spending to avoid the additional costs associated with an aging fleet, including increased maintenance and repair costs, increased reliability and safety concerns, increased downtime, and decreased user satisfaction and performance. Consider various financing alternatives, including debt financing, to facilitate appropriate replacement purchase while minimizing near-term budgeting requirements and year-over-year fluctuations in necessary funding.

---

1 The Authority defines capital assets as those with an original purchase price of $10,000 or greater. Therefore, our replacement analysis is limited to those assets for which current replacement costs are estimated to be at least $10,000.
Management Practices and Resources Review

The objective of this portion of the study was to evaluate the fleet management program's current resources and practices, and provide recommendations to help improve operational efficiency and potentially reduce cost. As part of our evaluation, we rated each management function we reviewed as a means of scoring its current performance. Based on our rating system, FM's average score was 2.5 out of a possible 5. This means the Authority's performance and/or resource allocation for the functions and activities therein is generally average, and requires some improvement.

The key improvement opportunities and associated recommended action items are:

Fleet Maintenance Resources

Evaluation of the workforce, as it relates to the workload shows that FM is likely understaffed by one mechanic position, in part because of the requirement to perform facilities repairs, in addition to fleet asset maintenance and repairs. Additionally, the workplace, or shop maintenance facility, is inadequate for the assets that FM is required to maintain.

Recommended Actions:

- Hire additional staff to account for the demand generated by a fleet of the Authority's size and composition;
- Ensure all non-fleet related work is also recorded appropriately in the work order system;
- Develop a comprehensive fleet maintenance facility master plan that identifies short-term improvements for the shop operation along with a long-term strategic plan to replace or augment the current fleet maintenance facility with one that can adequately house the assets under FM's care.

Fleet Management Information System (FMIS)

Maximo is being used as a digital record keeping system. Reports have to be created by the IT team at the request of the Equipment Mechanic Supervisor. All of our data requests required the IT department's assistance, which means data is not being used on an ongoing basis for the management of fleet functions and activities. Maximo does not have the necessary reporting capabilities, and lacks several other features of an off-the-shelf FMIS that are necessary for a modern fleet operation.

Recommended Actions:

- Conduct a formal FMIS needs assessment to determine exactly what features are critical to the management responsibilities of FM; based on this assessment, identify and acquire an off-the-shelf FMIS to replace Maximo;
• Ensure all relevant staff are trained appropriately in the use of the FMIS system.

Fleet Cost Control and Financial Management

FM does not charge customers for any of the goods and services it provides, but rather utilizes budgeted funds. This leads to a lack of cost visibility and transparency, cross subsidization of costs between fleet user departments, and ultimately less efficient use of the Authority’s resources as stakeholders are not incentivized to manage fleet assets and resources efficiently.

Recommend Actions:

• Establish FM as an internal service fund, requiring all fleet costs and expenditures to be recovered through the appropriate charge-back of FM customers utilizing various rates and fees associated with the full recovery of both direct and indirect costs.
INTRODUCTION

OVERVIEW

Sweetwater Authority is a publicly-owned water agency in Southern California that provides safe, reliable water service to approximately 190,000 people in a 32-square mile service area that includes National Authority, Bonita, and portions of Chula Vista. The Authority has a fleet of approximately 242 vehicles and pieces of equipment, which are maintained in-house at the Authority’s operations yard in Chula Vista, CA. Mercury Associates, Inc. (Mercury) was engaged by the Authority to conduct a comprehensive review of fleet management practices as proliferated by Fleet Management (FM), which falls under the Distribution and Maintenance Department.

The Equipment Mechanic Supervisor, who acts as the fleet manager overseeing all fleet management activities (e.g. fleet maintenance, acquisition, etc.), reports to the Director of Distribution. FM also has two mechanics who report directly to the Supervisor.

In recognition of the fact that the fleet is an important tool used to fulfill the Authority’s mission to provide a safe and reliable water supply, the Authority has undertaken a project to review its fleet management practices and improve the effectiveness and efficiency of fleet management operations. The overall goal of this project is to ensure the Authority is providing vehicles and equipment that are suitable to users’ needs, available when needed, and to achieve expectations regarding service, reliability, safety, and environmental sustainability.

OBJECTIVE, SCOPE, AND REPORT ORGANIZATION

The objectives of this study was to a) conduct detailed analyses of available asset data to provide recommendations and future spending requirements for fleet asset replacement; and b) to evaluate and comment on the overall effectiveness of the Authority’s fleet management program, as executed by FM, based on industry standards (Are included later in this report) for a high-performing fleet management service provider; to be clear, it did not include an evaluation of outsourcing the management of the fleet.

Accordingly, the report is broken into two major sections. The first section evaluates past replacement practices, providing recommendations and calculated spending requirements for future fleet asset replacement, which includes an Optimal Replacement Cycle Analysis for two of the Authority’s key asset types, 250-Series Utility Trucks and Heavy-Duty Dump Trucks The second provides the findings and recommendations associated with our review of FM’s current fleet management and maintenance practices.

The specific areas of review included in the assessment of fleet management practices are listed below.

- Asset specification, acquisition and disposal

- Fleet sustainability and use of alternative fuels
- Asset maintenance and repair practices
- Fleet maintenance resource management, organization, and staffing
- Fleet information management/systems
- Fleet cost control and financial management

PROJECT APPROACH

Our approach to this study consisted of a review of documentary materials, quantitative data analysis where applicable and where data was available, and business process mapping and gap analysis, as measured alongside of industry best practices. We obtained input from formal and informal interviews with FM. Members of our project team conducted a site visit where we met with FM employees, observed shop practices, and assessed the fleet maintenance facilities. Our approach to the review of fleet management practices was comprehensive and interactive and included four phases:

1. Project initiation
   a. Validated project objectives and scope
   b. Developed and submitted a formal request for information
   c. Received and reviewed existing documentation and data

2. Assessment of existing conditions
   a. Conducted assessment of current program performance
   b. Calculated key measures of performance based on available data
   c. Conducted interviews with project stakeholders

3. Performance of analyses based on available data
   a. Calculated total cost of ownership and other metrics for key asset classes
   b. Calculated future fleet replacement costs based on provided inventory

4. Development of recommendations for improvement
   a. Developed specific action items for each fleet management program element reviewed
FLEET REPLACEMENT

The objectives of this portion of the study were to:

a) determine optimal replacement cycles for two key types of vehicles in the Authority's fleet (3/4-Ton 250-Series Utility Trucks and Heavy-Duty Dump Trucks); and

b) quantify the future replacement costs of the fleet that the Sweetwater Authority owns today by developing a replacement plan that projects these costs based on appropriate replacement cycle guidelines.

In doing so, we are able to quantify the extent to which a backlog of fleet replacement needs exists, and identify the Authority's future spending requirements, year by year, for the purchase of vehicles and equipment, if these assets are to be replaced in a reasonably timely manner. In our experience, regularly replacing fleet assets within appropriate timeframes is one of the most important things a fleet owner can do to control the costs and performance of its fleet.

PRINCIPLES OF ASSET AND FLEET REPLACEMENT

Before reviewing this specific replacement plan, it is useful to first review the major elements of an effective fleet replacement program. In our experience, an effective fleet replacement program has four key components:

1. Vehicle replacement cycle guidelines, empirically validated where practical using the organization's own historical vehicle cost data, which indicate at what age specific types of assets generally should be replaced so as to minimize their total cost of ownership (TCO).

2. A multi-year replacement plan that pinpoints future replacement dates and costs of individual assets based on the application of recommended replacement cycles, allowing for the determination of future year-by-year fleet replacement costs and variations therein.

3. A capital financing method that facilitates securing sufficient funds each year to acquire replacement vehicles in accordance with the replacement plan.

4. A short-term replacement prioritization and budgeting process for selecting the specific vehicles and pieces of equipment to be replaced in the coming fiscal year.

Each of these components is discussed in more detail below.
Replacement Cycle Guidelines

Ideally, replacement cycle guidelines are based on the economic principles of asset replacement, which are illustrated in the graph below. As an asset ages, its annual capital cost diminishes and its annual operating costs increase. The sum of these two costs produces a U-shaped total cost of ownership (TCO) curve. Ideally, a vehicle or piece of equipment should be replaced when its TCO is at or near a minimum. In most cases, the TCO curve looks more like a salad bowl than, say, a horseshoe, meaning that there usually is not a single optimal replacement age but, rather, a range of reasonable replacement ages.

The total cost of ownership is different for different types of assets and, indeed, for individual assets of a given type. This variability is caused by differences in the design and engineering of different types of assets, in operating environments, in the quality of care assets receive, in the nature and amount of their use, and a variety of other factors. In recognition of this fact, most organizations develop recommended replacement cycles for a class or type of assets which are intended to represent an appropriate (if not necessarily optimal) replacement cycle for most of the units in that particular class. Historically this was most often accomplished in an informal manner based on discussions among fleet management and maintenance officials and drivers and operators, and a comparison of replacement cycles with peer organizations.

However, best-practice fleet management organizations develop these cycles empirically using lifecycle cost analysis (LCA) techniques when practical. This involves modeling the stream of costs associated with acquiring, operating, and disposing of a particular type of vehicle or piece of equipment over various replacement cycles, and then determining the cycle that will result in the lowest total cost of ownership.

Lifecycle cost analyses are valuable for examining the “hard” capital and operating costs associated with alternative replacement cycles for a given type of asset. It is important to note, however, that there often are other “soft” costs, some more easily measured than others, which also increase as fleet assets age. Generally speaking, these include:

---

2 In economic terms – as opposed to, say, financial or fiscal terms – the capital cost of a vehicle or piece of equipment is the change in its fair market value (FMV) from one point in time to another, such as the course of one year.
• Reduced asset reliability and availability and the resulting need to maintain more spare vehicles;
• Reduced employee productivity due to reductions in asset availability and reliability;
• Reduced efficiency in the use of maintenance resources (facilities, equipment, mechanics, etc.) to perform difficult-to-predict repairs in comparison to predictable and schedulable preventive maintenance services; and
• Increased wear and tear due to diminishing employee satisfaction with asset appearance, condition, and performance.

**Fleet Replacement Planning**

As indicated above, one of the components of an effective fleet replacement program is a long-term fleet replacement plan that projects future vehicle replacement dates and purchase costs associated with the use of a given set of replacement cycle guidelines. It quantifies year-to-year, fleet-wide replacement costs and future variations therein, without which information effective ongoing replacement budgeting is difficult to perform.

A key benefit of a long-term replacement plan is its ability to help fleet managers educate decision makers as to the magnitude of fleet replacement costs and the inherent "lumpiness" of such costs over time. Specifically, it helps fleet management organizations and their customers clearly identify the year-to-year variance in the amount of money required for replacements.

A good fleet replacement planning process not only quantifies the costs of replacing the fleet over the long term so that management and budget decision makers can see that this is a significant, recurring, albeit variable cost of doing business, it also illustrates the consequences of underfunding replacement expenditures by translating spending shortfalls into future spikes in, and backlogs of, replacement spending needs.

**Replacement Financing**

A capital financing method is the manner in which an organization pays for vehicle replacement costs. The best fleet replacement guidelines, policies, and plans are of no value without the financial resources — the cash — required to follow them.

Even during good economic times, securing sufficient funds to replace vehicles and equipment in a timely manner is a challenge for many organizations. In our experience, the vulnerability of fleet replacement funding in most organizations stems less from a lack of appreciation of the importance of vehicles to the business of the organization, or of the benefits of replacing vehicles on a regular basis, and more from a lack of willingness to commit sufficient funds to fleet replacement. This reluctance is greatly impacted by the large cost of assets that may need to be replaced in some years and the inability of certain capital financing approaches to effectively deal with the resulting spikes in replacement spending needs.
Many organizations do not have a good mechanism for accommodating peaks and valleys in annual spending requirements when the availability of funds for such expenditures is relatively static. The solution to this problem lies in pursuing one of two courses of action: decreasing the year-to-year variation in fleet replacement spending requirements or decreasing the variation in replacement funding requirements. While annual variation in the replacement costs of a fleet can be managed to a certain extent over the short term—say three to five years—they cannot be completely eliminated, particularly in a fleet composed primarily of high-cost equipment, as is the case with Sweetwater. The volatility of annual replacement funding requirements, on the other hand, can be managed quite well, depending on the method used to finance fleet replacement costs. There are essentially three ways to finance fleet capital costs: cash, savings (i.e., a reserve fund), and debt. Each of these methods has its advantages and disadvantages, but the latter two methods are much better than the first in mitigating annual peaks and valleys in replacement funding requirements.

**Replacement Prioritization and Budgeting**

The final component of an effective fleet replacement program is a short-term replacement prioritization and earmarking process for designating specific vehicles and pieces of equipment to be replaced in the coming fiscal year. Such a process takes us from the data-driven model of a long-term fleet replacement plan, to the real-world review of vehicles proposed to be replaced in a given year.

Because a fleet replacement plan and the replacement cycle guidelines on which it is based derive from cost and other information for the “typical” asset (of each type) in the fleet, they do not take into account any unique characteristics of individual assets in a fleet. A replacement plan should identify which assets are candidates for replacement each year, not which assets will definitely be replaced each year. These candidates should be scrutinized using criteria that are not limited to age and life-to-date miles or hours of use. A replacement prioritization process includes reviewing an asset’s business application(s), recent usage, and recent repair history to determine if it will be required long term. It might not make sense, for example, to replace an asset to which an organization recently made major repairs solely because it meets a replacement cycle guideline. Best-practice organizations use a structured scoring system to set priorities. The system incorporates weights and values for factors or attributes that are unique to each asset, including current utilization level; front-line or backup assignment status; recent repair history and needed repair/refurbishment costs; repair parts availability; operator perceptions of reliability, suitability, and safety; and ease of replacement.

**OPTIMAL VEHICLE REPLACEMENT CYCLE ANALYSES**

**Methodology**

Determining the optimal replacement cycle for a vehicle or piece of equipment of a given type involves modeling the stream of costs associated with acquiring, operating, and maintaining and repairing that asset over a range of potential ages or replacement cycles,
and then identifying the cycle that will result in the lowest total cost of ownership. The metric we use to identify the optimal cycle is called the equivalent annual cost (EAC). The EAC of a capital asset is a uniform dollar amount, the net present value of whose payments for a given period of time (i.e., replacement cycle) is equivalent to the net present value of the costs of owning and operating that asset over the course of that period. It permits the comparison of alternative replacement cycles (i.e., streams of future costs of different durations) for the purpose of pinpointing the cycle that will result in the lowest total cost of ownership.

While the analysis of objective data is essential for identifying optimal replacement cycles, it is important to note that there also are indirect asset costs that are impacted by an organization's vehicle replacement policies and decisions. They may not be easy to quantify, but nonetheless should be taken into account when reviewing and interpreting empirical analysis results. These indirect costs include:

- The predictability and, hence, manageability of asset repair costs, both of which tend to diminish as assets age;
- Maintenance and repair-related asset downtime and its impact on fleet size;
- Service disruptions resulting from unexpected asset breakdowns;
- Impacts on employee efficiency, productivity, effectiveness, and safety associated with asset availability and reliability levels;
- Reduced driver/operator confidence in and satisfaction with asset performance, and corresponding changes in asset usage decisions and practices; and
- Technological obsolescence, which impacts everything from repair parts availability to fuel consumption rates.

In consultation with the Authority, we selected two types of assets in the fleet for inclusion in the optimal replacement cycle analysis component of this study: Ford F 250 series utility trucks and heavy-duty dump trucks. The number of each type of unit in the fleet is shown in Exhibit 1.
We selected specific elements of historical data for each asset of each type included in our analysis. These data items pertained to the principal direct costs associated with owning and operating each of the asset types such as original purchase prices and in-service dates and miles that were driven, and maintenance and repair costs for the past year. For each type of asset identified above, we conducted a life cycle cost analysis using a proprietary software program called ORCATM developed by Mercury Associates for this purpose. We used this program to calculate the equivalent annual cost (EAC) associated with keeping each type of asset in service for periods ranging from 1 to as many as 20 years and identified the replacement cycle that would result in the lowest EAC. We made a final replacement cycle recommendation based on the review of the EAC calculations, especially relative differences (often small) between the EAC under the lowest-cost replacement cycle and under replacement cycles that are one or two years shorter or longer than that of the lowest cost cycle. We also took into account other "soft cost" considerations such as those discussed above (e.g., reliability, predictability of repair costs, parts availability, and technological obsolescence).

For each group of assets examined, we performed extensive statistical analysis of historical asset usage and maintenance and repair cost data in order to 1) determine the average annual level of usage (in miles) during the primary period of use of each asset type during its service life; and 2) develop regression equations for estimating a) annual asset maintenance and repair costs, and b) end-of-year asset fair market values (FMV) as a function of changes in asset age (i.e., potential replacement cycle) and accumulated miles of use.

We estimated fuel costs based on the fuel efficiency in miles per gallon of each vehicle type derived from reported data, the Chula Vista average cost per gallon of fuel in December 2019 as reported by GasBuddy, and an annual fuel price inflation rate of three percent. We also included an annual fuel efficiency deterioration factor of two percent to reflect the fact that assets become less fuel-efficient as they age and the fact that is keeping assets in a fleet for a long time deprives fleet owners of gains in new vehicle fuel efficiency made possible by advances in vehicle engineering and manufacturing required to comply with US EPA fuel economy standards.
Summary of Analysis Results

The current average and optimal replacement cycle (in years) and the estimated operating cost savings for each type of asset included in our analysis are shown in Exhibit 2. As can be seen, the average replacement cycles that result from Sweetwater Authority’s current and recent fleet replacement spending levels are longer than the recommended cycles.

We estimate that Sweetwater Authority could reduce the operating costs of all of the assets of these two types in its fleet by approximately $9,210 per year (in 2019 dollars) if it were to replace them in accordance with the recommended replacement cycles rather than the current cycles identified here.

---

3 The "current" replacement cycle was determined by developing a frequency distribution of the assets in each class by current asset age and evaluating the results. If the current ages of all the assets in a given class displayed a normal distribution, the current average replacement cycle would be exactly double the current mean age of the assets. In a non-normal age distribution, typical of the assets in older fleets, simply doubling the current mean age of the assets tends to overstate the age at which most of the assets in a given class currently are being replaced.

4 It is important to note that these savings are based on historical costs for fleet assets provided by FM, and therefore are dependent on the accuracy with which these costs have been recorded. We suspect that these costs could in fact be understated, and therefore so are the savings noted from the recommended replacement cycles. Our suspicion arises from the current lack of a charge-back system with cost allocation methods that ensure all direct and indirect costs are appropriately assigned. It is our understanding that M&R costs are derived purely from the recorded shop labor rate, and direct cost on parts and sublet repairs. As such, it is likely that much of the overhead and time/effort associated with procuring parts, sublet services and fuel are not factored into the operational costs recorded for each asset, and thereby, are understated. Thus, the operational savings from moving to shorter replacement cycles are most likely even greater. Furthermore, having a robust FMIS would improve data capture and billing for FM, facilitating more accurate cost collection and visibility.

5 Our estimation of annual cost savings from implementing the recommended replacement cycles is limited to asset operating costs because the capital cost values used in determining optimal replacement cycles are economic rather than fiscal impact (i.e., cash) values. It is of limited value to decision making to quantify asset capital cost savings from a change in replacement cycles without specifying how the capital costs are actually paid (financed). That said, the cost savings shown in Exhibit 2 would clearly be reduced by the increase in asset capital costs that would result from the use of shorter replacement cycles.
**Exhibit 2**
Current and Recommended Replacement Cycles and Associated Annual Operating Cost Savings
(all costs in 2019 dollars)

<table>
<thead>
<tr>
<th>Asset Type</th>
<th># of Units</th>
<th>Current Average Age (years)</th>
<th>Current Replacement Cycle (years)</th>
<th>Recommended Replacement Cycle (years)</th>
<th>Avg Ann Operating Cost Under Current Cycle per Vehicle</th>
<th>Avg Ann Operating Cost Under Recommended Cycle per Vehicle</th>
<th>Avg Ann Operating Cost Savings per Vehicle</th>
<th>Ann Operating Cost Savings per Vehicle %</th>
<th>Total Annual Operating Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>250-Series Utility Trucks</td>
<td>11</td>
<td>5.6</td>
<td>11</td>
<td>9</td>
<td>$7,434</td>
<td>$6,906</td>
<td>$528</td>
<td>7.1%</td>
<td>$5,808</td>
</tr>
<tr>
<td>Heavy-Duty Dump Trucks</td>
<td>6</td>
<td>7.9</td>
<td>16</td>
<td>13</td>
<td>$5,596</td>
<td>$5,029</td>
<td>$567</td>
<td>10%</td>
<td>$3,402</td>
</tr>
<tr>
<td>Total/Average</td>
<td>17</td>
<td></td>
<td>13</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9,210</td>
</tr>
</tbody>
</table>
Below are the details of our optimal replacement cycle analysis for Sweetwater Authority 250-Series Utility Trucks. ORCA results for Heavy-Duty Dump Trucks can be found in the appendix to this report.

**ORCA Results – 250-Series Utility Trucks**

The key assumptions and inputs we used for the 250-Series Utility Trucks replacement cycle analysis included the following:

1. New vehicle purchase price: $48,000
2. Average annual usage (miles): 7,896
3. Fuel economy rate (MPG): 6.4
4. Fuel cost per gallon: $3.39
5. Annual fuel efficiency deterioration rate\(^6\): 2 percent
6. Annual inflation rate for M&R and fuel costs: 3 percent
7. Discount rate: 6 percent
8. Residual values by vehicle age and accumulated mileage, expressed as a percentage of the current vehicle purchase price, obtained from an analysis of used vehicle sales data.
9. Maintenance and repair cost projections based on regression analysis of Sweetwater Authority data.

The average age of all the 250-Series Utility Trucks currently in the fleet is 5.6 years, and the current average replacement cycle is 11 years.

The results of our analysis, shown in Exhibit 3, indicate that these vehicles' total cost of ownership (indicated by the equivalent annual cost – EAC – shown in the bottom row of the table) is, strictly speaking, at a minimum under a replacement cycle of nine years.

Comparing the average annual operating cost of this type of vehicle under a nine-year cycle and the current 11-year cycle, it can be seen that Sweetwater Authority would save an estimated $528 or 7 percent per vehicle per year by replacing these vehicles every nine years. Based on the total number of 250-Series Utility Trucks in the fleet, this translates into approximately $5,800 in operating savings per year. Since vehicle capital costs can vary substantially over time, depending on the method used to finance them, it makes no sense to incorporate them in this average annual cost savings estimate. However, annual vehicle capital costs would be higher under the optimal replacement cycle, meaning that the aggregate net cost savings would be lower than this amount.

