

ZONE 7 WATER AGENCY
COMPREHENSIVE ECONOMIC
AND OPERATIONS ANALYSIS

DRAFT REPORT

July 2009



MANAGEMENT PARTNERS
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July 31, 2009

Ms. Jill Duerig
General Manager
Zone 7 Water Agency
100 North Canyons Parkway
Livermore, CA 94551

Dear Ms. Duerig:

Management Partners is pleased to provide this draft report of our comprehensive economic and operational analysis of the Zone 7 Water Agency. It is the result of a factual examination to determine how Zone 7's support services can be provided in the most efficient and effective manner to best serve the rate payers and stakeholders while supporting the Agency's mission.

The draft reports recommend that Zone 7 transition from receiving support services from the County of Alameda and begin to operate on a more independent basis. This change is desirable and appropriate because, in reality, Zone 7 operates as an independent agency that operates like a special district, and because further independence will allow the Zone 7 Water Agency to operate more cost effectively. Since policy is set by the independently elected Board of Directors, operational alignment with policy objectives can be improved if the Agency operates independently of the County. Further, considerable streamlining can be achieved since the Agency has essentially set up parallel and somewhat redundant systems to effectively operate in its environment, which is much different from that of Alameda County.

While there are significant advantages to more independent operation we caution that the transition process itself will take time and require investment, because the workload associated with doing it correctly is substantial. Doing it correctly is, of course the only option, because a decision to transition is irrevocable, and the systems at issue are crucial to proper functioning. Nevertheless further independence would be beneficial and literally hundreds of special districts in California operate quite satisfactorily on an independent basis.

This report includes 24 specific recommendations on the service areas to be transitioned. Such a separation will result in cost savings for the Agency of up to \$355,000 per year and result in organizational efficiencies and enhanced effectiveness.

Please review this draft report for factual accuracy and provide us with your comments. Once we have received them, we will prepare a final report.

Sincerely,

Gerald E. Newfarmer
President and CEO

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EXECUTIVE SUMMARY

This study is focused on the question of how Zone 7 can best optimize the delivery of support services to carry out its mission of providing a reliable supply of high-quality drinking water and an effective flood control system to its service area. Support services are those things that allow it to operate and deliver services. They refer to such critical functions as human relations, finance, accounting, risk management and a host of other systems that organizations need to support their core mission. Because Zone 7 strives to achieve its mission in a fiscally responsible, innovative, proactive and environmentally responsible way, it is logical that it wants to do the best job possible in managing the delivery of support services.

Since its creation, Zone 7 Water Agency (Agency) has evolved into a semi-autonomous unit within the Alameda County Flood Control and Water Conservation District. The relationship with the District was documented first in a memorandum of understanding (MOU) with the County of Alameda in the late 1970s, and then amended in 1994. In 2003, AB 1125 was passed by the Legislature. This legislation deleted provisions requiring duplicative approvals by the District and Zone 7 Boards for certain actions and instead, required the Zone 7 Board of Directors to govern and control, in accordance with District law and without further action by the District Board of Supervisors, all matters relating only to Zone 7. This legislation also served to reinforce the original legislative authority vested in the elected Zone 7 Board of Directors to make and enforce all rules and regulations for the administration and governance of the Zone. While the original enabling legislation applicable to Zone 7 authorizes the Zone 7 Board of Directors to appoint at its discretion, the officers, agents and employees that they deem necessary for the Zone, such appointment is required to be done under and pursuant to the civil service rules and regulations of the County of Alameda, as Zone 7 employees are District employees. Final authority for approval of the annual budget also resides with the Board of Supervisors.

Since inception, Zone 7's support services such as payroll, budget, accounting, purchasing, human resources, and risk management have been provided by Alameda County. The legislative intent of AB 1125 was twofold: to ensure that the Zone 7 Board of Directors had the sole authority to govern and control matters affecting Zone 7 without being required to involve the County Board of Supervisors in the day-to-day operations and to eliminate any redundant reporting and financial procedures. However, the realities of having Alameda County provide

support services means that County makes many policy determinations that impact Zone 7 operations.

The County and Zone 7 are vastly different types of organizations. Zone 7 is essentially a special district focused on delivering flood control and utility services. It has a highly technical workforce of only about 100 people. The County of Alameda is a general purpose government agency providing the full range of services as authorized and mandated by the state. It employs over 9,000 people. The support service needs and realities for an employer of nearly 10,000 people are vastly different from those of a medium sized business such as Zone 7.

