



# Memo

Date: May 20, 2020  
To: Board of Directors  
From: Thomas Wood, Human Resources Manager  
Via: Kimberly A. Thorner, General Manager  
Subject: **CONSIDER ANNUAL UPDATE OF THE DISTRICT'S FIVE YEAR STAFFING ANALYSIS**

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## Purpose

The purpose of this agenda item is to update the five year staffing analysis for the District. This staffing analysis forecasts the organizational and personnel changes required to maintain a successful workforce plan for the next five fiscal years (FY 2020-2021 to 2024-2025). This document will continue to be updated and presented to the Board annually with consideration of the two year budget constraints. Staff is requesting the Board to approve the recommendations only for the coming 2020-2021 fiscal year.

Most importantly, this document shows the necessary staffing levels for the coming fiscal year in order to increase department efficiencies, provide better business practices, and prepare our future leaders (including Grow Your Own "GYO" promotional opportunities). This staffing analysis also serves as a key reference tool for District succession planning purposes.

This memo and the included five year proposed organizational charts have been presented to the Board Personnel Committee (Directors Guerin and Sprague) and the Human Resources/Employee Association Team "HEART" Committee (including BUMA, DEA, Supervisor, and Manager group representatives).

## **Recommendations**

**The recommended staffing level for the coming 2020-2021 fiscal year will remain at 91 total positions (headcount) as no new positions are being requested.**

The key staffing recommendations for FY 2020-2021 are summarized below with further details on the following pages.

- 1) Reclassify the Line Locator/Inspector to Inspector I, Inspector to Inspector II, and reclassify the vacant Inspector position to a new Inspector III classification. Thus, creating a multi-level I/II/III series Inspector job classification.

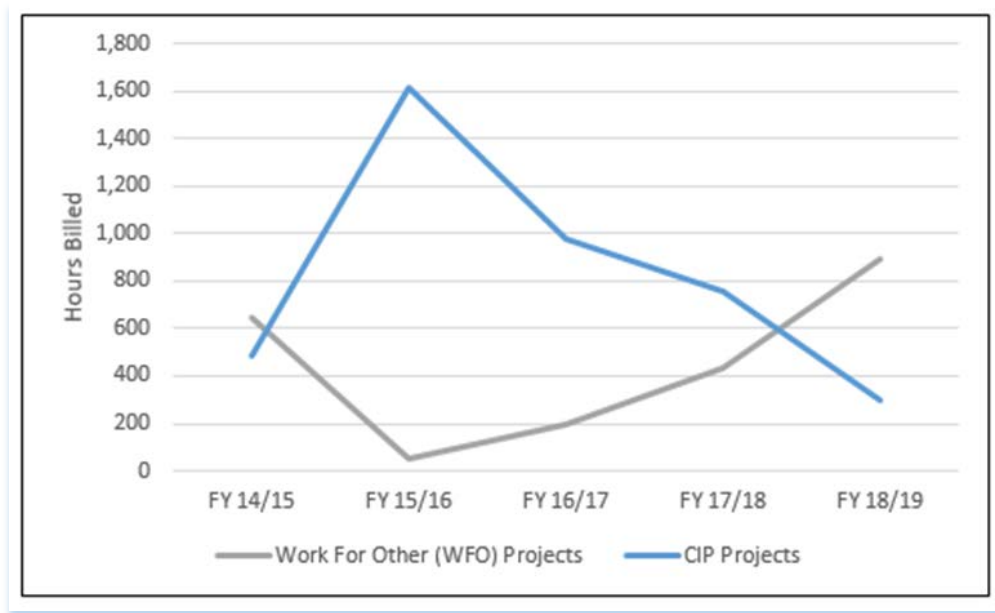
### **Recommendation #1**

In the Engineering Department, there are currently two inspection related job classifications, Line Locator/Inspector and Inspector. There is currently one incumbent in each job classification. Both positions report to the Engineering Services Supervisor. Staff recommends reclassifying the current Line Locator/Inspector to Inspector I. The position would remain salary grade 4 therefore no fiscal impact. Staff recommends reclassifying one Inspector to Inspector II, the position would remain salary grade 5 so no fiscal impact. Staff recommends reclassifying the other vacant Inspector position to a new Inspector III classification. For internal equity purposes, this position would then move up one pay grade to a grade 6 (\$35.75 - \$50.05 hourly range) from a grade 5. This will create a multi-level I/II/III series Inspector job classification. A I/II/III series classification is consistent with the organizational structure of several of the District's other job classifications such as Field Services Technician I/II/III, Systems Operator I/II/III, and Utility I/II/III as well as other outside water agencies.

The Inspector position has been vacant for nearly ten years, with only one of the two Inspector positions filled with in-house staff during that time. Inspection duties that would have been performed by the second position have been contracted out to various consultants over the ten year period. The Inspector position was frozen for several years as part of "Holding the Line" then officially un-frozen by the Board in 2015. However, additional inspection services continued to be contracted out rather than filling the full-time vacancy. Staff recommends filling the vacancy in 2020-2021 with a full-time staff member rather than continuing to contract out these duties.

With the District currently at 90-95% build out, development has shifted to more sustainable land development infill projects, those constructed on vacant or underused properties. Currently, these projects are managed by the single Inspector with assistance from the Line Locator/Inspector. Capital Improvement Projects (CIP) continue to grow in size and scope to meet the strategic mission of the District, including recycled water expansion projects such as the Village Park Recycled Water Project completed in April 2018 and the upcoming Manchester Recycled Water Project. In addition, there are water reliability projects such as the upcoming El Camino Real Pipeline Replacement and Manchester Potable Water Replacement projects.

An analysis of the Inspector and Line Locator/Inspector positions utilization is illustrated in the graph below showing an increase in time billed to development projects, i.e. Work for Others (WFO) projects, and a decrease in time billed to CIP projects. Despite a rise in CIP spending, the District's own inspection positions are not billing time to them, due to an increase in small development projects and lack of staffing resources.



The District continues to meet these challenges by utilizing outside consultants to fill the void left by the vacant Inspector position. For example, in the last six years, Valley Construction Management and Ron Gaines Inc., two of the District's main outside resources for contract inspection services over the last several years, have been paid a combined \$1,142,413 or an average of \$190,402 per year. On average, outside consultants charge the District \$135-\$185/hour for a construction manager and \$130-\$139/hour for an Inspector. This information is based on recent construction management/inspection services proposals as reviewed by staff in December 2019.

In addition, inspection duties require a high degree of knowledge and understanding of the approved project plans and specifications, including the rules, regulations, and performance standards of the District, as well as a high level of customer service and direct interaction. The continued use of contracted inspection services has the potential to greatly decrease institutional knowledge of the District's facilities and diminish customer relationships over time. For succession planning purposes, it is important that the position be filled once again by an internal staff member. The addition of a new level III Inspector will allow for one position to provide technical guidance and serve as the senior or lead over other inspection staff members (Inspector I and Inspector II). The position may be filled by external recruitment or via the internal Grow-Your-Own-Program depending on the level of staff certifications at time of recruitment.

Reclassification of the inspection related positions, which includes adding delineated construction management, engineering administrative, and right-of-way support duties, not only creates logical progression within the inspection series, but also benefits other Engineering Department staff. Through adjusting duties and filling the vacant position more staff will be available to assist with right-of-way functions and match inspection services to meet the growing demands of CIP projects. The cost of filling the vacant position will be off-set by the reduction in contract inspection services costs. Thus, no anticipated cost increase for 2020-2021.

#### **Alternative(s)**

The Board could elect not to approve all of the recommendations or approve just some of the recommendations described for FY 2020-2021.

The Board could make other recommendations for staff to analyze and bring back for consideration.

## Background

This staffing analysis was first presented to the Board and accepted back in May of 2005 to forecast staffing levels and to serve as a succession planning tool for the District. The analysis was and continues to be a collaborative staff process with all of the District Departments participating. The staffing analysis takes into consideration the District's Mission Statement, Goals and Objectives, budget, economic revenue and constraints, and the Comprehensive Water Master Plan. Areas that impact the forecasting of the analysis include determining the levels of service provided, operating satellite facilities (including the Water Treatment Plant, 4S Water Reclamation Facility and the Elfin Forest Recreational Reserve), and contracting labor.