---

\(^6\) Per year of vehicle age.
# Exhibit 3
## Optimal Replacement Cycle Analysis for 250-Series Utility Trucks

<table>
<thead>
<tr>
<th>Replacement Cycle (years)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-End Odometer Reading</td>
<td>7,898</td>
<td>15,796</td>
<td>23,693</td>
<td>31,591</td>
<td>39,489</td>
<td>47,387</td>
<td>55,284</td>
<td>63,182</td>
<td>71,080</td>
<td>78,978</td>
<td>86,875</td>
</tr>
<tr>
<td>CAPITAL COST(^7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year-End Fair Market Value Percentage</td>
<td>60.0%</td>
<td>40.0%</td>
<td>30.0%</td>
<td>23.0%</td>
<td>18.0%</td>
<td>16.9%</td>
<td>15.5%</td>
<td>14.2%</td>
<td>13.1%</td>
<td>12.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Year-End Fair Market Value</td>
<td>$28,800</td>
<td>$19,200</td>
<td>$14,400</td>
<td>$11,040</td>
<td>$8,640</td>
<td>$6,825</td>
<td>$5,757</td>
<td>$5,287</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Capital Cost</td>
<td>$19,200</td>
<td>$9,600</td>
<td>$4,800</td>
<td>$3,360</td>
<td>$2,400</td>
<td>$1,808</td>
<td>$1,557</td>
<td>$1,295</td>
<td>$1,032</td>
<td>$870</td>
<td>$470</td>
</tr>
<tr>
<td>OPERATING COSTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual M&amp;R Cost</td>
<td>$883</td>
<td>$995</td>
<td>$1,122</td>
<td>$1,264</td>
<td>$1,424</td>
<td>$1,604</td>
<td>$1,808</td>
<td>$2,037</td>
<td>$2,295</td>
<td>$2,586</td>
<td>$2,914</td>
</tr>
<tr>
<td>Annual Fuel Cost</td>
<td>$4,400</td>
<td>$4,625</td>
<td>$4,861</td>
<td>$5,109</td>
<td>$5,369</td>
<td>$5,643</td>
<td>$5,931</td>
<td>$6,234</td>
<td>$6,552</td>
<td>$6,886</td>
<td>$7,238</td>
</tr>
<tr>
<td>Total Annual Operating Cost</td>
<td>$5,284</td>
<td>$5,620</td>
<td>$5,962</td>
<td>$6,372</td>
<td>$6,793</td>
<td>$7,248</td>
<td>$7,739</td>
<td>$8,271</td>
<td>$8,472</td>
<td>$9,472</td>
<td>$10,151</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Total Cost</td>
<td>$24,484</td>
<td>$15,220</td>
<td>$10,782</td>
<td>$9,732</td>
<td>$9,193</td>
<td>$7,796</td>
<td>$8,399</td>
<td>$8,877</td>
<td>$9,404</td>
<td>$9,984</td>
<td>$10,621</td>
</tr>
<tr>
<td>Cumulative Total Cost</td>
<td>$24,484</td>
<td>$39,704</td>
<td>$50,486</td>
<td>$60,219</td>
<td>$69,412</td>
<td>$77,207</td>
<td>$85,607</td>
<td>$94,484</td>
<td>$103,858</td>
<td>$113,872</td>
<td>$124,493</td>
</tr>
<tr>
<td>Equivalent Annual Cost</td>
<td>$24,484</td>
<td>$20,145</td>
<td>$17,329</td>
<td>$15,729</td>
<td>$14,715</td>
<td>$13,837</td>
<td>$13,340</td>
<td>$13,068</td>
<td>$12,954</td>
<td>$12,950</td>
<td>$13,063</td>
</tr>
</tbody>
</table>

\(^7\) The annual capital cost of a vehicle or piece of equipment is defined as the change in its fair market value (FMV) from one year to the next.
REPLACEMENT PLAN DEVELOPMENT

Most details of the methods used to develop the fleet replacement plans are explained in later sections of this report where analytical results are presented. However, there are a few elements of our overall approach to developing this plan that are useful to outline here.

Fleet Inventory Data

Our analysis of fleet replacement costs began with the development and submission of a request for a fleet inventory containing certain detailed information on each asset in the fleet. The Authority supplied this inventory along with key operational and cost data that was available.

To determine the future costs of replacing the fleet, we developed a 20-year replacement plan that identified future replacement dates and costs for each asset in the fleet. The asset-specific information used to construct the replacement plan included user department/division name; asset class code; asset make, model, and model year; original purchase price; and in-service date. The replacement plan we developed assumed that all vehicles and pieces of equipment currently in the fleet will be replaced and that they will be replaced with an asset of like type. That is, we made no assumptions about future changes in the size and composition of the fleet resulting from improved asset allocation and utilization practices or the replacement of conventionally fueled vehicles with alternative fuel or electric vehicles (AFVs/EVs).

Included in the inventory are fairly large portion of small pieces of equipment and motorized tools. As many did not qualify for the Authority's threshold for a capital asset, or $10,000, and therefore can be purchased with operating funds, these were eliminated from the replacement plan. With these adjustments, fleet size was identified at 133 assets owned by the Authority.

Replacement Cycles

Apart from the replacement cycles developed for 250-Series Utility Trucks and Heavy-Duty Dump Trucks as described in the ORCA section above, the recommended replacement cycles used for asset types in the Authority fleet were not identified through independent empirical analysis. Instead these are replacement guidelines recommended by Mercury Associates based on the replacement planning work we have performed for hundreds of public and private fleets. Some examples can be seen in Exhibit 4. While these replacement cycles provide a reasonable basis for performing this study, they are no substitute for empirically validated optimal replacement cycle guidelines as described above. We also imputed current replacement cycles based on past practice, which can be calculated based on the age and in-service dates of existing assets in the fleet. These cycles serve as our starting point for comparing alternative options to this approach.

Exhibit 4
De Facto and Recommended Replacement Cycles

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Median Age (years)</th>
<th>De Facto Replacement Cycle (years)</th>
<th>Mercury Recommended Replacement Cycle (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 8500 GVW-Pickups-Half Ton-Extended Cab</td>
<td>6.58</td>
<td>13.2</td>
<td>8</td>
</tr>
<tr>
<td>&lt; 8500 GVW-Sport Utility-Compact-4 Passenger</td>
<td>6.58</td>
<td>13.2</td>
<td>8</td>
</tr>
<tr>
<td>10,001-14,000 GVW-Pickups-Super Duty-Extended Cab</td>
<td>7.58</td>
<td>15.2</td>
<td>10</td>
</tr>
<tr>
<td>Off Road and Construction-Wheeled-Loader/Backhoes-Heavy</td>
<td>5.58</td>
<td>11.2</td>
<td>10</td>
</tr>
</tbody>
</table>

Purchase Prices and Inflation Rates

In order to determine future fleet replacement costs, it is necessary to assign a current purchase price to each asset type. We determined an average expected acquisition cost for each asset class, using the Authority recent purchase history and replacement costs provided by FM.

We assumed an average annual purchase price inflation rate of three percent. While it is impossible to predict future price inflation, in practice we have found this to be a reasonable assumption. This inflation rate was applied to future new asset purchases and used asset sales in the replacement plans we developed for the Authority.

Residual Values

In order to properly estimate the future funding requirements for fleet replacement, it is necessary to include asset residual value: the amount the Authority should reasonably expect to realize upon the sale of an asset at the end of its useful life. Ideally, this occurs at the end of the recommended replacement cycle but could be later in the event that the replacement of an asset has to be deferred. We estimate residual values for asset types using regression equations based on data for used asset sales for the Authority's fleet where possible, as well as data we previously developed for similar public fleets, and from other industry sources.

Planning Parameters

Determining the future costs of replacing the Authority's fleet required two basic inputs: 1) the aforementioned fleet inventory; 2) a set of parameters for each asset type or class. Parameters are assumptions that represent the typical asset in each class and include: a
recommended replacement cycle (in months), an acquisition cost in today’s dollars, and an annual acquisition cost inflation rate. We developed planning parameters for 47 different classes of vehicles and equipment in the Authority’s fleet. A sample of the parameters used in our analysis are shown in Exhibit 5.

**Exhibit 5**

Sample Asset Replacement Parameters

<table>
<thead>
<tr>
<th>Asset Class</th>
<th># of Vehicles in Fleet</th>
<th>Recommended Replacement Cycle (Years)</th>
<th>Current Acquisition Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 8500 GVW-Pickups-Half Ton-Extended Cab</td>
<td>5</td>
<td>8</td>
<td>$35,000</td>
</tr>
<tr>
<td>&lt; 8500 GVW-Sport Utility-Compact-4 Passenger</td>
<td>14</td>
<td>8</td>
<td>$32,000</td>
</tr>
<tr>
<td>10,001-14,000 GVW-Pickups-Super Duty-Extended Cab</td>
<td>7</td>
<td>10</td>
<td>$40,000</td>
</tr>
<tr>
<td>Off Road and Construction-Wheeled-Loader/Backhoes- Heavy</td>
<td>5</td>
<td>10</td>
<td>$154,000</td>
</tr>
</tbody>
</table>

We used Mercury’s proprietary CARCAP™ (Capital Asset Replacement Cost Analysis Program™) software to develop the fleet replacement plan and analyze various fleet asset costs and outcomes associated with their implementation. This program allows us examine each asset individually to develop projections for: remaining use life, future replacement dates, replacement costs, residual values, ages, book and fair market values, book and effective depreciation costs; these amounts are aggregated into department-, fund-, and jurisdiction-wide totals for fleet cost analysis purposes.

CARCAP™ generates a replacement plan by 1) comparing current age and meter reading (mileage or use hours) of each fleet asset to the recommended replacement criteria of that asset type (age, miles, or use hours) recorded to the program’s Planning Parameter Table; 2) projecting when each asset will be due for replacement based on whichever of these criteria an asset will meet first; and 3) calculating the future purchase price of the replacement asset in the year it is due for replacement.

We used this program to develop a Baseline Replacement Plan for the Authority’s fleet.

**BASELINE REPLACEMENT PLAN**

We developed the baseline plan to project future fleet replacement costs, beginning in 2020, based on the application of the replacement parameters for Sweetwater owned assets. The replacement cycles we used range from five to 15 years, and their weighted average, for all the assets in the fleet, is just over eight years. This is consistent with the
weighted average replacement cycle we typically use in other fleet replacement planning projects.

We calculate that replacement cost for the entire fleet at $7.7 million; that is, if the fleet were to be repurchased today, the portion of the fleet with replacement costs of $10,000 or more would cost approximately $7.7 million. This metric ignores book value of existing assets; it is simply the present value cost today to produce an identical replacement fleet with new models. Exhibit 6 shows the gross replacement costs, adjusted for inflation, in each year of the baseline plan. The amounts shown do not include proceeds from the sale of use assets.

Selected fleet replacement statistics derived from the Baseline Replacement Plan are shown in the table below. The current median age of assets in the Authority fleet is 7.6 years. If fleet assets are uniformly distributed by age, their average age would be one-half of their average replacement cycle; we can infer that the de facto average replacement cycle for the assets in the fleet is roughly twice this age, that is 15.2 years. This imputed average replacement cycle is considerably longer than the 8-year weighted average recommended cycle that results from applying a combination of the replacement
cycles we arrived at using the ORCA results we calculated along with values we have found in other similar fleets.

**Exhibit 7**  
Replacement Statistics

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of assets in fleet</td>
<td>133</td>
</tr>
<tr>
<td>Current median asset age (years)</td>
<td>7.6</td>
</tr>
<tr>
<td><em>De facto</em> average replacement cycle (years)</td>
<td>15.2</td>
</tr>
<tr>
<td>Weighted average recommended replacement cycle (years)</td>
<td>8.1</td>
</tr>
<tr>
<td>Average asset replacement cost (2019 dollars)</td>
<td>$57,947</td>
</tr>
<tr>
<td>Number of assets that will meet or exceed recommended age in FY 2020</td>
<td>65</td>
</tr>
<tr>
<td>Percentage of assets that will meet/exceed recommended age FY 2020</td>
<td>49%</td>
</tr>
<tr>
<td>Number of vehicles that will exceed recommended replacement age in FY 2020 (replacement backlog)</td>
<td>59</td>
</tr>
<tr>
<td>Percentage of assets that will exceed recommended age FY 2020</td>
<td>44%</td>
</tr>
<tr>
<td>Current replacement cost of the fleet</td>
<td>$7.7 M</td>
</tr>
<tr>
<td>Cost of replacing assets that will meet or exceed recommended age in FY 2020</td>
<td>$2.9 M</td>
</tr>
<tr>
<td>Cost of replacing assets that will exceed recommended age in FY 2020</td>
<td>$2.7 M</td>
</tr>
<tr>
<td>Average annual fleet replacement cost (amount the Authority should be replacing annually) for the fleet</td>
<td>$1 M</td>
</tr>
<tr>
<td>Average annual value of asset purchases (FY 2015-19) adjusted to 2019 dollars</td>
<td>$0.5 M</td>
</tr>
<tr>
<td>Average current odometer reading</td>
<td>30,645</td>
</tr>
<tr>
<td>Average annual mileage</td>
<td>4,594</td>
</tr>
</tbody>
</table>

As we can see, there is a very high replacement cost in the first year of the *Baseline Plan*. Together with high average asset ages, this indicates there is a large replacement backlog. Over 44 percent of fleet assets exceed their recommended replacement age as of the start of 2020. At a value of $2.7 million, this backlog is equivalent to 35 percent of the replacement cost of the entire fleet (in present value terms), or the equivalent of almost three years of average annual replacement costs (according to recommended replacement cycles). Furthermore, the cost of replacing all assets that will become overdue by the end of FY 2020 is almost six times the average annual dollar value (adjusted for inflation) of purchased assets the Authority placed in service from FY 2015 to FY 2019.

To address the large replacement backlog, the Authority will have to increase replacement spending. The Authority's average annual replacement cost utilizing the recommended replacement cycles is $1 million. In comparison, fleet replacement expenditures for the prior five years have averaged $0.5 million per year (in 2019 dollars).
based on the purchase prices of vehicles currently in the fleet, half of the annual amount required.

In order to consider the impact of used asset resales on the Authority's funding requirements, we applied the residual value calculations described earlier to the baseline plan. Exhibit 8 below shows the impact of asset resales on the baseline plan.

Exhibit 8
Gross Replacement Costs Less Sale Proceeds

Over the first 10 years, used asset sale proceeds will average approximately $116,000, or about 11 percent of gross replacement costs. Nonetheless, even if it had the financial wherewithal to do so, we would not recommend that Sweetwater attempt to replace a large portion of its fleet in a single year, as suggested in the Baseline Plan. There are a number of reasons for this, the two most important of which are 1) the logistical challenges of accomplishing it, such as the impact on operations of procuring, commissioning, decommissioning, and disposing of these many assets; and 2) the "ripple effects" in future years of the fleet.

8 Further deferment of asset replacement will diminish these values. However, for much of the Authority's fleet, the marginal change will be relatively small due to the age of the fleet and the nature of changing residual values over time; i.e. a vehicle tends to lose a larger portion of its resale value in the earlier years of its life, with the proportionate loss in value decreasing each year.
fleet replacement costs that would result from many of the assets replaced in the first year of the plan coming due for replacement simultaneously in future years. In short, the Baseline Plan is a valuable benchmarking tool, but not a practical near-term plan for renewing Sweetwater's fleet.

In light of these concerns, the next step would be to smooth the Baseline Plan to develop a more realistic – that is, affordable and implementable – replacement plan. This plan would be based on the same assumptions and parameters as was the Baseline Plan with one exception; adjusted initial replacement dates of many of the assets (that will meet the criteria for replacement in FY 2020) so that the average replacement expenditures over the first several years under each plan are reasonably close to the average annual replacement costs of the fleet. Once complete, the Authority can then assess the best means of financing fleet replacement.

RECOMMENDATIONS

Below we summarize key recommendations based on our analyses and application of replacement practices fundamental to optimizing fleet costs and performance, as described in detail earlier in the report:

1. Implement the optimal replacement cycles developed for 250-Series Utility Trucks and Heavy-Duty Dump Trucks.

2. Perform additional optimal replacement cycle analyses for other key asset types in the remainder of the fleet. The objective of an optimal replacement cycle analysis is to find a replacement interval for each asset class that minimizes total cost of ownership.

3. Develop a smoothed fleet replacement plan as described above based on specific operating needs of the fleet, and knowledge about the condition and reliability of fleet assets.

4. Determine the best method of financing fleet replacement to ensure consistent asset replacement over time. Debt financing may be a good option as it can often facilitate increased replacement purchasing without a corresponding increase in budgetary requirements for replacement spending in the early years of a replacement plan.

5. Follow through with replacement spending. Replacement spending should not be viewed as discretionary. If the Authority does not make a choice to spend appropriately for replacement, it will incur the additional costs associated with an aging fleet, including increased maintenance and repair costs, increased reliability and safety concerns, increased downtime, and decreased user satisfaction and performance.
MANAGEMENT PRACTICES AND RESOURCES

FLEET MANAGEMENT EXPLAINED

In our experience, every fleet management operation is comprised of three essential elements: workload, the work that needs to be done; the workforce, who will do it; and the workplace where it occurs.

The workload can be described as "the measured accumulation of duties and responsibilities for the fleet management operation." Examples include conducting a preventive maintenance service, responding to a service call to repair a flat tire, diagnosing a check engine failure code, conducting an annual inspection on a vehicle or piece of equipment, sourcing, ordering and managing a parts inventory, and developing a long-term fleet replacement plan.

Workload, properly measured and expressed, is very useful for meaningful decision-making. Our "Vehicle Statistical Referencing System (VSRS)" allows us to empirically calculate a fleet's maintenance burden. It can measure the workload for all vehicles and pieces of equipment in any fleet. In the VSRS, each asset is assigned a Vehicle Equivalency Unit (VEU). The basis for this system is a passenger sedan, given a VEU value of 1.0. The assumption made: the measured accumulation of the associated duties and responsibilities (brake jobs, tire rotations, oil changes, etc.) = 1.0 VEUs, or 10-15 direct labor hours each year. Even though the VEU assignments can vary greatly from vehicle to vehicle, the workload can be accurately and usefully measured.

Mercury maintains and constantly updates a database of VEU values for more than 600 vehicle and equipment classifications. The database includes the entire spectrum of vehicles and equipment found in a typical fleet, from push mowers to aerial bucket trucks. This is perhaps the most important element found in the VSRS. Each class is given a VEU value as it relates to that of a passenger sedan (rated at 1.0 VEU). A general-purpose trailer, for example, can be assigned a rating of 0.5 VEUs. A pickup truck may have a rating of 1.5 VEUs. By statistically reducing a fleet to its equivalency in terms of sedans, we can make reasonable, standards-based comparisons with the fleet operations of other organizations. A fleet of one hundred (100) pickup trucks\(^9\), each rated at 1.5 VEUs, constitutes a fleet of 150 VEUs. The number of mechanics required to maintain this fleet is more than those needed to maintain a fleet of 100 sedans (100 VEUs) but far less than those needed to maintain a fleet of 100 Heavy-Duty Dump Trucks (450\(^{10}\) VEUs).

\(^9\) For pickup trucks, a VEU assignment of 1.5 is one of many used based on any number of different factors such as equipment and deployment characteristics and is used for illustrative purposes only.

\(^{10}\) For Heavy-Duty Dump Trucks, a VEU assignment of 4.5 is one of many used based on any number of different factors such as GVWR, added equipment, use, and application and is used for illustrative purposes only.
In total, FM maintains a fleet of 242 vehicles and pieces of equipment. We calculated the entire fleet which revealed an overall VEU count of 307.3. This includes vehicles, trailers, small tools, and miscellaneous equipment.

The workforce is the human capital—the people charged with managing and maintaining the fleet. For many fleets, this includes a fleet manager, shop supervisor, mechanics, parts clerks, fleet analysts, motor pool clerks, and support staff. The number of people should be directly related to the workload. The appropriate number of mechanics, for example, can be calculated once the total number of direct labor hours required to maintain and repair the fleet has been calculated. Then, the tolerance for each mechanic can be established. Once the number of "wrench-turners" has been determined using quantitative statistics, the number of supervisory positions and parts clerks can be calculated. For example, we know that a shop supervisor should be able to effectively manage 8-10 mechanics. And we know that the number of support staff (i.e., parts clerks) can also be based on the number of mechanics. An understanding of the workload will also lead to the identification of the number of support personnel such as analysts, motor pool clerks, administrative clerks, etc. The workforce must grow or shrink in response to changes in the workload (i.e., fleet size and composition) or the mission (i.e., taking on additional responsibilities such as managing a motor pool).

FM has 3 positions that support the management and maintenance of the fleet. We have identified the required workforce allocation by position type and will address it later in this report.

The workplace is the facility (facilities) where the work is performed. This includes work areas such as the shop (i.e., maintenance bays, weld/fabrication bays, tire repair area, small engine repair shop), shop support areas (i.e., parts room, bulk fluid distribution room, reference library; tool and equipment storage), employee amenities (locker rooms, break rooms, wellness centers, etc.), and administrative areas (i.e., offices, conference rooms, workstations, lobbies, and storage areas). The workplace also includes exterior staging areas (ready line, deadline, official vehicle parking, employee parking, new vehicle storage, etc.) and site circulation. All of these must be sized to match the workforce, which is sized to address the workload.

**FLEET MANAGEMENT PRACTICES ASSESSMENT ORGANIZATION AND FORMAT**

This section of the report is organized into sections that correspond to the specific areas of fleet management reviewed. For instance, the *In-house Asset Maintenance and Repair* section includes findings and recommendations on several distinct elements, ranging

---

11 Of which meet the Authority's threshold of $10,000 for capital assets.
12 Tolerance represents the accurate and reasonable workload each mechanic can be accountable for. It is determined by the total number of direct labor hours projected for each mechanic, or by establishing the total number of VEU's that each mechanic can support. For example, while it varies from shop to shop, a sensible tolerance for one mechanic may be 125 VEU's, based on a review of all the elements of the VSRS. The sensibility strains when this one mechanic is asked to address 130 VEU's.
from the preventive maintenance (PM) program to workflow distribution. For each of the reviewed processes, we included a discussion describing five major points:

- The **objective** of the fleet management activity; for instance, the purpose of a PM program (i.e., to minimize unexpected and potentially costly vehicle system and component failures through the performance of pre-defined, pre-scheduled inspection, adjustment, refurbishment, and/or replacement services).

- The **maturity** of FM’s current performance of the activity – referred to as the *present mode of operation* or PMO – using a business process “maturity” rating based on the scale and definitions shown in the following table:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Brief Description of Maturity Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 - Best in Class</td>
<td>The organization has an innovative, well-above-average ability to define, measure, monitor, manage, and perform the fleet management activity that clearly sets it apart from the typical fleet management organization.</td>
</tr>
<tr>
<td>4 - High Performing</td>
<td>The organization has comprehensive, well-defined, data-driven policies and procedures for performing the activity and promoting continuous improvement in its execution.</td>
</tr>
<tr>
<td>3 - Competent</td>
<td>The organization has good knowledge of basic fleet management principles and techniques associated with the performance of the activity and applies it in a generally consistent manner.</td>
</tr>
<tr>
<td>2 - Basic</td>
<td>There is a limited understanding of the proper methods of, and generally inconsistent performance of the activity across the organization.</td>
</tr>
<tr>
<td>1 - Reactive</td>
<td>The organization has a poor understanding of, and ad hoc approach to performing, the fleet management activity, or fails to perform it with any consistency, if at all.</td>
</tr>
</tbody>
</table>

- **Observations** regarding the PMO on which our assessment or rating of its maturity is based.

- The **future mode of operation** (FMO) of the activity that will reflect the results of implementing the suggested actions.
• **Recommended action item(s)** that are specific recommendations or activities that will bring FM closer to the stated objective.

**COMPARISONS AND BENCHMARKS**

Benchmarking is important because it can take the politics and personalities out of fleet management decision making, help an organization detect areas of sub-standard performance, pinpoint where improvements are needed, help an organization measure goals and objectives, and track changes or trends in performance over time.

Decision-makers need to be careful because comparing fleet organizations with other peer organizations is difficult at best, and the results can be misleading. For example, one fleet organization may not include facility depreciation in the calculation of a fully burdened labor rate. Another example: mechanics may be required to charge time to work orders based on industry “flat rate” time standards while a different group of mechanics charges actual time spent performing the repair.

For these reasons and others, measuring an organization’s effectiveness cannot be based solely on external comparisons. The development of internal measures and goals for improvement are often the most effective approach. Therefore, the most important benchmarks measure internal performance over time. As long as the calculations are consistent, they will correctly reflect the competitiveness and effectiveness of the fleet organization. These trends reveal whether performance is improving, remaining constant, or declining.

We arrived at our assessments of the **maturity** of each activity through a myriad of processes. These include carefully comparing actual performance to industry standards and benchmarks, assessing how the activity has been developed and is currently managed, and showing how well it is aligned with best management practices.
FINDINGS AND RECOMMENDATIONS

This section contains the results of our assessment of the Sweetwater Authority fleet management practices as of the fourth quarter of 2019. Our findings, conclusions, and recommendations for improvement have been developed specifically for the Authority. It should be noted that this report focuses primarily on opportunities for improvement. Therefore, more attention is given to areas that need re-engineering, change, or other improvements as opposed to areas that are functioning at or above recommended levels of performance. This study, and the recommended changes, will help FM continue to improve operations and become more efficient and cost-effective.

FLEET POLICY AND PROCEDURES

Objective: The fleet organization develops and publishes a series of policies and procedure statements (PPS) that address, organize, and simplify fleet operations. They are carefully developed and consistently applied. They are reviewed routinely to assess the relevance, updated to maintain currency, and added-to or subtracted-from to serve as the most pertinent governing document for the organization's fleet program.

Maturity Rating: 2

Observations on PMO: Some policies of varying quality exist, but the majority of functions and activities that should be covered in a comprehensive PPS manual are missing. Existing policies are a collection of individual statements, lacking interconnectivity, references, and or exhibits.

Future Mode of Operation (FMO): FM has a comprehensive policy and procedure manual dedicated to Fleet operations and responsibilities, which is regularly reviewed and updated to remain current and relevant.