The arc of Zone 7's existence is quite different from virtually any other dependent special district. First and probably most importantly, the change in legislation that provided for a directly elected board in 1954. Second, the diversification of the moving into the water purveyance business in addition to carrying out the flood control responsibilities associated with the Alameda Flood Control District. Throughout Zone 7's existence it has gradually moved in the direction charted by its own leaders and board members to meet the water and flood control needs within the Agency's jurisdiction. With this local direction the Agency has grown as an institution related to but separate from County government. It has come to resemble and operate very much like an independent special district, using a series of agreements, MOUs and legislative changes to allow for this local control while respecting the legal relationship which exists with the County. This current move to study, evaluate and possibly implement further transitional steps is very much in keeping with this evolution. It reflects the reality that Zone 7, with its independently elected Board of Directors and approximately 100 employees, is a very different organization, with different operational and support needs than the County of Alameda.

In July 2007, Zone 7 staff recommended that the Board initiate a formal analysis of the cost, comparison of benefits and disadvantages of separating further from Alameda County with regard to the provision of support services. Management Partners was retained to complete this analysis in late 2008.

The purpose of this study was to analyze the advantages and disadvantages of continuing to use the support services from Alameda County compared with Zone 7 obtaining those services on an independent basis. The goal was to complete a factual analysis to determine how Zone 7 can provide the most efficient and effective services to its rate payers and stakeholders. It was not intended as an evaluation of the efficiency of County services.

Zone 7 is currently spending approximately \$1.2 million per year for County services. This appears to reflect the County's actual costs to provide these services, but the size and complexity of the County's mission and policies result in an inefficient use of labor and redundant work processes for Zone 7. This report shows that by providing services

independently, Zone 7 would reduce the cost to approximately \$877,000 per year, for a savings of approximately \$355,000 per year.

Aside from monetary incentives for change, Agency employees are frustrated by the need to work in redundant “shadow” processes to reconcile Agency financials and systems against the County’s system. These redundancies lead to inefficient use of staff time and service delays.

This report describes the Agency’s support services that can be transitioned from the County to Zone 7 to reduce the Agency’s costs and streamline services. This report contains analysis, conclusion and recommendation(s) for each support service area. Listed below are the 24 recommendations.

Recommendation 1: Review all internal control policies and procedures of the Agency to ensure that they reflect independent operations.

Recommendation 2: Assume responsibility for all financial functions internally. Several benefits exist for bringing financial functions in-house.

Recommendation 3: Obtain approval to hire a temporary junior accountant or accountant/auditor I to assist with the transition project and consider adding this position permanently to address the ongoing accounting duties assumed from the County following the transition of support services.

Recommendation 4: Obtain commercial banking services for the Agency to accommodate independent operations.

Recommendation 5: Review and update Zone 7 financial practices and procedures to ensure they meet the Agency’s needs for independent operation.

Recommendation 6: Identify configuration changes that might be necessary for independent service operation.

Recommendation 7: Outsource payroll to a commercial provider. Investigate automated time-collection technologies to streamline current processes.

Recommendation 8: Develop purchasing policies and procedures consistent with best practices of a special district .

Recommendation 9: Hire a temporary part-time purchasing agent to ensure that the purchasing operations are efficient and effective during the transition form County support services .

Recommendation 10: Separate from the County budget process and institute a January 1 through December 31 fiscal year for the Agency.

Recommendation 11: Initiate a two-year budget process.

Recommendation 12: Develop a CAFR and Special Agency Financial Transaction Report with guidance from a professional versed in small government accounting.

Recommendation 13: Seek approval of the County Board of Supervisors to administer the Alameda County Civil Service rules internally, without oversight from the County Human Resource Services Department and transition all human resources functions from the County to Zone 7.

Recommendation 14: Revise recruitment and selection processes and develop personnel policies to ensure the Agency is in conformance with appropriate laws and mandates.

Recommendation 15: Purchase new Knowledge Skills and Abilities (KSA) software to conduct job analysis.

Recommendation 16: Analyze the cost benefits of contracting with a commercial job posting and recruitment management service or with the CalOPPS program to facilitate recruitment processes.

Recommendation 17: Begin administering the benefits program in house.

Recommendation 18: Develop a replacement benefit package and attain ratification by employee labor organizations.