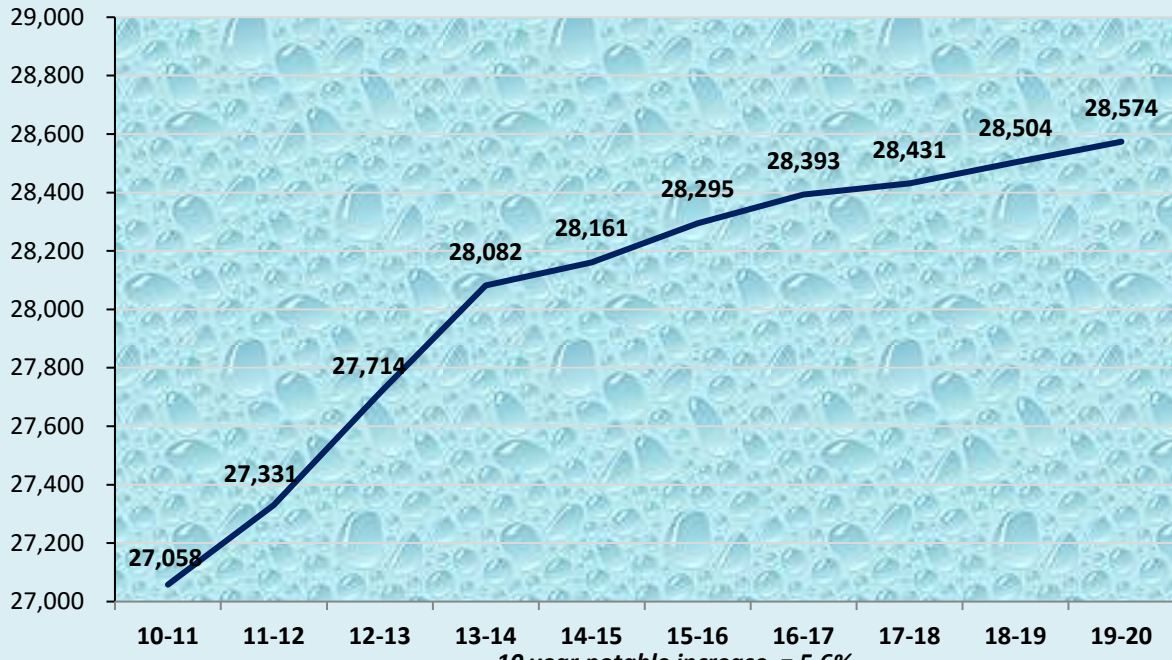
As a living document, the most extended projections are subject to the most change. District staff is committed to seeking innovative and better ways of doing business to contain costs, improve efficiency, and meet regulatory requirements while meeting customer expectations. The challenge facing the District is to effectively perform the core District functions while maintaining established customer service levels, costs, and staffing at acceptable levels.

Since the staffing analysis was first presented to the Board over 10 years ago, the District has continued to grow. The increase in service demand has been in multiple functional areas including potable water, sewer, and recycled water. The District continues to expand recycled water infrastructure throughout the area through recent projects like the Village Park Recycled Water Project and recycled water purchase agreements with other agencies. The District plans to continue to increase recycled water sites through projects such as the Manchester Avenue and Garden View Road Recycled Water Projects.

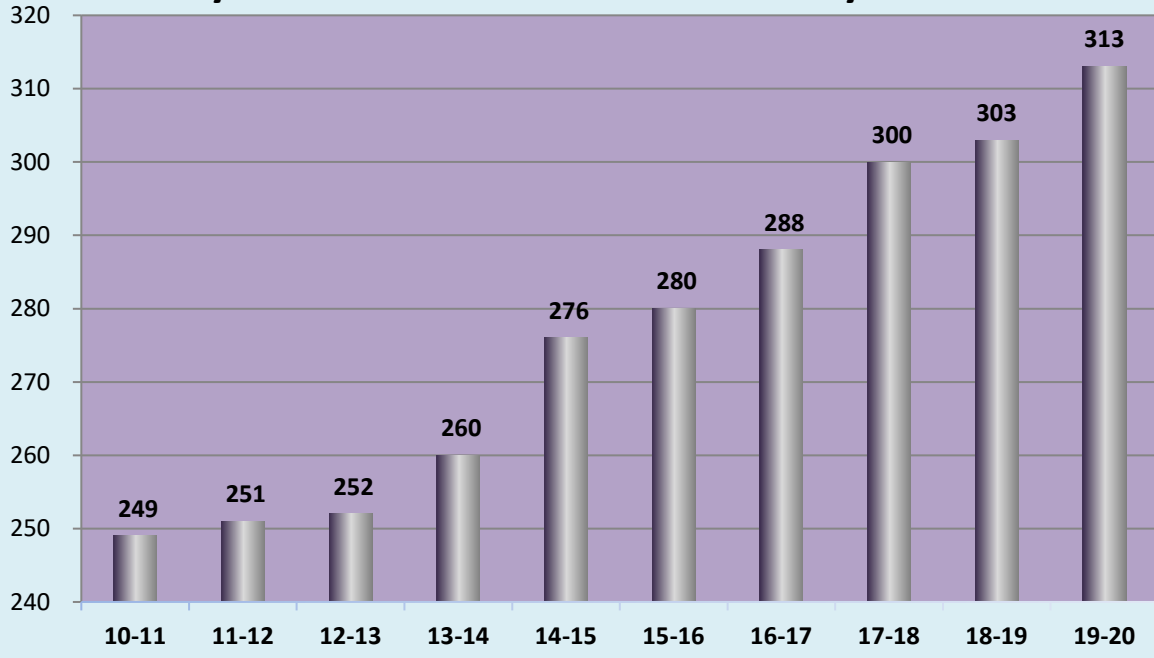
As of February 2019, the District had 28,574 active potable meters and 313 active recycled meters. The graphs on the next pages depict historical District growth as shown by the number of in service potable water meters, in service sewer equivalent dwelling units (EDU's), and in service recycled water meters over the past 10 years.

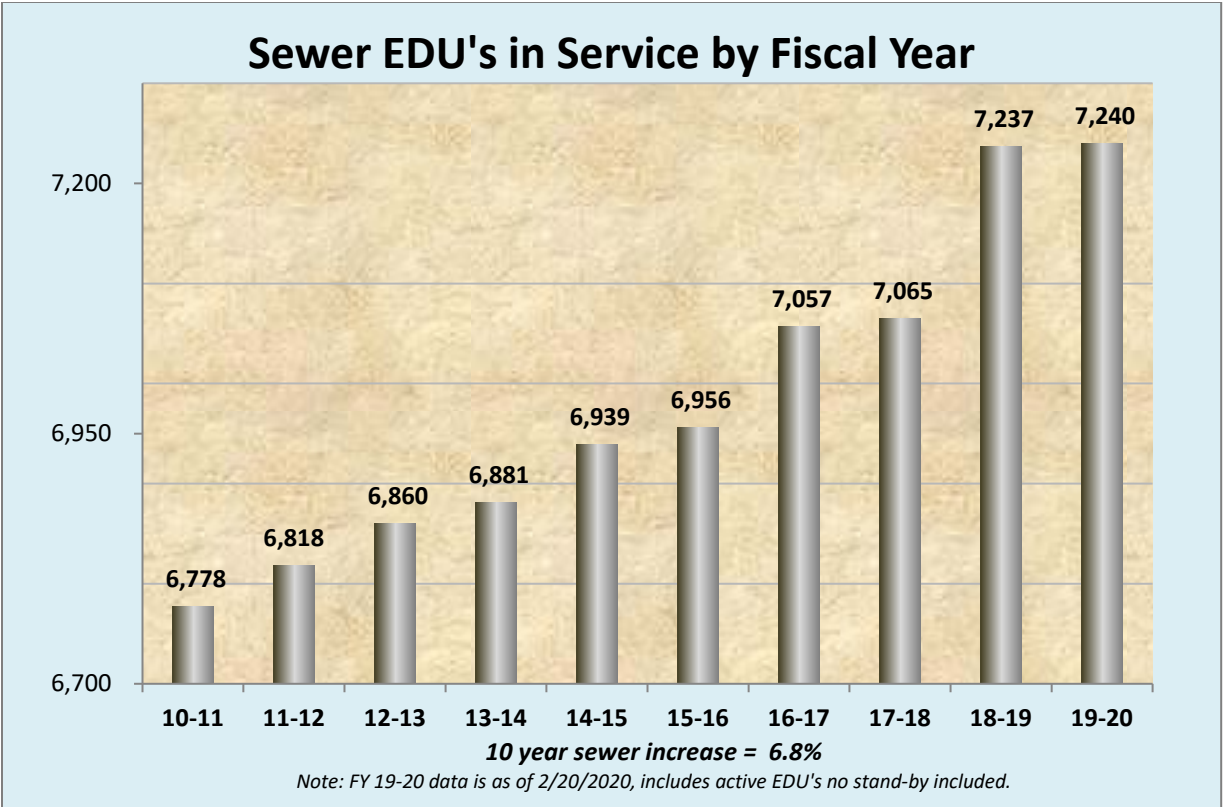
The District growth over the past 10 years has resulted in a 5.6% increase in the number of active potable water meters, a 25.7% increase in the number of recycled water meters in service, and a 6.8% increase in the number of active sewer EDU's in service.