Recommended Action Item(s):

- Draft required additional PPS and consolidate into a comprehensive manual. While by no means exhaustive, key topics related to FM are:
  - Authorities and responsibilities of FM;
  - Prioritization of work;
  - Operator responsibilities for scheduling or requesting work;
  - Procedures for capturing critical data in FMIS;
  - Procedures for call-out and roadside assistance;
- Revise manual annually. Distribute to staff accordingly.
ASSET SPECIFICATION, ACQUISITION AND DISPOSAL

Purchase Specifications Development, Bid Solicitation, And Vehicle/Supplier Selection

**Objective:** Ensure that detailed vehicle purchase specifications are formally developed with the user's functional requirements in mind; take advantage of advances in automotive technology, and facilitate standardization of fleet composition. Use available supply chain resources to leverage volume purchasing power and market competition to secure favorable pricing and high-quality value-add services. Maximize vehicle value by selecting from among competing vehicle make/models that meet functional/technical specifications based on best value (i.e., the total cost of ownership) as opposed to the lowest purchase price.

**Maturity Rating:** 3

**Observations on PMO:** FM uses Sourcewell for most of its vehicle and equipment acquisitions. The Equipment Mechanic Supervisor writes specifications for all fleet assets with the help of local dealers and with input from fleet customers. FM also uses State contracts for light-duty vehicles. The Sweetwater Authority is actively trying to standardize their fleet to reduce variation on the number of parts needed to stock, tooling, and training. Accordingly, there is a section in the procurement policy that covers the standardization of specifications, which has detailed instructions and provides FM with the appropriate span of control.

**Future Mode of Operation:** FM performs as the "subject matter experts" with respect to fleet vehicle replacements including identification of eligible vehicles, specifications, and budget development and collaborating with user departments to ensure right-typing for future needs.

**Recommended Action Item(s):**

- Ensure parts lists, schematics, training etc., are included in specifications of all future bids/acquisitions;
- Periodically audit current contracts to ensure the specifications included meet the needs of the fleet;
- Ensure assets are not chosen simply because they are on an existing contract if they are not the best asset for the job.

Asset Commissioning

**Objective:** A systematic process exists prior to placing assets in service, ensuring the assets delivered contain the appropriate specifications, including the upfitted equipment that was ordered. Step-by-step work instructions are in place directing staff in the precise procedures to create the asset birth certificate in the fleet information system. Quality control in-service inspection checks exist and are used to verify specifications adhere to
delivery contracts, and users verify assets meet their application expectations. When post-delivery upfitting is necessary, ensure that the associated costs are captured and codified properly in the fleet management information system, and capitalized where appropriate.

**Maturity Rating: 3**

**Observations on PMO:** Upon delivery, FM uses specifications from ordering documents to check-in purchased vehicles and equipment. If the new unit meets these requirements, the Equipment Mechanic Supervisor enters the information in the fleet management information system (FMIS). All vehicle information such as VIN numbers, descriptions, warranties, and special notes are put into the FIMS along with a photo of the unit. FM does have a policy on how to commission assets.

All delivered vehicles are checked by the Equipment Mechanic Supervisor to ensure that all vehicle specifications are met, but he does not use a “New Vehicle Check-In Sheet.” The Equipment Mechanic Supervisor does not accept any vehicles not meeting specification. A work order is created for any upfitting that might be needed to record parts and labor, or sublet vendor costs. All upfitting is capitalized.

**Future Mode of Operation (FMO):** Assets are placed in service only after systematic inspections occurs, ensuring they meet the designed specifications. Users are involved in the in-service delivery process, verifying that the asset is capable of meeting its intended mission.

**Recommended Action Item(s):**

- Create an in-service inspection checklist to guide FM personnel on key elements of inspection so as to retain institutional knowledge and facilitate involvement beyond the Equipment Mechanic Supervisor;
- Track days to in-service the asset (i.e., number of days from the date of delivery until the asset is released to the user department for full deployment) to ensure in-service times are reasonable, identify causes for delays, ensure loss of asset residual value during un-used periods is minimal, and request delayed warranty periods when necessary and appropriate.

**Asset Decommissioning and Remarketing/Disposal**

**Objective:** A detailed process exists to ensure vehicles determined to no longer be needed are physically removed from service to control fleet size, ensure the accuracy of fleet inventory records, prevent unauthorized expenditures on vehicles, and to prepare and dispose of used vehicles in the most cost-effective manner possible utilizing remarketing strategies that maximize net vehicle residual values (used vehicle sales prices less reconditioning, if any, and disposal costs).

**Maturity Rating: 3**
Observations on PMO: Upon receipt of replacement assets, fleet users are required to bring replaced vehicles to FM for decommissioning. FM is responsible for decommissioning of all vehicles and equipment, and preparing them for auction. After the vehicle is turned into Fleet for disposal, a thorough assessment is conducted to evaluate the vehicle’s condition. The asset is then processed in Maximo for decommissioning, and paperwork is sent to management for approval. Once approved, FM removes decals and reusable specialty equipment before assets are sent to auction; currently Ken Porter Auctions is the exclusive resale provider. Currently, FM does not track days to sale, and sale prices are not benchmarked against industry data sources such as Kelly Blue Book (KBB).

Future Mode of Operation (FMO): Disposal Policy and Procedure guidelines are reviewed routinely to govern vehicle decommissioning practices to strengthen compliance and accountability. FM uses and tracks the results of various methods of disposal and remarketing to ensure that the Authority realizes the best possible returns with the least amount of effort. FM tracks days-to-sell and benchmarks against available industry sources such as KBB, Edmunds, NADA, etc.

Recommended Action Item(s):
- Utilize an on-line auction system in addition to local auction firms;
- Place surplus vehicles in auction as soon as they are fully decommissioned;
- Track auction results (e.g., days to sale, disposal proceeds as a percentage of the original purchase price, etc.) to ensure the best return for vehicles and equipment;
- Track decommissioning time and cost;
- Monitor resale, values and benchmark against industry data sources such as NADA or KBB, to ensure appropriate residuals are achieved.

FLEET SUSTAINABILITY AND USE OF ALTERNATIVE FUELS

Objective: The Authority has a sustainability policy in place to take advantage of opportunities to add alternative fuel vehicles to the fleet when possible. The Authority has a clear goal in place for reducing vehicle emissions and greenhouse gases.

Maturity Rating: 2

Observations on PMO: FM only has 8 hybrid vehicles in the fleet, 7 Ford Escapes, and 1 Ford Fusion. FM evaluates the availability of alternative vehicles and equipment that will meet the needs of the authority. There is no plan to implement more use of alternative fueled vehicles and equipment. Sweetwater’s current facilities limit the ability to install infrastructure to accommodate alternative fuels.

Future Mode of Operation (FMO): FM has a fleet sustainability policy in place outlining how the Authority will implement alternative fuels vehicles and equipment into the fleet,
with clear goals in place for achieving reduced emissions, as well as guidelines for evaluating the replacement of conventional assets with AFVs.

**Recommended Action Item(s):**

- Implement a policy that requires cost-benefit analysis of AFVs, that includes total cost of ownership (TCO) and carbon emissions considerations before acquisition of new assets;
- Establish short- and long-term goals related to the quantity of alternative fuel vehicles (AFV) assets and/or reduction in carbon emissions;
- Research the benefits of using renewable diesel.

**FUEL MANAGEMENT**

**Objective:** Obtain the best value in the purchase of fuel supplies with formally negotiated contracts that provide for volume discounts, performance standards, and efficiencies in administering transactions. Maintain and monitor inventories ensuring fuel availability to take advantage of pricing fluctuations. Ensure fuel sites are well maintained, pumps and equipment are fully operational, storage tank integrity is monitored, and the sites are in full compliance with all federal, state, and local government regulations.

**Maturity Rating: 3**

**Observations on PMO:** The Equipment Mechanic Supervisor takes daily tank level readings from both unleaded and diesel tanks. FM also performs a daily inspection of the fuel island. FM performs minor repairs to the fuel island and outsources the maintenance and repairs that are beyond their capability.

The diesel tank is a 1,000 gallon above ground container and is "topped-off" by the fuel vendor weekly. FM also have a 10,000 Gallon underground unleaded fuel tank. The supervisor calls the vendor when the tanks is at 2,000 gallons. Currently, FM's fuel contract "piggy-backs" the City of San Diego's contract with SOCO Group, Inc. FM uses Veeder Root for fuel data collection.

The Authority also has 10 commercial fuel cards for employees working in remote sites. Other employees use a P-Card when traveling on business outside the local area.

**Future Mode of Operation (FMO):** FM uses electronically controlled fuel sites and has a daily "push" from Veeder Root of data into the FMIS to capture fuel usage by vehicle.

**Recommended Action Item(s):**

- Benchmark final pricing against similar municipalities, state contract and other contract options periodically, to ensure cost-competitiveness;
- Define priority delivery during emergencies for next contract development.
ASSET MAINTENANCE AND REPAIR PRACTICES

Key Components of the Preventive Maintenance Program

A fleet management organization’s primary mission is to maximize the availability of vehicles and equipment so that the employees they support can perform their jobs productively. To achieve a high level of fleet availability, the focus of maintenance management needs to be on the development of practices that minimize unscheduled repairs and return vehicles and equipment requiring repair to service in as little time as possible. This should, of course, be accomplished at a competitive cost, given the requirement for a high level of service.

The centerpiece of any vehicle maintenance program is its preventive maintenance (PM) program. The primary goal of any PM program is to minimize unexpected and costly mechanical failures through the performance of pre-defined, pre-scheduled maintenance efforts. This will reduce unplanned breakdowns, maximize opportunities to pre-position supplies and materials, reduce fleet downtime, and shorten turnaround times. When executed properly, a good PM program drives the cost of fleet operations down and promotes efficiencies throughout the organization.

PM intervals should be based on specific “triggers” that meet manufacturers’ recommendations or standards. In most cases, these triggers are based on an interval of time (i.e., days, months), an interval of usage (i.e., miles, engine hours), or the amount of fuel consumed. When one or more of the triggers is met, the need to schedule a PM becomes the primary focus of the operation. The PM program should also incorporate multiple echelons of progressive services. Tasks particular to a specific type of PM should be included in each subsequent PM. For instance, PM A tasks are incorporated into PM B tasks, PM B tasks are incorporated into PM C tasks, and so on.

Without clear and specific involvement of everyone in the organization to focus its attention on the PM program, the operation will not be as successful as required. PM services should be scheduled for the customer’s timetable. Often this is after normal working hours or at times when the vehicle may be idle for some time. At the same time, fleet users must comply religiously with PM requirements, including diligent daily inspection, performance of driver-related maintenance where applicable, timely reporting of issues, and proactive scheduling of assets for service according to prescribed intervals and/or in response to the request of the fleet maintenance provider.

Finally, it is imperative the PM program includes detailed documentation by all involved parties. Without proper documentation, manufacturers may deny warranty, especially if they suspect the vehicle or piece of equipment is not properly maintained.

Preventive Maintenance Program Design and Execution

Objective: Minimize unexpected and costly mechanical failures through the performance of pre-defined, pre-scheduled vehicle and vehicle component inspection, adjustment,
replenishment/refurbishment, and replacement services, as described more thoroughly above.

**Maturity Rating: 3**

**Observations on PMO:** PMs are auto-generated on intervals set up in Maximo. E-mails are sent to the driver’s supervisor to begin a target start date. FM tries to schedule heavy-duty and equipment three days prior to the PM start date and has a goal to complete light-duty vehicles within 30 days of the target date.

FM schedules PMs for light-duty vehicles every 4 months, changes engine oil every 5,000 to 10,000 miles depending on asset type, and uses OEM recommendations for other fluid changes. FM has a PM checklist, but it is outdated. FM mechanics utilize Mitchell ProDemand service lists on all PMs.

FM schedules heavy-duty and equipment PMs every 90 days. FM mechanics utilize checklists for inspections. FM performs oil analysis to determine when oil should be changed. Furthermore, FM uses OEM recommendations for transmission, differentials, and transfer case fluid changes.

When vehicles do not show up for scheduled PMs, the Equipment Mechanic Supervisor contacts the department head to re-schedule. FM does not track PM compliance.

**Future Mode of Operation:** FM employs a multi-tiered PM program that is based on manufacturer recommendations. Mileage is tracked via the fuel use program and transferred to the FMIS, from which the PM scheduling module is used to predict when PMs will be due and to create a monthly forecast report. Departments that are out of compliance (missed PMs) will be notified until the PM has been completed. A report of failed compliance will be created monthly and forwarded to senior management as needed.

**Recommended Action Item(s):**

- Develop multi-tiered, class-specific PMs to account for needs related to components of all assets (PM A, B, C, etc.), which would be done more easily with a FMIS specifically design for fleet management, as this is a “built-in” feature and would facilitate appropriate data capture for decision makers
- Create PM checklists for all classes of vehicles and equipment;
- Publish PM due report (blast email to fleet coordinators of all users and stakeholders);
- Track and formally report PM compliance to both user departments and senior management;
- Prioritize service for scheduled and in-compliance assets to incentivize future compliance and cooperation.
Work Management

Objective: Ensure that mechanics are working productively, efficiently, and effectively by monitoring shop floor activities, assisting and guiding mechanics as needed, assisting with the diagnosis of problems, and providing training. Ensure that maintenance and repair services and associated work order documentation are performed accurately and completely to minimize repeat service requests (comebacks).

Maturity Rating: 3

Observations on PMO: Operators create service requests for fleet assets in Maximo, and the requests are e-mailed to FM to schedule the repairs. Jobs are assigned by the Equipment Mechanic Supervisor to mechanics based on skill level and availability. FM outsources all body and paint work, glass repairs, transmission and engine rebuilds, front end alignments, upholstery, and specialized equipment that is beyond FM's capability.

The Equipment Mechanic Supervisor closes all work orders and checks that labor and parts are recorded correctly. Currently, there is no quality assurance program in place, but the Equipment Mechanic Supervisor does compare actual labor time against Mitchell time standards.

FM has an average of two road calls per month and rarely does any fieldwork. However, there are times when mechanics will perform PM services on heavy equipment at the treatment plant.

Finally, FM mechanics reportedly expend significant time on facilities repairs, but they do not track that time currently.

Future Mode of Operation: FM has adopted an array of key performance indicators based on industry best practices and frequently observes shop activities. Shop production and individual mechanic production is monitored monthly. FM also has a robust quality control program designed to ensure that work is done properly, avoids repeat repairs, and maintains a high level of customer satisfaction.

Recommended Action Item(s):

- Establish formal quality assurance protocols via policy documentation; including supervisor review, random WO sampling, and fleet user evaluation opportunities;
- Formally track and report turn-around times as a means of performance measurement and resource need identification (i.e., mechanic training, additional equipment); a true FMIS would provide FM the ability to track key data points for associated KPIs
- Track and report comeback rate as a means of performance measurement and identifying corrective action needs.
Parts Procurement and Inventory Management

Objective: Minimize the time required to perform in-house maintenance and repair services by maintaining a secure inventory of frequently used parts and critical parts whose procurement requires longer lead times. Maintain the flexibility to meet unusual or unanticipated maintenance parts need using ad hoc sourcing and procurement processes.

Maturity Rating: 1

Observations on PMO: The Equipment Mechanic Supervisor and mechanics order parts and have their own P-Cards. FM maintains a stock of common supplies such as nuts, bolts, and wheel weights, as well as an inventory of fast-moving parts, which are not tracked in Maximo. The parts room is organized and bins are labeled with part numbers. There are no established contracts with parts supply vendors beyond open purchase orders with several local dealerships and parts warehouses. Delivery time from vendors is between 30 minutes and 2 hours when parts are in stock and immediately available.

Future Mode of Operation: FM maintains a minimal amount of parts inventory and all inventory entered into the FMIS. FM tracks all parts to ensure that when stock levels are at set thresholds, adjustments and purchases are made accurately and in a timely manner. Annual inventories are conducted.

Recommended Action Item(s):
- Inventory and track all stocked parts in FMIS;
- Conduct an analysis of parts use each quarter and determine shortfalls or overstocks;
- Use parts consumption data to determine annual parts volumes and use the data to negotiate pricing from all suppliers including OEMs;
- Conduct spot checks of parts orders to actual use and document the results.

Parts Requisitioning and Disbursement

Objective: Requisitions for parts are done in a manner that is auditable. Essential approvals are obtained prior to submitting requisitions. Responsibilities for ordering, receiving, and approving parts purchases are appropriately segregated or otherwise controlled.

Maturity Rating: 1

Observations on PMO: Ordering and recording the use of parts and other supplies are the responsibility of the mechanics. Entries are made into the fleet software system and tied directly to the work orders for the vehicles. FM does not have a full-time parts specialist, which is acceptable based on the current fleet size, however in the current
system, the individual who orders the parts is also responsible for tracking the use of the part, leaving no secondary “check” or confirmation that a part is in fact needed and/or used for the intended asset. While the integrity of the current staff is not in question, as a system there are obvious issues from an accounting and auditing perspective. The current process is purely dependent on the honor system.

**Future Mode of Operation:** Appropriate separation of duties is in place; the FM parts functions are fully separated from the duties of the mechanics wherever possible, and where not possible, a secondary “sign-off” is required. The process is documented formally and tracked in the FMIS from request to disbursement.

**Recommended Action Item(s):**
- Assign responsibility for ordering parts and supplies to the Equipment Mechanic Supervisor, and in his absence, the Senior Mechanic;
- Create an audit trail by tracking all parts in the FMIS from order to installation;
- Conduct spot checks from the point of requisition to the point of use.

**FLEET MAINTENANCE RESOURCE MANAGEMENT, ORGANIZATION, AND STAFFING**

**Organization Structure and Staffing**

**Objective:** Ensure that organization structures reflect reasonable spans of control and channels of communication which are consistent with formally defined authority and responsibilities. Ensure that staffing levels are consistent with the amount of effort required to produce desired services in an efficient and effective manner.

**Maturity Rating: 2**

**Observations on PMO:** FM is under the Distribution and Maintenance Department. The Equipment Mechanic Supervisor reports to the Director of Distribution and supervises two mechanics in the shop, both of whom are designated senior mechanics. The supervisory span of control is well within industry benchmarks and should afford excellent control for all.

To evaluate the appropriateness of current shop staffing levels, we conducted analysis of the following:
- Vehicle equivalent units (VEUs) to normalize data into uniform known standards;
- Demand hours to estimate the labor effort required to maintain the fleet based on the number of VEUs;
- Productivity to determine actual shop output and compare it to the estimated demand.
**Vehicle Equivalency Units:** We used our Vehicle Statistical Referencing System (VSRS) to assign a VEU value to every vehicle in the fleet. Depending on various circumstances, such as shop facilities, asset age, utilization, and condition, etc. 100 to 125 VEUs per mechanic is an appropriate workload to maintain a steady workflow and relatively high output in the shops. After reviewing the FM asset inventory, we estimate the number of VEUs to be 307.3. Thus, the number of VEUs per mechanic is approximately 153.7. The ratio is above the aforementioned benchmark, and clearly a third mechanic would place FM within an appropriate range. However, in a vacuum we may not immediately suggest an additional mechanic, as there are many small assets and motorized hand tools included in the current fleet that in some cases would be cheaper to replace than to repair. However, further evaluation, as noted below, created a more complete picture.

**Demand Hours:** We also used the VEU count to estimate the number of direct labor hours that will be necessary to maintain the fleet. Nationwide, the needs vary from 10 hours to 15 hours annually. Therefore, fleet asset repair should be expected to consume at least 3,073 hours of direct labor annually. Based on the age of the fleet, we would expect the demand hours for the Authority’s fleet to in fact fall closer to the higher side of the range. Reported work order time shows that shop mechanics are consistently and significantly lower than the demand hours the fleet should be creating. Mechanic productivity reports provided by FM indicate that over the past two fiscal years, FM shops totaled an average of 1408.7 hours billed to work order each year. Some of the difference can be attributed to aforementioned small motorized tools included in the current inventory, and therefore the VEU count, that may not be worth repairing and instead are just replaced. However, there are not enough motorized tools in the inventory to make up for this difference. Most likely additional time not be recorded and/or the fleet is being understaffed.

**Productivity:** Staffing levels should be consistent with the workload and the associated amount of effort required to produce desired services productively, efficiently, and effectively. Procedures are in place to distribute work to mechanics so as to promote high levels of mechanic productivity, to minimize repair turn-around time, and to assign the work to a specific mechanic based on an assessment of that mechanics’ availability and skills. The goal is to maximize mechanic productivity while achieving acceptable levels of efficiency and effectiveness. The industry benchmark for total direct labor hours charged to work orders is 1400-1500 hours per year, per mechanic.

When the total labor hours reported are dispersed among the two mechanics on staff, this yields about 704.4 labor hours per mechanic, resulting in 34 percent productivity. Productivity is measured by dividing the number of direct labor hours by the number of payroll hours in a year (2,080 for a 40-hour workweek). We expect a productivity rate in the range of 70 to 75 percent to be achievable.

---

13 The values in the VSRS are derived from the hundreds of actual clients with whom we have worked.
FM mechanics fall short of this benchmark, however Mercury discovered that shop mechanics are performing facilities repairs, loading material for the distribution department, off-loading material for the purchasing department, and these labor hours are not documented in any work order system. As noted earlier, mechanics are also responsible for ordering their own parts for repairs as well as stocking the parts room when needed. Both of these will certainly consume time otherwise dedicated to fleet vehicle and equipment repair.

The combination of factors noted above indicates that FM is understaffed. As mechanics must provide their own parts support and do other work for facilities maintenance, a ratio of at most 100 VEUs per mechanic is appropriate\textsuperscript{14}. This is supported by the difference in demand hours relative to actual repair time. The fleet is not large enough at this time to provide enough work for a dedicated parts specialist, and while a feasible alternative, a dedicated facilities maintenance staff member would still require FM mechanics to “chip-in” during absences and for larger jobs. As such, under the current circumstances, an additional mechanic is most likely the best solution.

**Future Mode of Operation:** FM is appropriately staffed to reasonable workloads. FM monitors shop operations carefully both on the floor and through the use of data outputs from the FMIS. Annual productivity goals are in place to incentivize high productivity, and formally hold mechanics accountable for minimum productivity levels. FM also monitors demand hours and fleet size to ensure adequate resources are available as demand for fleet services change over time.

**Recommended Action Item(s):**

- Implement protocols that require mechanics to log on and off of work order tasks to properly record actual time spent on each task, including logging off during breaks or other delays;
- Open a work order for each mechanic every month to log all non-fleet related work for the month;
- Establish productivity targets for mechanics for monthly output;
- Develop and implement shop workload scheduling processes;
- Hire an additional mechanic, or other appropriate staff, to balance workload appropriately and facilitate efficient, high-level maintenance and repair of fleet assets.

**Employee Training and Professional Development**

**Objective:** To ensure that employees have minimum annual training requirements in place, as well as have access to, and encouraged to take part in, additional training that

\textsuperscript{14} While it is difficult to say for certain due to the lack of data associated with facilities maintenance, our observations while on site along with information provided during our interviews leads us to believe a significant portion of mechanic time is consumed by facilities maintenance.
will enhance current skills and provide opportunities to broaden their skill base. A plan is in place for each employee that describes a path for professional development and advancement. In doing so, FM ensures staff are keeping up with changes in automotive and fleet technology, can properly diagnose and maintain the Authority’s fleet assets, and keeps up with the latest advancements in fleet management.

Maturity Rating: 3

Observations on PMO: The Authority has a training policy that explains training goals, formal training activities, responsibilities, and external learning opportunities, which includes a tuition assistance program; however, mechanics are not receiving much training. The exact quantity of training hours for each mechanic is not being tracked, and indications are that mechanics have in fact received very little training in the past two years.

Future Mode of Operation: FM has a structured training program for each mechanic to continuously expand and improve their skill levels, in accordance with the needs of the Authority’s fleet. The program includes training minimums, opportunities for training beyond the minimums, and both positive and negative incentives for completing, failing to complete, or exceeding minimum training requirements. A development plan is set annually for each staff member.

Recommended Action Item(s):

- Conduct a thorough assessment of skills for each mechanic with an eye towards both individual needs and the needs of the shop;
- Create individual growth programs for each staff member that involve skills improvements and certification;
- Allocate resources and time to staff training;
- Ensure that each staff member, and especially mechanics, receive 40 hours of training per year.

Maintenance Facility Design, Condition, Maintenance, And Housekeeping

Objective: Promote the safe, efficient, and effective performance of fleet maintenance and repair activities by housing them in facilities that are properly located, designed, and constructed. Safety hazards are quickly remedied. Safety conduct is reinforced through regular inspection and training.