Recommendation 19: Provide appropriate training in the development and operation of benefit programs to human resources staff.

Recommendation 20: Analyze the cost benefits of hiring a skilled professional labor negotiator on an as needed basis during the transition.

Recommendation 21: Amend the current Employee Recognition Program to recognize length of service with the Agency.

Recommendation 22: Pursue membership in the ACWA JPIA for insurance coverage.

Recommendation 23: Disconnect the County data line once the transition to independent operations is complete and Agency staff has extracted any information needed.

Recommendation 24: Outsource email filtering services to LanLogic or another service provider.

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BACKGROUND

Before discussing the actual analysis of support services it is useful to understand the background of Zone 7. Its history has had a large role in shaping how the agency currently operates.

The Alameda County Flood Control and Water Conservation District was established by state law in 1949, creating a dependent special district governed by the Alameda County Board of Supervisors. Zone 7 is one of ten active zones within the District. These zones are based on the topography of the County and generally represent major watersheds or drainage areas within the County.

The Zone 7 watershed area contains the Livermore and Amador valleys and the cities of Livermore, Pleasanton and Dublin. While this area includes more than half the land in Alameda County, historically it was rural and sparsely populated. This area also had water supply and flooding issues which were quite different from the more developed older urban areas in Alameda County. Largely because of these differences Zone 7 evolved differently than other zones within the County. Specifically, Zone 7 is the only zone with a locally elected Board of Directors and water supply powers and responsibilities. State law made provisions for these developments in 1955 and voters approved the creation of Zone 7 and elected the first Board of Directors on June 21, 1957. Today Zone 7 provides water to about 200,000 customers, owns and operates 37 miles of flood control channels, and employs about 116 employees with total fiscal year 2009/10 budget appropriations of approximately \$94 million.

As a unit of local government, Zone 7 is unusual in that it has aspects of both an independent special district and a dependent special district. The Alameda County Flood Control and Water Conservation District was created under state law in 1949. According to the District Act, "...the Board of Supervisors of Alameda County shall be, and is hereby designated as, and empowered to act as, ex officio the Board of Supervisors of the Alameda County Flood Control and Water Conservation District." The District's enabling statute is fairly typical, but it did provide for the creation of local zones intended for specific projects that would benefit local areas only. There are currently 10 active zones.

Zone 7, as it has become known, is unique among zones within the District, because its residents were authorized in 1955 to elect their own

board of directors to govern and control matters that are specific to their boundaries. They did so in 1957. Zone 7's status as the only zone with its own elected board was born out of its then-remote location in the eastern portion of Alameda County.

During the years since 1957, Zone 7 has evolved into what could be described as a semi-autonomous unit within the Alameda County Flood Control and Water Conservation District. The working relationship with the District was documented first in a memorandum of understanding (MOU) with the County of Alameda in the late 1970s. It was amended in 1994. These MOUs were intended to delineate, between the two Boards, their respective agreed upon roles and responsibilities.

With the passage of AB 1125 in 2003, the need for the Board of Supervisors' approval over matters concerning Zone 7 was eliminated. The legislature expressly made clear that the Zone's elected directors has sole control over all matters affecting Zone 7 only. By expressly stating that the Zone 7 Board of Directors have sole control and authority over matters pertaining to Zone 7, it reinforced the original statutory language that empowered the Zone 7 Board to make all necessary rules and regulations for its administration and governance. However, the original statutory requirement that Zone 7 officers, agents and employees be appointed under and pursuant to, the civil service rules and regulations of the County of Alameda as District employees remained unchanged. The Zone 7 Water Agency has approved staffing of approximately 116 positions with four bargaining units.

On July 18, 2007, the Zone 7 Board of Directors approved a recommendation by staff to initiate a formal analysis of the cost and comparison of advantages and disadvantages of Zone 7 separating further from Alameda County support services with the goal of streamlining operations and eliminate duplication. The purpose was to ensure effective and efficient service delivery for rate payers. It was also to investigate concerns regarding the costs of County services compared with in-house services, and also to address concerns regarding the time it takes to conduct routine business practices such as purchasing and human resources, among others. This report is the result of the analysis.

STUDY APPROACH

Management Partners used a variety of analytical and management techniques described below. The approach enabled us to obtain an Agency-wide picture of common themes and issues.