### Potable Meters in Service by Fiscal Year



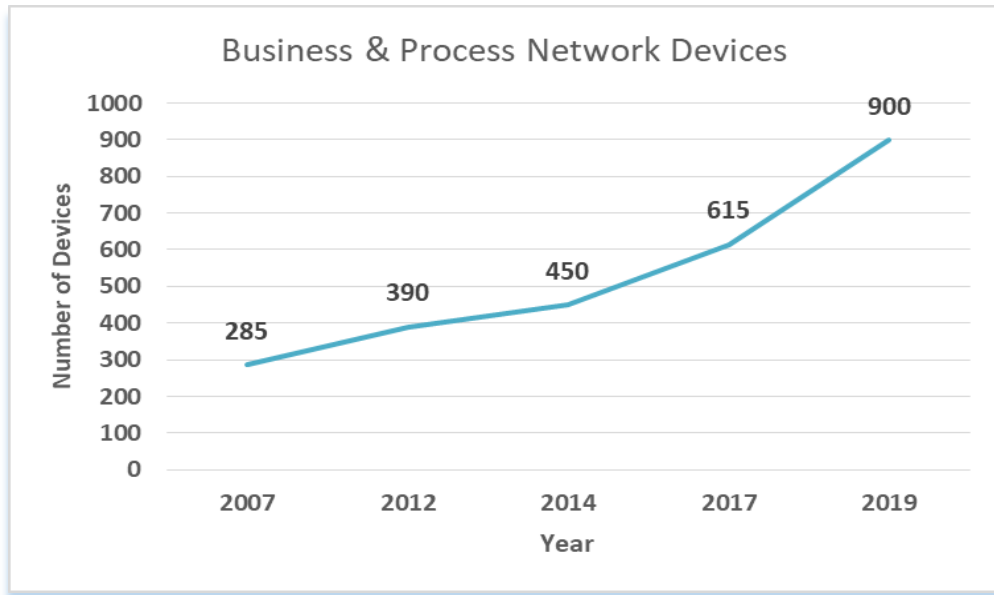
### Recycled Water Meters in Service by Fiscal Year



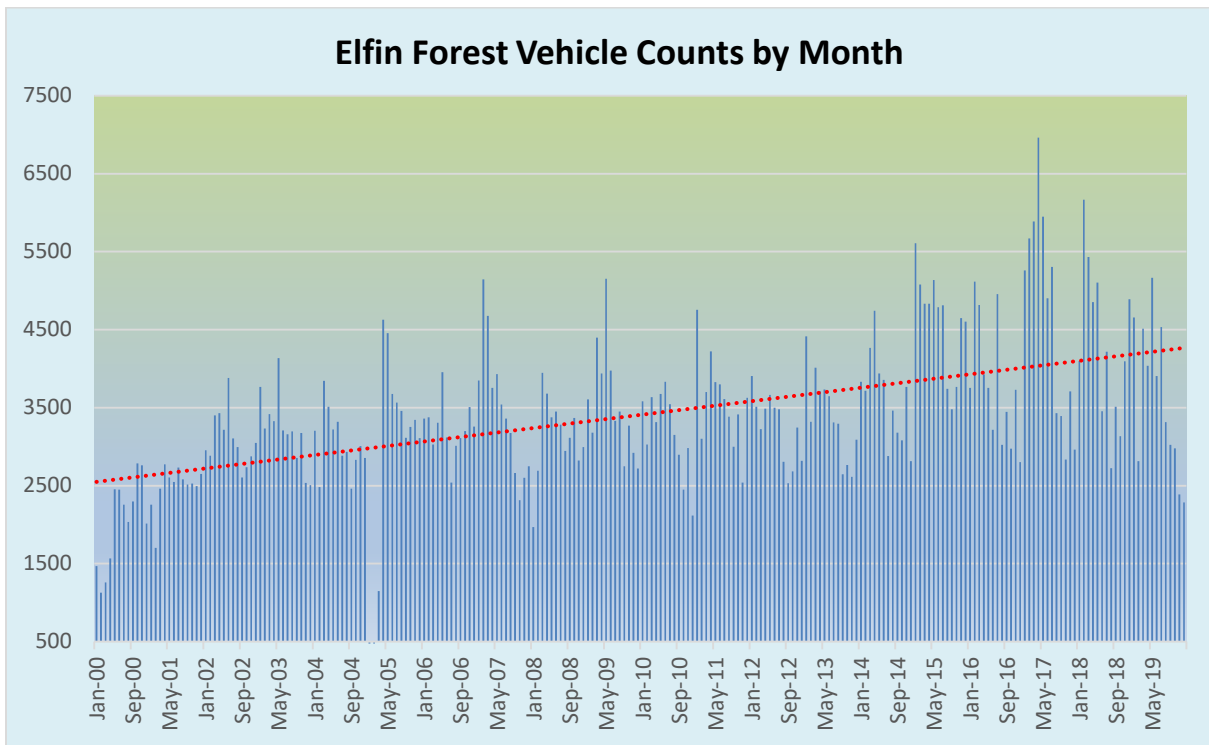


In addition to customer meters and EDU's, the District's Information Technology (IT) infrastructure has continued to expand. There are a wide variety of hardware assets and devices that make up the IT infrastructure which serve to support the District's business and process SCADA networks. The business network supports all routine business related programs and traffic, such as Outlook for email and the internet/intranet for hosted applications. The process networks provide the backbone for three separate SCADA systems which provide monitoring and control of the water distribution system, 4S Ranch Water Reclamation Facility and sewer collections system, as well as the David C. McCollom Water Treatment Plant.

Network devices include, but are not limited to, workstations, laptops, iPads, MacBooks, touchscreens, smartphones, routers, firewalls, wireless access points, servers, and switches, all of which require configuration, monitoring, updates, testing and periodic replacement. In 2007, there were approximately 285 devices that resided on various District networks. In early 2020, there are approximately 900 devices that reside on various District networks, a 316% increase over thirteen years. The graph on the following page shows this increase over time, which is expected to continue for the foreseeable future.