Maturity Rating: 2

Observations on PMO: The shop has four bays; two are equipped with light-duty vehicle lifts. Four bays would be appropriate for two mechanics; however, one bay is blocked to drive-in traffic, used only for small equipment repair, which should have its own section of the facility. Should the Authority add a mechanic as suggested previously, the shop
would fall under the industry standard minimum ratio of 1.5 bays per mechanic. Moreover, the shop is too small and not appropriately equipped for heavy truck and equipment maintenance. Because of the lack of space, there is a large canopy adjacent to the back of the shop utilized for heavy truck and equipment repair.

Due to the inadequate space provided for fleet maintenance and repair activities. The staff struggle with available space when multiple repairs are in progress while waiting on parts. In addition, there is insufficient space for needed tools and equipment causing encroachment of the work and storage space. There is a small tool room within the shop area. The Equipment Mechanic Supervisor has a small office, and parts are stored above the office. There is no breakroom or restroom for the mechanics. Shop staff use the facilities in the “main” building across the street from the shop.

The Authority has a safety committee that meets monthly, and a formal company-wide safety policy. The committee rotates staff from across the Authority on an annual basis. Each member of the committee is assigned to a specific area of inspection. The inspections are performed monthly and an inspection sheet is submitted to the committee. Staff are encouraged to report safety concerns to their supervisor or management team.

Future Mode of Operation: FM operates a maintenance facility for all components of its fleet to perform routine maintenance and repair. (e.g., PMs, component M&R, etc.). These facilities are appropriately sized, laid out, equipped, and hazard-free. Shops are inspected monthly to ensure that safety hazards are remedied in a timely manner, and that housekeeping is performed regularly.

Recommended Action Item(s):

- Develop and implement PPS that require shop staff to maintain a clean and orderly workspace to reduce clutter and improve shop safety;
- Develop formal shop safety program and conduct regular (i.e., monthly) shop safety inspections in order to identify potential hazards;
- Develop a comprehensive fleet maintenance facility master plan that identifies short-term improvements for the shop operation along with a long-term strategic plan to replace or augment the current fleet maintenance facility with one that can adequately house the assets under FM’s care.

Shop Equipment and Tools

Objective: FM furnishes appropriate specialty and diagnostic tools required to properly service vehicles and equipment. Tools and equipment are secured and maintained in safe and in good working condition, and policies are in place to drive care and accountability of tools and equipment. Each mechanic possesses its own set of appropriate hand tools to repair vehicles efficiently and maximize productivity.

Maturity Rating: 3
Observations on PMO: The Authority provides mechanics with fully equipped toolboxes and has a tool room with specialty and scan tools. Since there are only two mechanics, the shop does not have any tool sign-out procedures for the tool room. Broken or missing tools are reported to the Equipment Mechanic Supervisor.

Future Mode of Operation: FM stays abreast of new types of diagnostic tools and equipment to ensure that the shop is fully up to date and is as efficient as possible.

Recommended Action Item(s):

- Conduct an annual inventory of shop tools to ensure accountability;
- Ensure an adequate budget for tool replacements and upgrades.

FLEET MANAGEMENT INFORMATION SYSTEM

Objective: The fleet management information system is the key business tool for capturing, storing, and analyzing objective, quantitative data on all fleet management activities and functions, including but not limited to asset utilization, maintenance and repair, and parts management. Built-in, fully-integrated support for best practice processes facilitates effective scheduling and management of day to day operations for all aspects of modern fleet management, and reporting tools are conducive to measuring and monitoring fleet performance via various key performance indicators (KPIs), facilitating strategic, data-driven decision making.

Maturity of PMO: 2

Observations on PMO FM is using Maximo as the system of record since 2010. At one time, FM was using RTA, but a switch was made to consolidate software programs and to have everyone in the Authority using one system of record. FM was directed to use the fleet module add-on as the FMIS. FM is not using VRMS codes for repairs in Maximo. Maximo is not capable of tracking sublet repair. To overcome this discrepancy, FM tracks sublets in the parts section of the work order. The built-in reporting capabilities of Maximo also seem to fall short, as reports have to be created by the IT team at the request of the mechanic supervisor. The data provided to Mercury as part of our initial information request required the IT department to be involved in creating reports ad hoc.

At this point, FM is considering going back to using RTA. They still have access to the FMIS to pull data that was not brought over when implementing Maximo.

FM does not use any telematics. FM tried using a fuel management system but had repeated issues with the rings that had to be installed on the vehicle's fuel tank. The rings are used to detect when the fuel nozzle is inserted into the fuel tank, and information from the vehicle is collected by the fuel management system.

Future Mode of Operation: FMs using a full-featured fleet management information system providing improved, comprehensive asset tracking, maintenance scheduling, and
sublet repair management, and facilitates efficient day-to-day fleet management operations. The data in the system is uniform in its content and the fleet users are fully trained to enter and consume data appropriately. Industry-relevant codification and configurations for repair coding and vehicle class such as VMRS, NAFA and APWA support proper business processes and facilitate effective management reporting and analysis. Data capture occurs at the source, and batch entered data is minimized (e.g. fuel data). The system is readily accessible by the entire staff for reference and management decisions. Fleet information is distributed to staff, customers, and management providing visibility of costs and activities.

Recommended Action Item(s):

- Utilize industry-based coding such as VMRS codes to identify individual tasks and provide the basis for M&R reporting and analysis;
- Develop a fixed list of "canned" reports that are produced on a regular basis that allow deep analysis of performance;
- Ensure reports are aimed at monitoring and measuring key performance metrics;
- Conduct a formal FMIS needs assessment to determine exactly what features are critical to the management responsibilities of FM; based on this assessment, determine if RTA can meet FM and the Authority's needs thoroughly, and if not identify and acquire an off-the-shelf FMIS to replace Maximo;
- Ensure all relevant staff are trained appropriately in the use of the FMIS system.

FLEET COST CONTROL AND FINANCIAL MANAGEMENT

Objective: Fleet costs are distributed equitably and without cross-subsidization to fleet users, and ensures the availability of sufficient funds for both capital and operating costs. This includes a cost charge-back system utilizing cost allocation techniques that facilitate accurate charge-back rates to fully recover both operational and capital costs via an array of fixed fees, labor rates, and surcharges; the ultimate objective is to create cost transparency and visibility for all stakeholders. In doing so, fleet customers are motivated to manage the costs they generate appropriately, and the FM is incentivized to provide high-quality, efficient service.

Maturity of PMO: 2

Observations on PMO: FM does not charge customers for maintenance and repairs, parts, or fuel. They are budgeted out of the general fund. FM does use a shop labor rate calculated semi-annually by the budget office, that is used purely for asset cost tracking, for budgeting and planning purposes. Accordingly, there are no markups on parts, fuel, or sublet repairs included in these costs, which ignores the time and effort required to procure and deliver these goods and services to fleet customers. FM does not have a replacement fund. All new vehicle and replacement requests are approved by the board of commissioners and paid for from the general fund.
Future Mode of Operation: FM acts as an internal service fund (ISF) and uses a transparent charge-back system to recover all costs associated with the owning and operating Authority vehicles and equipment. Funds are secured for replacing fleet assets.

Recommended Action Item(s):

- Establish FM as an ISF, requiring all fleet costs and expenditures are recovered through the appropriate chargeback of FM customers;
- Conduct a formal cost allocation and chargeback rate study to develop a formal cost recovery system, and ensure all direct and indirect costs are being captured in chargeback rates and billed clearly:
  - Calculate shop labor rate, fuel, parts, and sublet markups, as well as appropriate replacement charges, annually to recover all costs for fleet goods and services;
  - Calculate fleet user department budget requirements to account for costs associated with the fleet goods and services they consume;
  - Implement a billing system to facilitate transparent cost recovery;
- Evaluate various fleet replacement funding methods, including consolidation for an asset replacement reserve fund and/or debt financing versus using general funds for replacing fleet assets.
APPENDIX

ORCA RESULTS - HEAVY-DUTY DUMP TRUCKS

The key assumptions and inputs we used for the Heavy-Duty Dump Trucks replacement cycle analysis included the following:

1. New vehicle purchase price: $136,000
2. Average annual usage (miles): 3,645
3. Fuel economy rate (MPG): 6.1
4. Fuel cost per gallon: $3.39
5. Annual fuel efficiency deterioration rate\(^{15}\): 2 percent
6. Annual inflation rate for M&R and fuel costs: 3 percent
7. Discount rate: 6 percent
8. Residual values by vehicle age and accumulated mileage, expressed as a percentage of the current vehicle purchase price, obtained from an analysis of used vehicle sales data.
9. Maintenance and repair cost projections based on regression analysis of Sweetwater Authority data.

The average age of all the Heavy-Duty Dump Trucks currently in the fleet is 7.8 years, and the current average replacement cycle is 16 years. There are Heavy-Duty Dump Trucks as old as 17 years in the fleet.

The results of our analysis, shown in Exhibit 9, indicate that these vehicles' total cost of ownership (indicated by the equivalent annual cost - EAC - shown in the bottom row of the table) is, strictly speaking, at a minimum under a replacement cycle of 13 years.

Comparing the average annual operating cost of this type of vehicle under a 13-year cycle and the current 16-year cycle, it can be seen that Sweetwater Authority would save an estimated $567 or 10 percent per vehicle per year by replacing these vehicles every 13 years. Based on the total number of Heavy-Duty Dump Trucks in the fleet, this translates into approximately $3,402 in operating savings per year. Since vehicle capital costs can vary substantially over time, depending on the method used to finance them, it makes no sense to incorporate them in this average annual cost savings estimate. However, vehicle capital costs will be higher under the optimal replacement cycle, meaning that the aggregate net cost savings would be somewhat lower than this amount.

On the other hand, it also should be noted that this savings amount does not include any of those indirect costs of aging vehicles noted earlier, notably the growing unpredictability of repair costs. For example, our life cycle cost analysis (Exhibit 9) shows that predicted

\(^{15}\) Per year of vehicle age.
annual maintenance and repair costs increased by over $850 between Age 13 and Age 16, with most if not all of this increase being attributable to increased repair requirements, which are generally unscheduled and thus cannot be performed as efficiently as can scheduled services.
### Exhibit 9
**Optimal Replacement Cycle Analysis for Heavy-Duty Dump Trucks**

<table>
<thead>
<tr>
<th>Replacement Cycle (years)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-End Odometer Reading</td>
<td>3,845</td>
<td>7,290</td>
<td>10,935</td>
<td>14,581</td>
<td>18,226</td>
<td>21,871</td>
<td>25,516</td>
<td>29,161</td>
<td>32,808</td>
<td>36,451</td>
<td>40,097</td>
<td>43,742</td>
<td>47,387</td>
<td>51,032</td>
<td>54,677</td>
<td>58,322</td>
</tr>
<tr>
<td>CAPITAL COST*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year-End Fair Market Value Percentage</td>
<td>87.6%</td>
<td>77.9%</td>
<td>69.2%</td>
<td>61.5%</td>
<td>54.6%</td>
<td>43.1%</td>
<td>38.3%</td>
<td>34.0%</td>
<td>30.2%</td>
<td>26.8%</td>
<td>23.9%</td>
<td>21.2%</td>
<td>18.8%</td>
<td>16.7%</td>
<td>14.9%</td>
<td></td>
</tr>
<tr>
<td>Year-End Fair Market Value</td>
<td>$119,200</td>
<td>$105,899</td>
<td>$94,083</td>
<td>$83,585</td>
<td>$74,259</td>
<td>$65,973</td>
<td>$58,811</td>
<td>$52,072</td>
<td>$46,261</td>
<td>$41,099</td>
<td>$36,514</td>
<td>$32,439</td>
<td>$29,161</td>
<td>$26,040</td>
<td>$22,747</td>
<td>$20,209</td>
</tr>
<tr>
<td>Annual Capital Cost</td>
<td>$16,800</td>
<td>$13,300</td>
<td>$11,816</td>
<td>$10,498</td>
<td>$9,327</td>
<td>$8,286</td>
<td>$7,361</td>
<td>$6,540</td>
<td>$5,810</td>
<td>$5,162</td>
<td>$4,586</td>
<td>$4,074</td>
<td>$3,620</td>
<td>$3,216</td>
<td>$2,857</td>
<td>$2,538</td>
</tr>
</tbody>
</table>

**OPERATING COSTS**

| Annual M&R Cost | $1,284 | $1,387 | $1,499 | $1,620 | $1,750 | $1,891 | $2,043 | $2,208 | $2,386 | $2,578 | $2,786 | $3,010 | $3,253 | $3,515 | $3,798 | $4,104 |
| Annual Fuel Cost | $2,114 | $2,222 | $2,335 | $2,454 | $2,579 | $2,711 | $2,849 | $2,995 | $3,148 | $3,308 | $3,477 | $3,654 | $3,841 | $4,037 | $4,243 | $4,459 |
| Total Annual Operating Cost | $3,398 | $3,609 | $3,834 | $4,074 | $4,329 | $4,602 | $4,893 | $5,203 | $5,533 | $5,886 | $6,263 | $6,664 | $7,093 | $7,551 | $8,040 | $8,603 |

**TOTAL COST**

| Annual Total Cost | $20,198 | $16,909 | $15,650 | $14,572 | $13,658 | $12,888 | $12,254 | $11,743 | $11,344 | $11,048 | $10,849 | $10,673 | $10,730 | $10,897 | $11,101 |
| Cumulative Total Cost | $20,198 | $37,107 | $52,757 | $67,329 | $80,985 | $93,873 | $106,127 | $117,870 | $129,213 | $140,261 | $151,110 | $161,848 | $172,561 | $183,328 | $194,226 | $205,327 |
| Equivalent Annual Cost | $20,198 | $18,828 | $18,108 | $17,586 | $17,168 | $16,824 | $16,536 | $16,302 | $16,112 | $15,964 | $15,856 | $15,780 | $15,757 | $15,790 | $15,870 |

*The annual capital cost of a vehicle or piece of equipment is defined as the change in its fair market value (FMV) from one year to the next.*

---

16 The annual capital cost of a vehicle or piece of equipment is defined as the change in its fair market value (FMV) from one year to the next.
TO: Governing Board

FROM: Management

DATE: February 7, 2020

SUBJECT: Consideration of Changes to Director's Fees

SUMMARY

Members of the Governing Board (Board) of the Authority receive per diem, also referred to as “Director’s Fees”, for occasions that constitute the performance of official duties, in an amount that is established by the Board in accordance with state law and for the actual and necessary expenses incurred in the performance of such official duties.

Presently, Director’s Fees in the amount of $150 per day, as established by the Board in accordance with the Water Code Sections 20200-20207, shall be paid for attendance at the following:

A. Regular, Special, or Adjourned meetings of the Board.
B. Board Committee, Interagency Committees/Boards, and Ad Hoc Committee meetings.
C. Meetings of other organizations, where such attendance constitutes the performance of a Director’s official duties, as provided for by Policy 511; however, Directors shall not receive Director’s Fees for travel days immediately preceding and/or following the day on which a conference or meeting is held.
D. Designated functions at the direction of the Board by motion, either prior to the function or at the next regular Board meeting following the function.
E. Chairperson’s attendance at Board agenda preparation meetings with Management and the General Manager’s performance evaluation by the Chairperson, or Vice Chairperson’s attendance at such meetings and performance evaluations in the event the Chairperson is unable to attend.

Per Water Code Section 20202, the increase in the amount of compensation which may be received by members of the governing board of a water district may not exceed 5 percent for each calendar year following the operative date of the last adjustment. Additionally, a director cannot receive compensation for more than a total of 10 (ten) days in any calendar month.
Memo to: Governing Board
Subject: Consideration of Changes to Director's Fees
February 7, 2020
Page 2 of 2

As of the last increase effective on July 23, 2001, the maximum increase the Board can entertain at this point is $142.50, which would bring the per diem to $292.50 ($150 + $142.50 = $292.50). Should the Board elect to increase the per diem to $292.50, the effective date would need to be on or after July 24, 2020. Should the Board elect to increase the per diem to an amount of $285 or less, then the effective date could be July 1, 2020, per Policy 510.

For reference, staff conducted a survey of water agencies and their associated Directors' Fees in San Diego County, which is attached.

FISCAL IMPACT
Any approved changes would be reflected in the proposed FY 2020-21 Budget.

POLICY/STRATEGIC PLAN OBJECTIVE
Policy 510, Per Diem and Reimbursement, states that Director's Fees will be reviewed annually in either January or February, and any changes approved will be effective July 1 of the same year.

ALTERNATIVES
1) Consider adjustment to Director's Fees, as directed by the Board, and direct staff to schedule a public hearing.

2) Do not approve changes to the Director's Fees.

STAFF RECOMMENDATION
Staff defers to the Governing Board for direction.

 COMMITTEE RECOMMENDATION
The Finance and Personnel Committee recommends that the Governing Board not make changes to the Director's fees.

ATTACHMENT:
Survey of San Diego Water Agency Per Diem Fees
<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>Eastern MWD</td>
<td>$223.00</td>
</tr>
<tr>
<td>Elsinore Valley MWD</td>
<td>$221.43</td>
</tr>
<tr>
<td>Encina Wastewater Authority</td>
<td>$200.00</td>
</tr>
<tr>
<td>Fallbrook PUD</td>
<td>$105.00</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>$225.00</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>$125.00</td>
</tr>
<tr>
<td>Leucadia Wastewater</td>
<td>$200.00</td>
</tr>
<tr>
<td>Olivenhain MWD</td>
<td>$150.00</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>$152.00</td>
</tr>
<tr>
<td>Padre Dam MWD</td>
<td>$145.00</td>
</tr>
<tr>
<td>Rainbow MWD</td>
<td>$150.00</td>
</tr>
<tr>
<td>Ramona MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>Rancho California Water District</td>
<td>$200.00</td>
</tr>
<tr>
<td>Rincon Del Diablo MWD</td>
<td>$160.00</td>
</tr>
<tr>
<td>SDCWA Directors/Officers</td>
<td>$150/$180</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>$100.00</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>$150.00</td>
</tr>
<tr>
<td>South Bay Irrigation District</td>
<td>$100.00</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>$150.00</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>$200.00</td>
</tr>
<tr>
<td>Valley Center MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>Vista Irrigation District</td>
<td>$200.00</td>
</tr>
<tr>
<td>Yuima MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>DISTRICT</td>
<td>2020</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Carlsbad MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>Ramona MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>$100.00</td>
</tr>
<tr>
<td>South Bay Irrigation District</td>
<td>$100.00</td>
</tr>
<tr>
<td>Valley Center MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>Yuima MWD</td>
<td>$100.00</td>
</tr>
<tr>
<td>Fallbrook PUD</td>
<td>$105.00</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>$125.00</td>
</tr>
<tr>
<td>Padre Dam MWD</td>
<td>$145.00</td>
</tr>
<tr>
<td>Olivenhain MWD</td>
<td>$150.00</td>
</tr>
<tr>
<td>Rainbow MWD</td>
<td>$150.00</td>
</tr>
<tr>
<td>SDCWA Directors/Officers</td>
<td>$150/$180</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>$150.00</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>$150.00</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>$152.00</td>
</tr>
<tr>
<td>Rincon Del Diablo MWD</td>
<td>$160.00</td>
</tr>
<tr>
<td>Encina Wastewater Authority</td>
<td>$200.00</td>
</tr>
<tr>
<td>Leucadia Wastewater</td>
<td>$200.00</td>
</tr>
<tr>
<td>Rancho California Water District</td>
<td>$200.00</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>$200.00</td>
</tr>
<tr>
<td>Vista Irrigation District</td>
<td>$200.00</td>
</tr>
<tr>
<td>Elsinore Valley MWD</td>
<td>$221.43</td>
</tr>
<tr>
<td>Eastern MWD</td>
<td>$223.00</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>$225.00</td>
</tr>
</tbody>
</table>
TO: Governing Board
FROM: Management
DATE: February 7, 2020
SUBJECT: Review of Board Policies and Procedures (510 through 516, and 519)

SUMMARY
Annually, the Board reviews and updates all of its Policies and Procedures to ensure that they are relevant, accurately reflect current and/or preferred practice, and include all legal requirements. Management presents the policies to the Board in batches so that the Board can carefully review the policies and make any changes.

The Finance and Personnel Committee reviewed Policies 510 through 516, 518, and 519 on January 15, 2020. The proposed changes were submitted to legal counsel for concurrence, as well as any additional legal updates. A summary of the recommended changes are as follows:

<table>
<thead>
<tr>
<th>POLICY</th>
<th>ADDITIONS/MODIFICATIONS/COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>512-516, 519</td>
<td>No recommended changes.</td>
</tr>
<tr>
<td>510</td>
<td>Recommended changes: Minor punctuation change; added compensation language for travel days; added and clarified compensation language for meeting with the General Manager</td>
</tr>
<tr>
<td>511</td>
<td>Recommended changes: Included the South County Economic Development Council (SCEDC); removed Best Best &amp; Krieger (BBK); and added Chula Vista Chamber of Commerce and Subcommittees, National City Chamber of Commerce and Subcommittees, and Seminars for Public Agencies</td>
</tr>
</tbody>
</table>
Memo to: Governing Board  
Subject: Review of Board Policies and Procedures (501 through 516 and 519)  
February 7, 2020  
Page 2 of 2

PREVIOUS BOARD ACTIONS

July 24, 2019   Approved Policy 522
June 12, 2019   Approved Policy 517
April 24, 2019   Approved Policies 601 through 608
March 27, 2019   Approved Policies 504, 506, 507, 512 through 516, 518, 519, and 521
February 27, 2019   Approved Policies 501 through 503, 505, and 507 through 511

FISCAL IMPACT
Fiscal impact is limited to cost incurred for legal counsel review.

POLICY
Governing Board Policy 503, Adoption/Amendment of Policies and Procedures, establishes guidelines to adopt and amend policies and procedures in the Policies and Procedures Manual of the Governing Board of Sweetwater Authority and calls for the periodic review of the existing policies and procedures.

ALTERNATIVES
1. Recommend changes to Policies 510 through 516, and 519 for Board review and consideration.
2. Recommend no changes to Policies 510 through 516, and 519 for Board review and consideration.

STAFF RECOMMENDATION
Staff seeks direction from the Governing Board.

COMMITTEE RECOMMENDATION
The Finance and Personnel Committee recommended changes to Policies 510 and 511, and recommends that the Governing Board approve the recommended changes as presented.

ATTACHMENTS
Board Policy 510 (revised)
Board Policy 511 (revised)
Board Policy 512
Board Policy 513
Board Policy 514
Board Policy 515
Board Policy 516
Board Policy 519
POLICY 510 – PER DIEM AND REIMBURSEMENT

POLICY

Members of the Governing Board (Board) shall receive per diem, specified herein as “Director’s Fees,” for occasions that constitute the performance of official duties, in an amount that is established by the Board in accordance with state law and for the actual and necessary expenses incurred in the performance of such official duties. The Per Diem and Reimbursement policy set forth herein shall be read in conjunction with Policy 511 for Training, Education, and Community Outreach.

PROCEDURE

Director’s Fees in the amount of $150 per day, as established by the Board in accordance with the Water Code Sections 20200-20207, shall be paid for attendance at the following:

A. Regular, Special, or Adjourned meetings of the Board.

B. Board Committee, Interagency Committees/Boards, and Ad Hoc Committee meetings.

C. Meetings of other organizations, where such attendance constitutes the performance of a Director’s official duties, as provided for by Policy 511. For conferences that require travel outside San Diego County and begin early in the day or continue late into the evening, however, Directors shall not receive Director’s Fees for a travel days either immediately preceding and/or following the day on which a conference or meeting is held.

D. Designated functions at the direction of the Board by motion, either prior to the function or at the next regular Board meeting following the function.

E. Chairperson’s attendance at Board agenda preparation meetings with Management and the General Manager’s performance evaluation by the Chairperson, or Vice Chairperson’s attendance at such meetings and performance evaluations in the event the Chairperson is unable to attend.

F. In-person business meetings with the General Manager, limited to one per month.

Director’s Fees will be reviewed annually in either January or February, and any changes approved will be effective July 1 of the same year.

Directors will not receive a Director’s Fee or payment of actual and necessary expenses for attendance at: a) more than one authorized event per day or b) meetings of other organizations as provided for by Policy 511, unless the Board approves such attendance.
either prior to the function or at the next regular Board meeting following the function. Total per diem, or Director’s Fees, shall not exceed ten (10) days in any calendar month.

Directors who attend meetings of organizations other than Authority Board or Committee meetings by the use of teleconferencing or the Internet (i.e., online) shall not receive a Director’s Fee unless:

1) the Director is unable to attend in person because of health or personal emergency, or
2) the Director chooses not to attend in order to save the Authority the expense of travel to the meeting, the Director’s Fee is approved in accordance with Policy 511, and teleconferencing/online participation is approved in advance by the Board, or
3) the Director is participating in a legally required training function with an approved vendor of the State of California provided the Director submits a certificate of completion.
4) the meeting is only available by teleconferencing or Internet and the Director’s Fee is approved in accordance with Policy 511, or
5) the Director is an appointed Authority representative to an organization and that organization’s meeting is available by teleconferencing or the Internet.