Interviews

Management Partners began by interviewing the Agency's executive staff, legal counsel, division managers, select mid-managers and other staff members to ensure clarity of objectives, discuss communications, and review the project schedule. We also discussed how our work and its purpose would be communicated to Agency staff. We requested background information about Zone 7 to gain a solid understanding of services, issues and unique circumstances relevant to the project.

Management Partners also met with Agency Board members to understand their interests and perspectives and with the Agency's legal counsel to clearly understand the intent and interpretations with respect to the AB 1125 and earlier enacting legislation.

Document Review

This activity focused on obtaining a comprehensive understanding of what services the County delivers, how the services are provided and the estimated workload, costs and revenue generation, where applicable. We interviewed both County and Agency staff to ensure that a complete inventory of County services was obtained. As part of the basic data gathering, we obtained information available on performance expectations and cycle times, both from the County and the Agency.

Service Evaluation

Based upon the information provided, Management Partners evaluated the quality of service delivery associated with County services from Zone 7 staff's perspective, as well as against industry standards. We carefully documented how the existing service arrangements positively and negatively impact Zone 7's operating effectiveness.

From the catalogue of services, we identified functions that are redundant or duplicative County policies that drive service delivery but may not be of significance to the Zone 7 and industry best practices on current service delivery approaches. In this analysis we also considered and documented how current service approaches shape the information that the Agency relies upon for management purposes. Having access to quality management information, which often involves being able to analyze and aggregate data about individual transactions, is not the same thing as having an efficient system for providing the support services; both are equally important.

As our team identified duplication work-arounds, inefficiencies or a deviation from best management practice norms, we evaluated the impact on Zone 7 productivity and effectiveness. The evaluation process allowed us to prioritize the most potentially significant service delivery changes and to focus on which service delivery alternatives will yield the best results.

Having completed our evaluation of current service delivery, we considered the full spectrum of options. These include continuing to receive services from the County, providing the services with Agency staffing, and contracting for service with another provider (either another government or a private sector vendor). Options for each support service were considered. Alternatives that might improve service delivery were developed for each service.

Probable costs for alternative service delivery approaches were estimated based on the data collected. The impact on Agency productivity and cost effectiveness were determined. Alternatives were compared with the current County service delivery approach.

When an alternative service delivery approach appeared promising, Management Partners completed a more detailed cost/benefit analysis and evaluated the organizational impact on the Agency. We also identified legal or organizational constraints, necessitating discussions throughout the project with Agency legal counsel. This ongoing legal involvement was crucial because many of the issues of “detaching” the Agency from Alameda County services will require legal assistance.

Organization of this Document

This document is organized around the analysis of the various types of support services provided to Zone 7 by Alameda County. Each support service is the subject of a separate section of the report. Each support service is next discussed by discrete functions. For example, the Finance Services section discusses internal controls, accounting and related functions (payroll, accounts payable, audit reporting), purchasing, budget and financial reporting. The recommendations for each functional area

are made to enhance the efficiency and effectiveness of Zone 7 operations. The discussion of each separate recommendation includes *analysis* that describes how the current service delivery system functions, followed by a *conclusion* which briefly describes what was learned from the analysis, and then a *recommendation*, which is intended to be an action oriented statement of how service can be improved. After the recommendations are all introduced and explained, the report summarizes the findings and discusses transition planning issues.

An integral part of the report is contained in a number of attachments. These attachments include process maps of existing processes and other supporting information about existing support functions. A very important part of the report (perhaps the most important) is Attachment D, which includes the business plans for the various transitional activities. As suggested by the names, these plans are focused on how the District migrates from the existing service delivery approach to the improved approach embodied in the report recommendations.

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ANALYSIS AND RECOMMENDATIONS

Alameda County provides a wide variety of support services to the Zone 7 Water Agency, such as financial services, risk management, human resources, and information technology. Because the County is a large government agency, its systems are necessarily scaled to serve a much larger organization than Zone 7 and, thus, do not always best serve Zone 7's needs. A more detailed review of individual services and recommendations for future service provision methods are discussed below.

Separation from County Services

Zone 7 is spending over \$1.2 million per year for County services. According to the analysis in this report, if Zone 7 separates from County support services it would cost approximately \$821,000 per year for the same services, a savings of approximately \$355,000 per year after initial transition costs.

The County is charging Zone 7 based on its actual costs to provide these services, but the size and complexity of the County's mission and policies force Zone 7 to use work processes that are convoluted and redundant. In short, the County's business processes and systems are appropriate for the business needs of the County organization but often do not reflect the needs of Zone 7.