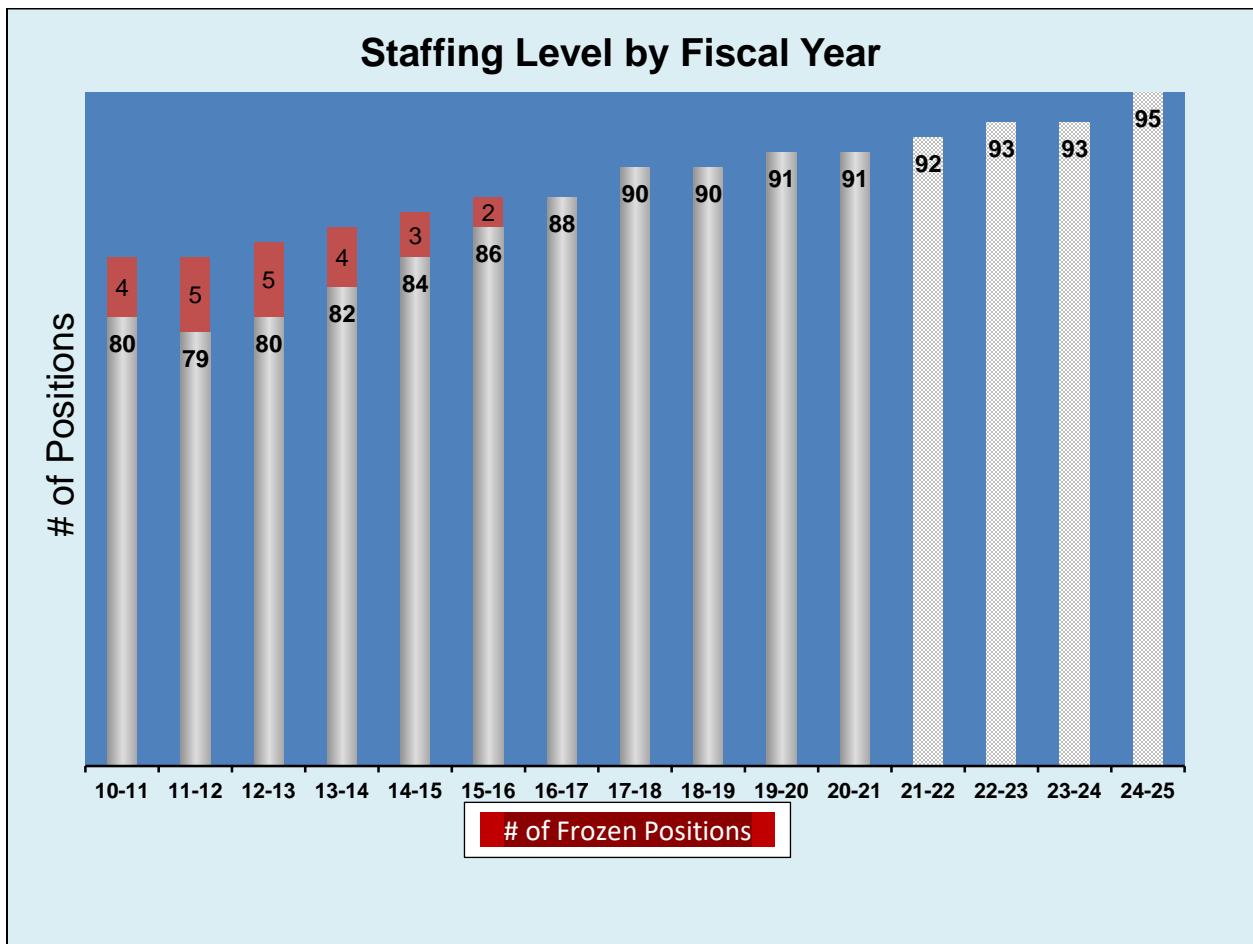
The chart below indicates a general increase in the number of vehicles and corresponding visitors to the Elfin Forest Recreational Reserve (EFRR) over time as indicated by the trend line. The data below displays the actual number of vehicles the EFRR park car counter captured each month since the data was initially collected starting in January of 2000 through December of 2019. While the data varies from month to month, the total number of vehicles has steadily increased since the data was first recorded in January of 2000.





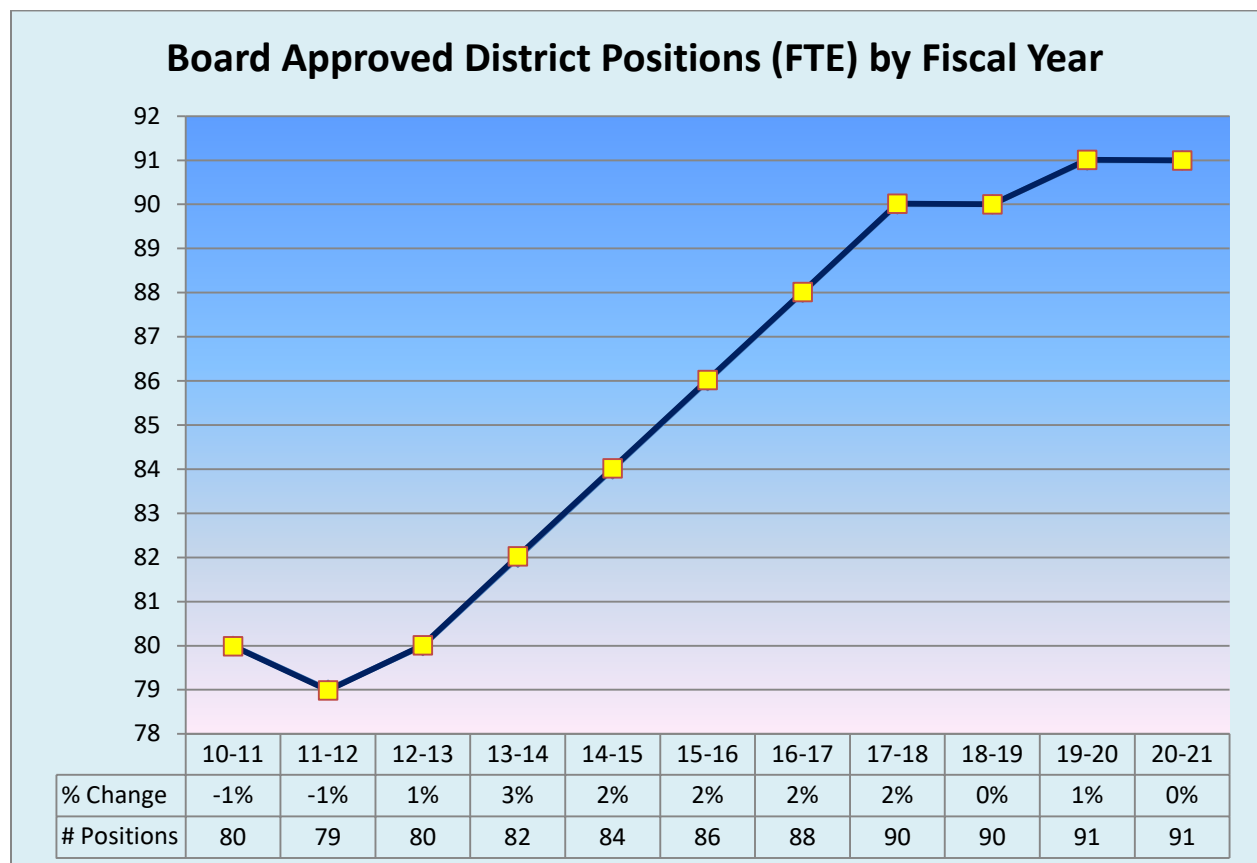
The chart below depicts the District’s total approved staffing levels over the past ten fiscal years as well as the projected future staffing levels for the next five fiscal years. A reduction in headcount can be seen since FY 2010-2011 as indicated by the number of frozen positions (in red), as part of “Holding the Line” with positions continuing to be frozen each year through FY 2015-2016.

In addition to the frozen positions, one limited term Utility I position was completely eliminated in FY 2010-2011 and one Park Ranger position was eliminated from the budget starting in FY 2011-2012 which also contributed to the decrease in total staffing levels during the Holding the Line period.