At the end of each month, Directors are to submit to the Board Secretary a signed "Director’s Monthly Per Diem and Mileage Reimbursement" form documenting the meetings attended during the month and the corresponding mileage to be reimbursed, if any.

Water Code Section 20202 provides that a water district may increase the amount of compensation which may be received by members of the Board above the amount of one hundred dollars ($100) per day, so long as the increase does not exceed an amount equal to five percent (5%) for each calendar year following the operative date of the last adjustment of compensation. Section 20202 authorizes compensation for no more than a total of ten (10) days in any calendar month.

The Authority will pay actual and necessary expenses of Directors incurred in the performance of official duties within San Diego County as contemplated by Policy 511, including registration, tuition, meals, incidental expenses, tips and gratuities, and each mile actually traveled by a Director in his or her private automobile for attendance of any Director specifically designated or approved by the Board to attend an event within San Diego County. Reimbursement per mile to be equal to the standard rate in effect for business miles deduction by the United States Internal Revenue Service, as such rate is established from time to time.

A Director will receive reimbursement for each mile actually traveled in his or her private automobile while attending meetings outside of San Diego County when acting under orders of the Board, provided such mileage compensation does not exceed economy class

---

1 Resolution 01-09 was adopted on May 23, 2001 approving an adjustment in compensation and establishing the per diem at $150, effective July 23, 2001.
airfare plus normal cost for transportation to and from the airport at the point of departure and the airport at the destination. Reimbursement per mile to be equal to the standard rate in effect for business miles deduction by the United States Internal Revenue Service, as such rate is established from time to time.

If a Director chooses to travel in his or her private automobile rather than by scheduled airline, while attending meetings outside of San Diego County when acting under orders of the Board, and the distance traveled requires more than eight (8)-hours driving, mileage, overnight lodging and three (3) meals will be reimbursed to the Director, provided that such reimbursement does not exceed the cost of economy class airfare plus normal cost for transportation to and from the airport at the point of departure and the airport at the destination.

If two (2) or more Directors travel in the same car, the Director driving will receive full mileage reimbursement, provided that said mileage does not exceed the cost of economy class airfare plus normal cost for transportation to and from the airport at the point of departure and the airport at the destination for all the Directors who traveled in the same car.

Directors should travel together whenever feasible, but not in a number that would constitute a quorum of the Board, and economically beneficial, and register sufficiently in advance, when possible, to obtain discounted tuition and registration expenses.

In no event shall a Director receive from the Authority compensation for out-of-town travel expenses, including, but not limited to, airfare, car rental when appropriate, lodging, registration, meals, incidental expenses, or miles traveled in his or her private automobile, unless such out-of-town travel is preapproved by order of the Board. Directors are encouraged, whenever feasible, to provide a fifteen (15) day advanced notice for air travel to the Board Secretary. The cost of alcoholic beverages will not be paid by the Authority.

Frequent flyer miles accumulated by Directors for airfare paid for, or reimbursed, by the Authority, should be redeemed for discounts on future airfare paid for, or reimbursed, by the Authority, and may not be redeemed for personal use. If any Director requires special travel accommodations due to a disability or health-related reasons, the Authority will pay all costs associated with those special accommodations.

Actual and necessary expenses for accommodations and meals incurred by Directors while attending meetings outside of San Diego County when acting under orders of the Board will be reimbursed as provided in this Policy. Reimbursement shall be permitted for travel expenses, including accommodations and meals, incurred on the day immediately preceding or immediately following an approved meeting or conference held outside of San Diego County when travel on the actual day of the meeting or conference is infeasible. Except as otherwise provided herein, the maximum reimbursement for lodging costs shall be two hundred twenty-five dollars ($225) per day including taxes. However, if the lodging is in connection with a conference or organized educational activity conducted in compliance with this Policy, the Authority will pay lodging costs which do not exceed the maximum...
group rate published by the conference or activity sponsor, provided that the lodging at the group rate is available to the Director at the time of booking. If the group rate is not available, the Authority will pay for comparable lodging at an amount not-to-exceed the maximum group rate published by the conference or activity sponsor. The maximum reimbursement for meals (breakfast, lunch, and dinner) not included in conference registration shall be seventy-five dollars ($75) per day.

Reimbursement for all tips and gratuities shall be limited to a maximum of twenty percent (20%) of the underlying costs. Tips and gratuities for services with no underlying costs (such as concierge, bellhop, or wheelchair assistance) shall be at a maximum of $5 per service and $20 per day. Directors requesting reimbursement for amounts exceeding the maximum limits shall require Board ratification prior to payment to a Director. Upon the request of a Board member, the Board may authorize actual and necessary expenses for accommodations and meals which exceed the policy limits.

Directors shall use government and group rates offered by a provider of transportation or lodging services or travel and lodging, when available.

The Board Secretary may arrange for certain group travel including prepaying the fares, fees, tips, and gratuities. There shall be no reimbursement for fares, fees, tips, or gratuities paid by Directors if these were prepaid by the Authority.

Actual and necessary expenses for meals incurred by Directors while attending meetings within San Diego County, and meetings outside San Diego County which do not involve lodging, when acting under orders of the Board, will be reimbursed. The maximum reimbursement for said meals not included in conference registration shall be seventy-five dollars ($75) per day.

For conferences and events for which costs and expenses are prepaid by the Authority, Directors unable to attend the conference or event due to illness or scheduling conflict will notify the Board Secretary as soon as possible to ensure credit or reimbursement of costs from the conference or event sponsor. If reimbursement is not possible, the Board Secretary shall contact other Directors to determine if they can attend. The Board Secretary will also inquire through the General Manager if staff members can attend.

Within thirty (30) days following an event which constitutes the performance of official duties as designated in Policy 511, and for which the payment of actual and necessary expenses has been approved, any Director attending must submit a signed “Director’s Expense Reimbursement Form,” together with valid itemized receipts, to the Board Secretary and return any excess funds advanced for attendance of the event. Eligible expenses for which receipts are not available will be reimbursed with an explanation included in the expense report for accounting backup. If actual and necessary expenses incurred by a Director attending exceed the amount of any advance, the Authority will reimburse the Director for excess expenses within ten (10) days of receipt of the expense report.
The Board Secretary shall produce and distribute a quarterly report containing the Governing Board’s Expenses. The reports shall be presented to the Board in January, April, July, and October.
This page intentionally left blank.
POLICY 511 – TRAINING, EDUCATION, AND COMMUNITY OUTREACH

POLICY

The Governing Board (Board) finds that it is beneficial to Sweetwater Authority (Authority) for the Board to increase its knowledge of matters within the subject-matter jurisdiction of the Board. To this end, members of the Board are encouraged to attend educational conferences and professional meetings concerning matters within the subject-matter jurisdiction of the Board and which activities constitute the performance of official duties. To the maximum extent feasible and practical, Directors attending such conferences and/or meetings will attend for the time frame that they are registered and engage with staff and the public. The Training, Education and Conferences policy set forth herein shall be read in conjunction with Policy 510 for Per Diem and Reimbursement.

PROCEDURE

There is no limit as to the number of Directors attending a particular conference or seminar when it is apparent that their attendance is beneficial to the Authority. To promote such Board development and excellence, the Authority reimburses actual and necessary expenses incurred on behalf of the Authority in the performance of official duties, such as travel, tuition, lodging, meals, incidental expenses, and each mile actually traveled by a Director in his or her private automobile as a result of training, educational courses, participation with professional organizations, and attendance at conferences, in accordance with Policy 510. In no event shall a Director receive from the Authority such compensation for out-of-town travel expenses, unless when such out-of-town travel is pre-approved by order of the Board. The cost of alcoholic beverages will not be paid by the Authority. Reimbursement shall be permitted for travel expenses, including accommodations and meals, incurred on the day immediately preceding or immediately following an approved meeting or conference held outside of San Diego County when travel on the actual day of the meeting or conference is infeasible as provided in Policy 510; however, Directors shall not be entitled to Director’s Fees for such travel day(s).

The Board Secretary is responsible for making arrangements for Directors to attend conferences and to record and calculate the per diem or “Director’s Fees” as set forth in more detail in Policy 510. The Director’s Fees for attendance at approved events and the procedure for reimbursement of actual and necessary expenses incurred in the performance of official duties are set forth in Policy 510.

Attendance by Directors at meetings, seminars, workshops and conferences (other than those that are already pre-approved as designated events which constitute the performance of official duties) shall be approved by the Board prior to payment of Director’s Fees or incurring any reimbursable actual and necessary expenses. A Director shall not attend a

Adopted by Resolution 19-13 on 6/12/19; Revised and Approved 5/22/19
conference or training event (other than those that are already pre-approved as designated events which constitute the performance of official duties) that does not cover matters within the subject-matter jurisdiction of the Board.

Upon returning from meetings, seminars, workshops, conferences, and other occasions which constitute the performance of official duties for which Directors receive Director’s Fees and the actual and necessary expenses are reimbursed by the Authority, in accordance with Policy 510, Directors shall either prepare a written report for distribution to the Board, or make a verbal report at the next regular Board meeting following the event. Said written or verbal report shall detail the information that may be of benefit to the Authority that was presented at the meeting, seminar, workshop, conference, or other occasion which constitutes the performance of official duties. Materials from the meetings, seminars, workshops, conferences, and other occasions which constitute the performance of official duties may be delivered to the Authority’s office to be included in the Authority’s library for the future use of other Directors and staff.

Directors who have signed up for an event, and subsequently cannot attend, shall contact the Board Secretary as soon as possible to ensure credit or reimbursement of costs from the conference or event sponsor. If reimbursement is not possible, the Board Secretary shall contact other Directors to determine if they can attend. The Board Secretary will also inquire through the General Manager if staff members can attend.

Directors’ attendance at board and membership meetings of the following associations has been pre-approved as occasions that constitute the performance of official duties:

A. Association of California Water Agencies (ACWA)
B. Association of California Water Agencies – Joint Powers Insurance Authority (ACWA/JPIA)
C. CalDesal
D. California Special Districts Association (CSDA) both state and San Diego Chapter
E. Chula Vista Chamber of Commerce and Subcommittees
F.G. Ethics Training in accordance with AB1234 (bi-annual)
G.H. Metropolitan Water District of Southern California
H. National Water Resources Association (NWRA) and Municipal Caucus
J. National City Chamber of Commerce and Subcommittees
K. San Diego County Water Authority (SDCWA)
L. Sexual Harassment Avoidance Training in accordance with AB1825 (bi-annual)
M. South County Economic Development Council (SCEDC)
N. Sweetwater River Watershed Advisory Panel
O. Urban Water Institute
P. Water Education Foundation

Adopted by Resolution 19-13 on 6/12/19; Revised and Approved 5/22/19
N. Q. Western Coalition of Arid States (WESTCAS)

Directors’ attendance at educational or legally required training functions of the following organizations shall be approved by the Board as agendized actions:

A. Association of California Water Agencies (ACWA)
B. Association of California Water Agencies – Joint Power Insurance Authority (ACWA/JPIA)
C. Best Best & Krieger (BBK) Legal Updates Seminars for Public Agencies
D. California Special Districts Association (CSDA) both state and San Diego Chapter
E. Council of Water Utilities (COWU)
F. Local Government Commission
G. National Water Resources Association (NWRA) and Municipal Caucus
H. San Diego County Water Authority (SDCWA)
I. Urban Water Institute (UWI)
J. Water Education Foundation (WEF)
K. Western Coalition of Arid States (WESTCAS)

Attendance at events organized by agencies and/or entities other than the Authority involving tours of, or visits to, local water reclamation, major projects related to water quality and distribution, or other engineering projects during construction or after completion of the project, or attendance at community outreach functions, may also be occasions which constitute the performance of official duties, so long as attendance is approved by the Board as agendized action, either prior to the visit/event or at the next regular Board meeting following the visit/event. Directors may be compensated for attendance and travel for the purpose of visiting such projects or attending such events as approved by the Board. Completion of legally required training functions may be conducted online with an approved vendor of the State of California provided the Director submits a certificate of completion.

The compensation paid to Board members of the Authority for sitting on the Board or acting under its orders shall be as approved by Resolution of the Board and set forth in Policy 510.

Adopted by Resolution 19-13 on 6/12/19; Revised and Approved 5/22/19
This page intentionally left blank.
POLICY 512 – DIRECTORS' TRAVEL

POLICY

It is important that the members of the Governing Board (Board) avoid unnecessary risk to Sweetwater Authority (Authority) operations that could result if several members were traveling together in a form of transportation (airplane, bus, automobile, or train) and were involved in an accident.

PROCEDURE

Whenever it is necessary for more than three (3) members of the Board to travel in the same form of transportation to the same destination on Authority business, every reasonable effort shall be made to arrange transportation and schedules to assure that not more than three (3) Directors travel in the same airplane, train, automobile, or bus.

Example: It may be necessary for three (3) Directors to travel on one (1) flight and one (1) or more Directors to utilize a different airline or flight to the same destination to avoid traveling together. In the same fashion, traveling to local meetings in automobiles should be limited to no more than three (3) Directors in the same automobile, as practicable.

It is recognized that there may be circumstances under which separate travel arrangements are not practical, but unnecessary risk that could result in the Authority losing the services of more than three (3) members of the Board is to be avoided.
This page intentionally left blank.
POLICY 513 – FIELD TRIPS BY DIRECTORS

POLICY

To establish the appropriate manner of conducting field trips to inspect facilities and engage in discussions outside the boundaries of the Sweetwater Authority (Authority), which involve more than a quorum of the Governing Board (Board).

PROCEDURE

Field trips should be noticed as “Meetings” either by adjourning a Regular Meeting to the date of the field trip or by noticing a “Special Meeting.” The description of the field trip should be included in the Notice of Adjournment or Notice of Special Meeting.

The Board may conduct meetings outside of the Authority’s boundaries to comply with state or federal law or court order, or attend a judicial or administrative proceeding to which the Authority is a party; inspect real property; participate in meetings or discussions of multi-agency significance; or meet with elected or appointed officials of the United States or the State. (Government Code § 54954[b])

Reviewed and Approved on 3/27/2019
This page intentionally left blank.
POLICY 514 – EMAIL, SOCIAL MEDIA, AND OTHER ELECTRONIC COMMUNICATION METHODS

POLICY

To establish guidelines ensuring compliance with the Ralph M. Brown Act (Brown Act) when using email, social media, and other electronic communication methods. The Brown Act prohibits serial, rotating or seriatim meetings which may occur when a majority of members of the Governing Board (Board) or a Committee subject to the Brown Act use a series of communications of any kind outside of a properly noticed meeting, directly or through intermediaries, to hear, discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the Board.

PROCEDURE

A. Board Members and members of any Committee subject to the Brown Act should not use email, social media, or any other means of electronic communication in the following ways:

1. to exchange facts, hear, discuss, deliberate, develop a consensus, or take action among a majority of members of the Board or Committee on any item of business within the subject matter jurisdiction of the Board or Committee; and

2. to communicate with Sweetwater Authority (Authority) staff or any third party to request that such person aid in developing a collective concurrence on an item of business within the subject matter jurisdiction of the Board or Committee.

B. Authority staff should not communicate with a majority of members of the Board or any Committee subject to the Brown Act, to hear, discuss, deliberate, or take any action on any item of business that is within the subject matter jurisdiction of the Board or Committee.

C. Board Members and members of any Committee subject to the Brown Act should use caution to avoid communicating with or to a majority of members while commenting on social media posts, blogging, replying to emails with multiple recipients, texting, linking among social media users, or otherwise communicating about any item of business within the Authority’s subject matter jurisdiction.

For additional information concerning communicating with members of the Board, refer to Policy 507, Committees of the Governing Board and Interagency Committees.
This page intentionally left blank.
POLICY 515 – MASS MAILINGS

POLICY

The Governing Board (Board) must abide by the Political Reform Act and rules of the Fair Political Practices Commission, which set restrictions concerning mass mailings sent at the public’s expense.

PROCEDURE

As provided for in California Government Code Section 89002, Subdivision (a), except as provided in Subdivision (b), below, a mailing is prohibited by Government Code Section 89001 if all of the following criteria are met:

1. Any item sent is delivered, by any means, to the recipient at his or her residence, place of employment or business, or post office box. For the purposes of this criterion, the item delivered to the recipient must be a tangible item, such as a videotape, record, or button, or a written document.

2. The item sent either: (a) Features an elected or appointed officer affiliated with the agency which produces or sends the mailing; or (b) Includes the name, office, photograph, or other reference to an elected or appointed officer affiliated with the agency which produces or sends the mailing, and is prepared or sent in cooperation, consultation, coordination, or concert with the elected or appointed officer.

3. Any of the costs of distribution is paid for with public moneys, or costs of design, production, and printing exceeding $50 are paid with public moneys, and the design, production, or printing is done with the intent of sending the item other than as permitted by this policy.

4. More than two hundred substantially similar items are sent in a single calendar month, excluding any item sent in response to an unsolicited request and any item described in Subdivision (b), below.

Subdivision (b): Notwithstanding Subdivision (a), above, mass mailing of the following items is not prohibited by Government Code Section 89001:

1. Any item in which the elected or appointed officer’s name appears only in the letterhead or logotype of the stationery, forms (including “For Your Information” or “Compliments of” cards or stamps), and envelopes of the agency sending the mailing, or of a committee of the agency, or of the elected or appointed officer, or in a roster listing containing the names of all elected or appointed officers of the agency. In any such item, the names of all elected or appointed officers must appear in the same type size, typeface, type color, and location. Such item may not include the elected or appointed officer’s photograph, signature, or any other reference to the elected or appointed officer, except as specifically permitted in this paragraph or elsewhere in this policy.
(2) A press release sent to members of the media.

(3) Any item sent in the normal course of business from one governmental entity or officer to another governmental entity or officer.

(4) Any intra-agency communication sent in the normal course of business to employees, officers, deputies, or other staff.

(5) Any item sent in connection with the payment or collection of funds by the agency sending the mailing, including tax bills, checks, and similar documents, in any instance where use of the elected or appointed officer’s name, office, title, or signature is necessary for the payment or collection of the funds. Such item may not include the elected or appointed officer’s photograph, signature, or any other reference to the elected or appointed officer except as specifically permitted in this paragraph or elsewhere in this policy.

(6) Any item sent by an agency responsible for administering a government program, to persons subject to that program, in any instance where the mailing of such item is essential to the functioning of the program, where the item does not include the elected or appointed officer’s photograph; and where use of the elected or appointed officer’s name, office, title, or signature is necessary to the functioning of the program.

(7) Any legal notice or other item sent as required by law, court order, or order adopted by an administrative agency pursuant to the Administrative Procedure Act, and in which use of the elected or appointed officer’s name, office, title, or signature is necessary in the notice or other mailing. For purposes of this paragraph, inclusion of an elected or appointed officer’s name on a ballot as a candidate for elective office, and inclusion of an elected officer’s name and signature on a ballot argument, shall be considered necessary to such a notice or other item.

(8) A telephone directory, organization chart, or similar listing or roster which includes the names of elected or appointed officers, as well as other individuals in the agency sending the mailing, where the name of each elected or appointed officer and individual listed appears in the same type size, typeface, and type color. Such item may not include an elected or appointed officer’s photograph, name, signature, or any other reference to an elected or appointed officer, except as specifically permitted in this paragraph or elsewhere in this policy.

(9) An announcement of any meeting or event of the type listed in following sub-paragraphs (i) and (ii), provided however that the announcement does not include the elected or appointed officer’s photograph or signature and may include only a single mention of the elected or appointed officer’s name except as permitted elsewhere in this policy:

   (i) An announcement sent to an elected or appointed officer’s constituents
concerning a public meeting which is directly related to the elected or appointed officer’s incumbent governmental duties, which is to be held by the elected or appointed officer, and which the elected or appointed officer intends to attend.

(ii) An announcement of any official agency event or events for which the agency is providing the use of its facilities or staff or other financial support.

(10) An agenda or other writing that is required to be made available pursuant to Sections 11125.1 and 54957.5 of the Government Code, or a bill, file, history, journal, committee analysis, floor analysis, agenda of an interim or special hearing of a committee of the Legislature, or index of legislation, published by the Legislature.

(11) A business card which does not contain the elected or appointed officer’s photograph or more than one mention of the elected or appointed officer’s name.

Notwithstanding Subdivision (b) above, a mass mailing meeting the criteria in Subdivision (a) may not be sent within the 60 days preceding an election by or on behalf of a candidate whose name will appear on the ballot at that election, except as provided in paragraphs (2) to (8), inclusive, and paragraph (10) of Subdivision (b). (California Government Code Section 89003.)

Definitions: The following definitions shall govern the interpretation of this policy:

(1) “Elected or appointed officer affiliated with the agency”: an elected officer who is a member, officer, or employee of the agency, or of a subunit thereof such as a committee, or who has supervisory control over the agency, or who appoints one or more members of the agency. For purposes of this policy, this term includes all Authority Board members, whether elected to, or appointed by, a member agency of the Authority.

(2) “Features an elected or appointed officer”: the item mailed includes the elected officer’s photograph or signature, or singles out the elected or appointed officer by the manner of display of his or her name or office in the layout of the document, such as by headlines, captions, type size, typeface, or type color.

(3) “Substantially similar” – two items are “substantially similar” if any of the following applies: (i) the items are identical, except for changes necessary to identify the recipient and his or her address; (ii) the items are intended to honor, commend, congratulate, or recognize an individual or group, or individuals or groups, for the same event or occasion, are intended to celebrate or recognize the same holiday; or are intended to congratulate an individual or group, or individuals or groups, on the same type of event, such as birthdays or anniversaries; (iii) both of the following apply to the items mailed: most of the bills, legislation, governmental action, activities, events, or issues of public concern mentioned in one item are mentioned in the other; and most of the information contained in one item is contained in the other. Enclosure of the same informational materials in two items mailed, such as copies of the same bill, public document, or report, shall not, by itself, mean that the two items...
are "substantially similar." Such informational materials may not include the elected or appointed officer’s name, photograph, signature, or any other reference to the elected or appointed officer except as permitted elsewhere in this policy.

An item is only considered substantially similar to other items sent by the same official, not to items sent by other officials in the same agency.

(4) **Unsolicited request** is defined as follows:

(i) A written or oral communication (including a petition) which specifically requests a response and which is not requested or induced by the recipient elected or appointed officer or by any third person acting at his or her behest. However, an unsolicited oral or written communication (including a petition) which contains no specific request for a response, will be deemed to constitute an unsolicited request for a single written response.

(ii) An unsolicited request for continuing information on a subject shall be considered an unsolicited request for multiple responses directly related to that subject for a period of time not to exceed 24 months. An unsolicited request to receive a regularly published agency newsletter shall be deemed an unsolicited request for each issue of that newsletter.

(iii) A previously unsolicited request to receive an agency newsletter or mass mailing on an ongoing basis shall not be deemed to have become solicited by the sole fact that the requestor responds to an agency notice indicating that, in the absence of a response, his or her name will be purged from the mailing list for that newsletter or mass mailing. A notice in the following language shall be deemed to meet this standard:

“The law does not permit this office to use public funds to keep you updated on items of interest unless you specifically request that it do so.” Inclusion of a similar notice in other items shall not constitute a solicitation under this policy.

(iv) A communication sent in response to an elected or appointed officer’s participation at a public forum or press conference, or to his or her issuance of a press release, shall be considered an unsolicited request.

(v) A person who subscribes to newspapers or other periodicals published by persons other than elected or appointed officers shall be deemed to have made unsolicited requests for materials published in those subscription publications.
POLICY 516 – MANDATORY TRAINING

POLICY

Members of the Governing Board (Board) and employees who are designated by the Board, shall receive at least two (2) hours of ethics training every two (2) years, pursuant to the provisions of Government Code Section 53234, et seq. (Government Code § 53235) and at least two (2) hours of sexual harassment prevention training and education every two (2) years pursuant to the provisions of Government Code Section 53237, et seq. (Government Code § 53237.1.)

PROCEDURE

Ethics Training.

Ethics training shall be provided by an agency, an association of local agencies, or other entity, in accordance with criteria approved by the Fair Political Practices Commission and the Attorney General. Ethics training may consist of either a training course or a set of self-study materials with tests, and may be taken at home, in person, or online. (Government Code § 53235.)

The Board Secretary shall provide members of the Board and the designated employees information on the training available to meet these requirements at least once annually. (Government Code § 53235.)