The original Zone 7 enabling legislation, the prior MOUs and AB 1125, provide for Zone 7 to have full responsibility and authority over all actions necessary for the government, operation and administration of Zone 7, including purchasing of goods and services and performing its own auditor-controller function in the fiscal management of Zone 7 funds. Notwithstanding, Zone 7 has continued to utilize the services provided by the County. As a result of Zone 7 remaining part of the County for budgeting and other administrative matters, the full extent of the authority vested within the Zone 7 by virtue of its enabling legislation and AB 1125, has not been fully exercised by Zone 7. In addition, AB 1125 did not remove provisions requiring the appointment of the Agency's employees pursuant to the County civil service rules and regulations thus resulting in a potential impediment to the Zone Board's ability to fully manage its day to day administration and operation autonomously.

Based on our analysis, the Zone 7 Water Agency has before it three options to create a foundation for transition away from County support services:

1. The County can amend the civil service rules to delegate authority to the Zone 7 Personnel Board and adopt a budget resolution giving budget authority to the Board as well.
2. The Agency can amend the District Act through the Omnibus bill that allows for minor language changes to legislation. Minor changes would address the civil service and budget authority issues.
3. The Agency can amend the District Act through special legislation to create a regional water conservation/flood control agency. Legislation introduced in 2010 and approved could be effective by January 1, 2011.

Each individual service is discussed below, as well as our recommendations for service provision in the future.

Financial Services

General financial services are provided for Zone 7 using a combination of County Auditor-Controller's Office (ACO) and Agency staff. These functions include accounting, payroll, accounts payable, accounts receivable, audit, and financial reporting services. The total cost to Zone 7 for financial services has been \$2,120,747 over the three-year period ending July 2009, plus additional information technology costs related to use of the County's financial software systems.

The County retained Maximus, a government consulting firm, to develop a cost allocation plan. The plan was updated in 2008 for FY 2009. Management Partners was not engaged to audit the County's cost allocation plan. However, based upon Management Partners analysis utilizing County services is not necessarily the best value for Zone 7. As discussed below, the costs for many County services or the combination of County and Zone 7 internal services are often higher than the cost for the Agency to provide those services on its own or outsource the services to other providers.

The County's business processes and rules are appropriate for their business needs but often do not reflect rate payer service needs and internal controls necessary for an agency such as Zone 7. The current service arrangement at times results in convoluted work processes requiring redundant labor and burdensome business processes on the part of Zone 7 staff.

Internal Control Environment

Analysis

Overly complex or burdensome internal controls, especially those that prevent efficient mission critical operations, are ultimately counterproductive and even risky. Agency staff provided Management Partners with anecdotes about work-arounds to get the job done. For example, to ensure Zone 7 service continuity, staff would route critical purchases or contracts through certain channels in the County organization that they felt could be relied on to process transactions quickly. These were not necessarily the proper channels, but they were most expeditious. At a minimum this can be cost-inefficient and can be disruptive to services. The cost of an internal control must always be evaluated against the abuse it is intended to prevent.

Management Partners has not assessed the cost or value of the County's control practices to its own organization. We assume that those processes are appropriate for the County. Regardless, it is not realistic for the County to substantially change its processes to meet the Agency's simpler needs. To do so would weaken the County's control environment. To properly protect the interests of the Agency, the Agency must separate from the County's practices and replace them with their own. These new policies should have the following characteristics:

1. The cost of any single internal control must be appropriate to the risk being managed.
2. The controls used should be those that are necessary to ensure proper use of Agency resources and provide accountability. The controls should not require staff to trade-off the interests of the core mission of water and flood control services against bureaucratic policies and procedures.
3. Controls should balance the need for accountability with the labor capacity of the organization. Staff must be committed to respecting and following streamlined policies and procedures, never "gaming the system" even in pursuit of the higher interests of the organization.

Conclusion

While the Agency has extensive internal control policies of its own, it has relied on the County to provide the overarching enforcement. The Agency's policies and procedures should be reviewed during any transition from County services to ensure that Zone 7 can operate with an appropriate level of risk without County enforcement or oversight.

Recommendation

Recommendation 1: Review all internal control policies and procedures of the Agency to ensure that they reflect independent operations. Create any policies and procedures that are needed in the absence of overlying policies of Alameda County.