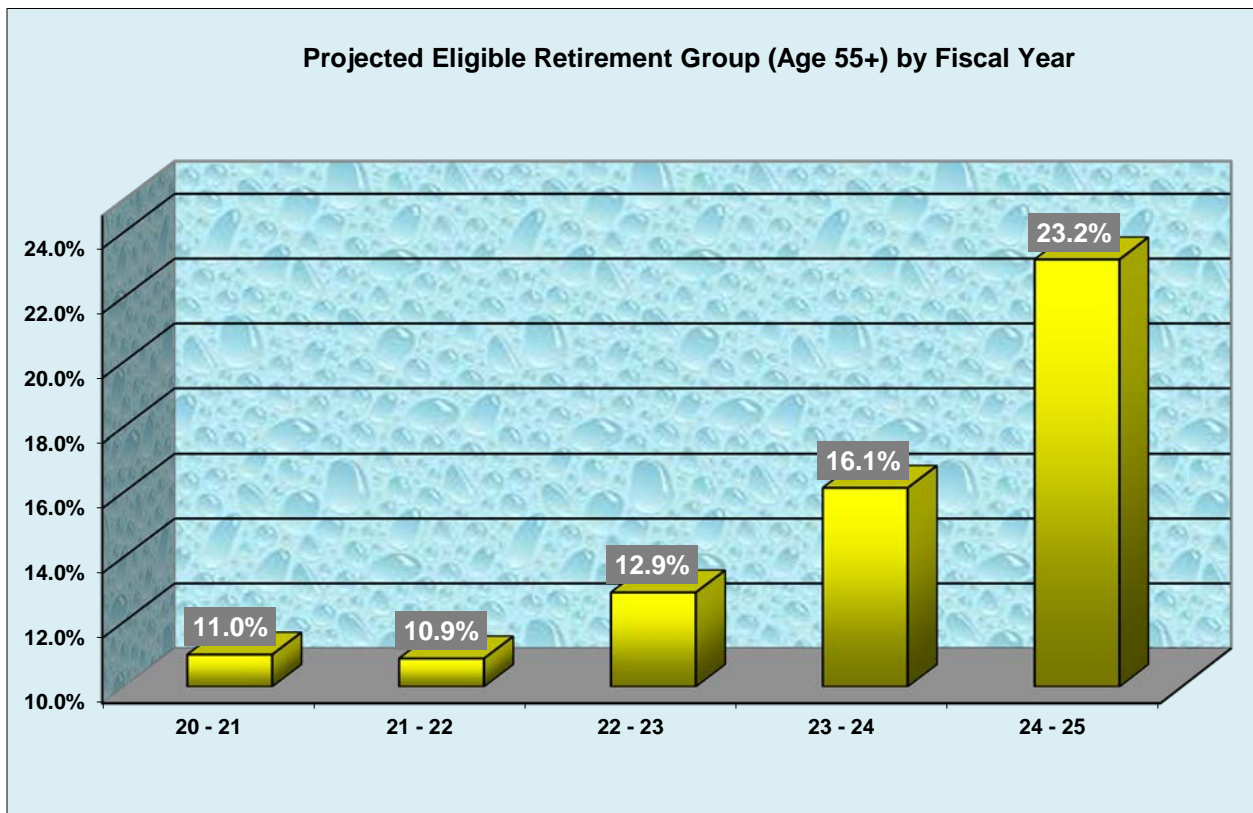


The chart below also shows the approved staffing level as a trend over the past 10 years (including percent change in approved staffing from year to year), with staffing levels reduced during the Holding the Line time period then slowly increasing until reaching the pre-freeze level in FY 2015-2016 with 86 approved positions. Two new positions were then added in FY 2016-2017, the Assistant General Manager (AGM) and Department Assistant I for the new AGM. In FY 2017-2018 two new additional positions were also approved, the IT Senior Systems Administrator and the Cathodic Protection Technician. For FY 2018-2019, no additions were requested. In 2019-2020, one Administrative Analyst position was added bringing the headcount to 91 total employees.

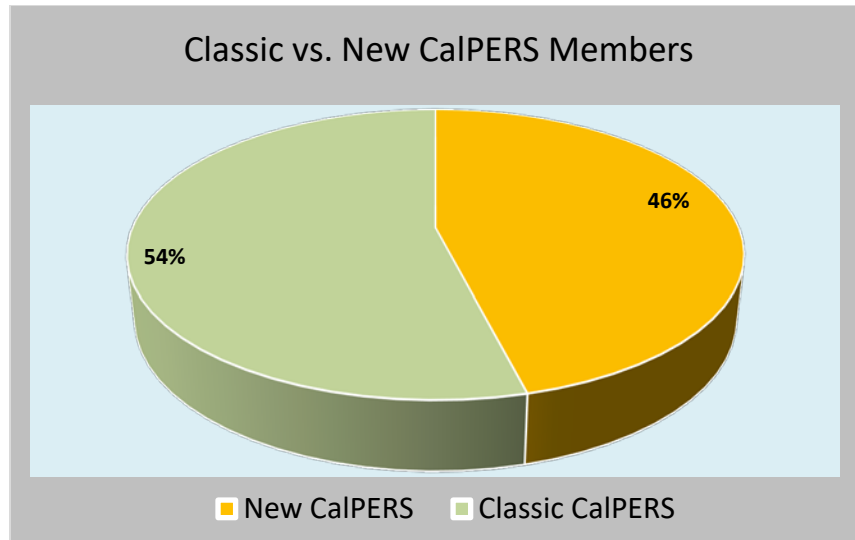
For 2020-2021, no new positions are being requested. Thus, the recommended staffing level will remain at 91 total positions.



The amount of employees that will be eligible for retirement places an additional emphasis on workforce planning and the need for succession planning. For FY 2020-2021, approximately 11% of staff will be age 55 and over, all of whom are classic members eligible for full CalPERS retirement benefits at 55 under the 2.5% at 55 formula. In addition to that amount, another 15.4% of staff will be age 50-54 (within five years of retirement). Thus, approximately 26.4% of total staff (24 of 91 total employees) will be age 50 or older in the coming fiscal year. These numbers have decreased slightly since last year due to the retirements of a few long-term employees. The following chart shows the percentage of employees that will be age 55 and older over the next five years.



Currently a little over half (54%) of the employees are CalPERS classic members while the other half (46%) are new PEPRAs under the 2% at 62 retirement benefit formula (required for new CalPERS members hired after 1/1/2013). Note that under the classic 2.5% at 55 formula the minimum retirement age is 50 while under the 2% at 62 formula the minimum age is 52 with full benefits at the retirement age of 55 and 62 respectively.



The amount of new PEPRAs members will be increasing over time as new hires come on board replacing classic members especially for more entry-level positions that don't require prior water industry or public sector experience. For higher level positions that require more experience, positions may be filled with classic or new members depending on job requirements and candidate experience. At the same time last year, only one third (34%) of employees were new members while now they comprise nearly half (46%) of total staff.

The District CalPERS employer contributions cost is significantly less for new versus classic members. These required employer retirement pension costs are determined annually by CalPERS. The employer cost is composed of two components, a percentage of bi-weekly payroll plus an annual unfunded lump sum liability payment.

CalPERS lowered their assumed rate of investment return, also known as the discount rate, from 7.5% to 7.0% over a three year period. The CalPERS Board also changed their actuarial amortization policy assumptions effective on June 30, 2019 for the 2021-2022 fiscal year. The actuarial policy changes include a shorter amortization period from 30 to 20 years, level dollar amortization payments for unfunded accrued liability and elimination of the 5 year ramp up and ramp down "rate smoothing". These changes will impact future employer contribution requirements by increasing the percentage of payroll costs and the employer annual unfunded liability payments. As a result, employers that contract with CalPERS will see additional increases in their normal costs and unfunded actuarial liabilities over the next few years even as the amount of classic members decreases.

Per the most recent July 2019 Annual Valuation Report (as of June 30, 2018 for FY 2020-2021), the District required employer contributions (normal cost plus unfunded liability payment) will be increasing over the next five years as shown on the following tables.

<b>Employer CalPERS Contributions – Classic Members</b>					
<b>Fiscal Year</b>	<b>2020-21 (Actual)</b>	<b>2021-22 (Projected)</b>	<b>2022-23 (Projected)</b>	<b>2023-24 (Projected)</b>	<b>2024-25 (Projected)</b>
<b>Employer Normal Cost - % of Payroll</b>	11.742%	11.7%	11.7%	11.7%	11.7%
<b>Annual Unfunded Liability Payment</b>	\$971,414	\$1,112,000	\$1,231,000	\$1,301,000	\$1,377,000

<b>Employer CalPERS Contributions – New Members</b>					
<b>Fiscal Year</b>	<b>2020-21 (Actual)</b>	<b>2021-22 (Projected)</b>	<b>2022-23 (Projected)</b>	<b>2023-24 (Projected)</b>	<b>2024-25 (Projected)</b>
<b>Employer Normal Cost - % of Payroll</b>	7.732%	7.7%	7.7%	7.7%	7.7%
<b>Annual Unfunded Liability Payment</b>	\$3,134	\$4,800	\$6,500	\$8,000	\$9,100

For the current 2019-2020 fiscal year, the District has budgeted the required payroll based employer contribution portion (10.823% of payroll for classic members and 6.985% for new members) plus the required annual unfunded liability payments (\$853,612 for classic members and \$1,476 for new members) for a total of approximately \$1.445 million in required employer CalPERS contributions. For last fiscal year 2018-2019 the District paid a total of \$1.259 million for payroll based and unfunded liability CalPERS employer contributions. For the same 2018-2019 year, the District CalPERS fringe expenses were approximately \$1.982 million including unfunded liability

payments, the employer contribution portion based on payroll, the year-end GASB 68 entry, as well as deferred inflows/outflows of resources and pension expenses.

### **Fiscal Impact**

The breakdown of the fiscal impact of supporting the proposed organizational chart for FY 2020-2021 is described below. Five percent (5%) increases have been assumed for merit and promotional changes in pay rate. When calculating costs, a “rolled-up” rate (with an additional .9% above base pay rate) was used that takes into account comprehensive benefits costs (CalPERS retirement, insurance package, and other District provided fringe benefits).