The employees who are designated by the Board to receive ethics training in accordance with this policy are the General Manager, Assistant General Manager, Board Secretary, and all Department Heads. (Government Code § 53235.)

Each Director and designated employee who commences service with Sweetwater Authority (Authority) after January 1, 2006 shall receive the required training within one (1) year from the first date of service with the Authority. Thereafter, said Directors and designated employees shall receive training at least once every two (2) years. (Government Code § 53235.1.)

Directors who serve a local agency other than the Authority are only required to satisfy the requirements of this policy once every two (2) years regardless of the number of agencies they serve. (Government Code § 53235.1.)

All Directors and designated employees shall provide a certificate to the Board Secretary indicating the dates upon which they attended ethics training sessions to satisfy requirements. Said certificate shall also include the entity which provided the training. The Board Secretary shall maintain the records indicating the dates that each of the members of the Governing Board and designated employees satisfied their requirements and the entity which provided the training. These records shall be maintained for at least five (5) years.

Revised and Approved on 3/27/2019
after the training and are subject to disclosure under the Public Records Act. (Government Code § 53235.2.)

**Sexual Harassment Prevention Training.**
Sexual harassment prevention training shall be provided by an agency, an association of local agencies, or other entity, in accordance with the requirements of applicable law. Harassment training may include training courses, or sets of self-study materials with tests, to meet the requirements of applicable law. These courses may be taken at home, in person, or online. (Government Code § 53237.1.)

The Board Secretary shall provide members of the Board information on the training available to meet these requirements in writing before assuming office and every two (2) years thereafter. (Government Code § 53237.1.)

Each Director shall receive at least two (2) hours of sexual harassment prevention training and education within the first six (6) months of taking office, and every two (2) years thereafter. (Government Code § 53237.1.)

Directors who serve a local agency other than the Authority are only required to satisfy the requirements of this policy once every two (2) years regardless of the number of agencies they serve. (Government Code § 53237.1.)

All Directors shall provide the training certificate, which providers of training courses are required to provide to participants, to the Board Secretary indicating the dates upon which they attended harassment prevention training sessions to satisfy these requirements. Said certificate shall also include the entity which provided the training. The Board Secretary shall maintain the records indicating the dates that each of the members of the Governing Board satisfied their requirements and the entity which provided the training. These records shall be maintained for at least five (5) years after the training and are subject to disclosure under the Public Records Act. (Government Code § 53237.2.)
POLICY 519 – EVENT ENDORSEMENT AND SPONSORSHIP

POLICY

The Governing Board (Board) may endorse or sponsor certain events as requested by nonprofit, government, and educational organizations, to support community events held within the Authority’s service area. The Board’s endorsement or sponsorship is intended to increase the quality of the event and demonstrate the Board’s commitment to the requested activities that support and celebrate the community.

PROCEDURE

Nonprofit, government, and educational organizations seeking a decision from the Board on endorsement or financial sponsorship of activities within the Authority’s service area will submit a written request for an endorsement to the General Manager at least one (1) month prior to the actual date of the event to allow for consideration. The request will undergo a review by the Board to verify the merits of the requested endorsement or financial sponsorship. The Board reserves the right to reject or condition its involvement at its sole discretion, subject to applicable local, state, and federal laws.

The General Manager may also consider and approve event endorsement and sponsorship requests on a case-by-case basis, when deemed in the best interests of the Authority and within the funds allowable by the budget and General Manager authorization levels.

Only events that are in the Authority service area, are open to the general public, and do not charge an entrance fee will be considered.

If approved, the endorsed or sponsored activities may use the Authority’s name and logo in its promotions.

Requests for written information, reports, data, or photos that are related to the request for endorsement or sponsorship can be provided subject to a standard public records request submitted to the Authority’s Board Secretary.

The General Manager shall provide periodic reports to the Board on events endorsed and sponsored.
This page intentionally left blank.
TO: Governing Board

FROM: Citizen's Advisory Committee

DATE: February 7, 2020

SUBJECT: Consideration of Citizens Advisory Committee Recommendation to Perform an Energy Audit

SUMMARY
At its January 20, 2020 meeting, the Citizens Advisory Committee (CAC) voted to make a recommendation to the Governing Board to conduct an Energy Audit of all Authority facilities. The CAC would like the Board to consider adding this item to its FY 2020-21 Strategic Plan Work Plan.

PAST BOARD ACTION(S)
December 11, 2019  The Governing Board approved the Citizens Advisory Committee focusing on safety, reliability and affordability.

July 24, 2019  The Governing Board approved Policy 522.

FISCAL IMPACT
The fiscal impact is unknown at this time.

POLICY
Board Policy 522 - Citizens Advisory Committee

Section III. Orientation/ Establishment of Meeting Date and Times/ Conduct for Meetings:

D. CAC Members/ Alternates may attend SWA Committee and Governing Board meetings and provide individual or organized public comment regarding CAC approved recommendations on items or issues to be considered by the Governing Board. When representing the CAC, the Member/ Alternate public comment must reflect the official position of the CAC as determined by an official motion garnering the requisite number of affirmative votes as specified in Section III.C. above. In all cases where applicable, Authority staff will convey information on official CAC recommendations to the applicable Authority Committee and/or the Authority Governing Board prior to or as part of the Governing Board's consideration of the items or issues under consideration.
Memo to: Governing Board  
Subject: Consideration of Citizens Advisory Committee Recommendation to Perform an Energy Audit  
February 7, 2020  
Page 2 of 2

The CAC should deliver CAC approved recommendations to Authority staff in time to reasonably be added to reports provided to the Governing Board. The Detailed Work Plan approved by the Governing Board provides the framework for what items will be considered by the Governing Board and when those items will be considered. Authority staff should notify the CAC, in all instances where practicable given operational constraints, as to applicable deadlines for receipt of official CAC recommendations, to enable compliance with scheduling legal requirements.

ALTERNATIVES
1. Approve to conduct an energy audit of all Authority facilities and add this goal to the FY 2020-21 Strategic Plan Work Plan.

2. Reject the recommendation to conduct an energy audit of Authority facilities.

3. Other direction as determined by the Governing Board.

COMMITTEE RECOMMENDATION
The Citizens Advisory Committee recommends that the Governing Board conduct an energy audit of all Authority facilities and add this goal to its FY 2020-21 Strategic Plan Work Plan.
TO: Governing Board  
FROM: Management  
DATE: February 7, 2020  
SUBJECT: Review of Board Policies and Procedures (501 through 509)  

**SUMMARY**  
Annually, the Board reviews and updates all of its Policies and Procedures to ensure that they are relevant, accurately reflect current and/or preferred practice, and include all legal requirements. Management will present the policies to the Board in batches so that the Board can carefully review the policies and make any changes.

At its January 22, 2020 meeting, the Board tabled this item to its next meeting for further discussion. The Finance and Personnel Committee reviewed Policies 501 through 509 on January 2, 2020. A summary of the recommended changes are as follows:

<table>
<thead>
<tr>
<th>POLICY</th>
<th>ADDITIONS/MODIFICATIONS/COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>501 - 503, 505, and 508</td>
<td>No recommended changes.</td>
</tr>
<tr>
<td>504</td>
<td>Recommended changes: Clarify the role of individual Directors and the direction of General Manager performance of duties; added a paragraph break on paragraph after item I.</td>
</tr>
<tr>
<td>506</td>
<td>Recommended changes: Clarify the role of individual Directors and the direction of General Manager performance of duties; added a paragraph break to item G to create a new item H.</td>
</tr>
<tr>
<td>507</td>
<td>Recommended changes: Updated the Communications Committee meeting schedule from as-need to quarterly.</td>
</tr>
<tr>
<td>509</td>
<td>Recommended changes: Clarify that Board members are to notify the Board Secretary of meeting absences as soon as possible.</td>
</tr>
</tbody>
</table>
Memo to: Governing Board
Subject: Review of Board Policies and Procedures (501 through 509)
February 7, 2020
Page 2 of 2

PREVIOUS BOARD ACTIONS
January 22, 2020  Tabled this item to the next Board meeting for further discussion
July 24, 2019    Approved Policy 522
June 12, 2019   Approved Policy 517
April 24, 2019  Approved Policies 601 through 608
March 27, 2019  Approved Policies 504, 506, 507, 512 through 516, 518, 519, and 521
February 27, 2019  Approved Policies 501 through 503, 505, and 507 through 511

FISCAL IMPACT
Fiscal impact is limited to cost incurred for legal counsel review.

POLICY
Governing Board Policy 503, Adoption/Amendment of Policies and Procedures, establishes guidelines to adopt and amend policies and procedures in the Policies and Procedures Manual of the Governing Board of Sweetwater Authority and calls for the periodic review of the existing policies and procedures.

ALTERNATIVES
1. Recommend changes to Policies 501 through 509 for Board review and consideration.
2. Recommend no changes to Policies 501 through 509 for Board review and consideration.

STAFF RECOMMENDATION
Staff seeks direction from the Governing Board.

COMMITTEE RECOMMENDATION
The Finance and Personnel Committee recommends that the Governing Board approve the recommended changes as presented.

ATTACHMENTS
Board Policy 501
Board Policy 502
Board Policy 503
Board Policy 504 (revised)
Board Policy 505
Board Policy 506 (revised)
Board Policy 507 (revised)
Board Policy 508
Board Policy 509 (revised)
POLICY 501 – OFFICIAL SEAL

POLICY

The Governing Board of Sweetwater Authority has adopted a design that shall constitute the official seal of Sweetwater Authority.

PROCEDURE

The following design shall constitute the official seal of Sweetwater Authority.

The seal is comprised of two concentric circles. The diameter of the seal is 1 5/8" with the outer perimeter of the circle encompassed with a braided rope design. The distance between the outer and inner circle is ¼" containing the words “SWEETWATER AUTHORITY” inscribed around the top of the inside circle and “CALIFORNIA” inscribed around the bottom. In the center of the single-lined circle, which is 1” in diameter, the word “ORGANIZED” is inscribed around the top inner portion of the circle, with the words “FEB. 3, 1972” inscribed around the bottom inner portion. The very center of this circle also contains a symbol that resembles a small propeller.
This page intentionally left blank.
POLICIES & PROCEDURES FOR THE GOVERNING BOARD

PURPOSE OF BOARD POLICIES AND PROCEDURES

Policy 50

Revised and Approved on 2/27/19

POLICY 502 – PURPOSE OF BOARD POLICIES AND PROCEDURES

POLICY

It is the intent of the Governing Board (Board) of Sweetwater Authority (Authority) to use sound management practices and maintain a Policies and Procedures Manual. It shall contain a comprehensive listing of the Board’s current policies and procedures, constituting the rules and regulations enacted by the Board from time to time.

PROCEDURE

The Policies and Procedures Manual shall serve as a resource for the Directors, staff, Management, and members of the public in determining the manner in which matters of Authority business are to be conducted.

If any policy or portion of a policy contained within the Policies and Procedures Manual is in conflict with rules, regulations, or legislation having authority over the Authority, said rules, regulations or legislation shall prevail.
This page intentionally left blank.
POLICY 503 – ADOPTION/AMENDMENT OF POLICIES AND PROCEDURES

POLICY

To establish guidelines to adopt or amend policies and procedures in the Policies and Procedures Manual of the Governing Board (Board) of Sweetwater Authority (Authority).

PROCEDURE

Consideration by the Board to adopt a new policy or procedure or to amend an existing policy or procedure may be initiated by a Director or by the General Manager. The proposed adoption or amendment is initiated by submitting a written draft of the proposed adoption or amendment to each Director and the General Manager through the Authority’s office and requesting that the item be included for consideration on the agenda of the appropriate Committee or on the agenda of a Regular Meeting of the Board.

Periodic review of the existing policies and procedures will be initiated by the General Manager.

Adoption of a new policy or procedure or amendment of an existing policy or procedure shall be accomplished at a Regular Meeting of the Board and shall require an affirmative majority vote of the Board.

Before considering adopting or amending any policy or procedure, Directors shall have the opportunity to review the proposed adoption or amendment prior to the meeting at which consideration for adoption or amendment is to be given.

Copies of the proposed policy or procedure adoption or amendment shall be included in the agenda information packet for any meeting of consideration. Pursuant to the Ralph M. Brown Act, the agenda information packets with said copies shall be made available to each Director for review at least seventy-two (72) hours prior to any meeting of consideration.
POLICY 504 – CODE OF ETHICS

POLICY

The Governing Board (Board) of Sweetwater Authority (Authority) is committed to providing excellence in legislative leadership that results in the provision of industry-leading services to its constituents and to comply with all applicable state laws including AB 1234 approved in 2006. The Board is also committed to pursuing effective governance of the Authority by using effective communications strategies and respecting the clear division of responsibility between the Board and the professional Management and staff of the Authority.

PROCEDURE

The principles and standards below are intended to ensure effective communications and ethical practices by and among the members of the Board. Directors who consistently ignore or violate these principles and standards, or who commit a substantial and detrimental violation of these principles and standards, may be subject to censure by the Board or removal from representing the Board at any activities where they might be designated by the Board as a representative of the Authority. Board members shall comply with the following principles and standards:

A. The dignity, style, values, and opinions of each Director shall be respected.

B. Responsiveness and attentive listening in communication are encouraged.

C. Directors shall commit themselves to emphasizing the focused, relevant, thoughtful, positive contributions to the discussion and collaborative analytical process, avoiding double talk, hidden agendas, gossip, backbiting, and other negative forms of interaction.

D. Directors shall commit themselves to focusing on issues and not personalities or other prejudices. The presentation of the opinions of others should be encouraged. Cliques and voting blocks based on personalities rather than issues shall be avoided.

E. Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions in a courteous manner, without being disagreeable. Once the Board takes action, Directors should commit to supporting said action and shall not create barriers to the implementation of said action.

F. The work of the Authority is a team effort. All individuals should work together in the collaborative process, assisting each other in conducting the affairs of the Authority.

G. Directors shall function as a part of the whole. Issues should be brought to the
attention of the Board as a whole, rather than to individual members selectively.

H. Directors are responsible for monitoring the Authority’s progress in attaining the goals and objectives, while pursuing its mission, as identified in the annual Strategic Plan.

I. The needs of the Authority’s constituents should be the priority of the Board. When a Director believes he/she may have a conflict of interest, the Director may consult legal counsel to assist the Director in making a determination if one exists or not. If the Director determines that there is a conflict of interest or an appearance of a conflict of interest with respect to any official action that he or she needs to take as a Director, then the Director is responsible for disclosing such conflict and recusing himself or herself in accordance with applicable law and regulations.

The primary responsibility of the Board is the formulation and evaluation of policy and making financial decisions for the Authority. Routine administrative and operational aspects of the Authority are the responsibility of the General Manager, who is the Chief Executive Officer of the Authority. The following procedures are intended to provide for effective channels of communication and a clear division of responsibility between the Board and the Management of the Authority.

Directors who consistently ignore or violate these procedures, or who commit a substantial and detrimental violation of these procedures, may be subject to censure by the Board or removal from representing the Board at any activities where they might be designated by the Board as a representative of the Authority. Board members shall comply with the following procedures:

A. Directors should develop a working relationship with the General Manager wherein current issues, concerns, and Authority projects can be discussed comfortably and openly. In seeking clarification on informational items, Directors shall approach the General Manager to obtain information needed to supplement, upgrade, or enhance their knowledge to improve legislative decision-making. Directors shall not attempt to obtain such information directly from other Authority staff without the knowledge or involvement of the General Manager.

B. When approached by residents and property owners of the Authority with complaints, said complaints shall be referred directly to the General Manager.

C. When considering items related to safety, concerns for safety or hazards shall be reported to the General Manager.

D. When seeking clarification for policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming, said concerns shall be referred directly to the General Manager or
E. When approached by Authority personnel concerning specific Authority policy or operations, Directors shall direct the Authority personnel to the General Manager. Directors may then directly consult with the General Manager or legal counsel about said issue.

F. When responding to constituent requests and concerns, Directors shall be courteous, responding to individuals in a positive manner and referring their questions to customer service, the General Manager, or legal counsel. Directors may then directly consult with the General Manager or legal counsel about said issue.

G. When approached by vendors or contractors concerning the availability of work or contracts at the Authority, Directors shall direct such inquiries to the General Manager.

H. Individual Directors shall not act independently to direct the General Manager in the performance of duties, or to provide or compile data, information, or reports.
This page intentionally left blank.
POLICY 505 – BOARD CHAIRPERSON AND VICE CHAIRPERSON

POLICY

The appointed Chairperson shall preside as Chair at all meetings of the Governing Board (Board) of Sweetwater Authority and perform such other duties as are specified by the Board. In the absence of the Chairperson, the Vice Chairperson shall serve as Chair over all meetings of the Board.

PROCEDURE

The Governing Board shall hold an annual organizational meeting at its last regular meeting in December. The Board shall elect one of its members as Chairperson and another member as Vice Chairperson. The Chairperson’s term of office shall be one (1) year and until his/her successor takes office. The Chairperson’s authority is granted by the full Board and the Chairperson:

- Represents the full Board in any public announcements, and
- Speaks on behalf of the Board only in support of the decisions of the full Board.

The Chairperson shall have the same rights as the other members of the Board in voting, introducing motions, resolutions and ordinances, and any discussion of questions that follow said actions. The Chairperson customarily has primary contact with the General Manager.

The Vice Chairperson’s term of office shall be one (1) year and until his/her successor takes office. The Vice Chairperson shall perform all the duties of the Chair in the absence of the Chairperson or in the event of the Chairperson’s inability to perform such duties and such other duties as are specified by the Board. If the Chairperson and Vice Chairperson of the Board are both absent, the remaining members present shall select one of themselves to act as Chairperson of the meeting.

As the presiding officer, the Chairperson must keep the meeting discussions aimed at agenda issues and move the Board along toward decisions.

The duties and responsibilities of the Chairperson include the following:

A. Preside over Board meetings.
B. Ensure that orders and resolutions of the Board are carried out.
C. Coordinate the work of officers of the Board and committees.
D. Call special meetings as the need arises.
E. Act as official spokesperson for the Board, unless authority is delegated.
F. Perform all other functions required by the office of Chairperson.
POLICY 506 – MEMBERS OF THE GOVERNING BOARD

POLICY

To provide guidelines to members of the Governing Board (Board), who are the unit of authority for Sweetwater Authority (Authority). Apart from their normal function as a part of this unit, Directors have no individual authority. Staff does not report to any one Director, but rather to the Board, which may direct formal action by a concurrence of the majority. As individuals, Directors may not commit the Authority to any policy, act, or expenditure. Individual Board members, except as authorized by the Board, shall have no power to act for the Authority, or the Board, or to direct Authority staff. The Board Chairperson has the authority to act on behalf of the Board on both routine and unusual matters, which may, depending on the nature of the matter, be subject to ratification by the Board.

PROCEDURE

The Board shall be comprised of seven (7) members, five (5) of whom are members of the Board of Directors of South Bay Irrigation District and two (2) of whom shall be appointed by the Mayor of National City, subject to confirmation by the City Council of National City. They shall be electors of National City at the time of assuming such offices and at all times during their terms of office. They shall serve four (4) year terms. Any vacancy that occurs among the National City members of the Board shall be filled by appointment by the Mayor of National City, subject to confirmation by the City Council of National City. In order to assist in the governance of behavior as a member of the Board, the following shall be observed:

A. Directors shall act as a part of the body that represents and acts for the community as a whole and should not represent any fractional segment of the community.

B. Directors shall thoroughly prepare themselves to discuss agenda items at meetings of the Board. Information may be requested from, or exchanged with, the General Manager or Assistant General Manager before meetings. Information that is exchanged before meetings shall be distributed to Directors so that all Directors receive all information being distributed. Copies of public information exchanged before meetings shall be available at the meeting for members of the public in attendance, and shall also be provided to anyone not present upon their request. For matters that are to be considered under closed session, information may be requested from, or exchanged with, legal counsel.

C. Directors shall at all times conduct themselves with courtesy to each other, to staff, and to members of the audience present at Board meetings.

D. Directors shall defer to the Chairperson for conduct of meetings of the Board, but shall be free to question and discuss items on the agenda. All comments should be made relevant to the issues at hand.
brief and confined to the matter being discussed by the Board.

E. Directors may request for inclusion into minutes brief comments pertinent to an agenda item only at the meeting that item is discussed (including, if desired, a position on abstention or dissenting vote).

F. Directors shall recuse themselves and abstain from participating in consideration on any item involving a conflict of interest under state law or applicable regulations. Unless such a conflict of interest exists, however, Directors should not abstain from the Board’s decision-making responsibilities.

G. Because the General Manager is the Chief Executive Officer of the Authority and is responsible for overseeing the administration and operation of the Authority, Directors shall channel requests for substantive information and/or research through the General Manager. Requests by individual Directors that entail substantial effort or cost will be channeled through the Board.

G.H. Individual Directors shall not act independently to direct the General Manager in the performance of duties, or to provide or compile data, information, or reports.

H.I. Directors shall not exchange information about projects, personnel, or any other business matter with employees of the Authority without the knowledge of the General Manager.
POLICY 507 – COMMITTEES OF THE GOVERNING BOARD AND INTERAGENCY COMMITTEES

POLICY

Except as otherwise provided in this Policy, the Chairperson of the Governing Board (Board) shall appoint members to established Standing Committees of the Authority, Interagency Committees/Boards, and Ad Hoc Committees as necessary. The Chairperson may also appoint the Chairpersons for said Committees/Boards or have the option to assign that task to said Committees.

PROCEDURE

A Standing Committee of Sweetwater Authority (Authority) is a legislative body subject to the Ralph M. Brown Act (Brown Act), which is defined as any Standing Committee that has “continuing subject matter jurisdiction” or a meeting schedule fixed by ordinance, resolution, or formal action.

Unauthorized serial meetings occur when there is a “meeting of the minds” of a quorum of the legislative body outside of a formal meeting. This may occur if member “A” contacts member “B,” who contacts member “C” and so on, until a quorum has been involved.

A serial meeting may occur if an individual contacts the members of the legislative body prior to a formal meeting and, in the process, reveals their respective views to one another or asks the members to commit to or decide on a proposed action. Serial meetings are “secret meetings” that deprive the public of an opportunity to contribute to the decision-making process.

In contrast, the distribution of a memo does not constitute a meeting. A unilateral communication to a legislative body, such as an information or advisory memo, does not violate the Brown Act.

The Standing Committees of the Board are:

A. Finance and Personnel Committee
B. Operations Committee
C. Consultant Selection Committee (meets on an as-needed basis)
D. Communications Committee (meets on a quarterly basis)

Interagency Committees/Boards are:

A. Association of California Water Agencies/Joint Powers Insurance Authority

Revised and Approved on 8/14/19
(appointment made by the Board)
B. Chula Vista Interagency Water Task Force
C. Water Conservation Garden Joint Powers Authority Board

Ad Hoc Committees are to be appointed by the Chairperson, if necessary.

The creation and duties of the Ad Hoc Committees shall be outlined at the time determined by the Chairperson or by the direction of the Board. Members of the Ad Hoc Committee shall be appointed by the Chair. The Committee shall be considered dissolved when the Chairperson of the Board determines the need no longer exists.

The Chairperson shall appoint and publicly announce the members of the Standing Committees for the ensuing year no later than February 1 of each year.

The Board’s Standing Committees may be assigned to review (a) the Authority’s functions, activities, or operations pertaining to their designated concerns, or (b) those of another Standing Committee, when necessary, if the timeliness of Board action is a consideration in such a review. Any recommendations resulting from review by a Committee should be submitted to the Board via a written or oral report. Audio recordings of Board Standing Committees will be posted to the Sweetwater Authority website for a period of two years.

If a member of a Committee is unable to attend a scheduled meeting, the meeting may take place with only two members of the Committee in attendance. Committee meetings will not be conducted by the use of teleconferencing provided for in Government Code Section 54953 unless the Director’s absence is excused because of health or personal emergency and is notified to the Board Secretary and is then approved by the Chairperson of the Board or Committee or by the Chair of the Committee if the Board Chair is not available.

All meetings of Standing Committees shall conform to all open meeting laws (e.g., “Brown Act”) that pertain to regular meetings of the Board.

Committee recommendations shall be noted in information provided to the Board as part of a publicly available agenda.
POLICY 508 – OTHER APPOINTED OFFICERS

POLICY

To establish a procedure to serve as a guide to appoint other officers of the Governing Board (Board) and to establish guidelines and clarification of responsibilities.

PROCEDURE

The General Manager shall be appointed by the Board. The General Manager shall be the Chief Executive Officer responsible directly to the Board. The General Manager shall have charge of, handle, and have access to, the property of Sweetwater Authority (Authority). The General Manager shall plan, direct, coordinate and administer the activities of the Authority, subject to and within the policy determinations of the Board, and perform such other duties as are specified by the Board.