Accounting, Payroll, Accounts Payable, Audit and Financial Reporting

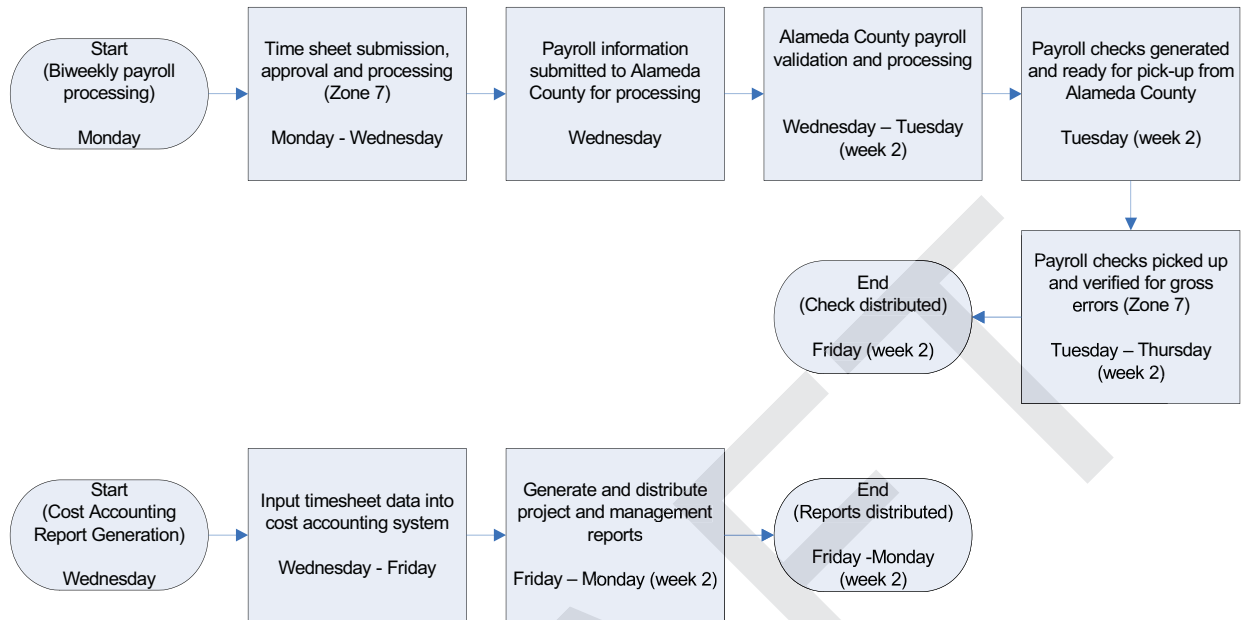
Analysis

Alameda County uses the Peoplesoft financial system to manage its financial information. Peoplesoft is a complex financial management system appropriate to the County's purposes. It was customized to include the business rules of the County organization at large. However, it does not meet all of the needs of the Agency, particularly in the area of project cost accounting.

Accurate project costing and tracking is a necessity in engineering organizations such as utility districts. As a result of the lack of project management support in the County's Peoplesoft system, the Agency uses a separate financial system (Fundware) together with a cost system that contain essentially the same Zone 7 financial data as the County's system but is organized to provide the needed project cost accounting information. In order for Zone 7 to have the information it needs to manage the organization, the same data must be entered into both systems and usually this must be done manually because of technical limitations and policy restrictions.

In addition, many of the County's administrative processes and procedures are needlessly complex as a result of the redundancies. The payroll and project time tracking processes are typical of this problem. Figure 1 shows the current payroll process:

FIGURE 1: CURRENT PAYROLL PROCESS



Conclusion

It is clear from Figure 1 that data entry done by Agency staff parallels work for which the Agency pays the County. Technologies are available that would relieve Agency administrative staff of most of the payroll data entry. Such technologies can populate the payroll data required by payroll systems and track time for project managers. Because of County policy and technology restrictions, the Agency does not have an option to employ such systems as long as the County provides the payroll service.

The County and Agency systems are also often difficult, sometimes impossible, to reconcile completely. The problem is due to technology differences in the software and transaction timing. The County processes payable transactions at its own rate, meaning information entered into the Agency’s system is entered in advance of the payable transaction actually being executed by the County or it is in arrears. The County also posts its own financial charges to the Agency’s accounts without notifying the Agency staff that they have done so. The net result is that Agency accounting staff spends several hours a month working to reconcile the financial systems.