- 1) No fiscal impact will result from reclassifying the Line Locator/Inspector and Inspector to Inspector I and Inspector II respectively; as the positions will remain the same pay grades. It is expected that a new Inspector III will come in near the mid-point of the grade 6 salary range at \$43 per hour. Thus, this new staff member will cost approximately  $\$43.00 \times 1.90 \times 1040 = \$84,968$  for the first half of the year then following a 5% hourly pay increase at the end of six months in the position would be a \$2.15 hourly pay increase equating to  $\$45.15 \times 1.90 \times 1040 = \$89,216$  for the second half of the year. Therefore, would be approximately \$174,184 total cost for the new Inspector III position for the fiscal year. However, as the District has been paying approximately \$190,402 annually for contract inspection services, the cost of filling the vacant position will be offset by the reduction in contract inspection costs. Thus, no cost increase for 2020-2021.

## Discussion

### **Organizational Charts**

The following organizational charts reflect the current and anticipated workforce needs required to maintain service levels. These charts serve as projections of forecasted staffing changes which will later need budget approval. The organizational charts have been color coded to identify the anticipated changes and depict those employees currently eligible or close to retirement age for succession planning purposes. Color pie charts are also included to depict the workforce age as employees near eligibility for retirement, from age 50-54 (in blue) to those 55 or over (in yellow). The current 2019-2020 organizational chart has also been included as a basis for comparison purposes.

Organizational charts projecting the labor needs for the next 5 fiscal years are attached as follows:

- 2020-2021
- 2021-2022
- 2022-2023
- 2023-2024
- 2024-2025

**Please note that staff is only requesting the Board to approve the recommendations for FY 2020-2021. The organizational charts for FY 2021-2022 and beyond reflect future possible projections. Staff will continue to present to the Board the Staffing Analysis document with recommendations for Board consideration and approval each fiscal year.**

#### **The FY 2020 - 2021 Organizational chart reflects:**

Staff recommends reclassifying the Line Locator/Inspector to Inspector I, Inspector to Inspector II and creating a new Inspector III (filling the previously vacant Inspector position). No additions requested so total employee headcount will remain at 91.

#### **The FY 2021-2022 Organizational chart reflects:**

For FY 2021-2022, staff recommends the addition of an IT Systems Administrator. The position will be primarily responsible for cyber security functions. The addition of a second Systems Administrator position will serve to meet the increasing demands of network security, user support, and maintenance of the District's critical IT network infrastructure. This salary grade 11 position is anticipated to cost approximately

\$180,000 for the 2021-2022 fiscal year. The total employee headcount will then be 92 employees. However, please note that this position may be delayed to a future year depending on budget constraints.

**The FY 2022-2023 Organizational chart reflects:**

For FY 2022-2023, staff recommends the addition of a new Wastewater Collection Systems Operator position. This position would report to the 4S Water Reclamation Facility and coordinate the various elements of the collection system maintenance program assuming the key collection related duties currently performed by the Water Reclamation Plant Operators. The total employee headcount will then be 93 employees.

**The FY 2023-2024 Organizational chart reflects:**

No changes anticipated for 2023-3024.

**The FY 2024-2025 Organizational chart reflects:**

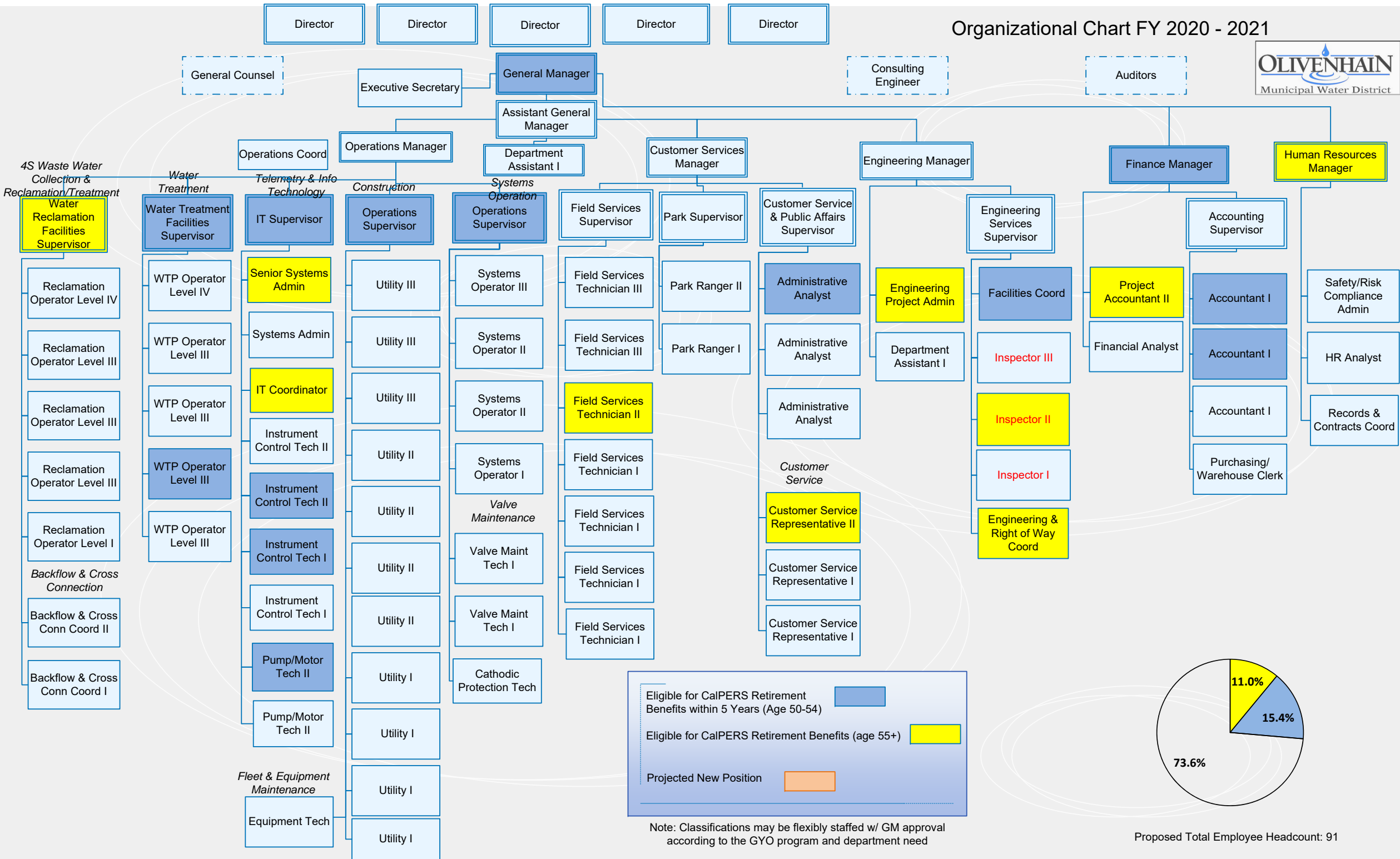
For FY 2024-2025, staff recommends the addition of a new Technical Services Manager. This Manager is expected to oversee the operations of the 4S Ranch Water Reclamation Facility and Water Treatment Plant and their staff members. In addition, the brackish/reuse plant and staff are anticipated to come on-line during this time period which will also be managed by the Technical Services Manager position. The Information Technology division (including Pump/Motor Technicians and Instrument Control Technicians) is also projected to be moved under this new Technical Services Manager; however this will be determined as we move closer in time. Of note, the Technical Services Manager position addition is contingent upon the addition of the new brackish plant.

In addition, a Department Assistant I position is projected to be added in order to assist with the necessary various administrative duties of the plants and the new Manager. This position will report directly to the Technical Services Manager. The proposed total headcount for FY 2024-2025 will then be 95 total employees.