The Assistant General Manager shall serve as the General Manager in the General Manager's absence.

Pursuant to Section 2 (D) (3) of the Joint Powers Agreement for the Authority, the Secretary of the Authority shall be appointed by the Board and shall serve at the pleasure of the Board. The Secretary may, but need not, be a member of the Board. The Secretary shall be responsible for the minutes and other records of the proceedings of the Board and shall perform such other duties as are specified by the Board.

Pursuant to Section 2 (D) (4) of the Joint Powers Agreement for the Authority, the Treasurer of the Authority shall be the Treasurer of South Bay Irrigation District, appointed by the Board, and serving ex-officio as Treasurer of the Authority. The Treasurer shall also perform such other duties as are specified by the Board.

The positions of General Manager and Secretary shall be appointed by the Board. The Board may seek and choose to concur with the General Manager’s recommendation or may choose to select a replacement based on an internal search, an external search, or both.
This page intentionally left blank.
POLICY 509 – ATTENDANCE AT MEETINGS

POLICY

Members of the Governing Board (Board) shall attend the full session of all Regular and Special meetings of the Board unless there is a good cause for absence. As a courtesy, any Board member who believes he/she will be absent from any meeting should notify the Board Secretary of such absence as soon as possible. In the event a Director plans to be absent for a period of time (vacation, illness, etc.) that would cause him/her to be absent for a Special meeting, a “Waiver of Personal Notice of Special Meeting” should be completed, signed, and filed with the Secretary in accordance with Government Code Section 54956.

PROCEDURE

In accordance with Government Code Section 1770, a vacancy shall occur if any member ceases to discharge the duty of his/her office due to the happening of certain events before expiration of the term, including but not limited to:

A. His/her absence from the state without the permission required by law beyond the period allowed by law.

B. His/her ceasing to discharge the duties of his/her office for the period of three (3) consecutive months, except when prevented by sickness or when absent from the state with the permission required by law.

In addition, pursuant to Government Code Section 1062, no state or municipal officer shall be absent himself or herself from the state for more than sixty (60) days, unless either:

A. Upon business of the state or the municipality

B. With the consent of the Legislature or the Governing Body of the municipality

Failure to attend the full session of all Board meetings for three (3) consecutive months is not an automatic disqualification from office; however, it would be evidence of the absent Director’s ceasing to discharge the duties of his/her office and of a misuse of public resources if the Director receives Director’s Fees and attends only partial meetings. (Penal Code § 424) If no reasonable explanation or excuse for the absence is provided, the office shall be considered vacant. In addition, failure to attend meetings while absent from the state for more than sixty (60) days without the consent of the Board shall create a vacancy.

Reviewed and Reapproved on
This page intentionally left blank.
TO: Governing Board
FROM: Management
DATE: February 7, 2020

SUBJECT: Anticipated Schedule for Sediment Characterization Study

SUMMARY
At its January 20, 2020 meeting, the Board directed staff to conduct a study into materials dredging/sand mining in and around the Authority’s reservoirs.

The purpose of this memo is to outline the anticipated schedule for completing a Sediment Characterization Study (Study) at the Authority’s Sweetwater and Loveland Reservoirs. This Study can be provided to interested firms in conducting dredging/sand mining in and around both Authority reservoirs, to see if the sediments have any significant commercial value that would make dredging/sand mining activities at either reservoir worth pursuing.

The Authority anticipates that issuing either a Request for Proposal or a Request for Qualifications to obtain consultant proposals/qualifications for the Study will not be needed because the Authority has an on-call geotechnical consultant capable of performing the Study. Authority staff has been in communication with its on-call geotechnical consultant about obtaining a proposal for the Study.

Conducting a Preliminary Environmental Constraints Analysis for dredging/sand mining at either Authority reservoir might be premature at this time. Results from the Study could indicate that the sediments contained in both Authority reservoirs might not have sufficient commercial value to make dredging/sand mining activities worth pursuing. In order to most effectively use resources and potentially save costs, Authority staff recommends to first conduct the Study, and if needed afterward, conduct a Preliminary Environmental Constraints Analysis.
The following table provides the anticipated schedule for completing the Study:

<table>
<thead>
<tr>
<th>Task</th>
<th>Approximate Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Study's scope of work with on-call geotechnical consultant</td>
<td>February 2020</td>
</tr>
<tr>
<td>Issue task order to on-call geotechnical consultant to perform the Study</td>
<td>March 2020</td>
</tr>
<tr>
<td>Perform Study</td>
<td>April – September 2020</td>
</tr>
<tr>
<td>Consultant and/or Authority staff present results of Study to Governing Board</td>
<td>October - December 2020</td>
</tr>
<tr>
<td>Governing Board evaluates results of Study, including funding needs, and provides direction to staff as part of annual Work Plan effort</td>
<td>January – February 2021</td>
</tr>
</tbody>
</table>

**PAST BOARD ACTION(S)**

**January 20, 2020**  
The Governing Board directed staff to conduct a study into materials dredging/sand mining in and around Sweetwater Authority reservoirs.

**Oct. 23, 2019**  
The Board directed staff to issue the Request for Letters of interest and hold an Industry Forum to provide information about the reservoir to interested parties; and hire a third-party independent consultant to perform a preliminary assessment and evaluate the potential for materials dredging/sand mining in and around Authority reservoirs.

**Sept. 11, 2019**  
The Board directed staff to revise the FY 2019-20 Strategic Plan Detailed Work Plan as follows:

a. Add Strategic Plan Work Plan Objective FV5 – Tasks 002.01 through 002.04 as follows:
   o 002.01 Bring draft Request for Letter of Interest for material dredging/sand mining in and around Authority reservoirs to the Operations Committee and Board for consideration and input – October 2019
   o 002.02 Send Request to potential firms and conduct full day industry forums for interested parties at each reservoir – November 2019
   o 002.03 Conduct a Board Special Meeting to review submittals received in response to the Letter of Interest – 1st Quarter 2020
August 28, 2019  The Governing Board directed staff to propose an accelerated completion date for Strategic Plan Work Plan Objective FV5 – Task 002.00: Conduct an Exploratory Market Analysis to Determine the Feasibility and Interest in Material Dredging/Sand Mining Opportunities in and around Authority Reservoirs – Completion Date: June 2020, including any impacts on the remainder of the Strategic Plan Work Plan.

June 12, 2019  The Governing Board approved the FY 2019-20 Strategic Plan Detailed Work Plan.

FISCAL IMPACT
The anticipated cost of the Study is expected to be between $50,000 and $100,000. The Authority will have a firm cost estimate for the Study once a proposal from the on-call consultant is received. The cost will be included in the FY 2020-21 Budget. Any work performed prior to that start of FY 2020-21 would be funded through contingency expense.

POLICY
Strategic Plan Goal 3: Financial Viability (FV) – Ensure long-term financial viability of the agency through best practices, operational efficiency, and maximizing assets.

- Objective FV5 – Explore innovative opportunities for leveraging Authority assets (e.g., reservoirs, property) to reduce financial burden on Authority ratepayers
  - 002.00 Conduct an exploratory market analysis to determine the feasibility and interest in material dredging/sand mining opportunities in and around Authority reservoirs
  - 002.01 Bring draft Request for Letter of Interest for material dredging/sand mining in and around Authority reservoirs to the Operations Committee and Board for consideration and input – October 2019

CONCLUSION
This item is provided for informational purposes.
This page intentionally left blank.
MEMBER AGENCIES

City of Escondido
City of Oceanside
City of Poway
City of San Diego
San Diego County Water Authority
Metropolitan Water District of So. California
Borrego Water District
Carlsbad Municipal Water District
Elsinore Valley Municipal Water District
Encina Wastewater Authority
Fallbrook Public Utility District
Helix Water District
Lakeside Water District
Leucadia Wastewater District
Olivenhain Municipal Water District
Olay Water District
Padre Dam Municipal Water District
Rainbow Municipal Water District
Ramona Municipal Water District
Rancho California Water District
Rincon del Diablo Municipal Water District
San Dieguito Water District
Santa Fe Irrigation District
South Bay Irrigation District
Sweetwater Authority
Vallecitos Water District
Valley Center Municipal Water District
Vista Irrigation District
Yuima Municipal Water District

Meena Westford, Chair
Metropolitan Water District of Southern California
600 West Broadway, Ste 700
San Diego, CA 92101

AGENDA

Tuesday, February 18, 2020
8:00 - 9:15 a.m.
The Butcher Shop

1. Call to Order

2. Flag Salute & Chair Welcome

3. Program
   1. Presentation by: Hank Rupp, COO/General Counsel, Rancho Guejito – Water Innovation & Efficiency in Agriculture

4. Business
   1. Minutes of January 21, 2020 Meeting (Action Item)
   2. Financial Statements (Information)

5. Member Announcements

6. Adjournment

Upcoming Meetings:

March 17, 2020 – Guest Speaker: Imperial Beach Mayor Serge Dedina
RESERVATIONS/INVOICE

Tuesday, February 18, 2020

8:00 - 9:15 a.m.
Please note that the venue doors will not open until 8:00 a.m.

Agency/Company: ________________________________
Contact: ________________________________
Phone: ________________________________
Name/Title: ________________________________
Name/Title: ________________________________
Name/Title: ________________________________
Name/Title: ________________________________
Name/Title: ________________________________
Name/Title: ________________________________
Name/Title: ________________________________

Total payment: ______ reservation(s) at $40.00 each = $______

PLEASE MAKE NOTE OF NEW FISCAL SPONSOR INFORMATION FOR PAYMENT SUBMISSION. CHECKS SHOULD BE MADE OUT TO “LABOR’S ALLIANCE” and AND SENT TO THE ADDRESS BELOW.

MAKE CHECK PAYABLE TO: “Labor’s Alliance”

MAIL CHECK TO: COWU
c/o Labor’s Alliance
4265 Fairmont Avenue, Ste 200
San Diego CA 92105

EMAIL RSVP TO: cowursvp@gmail.com
MEMBER AGENCIES

City of Escondido
City of Oceanside
City of Poway
City of San Diego
San Diego County Water Authority
Metropolitan Water District of So. California
Borrego Water District
Carlsbad Municipal Water District
Elsinore Valley Municipal Water District
Encina Wastewater Authority
Fallbrook Public Utility District
Helix Water District
Lake Elsinore Water District
Leucadia Wastewater District
Oceanside Municipal Water District
Otay Water District
Padre Dam Municipal Water District
Rainbow Municipal Water District
Ramona Municipal Water District
Rancho California Water District
Rincon del Diablo Municipal Water District
San Dieguito Water District
Santa Fe Irrigation District
South Bay Irrigation District
Sweetwater Authority
Vallejo Water District
Valleym Oil Company Water District
Vista Irrigation District
Yuima Municipal Water District

Meena Westford, Chair
Metropolitan Water District of Southern California
600 West Broadway Ste 700
San Diego CA 92101

Phone: 619.272.7030
Email: cowursvp@gmail.com
www.mwdh2o.com

February 18, 2020 COWU Guest Speaker

Hank Rupp, COO/General Counsel
Rancho Guejito Corporation

Admitted to the California, New York, and Washington DC bars, Hank Rupp is a former deputy district attorney and court appointed special prosecutor of government and police corruption. In addition to his law degree, he holds an MBA and two advanced law degrees: an LLM in tax and another LLM in agri-business.

He transitioned to agri-business in 2004 after his appointment as General Counsel to the Rancho Guejito Corporation, a California entity which owns Rancho Guejito, a 23,000 acre (36 sq.mi.) grass fed cattle ranch, organic produce farm, and vineyard located in northern San Diego County.

In 2007, he was named Chief Operations Officer of Rancho Guejito Corporation. He was also later appointed Chief Operations Officer of a wholly owned subsidiary, Rancho Guejito Vineyard Corporation, a fine wine producer with numerous vineyards in San Diego County.
COUNCIL OF WATER UTILITIES MINUTES
January 21, 2020

The Council of Water Utilities (COWU) held its regular meeting at The Butcher Shop Steakhouse, 5255 Kearny Villa Rd, San Diego on Tuesday, November 19, 2019.

Presentation

Nancy Vogel, Director of the Governor's Water Portfolio Program at the California Natural Resources Agency provided a presentation on the draft Water Resilience Portfolio.

Business

2. Draft Financial Policies & Procedures. Approved unanimously with amendment to add Balance Sheet to monthly financial reports provided by the Fiscal Sponsor (Kennedy/Peasley).
3. Authorization to transfer entire balance ($11,062.95) in current bank account to COWU’s fiscal sponsor, Labor’s Training & Community Development Alliance. Approved unanimously. (Peasley/Arant).

Adjournment

There being no further business for discussion, the meeting was adjourned at 9:11 a.m.

The next meeting will be held on Tuesday, March 17, 2020 at 8:00 a.m.

Lani Lutar
Volunteer Administrator to COWU & Consultant to the Metropolitan Water District of Southern California
February 4, 2020

To: San Diego Chapter CSDA Member Agencies
From: Tom Kennedy, San Diego Chapter President
Subject: San Diego Chapter CSDA Quarterly Dinner Meeting

Event Date: Thursday, February 20, 2020
Time: 6:00 pm to 9:00 pm – Dinner served at 6:45 pm
Location: The Butcher Shop Steakhouse – Kearny Mesa
5255 Kearny Villa Road, San Diego - (858) 565-2272
http://www.butchershopsd.signonsandiego.com

Join us for a dynamic, interactive and educational evening as SDCSDA presents:

"Issues Impacting San Diego's Agricultural Communities"
By Hannah Gbeh, Executive Director
San Diego County Farm Bureau

Be sure to read your February 2020 San Diego Chapter CSDA Newsletter for more great information.

Dinner Menu Selections – $30 per person ($40 non-member)
Public is invited to attend the dinner at the $40 non-member price

Tri-Tip Steak with Bordelaise Sauce, New Potatoes and Vegetables
Fillet of Atlantic Salmon- Sauteed Salmon Fillet with Dill Buerre Blanc
Mediterranean Pasta - Pasta, Olive Oil, Garlic, Sun-Dried Tomatoes, Black Olives, Feta Cheese

Registration deadline is: Thursday, February 13, 2020

We look forward to seeing all agencies and guests attending this event. If you have any questions or need further information, please call Tom Kennedy at (760) 728-1178 Ext. 130; tkennedy@rainbowmwd.com, or Rich Stevenson at (619) 409-6711; rstevenson@sweetwater.org

Cancellation/Refund Policy: San Diego Chapter CSDA is obligated by contract to pay for the number of attendees registered by the Friday prior to the event, hence the Thursday deadline. Cancellations made after the deadline are not refundable. Agencies and individuals are responsible for paying any reservation that is made and not cancelled prior to the deadline. Agencies may substitute or add individuals attending.
San Diego Chapter CSDA Dinner Meeting Registration Form

Thursday, February 20, 2020

The Butcher Shop Steakhouse - 5255 Kearny Villa Road, San Diego
6:00 PM  No-Host Social Hour  ~  6:45 PM  Dinner/Program

Dinner - $30.00 ($40.00 non-members)
Public is invited to attend at the $40 non-member price


Agency: __________________________  Contact Name: __________________________

Phone Number: ____________________  Email: __________________________

Make reservations as follows, check dinner choice - Please print clearly

Entree Selection 1 2 3

Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐
Name/Title: __________________________  Choice: ☐ ☐ ☐

Enclosed is our check for _____ reservation(s) at $30.00 each = $ __________
Non-member _____ reservation(s) at $40.00 each = $ __________

Make check payable to San Diego Chapter CSDA

Mail To: Rich Stevenson ~ Phone: (619) 409-6711
San Diego Chapter CSDA Treasurer
Sweetwater Authority
505 Garrett Avenue
Chula Vista, CA 91910

Or Fax: (619) 425-7469  Or Email: rstevenson@sweetwater.org

Reservations must be received no later than Thursday, February 13, 2020
Cancellation/Refund Policy: San Diego Chapter CSDA is obligated by contract to pay for the number of attendees registered by the Friday prior to the event, hence the Thursday deadline. Cancellations made after the deadline are not refundable. Agencies and individuals are responsible for paying any reservation that is made and not cancelled prior to the deadline. Agencies may substitute or add individuals attending.
Directions to: The Butcher Shop Steakhouse – Kearny Mesa
5255 Kearny Villa Road, San Diego - (858) 565-2272
http://www.butchershopsd.signonsandiego.com

Located just off HWY 163 & Clairemont Mesa Blvd.

From South: Take 163 North to Clairemont Mesa Blvd East. Take the first two rights. We are on the left side of the street.

From North: Take 163 South to Clairemont Mesa Blvd East. Cross the 163 overpass and take the first right. Once again we are on the left side of the street.
This page intentionally left blank.
EIGHTH ANNUAL

WELL CONFERENCE

Climate Change and Political Climate Impacting California Water

March 20-21, 2020

San Jose Marriott
301 S Market St
San Jose, CA 95113

Register Here:
TO: Governing Board
FROM: Management
DATE: February 7, 2020

SUMMARY
At its April 24, 2019 meeting, the Governing Board rejected the bids for the Vehicle Replacement Program and directed staff to procure the services of a consultant to perform an analysis of staff’s methodology to evaluate and recommend vehicles for replacement that is data-driven and states source document and industry standards. Staff’s methodology was summarized in the FY 2018-19 Budget as follows:

Vehicle and Equipment Replacement Assessment Policy considers vehicle age, mileage, maintenance cost, cost of downtime, depreciation, and salvage value when replacing vehicles. It also ensures the most cost-effective balance of fleet composition and utilization and the timely replacement of vehicle assets. The Authority utilizes a fleet asset management system (Maximo) to evaluate fleet vehicles semi-annually, and assists in tracking and reporting those vehicles that are nearing, or have met, the following minimum criteria:

- Age - 10 years or older
- Mileage - 100,000 miles or greater
- Repair/Cost Ratio - repair costs equal to or greater than 50 percent of the original purchase price.

Staff sought and received proposals from consultants to perform a comprehensive analysis of the policies and procedures for the Authority’s fleet replacement, management, maintenance, and operations. The objectives of the analysis were to compare the Authority’s vehicle and equipment replacement criteria practices to current industry standards, and practices that are in alignment with the Authority’s Strategic Plan.

BACKGROUND
Through a Request for Proposal (RFP) the Authority sought a fleet consultant to review its current vehicle and equipment replacement policy and fleet management practices, with particular attention in evaluating the current criteria used in determining lifecycle cost and total cost of ownership. The purpose of the RFP was to identify a consultant that is qualified...
to conduct a detailed evaluation of the Authority's fleet management operations. The selected consultant was required to have a proven track record of providing comprehensive analyses of government/public fleet maintenance and management. Additionally, the selected consultant was required to have the aptitude to recommend steps the Authority can take to improve the effectiveness and efficiency for the utilization of equipment, infrastructure, personnel, and financial resources in support of fleet management, maintenance, and replacement.

The overall goal of the engagement was to provide a vehicle replacement strategy while ensuring the Authority is providing vehicles and equipment that are suitable to users’ needs, available when needed, and achieve expectations regarding service, reliability and safety, and environmental sustainability.

The Report on a Review of Fleet Replacement and Management Practices (Report) provided findings and recommendations in the following areas:

- Optimal Replacement Cycle Analysis
- Fleet Replacement Analysis
- Management Practices and Resources Review
- Fleet Management Information System
- Fleet Cost Control and Financial Management

A representative from Mercury Associates, Inc. will be at the February 12, 2020 Board meeting to provide a summary of the Report findings; the Report is attached.

**PREVIOUS BOARD ACTION(S)**

June 12, 2019  The Governing Board moved the Fleet Budget of $1,065,000 to the Operating Reserve Fund until a fleet study is completed.

**FISCAL IMPACT**

The study cost was $33,485 which was funded by the administration consulting service budget.

Implementing the recommendations from the Report has the potential to save the Authority $9,000 per year in operating costs

**POLICY**

The Authority’s Procurement Policy requires that the Governing Board approve all equipment purchases in excess of $75,000.

Strategic Plan Goal 2: System and Water Supply Reliability: Achieve an uninterrupted, long-term water supply through investment, maintenance and innovation.
Objective SR4: Maintain and replace fleet vehicles and equipment in accordance with manufacturers’ recognized standards and practices, and the Authority’s Fleet Maintenance and Replacement Program.

- 004.00 Complete a study of the Authority’s Fleet replacement criteria and practices for lifecycle of the assets; compare the findings with current industry standards and practices. Study to be used for consideration of Authority’s FY 2019-20 Fleet Budget of $1,065,000 which was moved to the Operating Reserve Fund on June 12, 2019 (Completion Date: June 2020).

**ALTERNATIVES**

1. Direct staff to incorporate the Report recommendations into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board.

2. Return to the Authority’s prior replacement plan approach of evaluating fleet vehicles that are nearing, or have met, the following minimum criteria:
   - Age - 10 years or older
   - Mileage - 100,000 miles or greater
   - Repair/Cost Ratio - repair costs equal to or greater than 50 percent of the original purchase price.

3. Other alternatives as identified by the Governing Board.

**STAFF RECOMMENDATION**

Staff recommends that the Governing Board direct staff to incorporate the Report recommendations into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board.

**ATTACHMENTS**

Fleet Replacement and Management Practices Report (Mercury Associates Inc.)
A Brief Analysis of the Mercury Associates Report on Fleet Replacement and Management Practices

1) There is a lot of fluff and verbiage in the consultant’s report about the necessities of proper maintenance and timely replacement of vehicles but the entire report hinges on the premise that replacement can be predicted and should be timed when the asset has reached its LOWEST TOTAL COST OF OWNERSHIP (TCO).

I am not certain that I can share that belief.

2) The consultant attempts to show this total cost of ownership in tabular form noting a lowest ownership cost based on “numbers” input into a proprietary program the consultant developed, ORCA.

Although the results generated rely on a variety of factors (reduced to numerical values) the prime factor in the analysis appears to be the first “Annual Total Cost”. On page 8 of the report the consultant reports that Maintenance and Repair (M&N) costs for the last year were used. This appears in column 1 of the Optimal Replacement Cycle tables found on pages 16 and 47.

First – a small error in this value is greatly magnified in follow-on years.

Second – the data point is taken at perhaps year five (%) in the use of the asset as apposed to year one(1). The value would be accelerated based on time of usage and therefore potentially erroneous.

Third – and perhaps most important, we know from previous analysis of SWA’s maintenance data that it contains Preventative Maintenance and repairs or corrective maintenance which should not be expected to be required again in the near term. Therefore, these figures should be carefully scrutinized to remove the type of M&R noted above before they are used in the analysis or ORCA program.

Other factors used in the analysis are individually commented upon below.

3) Without the actual priority program(s) used by the consultant, it is difficult to judge the appropriateness or accuracy of the result.

However, I am ready to give him the Capital Cost calculation, excepting his starting point. It would be appropriate that the year-end number should be the depreciated value not the acquisition value.

The consultant apparent depreciated the asset and then calculated an increase in Net Present Value (NPV) due to inflation. As shown in the table on page 16 the year-end
and annual capital cost after year 5 change so little that they could probably be
neglected in a broader analysis.

4) Since mentioning NPV the consultant appears to try to add creditability to the report by
using words and phrases probably not fully understood by all Board Members or others
reviewing the report. Phrases like Net Present Value, Regression Analysis, Depreciation,
Statistical Analysis, Empirical Analysis, among others, seem to be used to “wow” the
reader rather than provide understanding.

The following comments are singularly noted in the report:

5) The report was dated December (22) 2019, yet not placed on the Board agenda until
February 12, 2020. It was not first sent to the Operations Committee

6) Page i – “Our assessment and the report herein focus on ... within the agree upon scope
of study.”
Almost makes one wonder what else could have been in the report.

7) Page i – “Perform ...” more studies.
As most consultations, a recommendation to do more work.

8) Page ii – SWA annual average expenditure $0.5 million

9) Page 1 – “The objectives of this study ... to be clear, it did not include an evaluation of
outsourcing the management of the fleet.”
Why not?

using the organization’s own historical vehicle cost data ...”
Why not accomplished?

11) Page 4 – “However, best-practice fleet management organizations develop these cycles
empirically using lifecycle cost analysis ...”
Why not at SWA?

12) Page 6 – “A replacement plan should identify which assets are candidates for
replacement each year, not which assets will definitely be replaced each year. These
candidates should be scrutinized using criteria that are not limited to age and life-to-
date miles or hours of use.”
Well said! The previous SWA way.