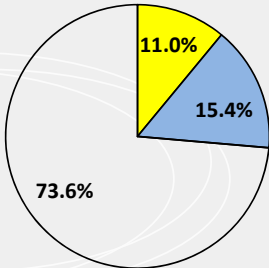
# Organizational Chart FY 2020 - 2021



Eligible for CalPERS Retirement Benefits within 5 Years (Age 50-54)

Eligible for CalPERS Retirement Benefits (age 55+)

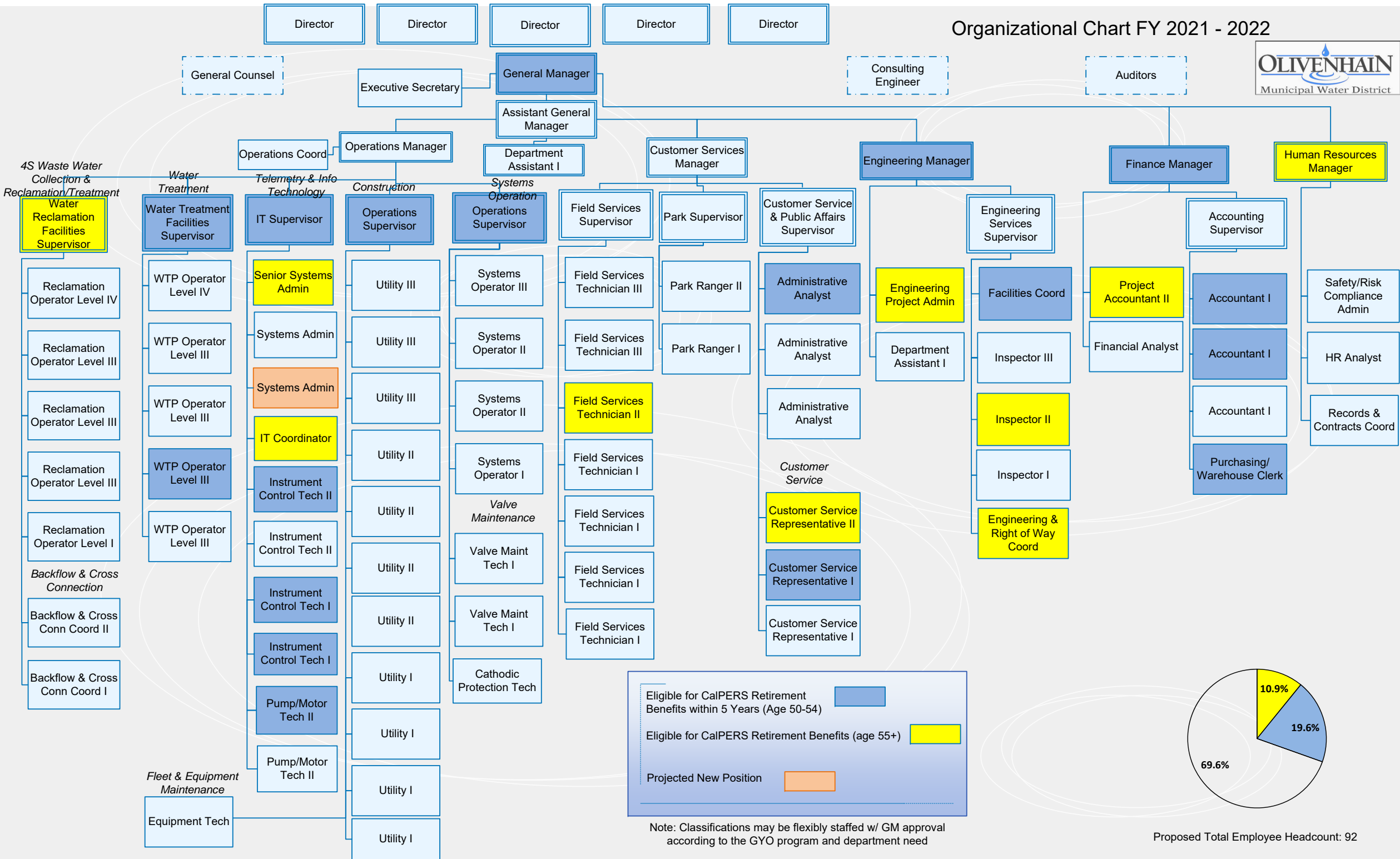
Projected New Position



Note: Classifications may be flexibly staffed w/ GM approval according to the GYO program and department need

Proposed Total Employee Headcount: 91

# Organizational Chart FY 2021 - 2022

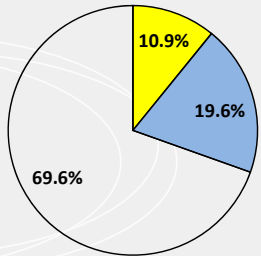


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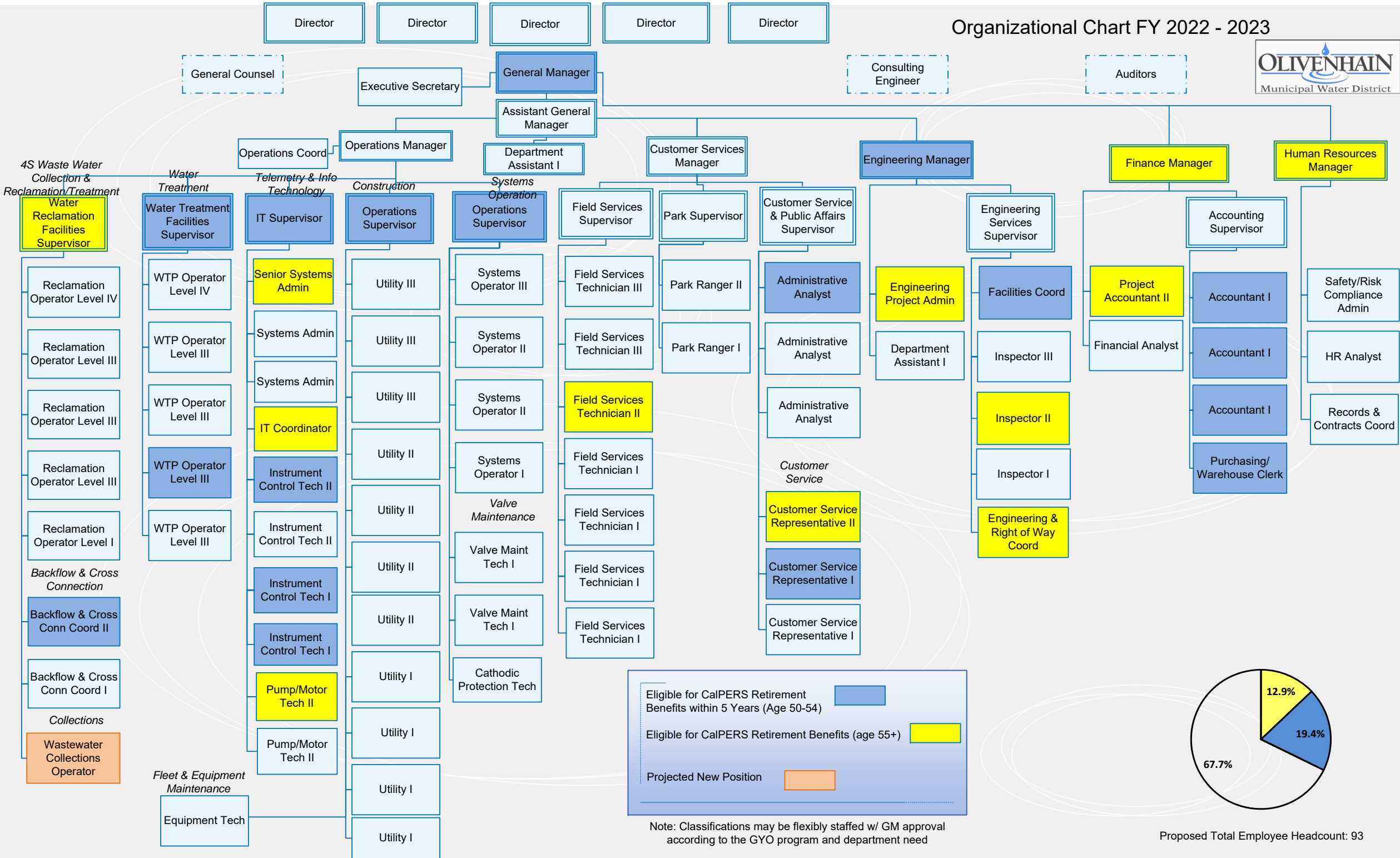
Projected New Position

Note: Classifications may be flexibly staffed w/ GM approval according to the GYO program and department need



Proposed Total Employee Headcount: 92

# Organizational Chart FY 2022 - 2023

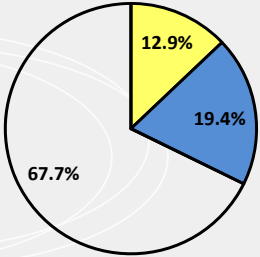


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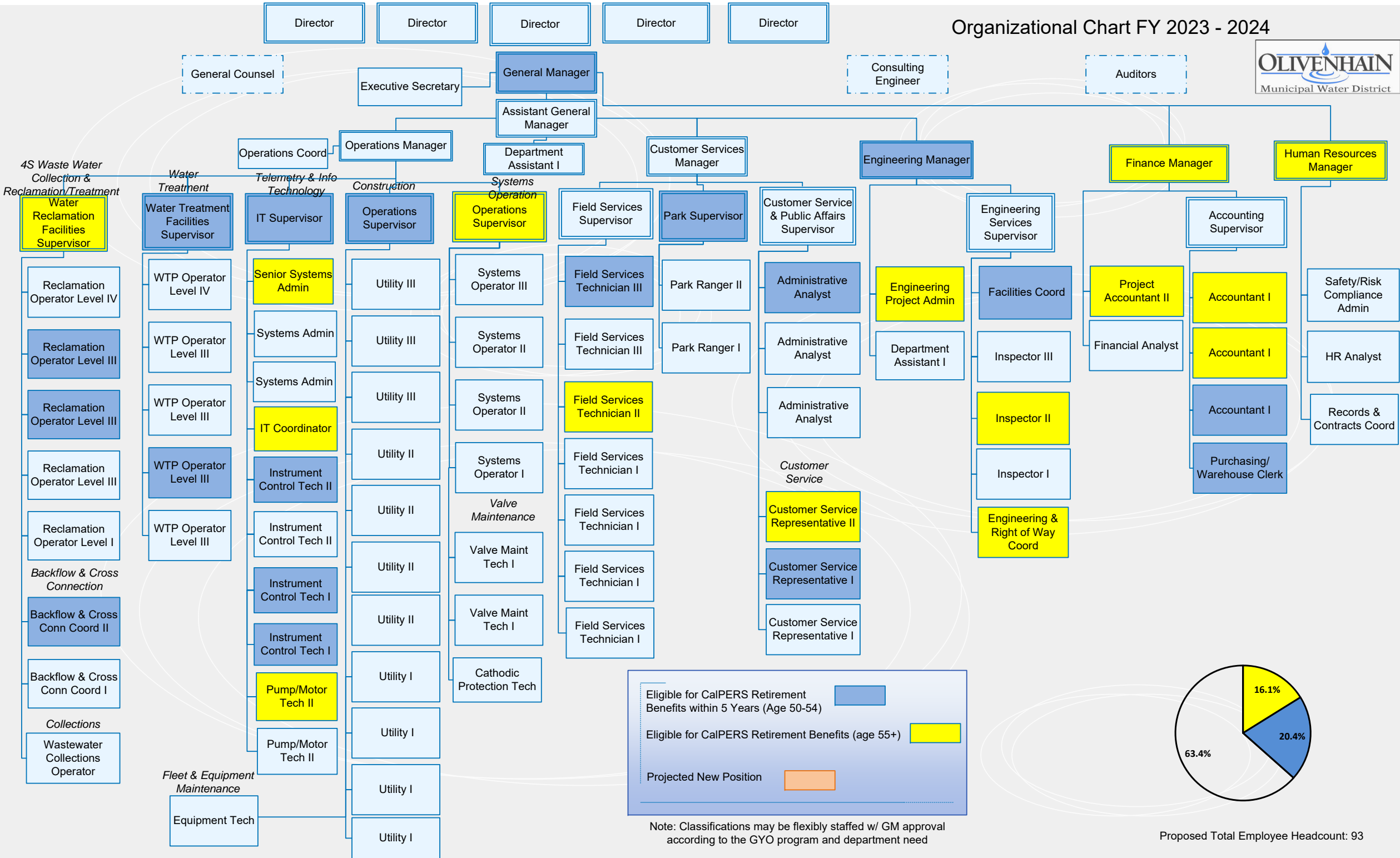
Projected New Position

Note: Classifications may be flexibly staffed w/ GM approval according to the GYO program and department need



Proposed Total Employee Headcount: 93

# Organizational Chart FY 2023 - 2024

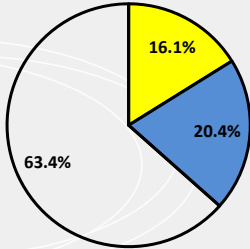


Eligible for CalPERS Retirement Benefits within 5 Years (Age 50-54)

Eligible for CalPERS Retirement Benefits (age 55+)

Projected New Position

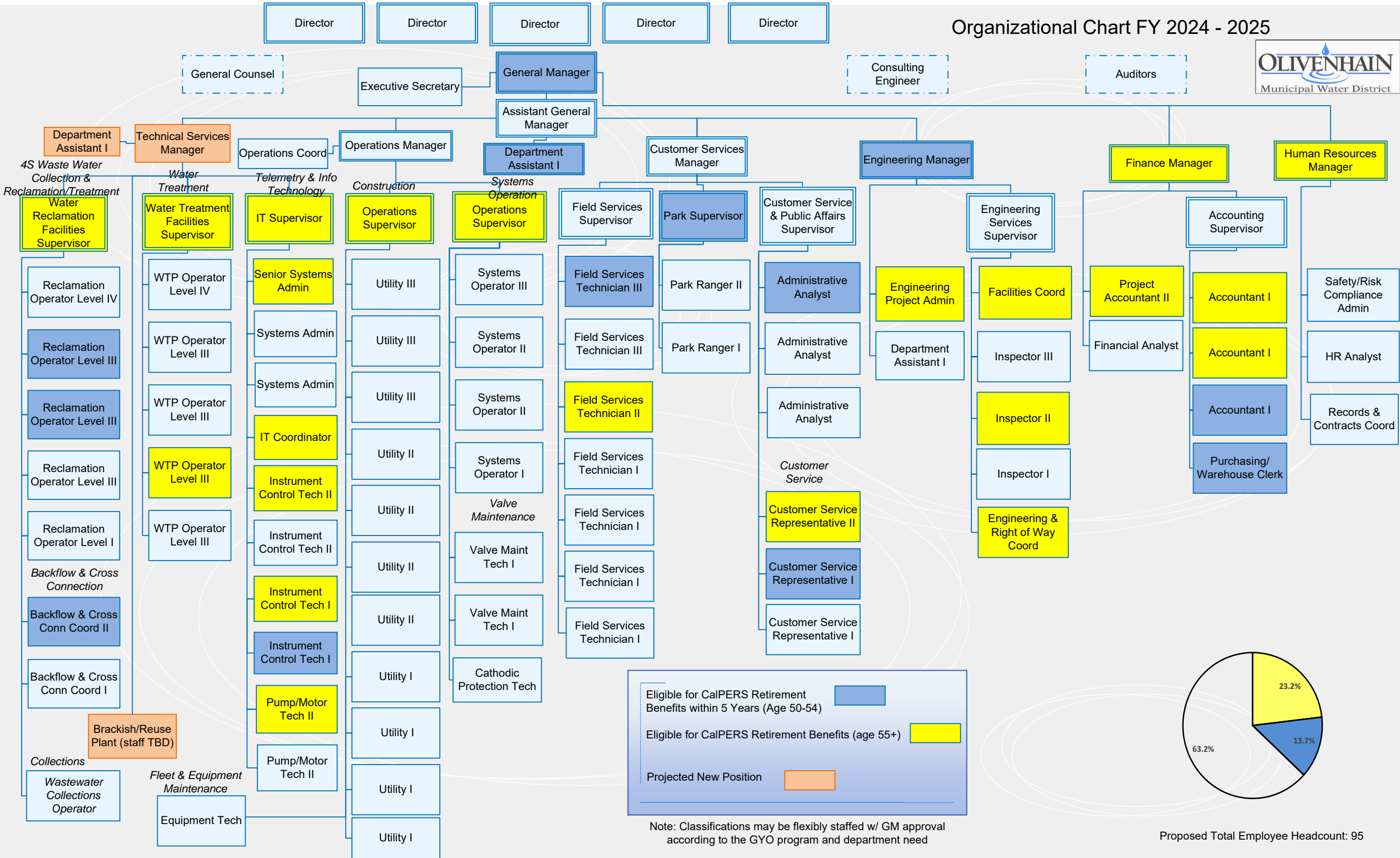
Note: Classifications may be flexibly staffed w/ GM approval according to the GYO program and department need



Proposed Total Employee Headcount: 93



# Organizational Chart FY 2024 - 2025

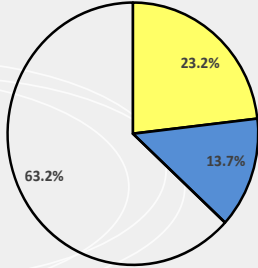


Eligible for CalPERS Retirement Benefits within 5 Years (Age 50-54) ■

Eligible for CalPERS Retirement Benefits (age 55+) ■

Projected New Position ■

Note: Classifications may be flexibly staffed w/ GM approval according to the GYO program and department need



Proposed Total Employee Headcount: 95