13) Page 8 – “... we performed extensive statistical analysis ...”
I do not think so!
14) Page 9 – We estimate that SWA could reduce operating costs by approximately $9,210 per year. Reading note 4 qualifies this and states costs could be understated, but page 15 states “However, annual vehicle capital costs would be higher under the optimal replacement cycle, meaning that the aggregate net cost saving would be lower than this amount.”
So which is it, higher or lower?

15) Page 15 – #5 notes a computer input of an annual fuel efficiency deterioration of 2%. I hope not as in 7 years the fuel rate would drop almost 1 MPG from 6.4 or about 15%. Proper preventative maintenance should prevent such a significant drop.

16) Page 15 - #6 notes an assumed annual inflation rate of 3%. Believed high. #5 and #6 input into the computer program will raise expected future costs and in an accelerated rate each year.

17) Page 17 - ... were not identified through independent empirical analysis, instead are replacement guidelines recommended by Mercury based on work we have performed. Sounds like a short cut.

18) Page 19 – CARCAP. Another proprietary program by Mercury. We do not know the details of the program, just asked to believe the results.

19) Page 33 – regarding Preventative Maintenance, “This should, of course, be accomplished at a competitive cost ...”
Amen!

20) Page 38 – regarding Productivity – for two mechanics on staff, 34% productive. Another WOW. Perhaps a super WOW

21) Page 19 – BASELINE REPLACEMENT PLAN
Starts at about $3 million if you believe the report and analysis. I believe several data points and assumptions require further study and verification.

22) The later part of the report speaks of Fleet Maintenance and Control and is perhaps too complex and involved to expect to ever be implemented.

Mike Sampsel February 9, 2020
### Exhibit 3

**Optimal Replacement Cycle Analysis for 250-Series Utility Trucks**

<table>
<thead>
<tr>
<th>Replacement Cycle (years)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year-End Odometer Reading</strong></td>
<td>7,986</td>
<td>15,798</td>
<td>23,693</td>
<td>31,591</td>
<td>39,489</td>
<td>47,387</td>
<td>55,284</td>
<td>63,182</td>
<td>71,080</td>
<td>78,978</td>
<td>86,875</td>
</tr>
<tr>
<td><strong>CAPITAL COST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year-End Fair Market Value Percentage</td>
<td>60%</td>
<td>40%</td>
<td>30%</td>
<td>23%</td>
<td>18%</td>
<td>16.5%</td>
<td>14.2%</td>
<td>13.1%</td>
<td>12.0%</td>
<td>11.0%</td>
<td></td>
</tr>
<tr>
<td>Year-End Fair Market Value</td>
<td>$28,800</td>
<td>$19,200</td>
<td>$14,400</td>
<td>$11,040</td>
<td>$8,640</td>
<td>$6,640</td>
<td>$7,432</td>
<td>$6,285</td>
<td>$5,757</td>
<td>$5,287</td>
<td></td>
</tr>
<tr>
<td>Annual Capital Cost</td>
<td>$19,200</td>
<td>$9,600</td>
<td>$4,800</td>
<td>$3,360</td>
<td>$2,400</td>
<td>$1,548</td>
<td>$660</td>
<td>$506</td>
<td>$517</td>
<td>$512</td>
<td>$470</td>
</tr>
<tr>
<td><strong>OPERATING COSTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual M&amp;R Cost</td>
<td>$833</td>
<td>$995</td>
<td>$1,122</td>
<td>$1,264</td>
<td>$1,424</td>
<td>$1,604</td>
<td>$1,808</td>
<td>$2,037</td>
<td>$2,295</td>
<td>$2,565</td>
<td>$2,914</td>
</tr>
<tr>
<td>Annual Fuel Cost</td>
<td>$4,625</td>
<td>$4,681</td>
<td>$5,109</td>
<td>$5,369</td>
<td>$5,643</td>
<td>$5,931</td>
<td>$6,234</td>
<td>$6,560</td>
<td>$6,986</td>
<td>$7,239</td>
<td></td>
</tr>
<tr>
<td>Total Annual Operating Cost</td>
<td>$5,258</td>
<td>$5,620</td>
<td>$5,982</td>
<td>$6,372</td>
<td>$6,793</td>
<td>$7,248</td>
<td>$7,739</td>
<td>$8,271</td>
<td>$8,847</td>
<td>$9,472</td>
<td>$10,151</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Total Cost</td>
<td>$24,484</td>
<td>$15,220</td>
<td>$10,782</td>
<td>$9,732</td>
<td>$9,193</td>
<td>$7,796</td>
<td>$8,399</td>
<td>$8,877</td>
<td>$9,404</td>
<td>$9,994</td>
<td>$10,621</td>
</tr>
<tr>
<td>Cumulative Total Cost</td>
<td>$24,484</td>
<td>$39,704</td>
<td>$50,486</td>
<td>$60,219</td>
<td>$69,412</td>
<td>$77,207</td>
<td>$85,607</td>
<td>$94,484</td>
<td>$103,888</td>
<td>$113,572</td>
<td>$124,493</td>
</tr>
<tr>
<td>Equivalent Annual Cost</td>
<td>$24,484</td>
<td>$20,145</td>
<td>$17,329</td>
<td>$15,729</td>
<td>$14,715</td>
<td>$13,837</td>
<td>$13,340</td>
<td>$13,068</td>
<td>$12,960</td>
<td>$13,063</td>
<td></td>
</tr>
</tbody>
</table>

*The annual capital cost of a vehicle or piece of equipment is defined as the change in its fair market value (FMV) from one year to the next.*
Vehicles

1. Dump Truck  #03-34
   Cost Analysis
   Category 1. $23,606.46  44%  oil
   Category 2. $11,145.80  21%  wear
   Category 3. $19,259.04  36%  form, fit and function
   Total  $54,011.30
   Age  15 years
   Mileage  77,260

   SWA Estimated cost to repair - $11,000
   New vehicle cost - $178,854.34
   Estimated cost to repair ratio - 6%
   First year depreciation @ 25% - $44,713.59
   Average yearly maintenance - $4,500.94
   Total first year cost - $228,066.87 (5%)

2. SUV  #06-54
   Cost Analysis
   Category 1. $5,890.90  55%
   Category 2. $1,469.51  14%
   Category 3. $3,380.07  31%
   Total  $10,740.48
   Age  12 years
   Mileage  57,083

   SWA Estimated cost to repair - $8,500
   New vehicle cost - $31,265.68
   Estimated cost to repair ratio - 27%
   First year depreciation @ 25% - $7,816.42
   Average yearly maintenance - $895.04
   Total first year cost - $39,977.14 (21%)
Previous Consideration and Action

- **3/20/19 Operations Committee** – memos presented for Consideration to Award a Contract – Vehicle Replacement Program – Ten-yard Dump Truck; and Consideration to Award a Contract – Vehicle Replacement Program – Light Duty Trucks and Sport Utility Vehicle.

- **3/27/19 Board meeting** – Both Operation Committee items were combined and presented to Board. Governing Board referred this item back to Operations Committee.

- **4/3/19 Operations Committee** – memo presented for Consideration to Award a Contract – Vehicle Replacement Program – Light Duty Trucks, Sport Utility Vehicle, and Ten-yard Dump Truck.

- **4/17/19 Operations Committee** – memo presented for Consideration to Award a Contract – Vehicle Replacement Program – Light Duty Trucks, Sport Utility Vehicle, and Ten-yard Dump Truck.

- **4/24/19 Board meeting** – The Governing Board rejected all bids and directed staff to procure services of a consultant to perform an analysis of staff’s methodology to evaluate and recommend vehicles for replacement that is data driven, and states source documents and industry standards.

- **6/12/19 Board meeting** – The Governing Board moved Fleet Budget of $1,065,000 to the Operating Reserve Fund until the fleet study is completed.
Objective SR4: Maintain and replace fleet vehicles and equipment in accordance with manufacturers' recognized standards and practices, and the Authority's Fleet Maintenance and Replacement Program. (Source: Vehicle and Equipment Manufacturers' service standards; Board-approved Vehicle Replacement Program)

- 004.00 Complete a study of the Authority's Fleet replacement criteria and practices for lifecycle of the assets; compare the findings with current industry standards and practices. Study to be used for consideration of Authority's FY 2019-20 Fleet Budget of $1,065,000 which was moved to the Operating Reserve Fund on June 12, 2019. Completion Date: June 2020
Consultant Presentation
Alternatives

- Direct staff to incorporate the Report recommendations into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board

- Direct staff to incorporate the Report recommendations and consideration of electric vehicles into the FY 2020-21 Strategic Plan Work Plan and Budget for consideration by the Board (new)

- Return to the Authority’s prior replacement plan approach of evaluating fleet vehicles that are nearing, or have met, the following minimum criteria:
  - Age - 10 years or older
  - Mileage - 100,000 miles or greater
  - Repair/Cost Ratio - repair costs equal to or greater than 50 percent of the original purchase price

- Other alternatives as identified by the Governing Board
Fleet Replacement and Management Practices Review

Presentation of Findings and Recommendations

February 12, 2020

Paul Lauria
Presentation Outline

- About Mercury Associates, Inc.
- Overview of the Fleet
- Key Fleet Industry Trends and Management Principles
- Project Scope and Objectives
- Study Approach, Findings, and Recommendations
  - Fleet Replacement Analysis
    - Optimal Replacement Cycle Analysis
    - Fleet Replacement Plan
  - Fleet Management Resources and Business Practices Assessment
About Mercury Associates, Inc.

- 18-year old fleet management consulting company headquartered in Maryland (Washington, DC area); offices in Houston and Charleston, SC
- Mission is to help organizations improve fleet management practices, improve fleet performance, and reduce fleet costs
- We do not manage fleets; we do not sell other companies’ products or services
- Key consulting services include:
  - Fleet management business process evaluation and reengineering
  - Cost of services analysis and charge-back rate development
  - Fleet replacement planning and alternative financing analysis
  - Management information system implementation
  - Outsourcing feasibility assessment/facilitation
  - Fleet utilization and rightsizing studies
  - Maintenance facility space programming and master planning
Mercury Associates Clients – Overview

- Approximately 50 unique clients served each year
- Fleets of <100 to >200,000 vehicles and pieces of equipment
- 33 of 50 largest cities in US, including 10 largest, and many of the largest counties
- 34 states / 4 provinces
- US Army, Navy, Air Force, Marines
- GSA, NASA, US Postal Service, Smithsonian Institution
Sample Corporate Clients

3M
COX
Aramark
Bell
CSC
biogen idc
BNSF
bp
BRINKS
NORTHROP GRUMMAN
Osmotica Pharmaceutical®

COINMAC
Hunt Brothers Pizza
Johnson & Johnson
Schindler
REVLO

Genentech
GM
PG&E
SOUTHERN CALIFORNIA EDISON®

Gulfstream Marine
GlaxoSmithKline
Honeywell
State Farm
SUMITOMO RUBBER INDUSTRIES

REPUBLIC SERVICES
Rockwell Collins
TOYOTA
UGI CORPORATION
MERCURY
Sample Investor-Owned Utility Clients

- American Electric Power
- Arizona Public Service
- Bell Canada
- DTE Energy
- Georgia Power
- Hawaiian Electric
- New Orleans Public Service
- Pacific Gas & Electric
- Public Service Electric & Gas
- Southern California Edison
- Spire
Sample Government Utility Clients

- Alectra Utilities
- Austin (TX) Water System
- Baltimore Water and Wastewater Bureau
- Boston Water and Sewer Commission
- British Columbia Hydro
- Colorado Springs Utilities
- District of Columbia Water & Sewer Authority
- EPCOR
- Harris County (TX) Flood Control District
- Honolulu Board of Water Supply
- Los Angeles Department of Water and Power
- Louisville & Jefferson County MSD
- Louisville Water Company
- Miami-Dade Water and Sewer Department
- Orange County (CA) Sanitation District
- Orlando Utilities
- Philadelphia Gas Works
- Saint Louis (MO) MSD
- Salt River Project
- San Antonio Water System
- Seattle Public Utilities
- Tacoma Public Utilities
Overview of Sweetwater Authority Fleet

- ~240 vehicles and pieces of equipment ("assets")
- 133 assets with current replacement cost of $10,000+
- ~300 VEUs (passenger vehicle equivalents)
- ~$0.7M per year in fleet operating expenditures (e.g., management services, in-house and sublet maintenance and repair services and parts, fuel)
- ~$0.5M per year (average, FY 2015–19) in fleet replacement expenditures
- 3 employees: Equipment Mechanic Supervisor (reports to Director of Distribution) and two mechanics
- 4-bay maintenance shop at operations yard in Chula Vista
- IBM’s *Maximo* EAM used as fleet management information system
Key Industry Trends Impacting all Fleet Owners

- Advances in automotive technology
- Advances in information technology
- Workforce changes

In sum:
- Some traditional fleet management principles and beliefs are rapidly becoming obsolete
- The operation and management of increasingly complex fleets and technology-enabled operations and fleet management processes is being entrusted to an evolving workforce with diminishing practical experience on which to fall back in meeting the day-to-day demands of real-world fleet operations
Minimizing Fleet Asset Life Cycle Costs

Capital, Operating and Total Cost Trend Lines (Medium-Duty Truck)

Replacement Cycle (years) vs. Costs ($000)
Project Scope and Objectives

● Fleet Replacement Analysis
  ■ Identify optimal replacement cycles for two key types of assets
    • 250-Series Utility Trucks
    • Heavy-Duty Dump Trucks
  ■ Quantify annual fleet replacement costs and assess adequacy of current replacement spending levels

● Management Practices and Resources Review
  ■ Review and evaluate fleet management resources and business practices and identify opportunities for improvement
Fleet Replacement Analysis
Optimal Replacement Cycle Analysis
250–Series Utility Trucks

<table>
<thead>
<tr>
<th>Replacement Cycle (years)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-End Odometer Reading</td>
<td>7,898</td>
<td>15,796</td>
<td>23,693</td>
<td>31,591</td>
<td>39,489</td>
<td>47,387</td>
<td>55,284</td>
<td>63,182</td>
<td>71,080</td>
<td>78,978</td>
<td>86,875</td>
</tr>
</tbody>
</table>

**CAPITAL COST**

<table>
<thead>
<tr>
<th>Year-End Fair Market Value Percentage</th>
<th>60.0%</th>
<th>40.0%</th>
<th>30.0%</th>
<th>23.0%</th>
<th>18.0%</th>
<th>16.9%</th>
<th>15.5%</th>
<th>14.2%</th>
<th>13.1%</th>
<th>12.0%</th>
<th>11.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-End Fair Market Value</td>
<td>$28,800</td>
<td>$19,200</td>
<td>$14,400</td>
<td>$11,040</td>
<td>$8,640</td>
<td>$8,092</td>
<td>$7,432</td>
<td>$6,825</td>
<td>$6,268</td>
<td>$5,757</td>
<td>$5,287</td>
</tr>
<tr>
<td>Annual Capital Cost</td>
<td>$19,200</td>
<td>$9,600</td>
<td>$4,800</td>
<td>$3,360</td>
<td>$2,400</td>
<td>$548</td>
<td>$660</td>
<td>$606</td>
<td>$557</td>
<td>$512</td>
<td>$470</td>
</tr>
</tbody>
</table>

**OPERATING COSTS**

| Annual M&R Cost                      | $883   | $995   | $1,122 | $1,264 | $1,424 | $1,604 | $1,808 | $2,037 | $2,295 | $2,586 | $2,914 |
| Annual Fuel Cost                     | $4,400 | $4,625 | $4,861 | $5,109 | $5,369 | $5,643 | $5,931 | $6,234 | $6,552 | $6,886 | $7,238 |
| Total Annual Operating Cost          | $5,284 | $5,620 | $5,982 | $6,372 | $6,793 | $7,248 | $7,739 | $8,271 | $8,847 | $9,472 | $10,151 |

**TOTAL COST**

| Annual Total Cost                    | $24,484 | $15,220 | $10,782 | $9,732 | $9,193 | $7,796 | $8,399 | $8,877 | $9,404 | $9,984 | $10,621 |
| Cumulative Total Cost                | $24,484 | $39,704 | $50,486 | $60,219 | $69,412 | $77,207 | $85,607 | $94,484 | $103,888 | $113,872 | $124,493 |
| Equivalent Annual Cost               | $24,484 | $20,145 | $17,329 | $15,729 | $14,715 | $13,837 | $13,340 | $13,068 | $12,960 | $13,063 |
### Current and Recommended Replacement Cycles and Associated Annual Operating Cost Savings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>250-Series Utility Trucks</td>
<td>11</td>
<td>5.6</td>
<td>11</td>
<td>9</td>
<td>$7,434</td>
<td>$6,906</td>
<td>$528</td>
<td>7%</td>
<td>$5,808</td>
<td></td>
</tr>
<tr>
<td>Heavy-Duty Dump Trucks</td>
<td>6</td>
<td>7.9</td>
<td>16</td>
<td>13</td>
<td>$5,596</td>
<td>$5,029</td>
<td>$567</td>
<td>10%</td>
<td>$3,402</td>
<td></td>
</tr>
<tr>
<td><strong>Total/Average</strong></td>
<td><strong>17</strong></td>
<td><strong>13</strong></td>
<td><strong>10</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$9,210</strong></td>
<td></td>
</tr>
</tbody>
</table>

Operating cost savings are likely understated since M&R costs recorded in *Maximo* do not include mechanic supervision, mechanic non wrench-turning time, infrastructure costs, or other indirect costs of performing maintenance and repair services.
# De Facto and Recommended Replacement Cycles

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Median Age (years)</th>
<th>De Facto Replacement Cycle (years)</th>
<th>Recommended Replacement Cycle (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 8500 GVW-Pickups-Half Ton-Extended Cab</td>
<td>6.6</td>
<td>13.2</td>
<td>8</td>
</tr>
<tr>
<td>&lt; 8500 GVW-Sport Utility-Compact-4 Passenger</td>
<td>6.6</td>
<td>13.2</td>
<td>8</td>
</tr>
<tr>
<td>10,001-14,000 GVW-Pickups-Super Duty-Extended Cab</td>
<td>7.6</td>
<td>15.2</td>
<td>10</td>
</tr>
<tr>
<td>Off Road and Construction-Wheeled-Loader/Backhoes-Heavy</td>
<td>5.6</td>
<td>11.2</td>
<td>10</td>
</tr>
</tbody>
</table>
Replacement Plan Development Parameters

- 41 asset classes defined
- Current purchase prices range from $10,000–$485,000
- Average current purchase price is $58,000
- Recommended replacement cycles range from 5 to 15 years
- Weighted average recommended replacement cycle is 8.1 years
Baseline Fleet Replacement Plan
Asset Purchase Costs *Excluding* Used Asset Sale Proceeds
# Replacement Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of assets in fleet</td>
<td>133</td>
</tr>
<tr>
<td>Current median asset age (years)</td>
<td>7.6</td>
</tr>
<tr>
<td>De facto average replacement cycle (years)</td>
<td>15.2</td>
</tr>
<tr>
<td>Weighted average recommended replacement cycle (years)</td>
<td>8.1</td>
</tr>
<tr>
<td>Average asset replacement cost (2019 $)</td>
<td>$57,947</td>
</tr>
<tr>
<td>Number of assets that will meet or exceed recommended age in FY 2020</td>
<td>65</td>
</tr>
<tr>
<td>Percentage of assets that will meet/exceed recommended age FY 2020</td>
<td>49%</td>
</tr>
<tr>
<td>Number of vehicles that will exceed recommended replacement age in FY 2020 (replacement backlog)</td>
<td>59</td>
</tr>
<tr>
<td>Percentage of assets that will exceed recommended age FY 2020</td>
<td>44%</td>
</tr>
<tr>
<td>Current replacement cost of the fleet</td>
<td>$7.7 M</td>
</tr>
<tr>
<td>Cost of replacing assets that will meet or exceed recommended age in FY 2020</td>
<td>$2.9 M</td>
</tr>
<tr>
<td>Cost of replacing assets that will exceed recommended age in FY 2020</td>
<td>$2.7 M</td>
</tr>
<tr>
<td>Average annual fleet replacement cost of the fleet (based on recommended rep cycles)</td>
<td>$1 M</td>
</tr>
<tr>
<td>Average annual value of asset purchases, FY 2015-19 (2019 $)</td>
<td>$0.5 M</td>
</tr>
<tr>
<td>Average current odometer reading</td>
<td>30,645</td>
</tr>
<tr>
<td>Average annual mileage</td>
<td>4,594</td>
</tr>
</tbody>
</table>
Recommendations

- Implement the replacement cycles noted for 250-series utility and heavy-duty dump truck classes
- Develop a smoothed “implementable” replacement plan
  - To modernize the fleet over a reasonable period of time
- Consider using capital financing methods that allow the Authority to pay acquisition costs while – rather than before – using assets
  - Organizations that purchase fleet assets outright with cash almost always have fleets that are older than optimal and, hence, more expensive than necessary
Fleet Management Review
Review Scope

- Asset specification, acquisition and disposal
- Fleet sustainability and use of alternative fuels
- Fuel management
- Fleet maintenance and repair
- Fleet maintenance resources
- Fleet information management/systems
- Fleet cost control and financial management
Review Approach

- Review of available documentary material on fleet management policies and business practices (SOPs, contracts, etc.)
- Analysis of selected fleet data to determine mechanic productivity levels and staffing needs
- Interviews of fleet management and maintenance personnel, Director of Distribution, and IT support staff
- Inspection of fleet maintenance facility and observation of shop operations
Overall Assessment

- No surprises; the quality of current fleet management practices is adequate given the small size of the fleet operation.
- In view of the aforementioned industry trends affecting all fleet owners, however, the Authority will need to devote more attention to FM resource needs and business practices in the future than it has done in the past.
Fleet Maintenance Resources

Observations

- FM is likely understaffed by one mechanic position, in part because of the requirement to perform facility repairs, in addition to fleet asset maintenance and repairs.
- The maintenance facility is inadequate for the assets that Fleet is required to maintain. Deficiencies include:
  - Certain asset types cannot be driven into the work bays due to height restrictions in doorways
  - Insufficient space for tools, equipment, and supplies causing encroachment into work bays
  - Insufficient number of work bays in the long term (currently 3 of 4 available, and will need at least 5)

Recommendations

- Hire one additional mechanic to account for the demand generated by a fleet of the Authority’s size and composition.
- Ensure all non-fleet related work is recorded appropriately in the work order management system.
- Develop a comprehensive fleet maintenance facility master plan that identifies short-term improvements to the current shop along with a long-term strategic plan to replace or augment the current fleet maintenance facility with one that can adequately house the assets under Fleet’s care.
Observations

- *Maximo*, the Authority’s asset management system, also is used as the FMIS. Essentially, it is being used as a digital record keeping system, not as a fleet management decision support tool.
- Reports have to be created by the IT team at the request of the Equipment Mechanic Supervisor.
- All of our data requests required the IT department’s assistance, which means data is not being used on an ongoing basis for the management of fleet functions and activities.
- *Maximo* does not have the necessary “canned” reporting capabilities, and lacks several other features of an off-the-shelf FMIS that are necessary for a modern fleet maintenance operation.

Recommendations

- Conduct a formal FMIS needs assessment to determine exactly what features are critical to the cost-effective performance of fleet management activities, and explore the benefits of using a COTS FMIS in lieu of *Maximo* for fleet management activities.
- Ensure all relevant staff are trained appropriately in the use of the FMIS system.
- Utilize industry-based coding such as VMRS codes to identify individual tasks and provide the basis for M&R reporting and analysis.
- Develop a fixed list of “canned” reports that are produced on a regular basis that allow appropriate monitoring and management of Fleet’s and fleet assets’ performance and costs.
Fleet Cost Control

Observations

- FM does not charge customers for maintenance and repairs, parts, or fuel. They are budgeted out of the general fund. This leads to:
  - A lack of cost visibility and transparency for individual operating units
  - Cross subsidization of costs between fleet user departments, and ultimately
  - Less efficient use of the Authority’s resources as stakeholders are not incentivized to manage fleet assets and resources efficiently.
- Fleet assets are purchased outright with cash, so there is no awareness of, or incentive to manage, the ongoing costs of asset availability and use (or underutilization)

Recommendations

- Consider establishing the fleet management program as a financially self-supporting internal service fund, under which all fleet capital and operating costs are distributed to fleet users via a cost charge-back system.
- At a minimum, develop a cost of service model for Fleet in order to better understand the appropriateness of the management and operating costs of the fleet.
- Explore alternative fleet replacement financing methods, including a replacement reserve fund and/or debt financing, versus up-front cash purchase in order to promote the timely replacement of assets and effective management of asset utilization.
Questions/Discussion