The Agency currently conducts an independent audit. Independence from the County Auditor-Controller will not require additional audit services except as described below during the transition process. The Agency’s portion of the overall County Comprehensive Annual Financial Report (CAFR) is very small. For the Agency, developing their own stand-alone CAFR would allow more detailed financial information to be provided

which would be more beneficial if the Agency decided to seek support from private investors for a major project.

While the payroll services the County provides to the Agency are good, the same service can be acquired from a large private payroll contractor at a slightly lower cost. Because of Zone 7's use of the County for payroll services, the Agency is also restricted to only offering the County's benefit package to employees. That package is not competitive with other water agencies and most special districts, which can impact employee recruitment and retention efforts. Thus, changing to a private contractor would reduce costs to Zone 7 and provide the Agency with the flexibility to provide a variety of different benefit options.

The financial system issues, as well as the many other administrative issues discussed in this report that were discussed with Management Partners during the course of this project are substantially the same as those reported in two earlier studies of the Agency. A study by Hughes, Heiss, and Associates in 1993 explored the possibility of the Agency separating from the larger County organization as did a 2000 study by the Barrington-Wellesley Group that preceded the passage of AB1125. As a result of the continuing struggles the Agency has in conducting even routine business under County policies and procedures, Management Partners believes it is critical that the District make a substantial break from the County. Although the Auditor-Controller's Office (ACO) provides excellent service to the Agency in many regards, the price to the Agency in terms of hard dollars, limited options, inefficiency, and the frustration of Agency staff effectively eliminates any added value.

Recommendation

Recommendation 2: Assume responsibility for all financial functions internally. Several benefits exist for bringing financial functions in-house. The Agency can reduce the complexity of its own business processes and controls to a level effective for Agency operations and can thus reduce long-term costs by streamlining business processes and eliminating fees. There is an opportunity to reduce the frequency of the budget and water rate processes to once a year. The Agency can also offer more competitive benefit packages to employees.

Analysis

Currently the Agency employs two accounting professionals, an accounting manager and senior accountant-auditor. The Agency has four positions assigned to process financial transactions of various types. Currently, the clerks rely heavily on the two accountants for guidance in processing transactions so the accounting reports are properly expressed. Once a separation from County support is made, and especially during the transition, the existing accounting professionals will be dedicated to purely accounting functions. They will be largely

unavailable to line staff as they develop the Agency's financial policies and procedures, develop financial reports, and assume responsibility for the normal changes in accounting processes over time. The finance area will require the largest number and most complex changes.

The auditor position has been vacant for some time. The remaining staff person has been able to absorb the workload without a problem and so the position has not been filled. The budget for this position had been reallocated to a position in human resources.

Conclusion

Management Partners recommends that an accounting position be added on a temporary basis during the transition from County services to support line finance staff and allow the existing accounting professionals the latitude to embark on the recommended separation project. If the workload after the transition warrants adding another position, it could be considered at that time.

Recommendation

Recommendation 3: Obtain approval to hire a temporary junior accountant or accountant/auditor I to assist with the transition project and consider adding this position permanently to address the ongoing accounting duties assumed from the County following the transition of support services. Once the transition is complete and workload has stabilized, the labor capacity of the finance unit should be reassessed to ensure the right number of employees and the right skills inventory exist. Implementation of this change will result in the need for an additional junior accountant or auditor/accountant I position, with an approximate total compensation package between \$110,000 and \$125,000.

Analysis

The Agency's separation from County support service will require that Zone 7 open a commercial bank account of its own.

Conclusion

Management Partners recommends the following list of services and features are desirable for small governments such as local cities and other special districts:

- Demand deposit checking accounts (zero balance account)
- Banking supplies
- Interim financing or line of credit
- Payroll direct deposit
- Trust and escrow agent services

- Credit/debit card services
- Investment safekeeping services
- Interest/overnight investment
- ACH debit and credit services
- ACH reporting
- On-line banking
- On-line balance reporting
- On-line stop-pays
- On-line wire transfers
- Overdraft Line of Credit
- Positive-pay on checking accounts
- Purchasing cards
- Credit card merchant accounts
- Safe deposit services
- Night depository services.
- Lock-box services
- Courier services
- Armored car services
- Account reconciliation processing (ARP)
- Designated account executive
- Public depository and branch location
- Availability of funds
- Excellent customer service and response
- Full fee disclosure

Recommendation

Recommendation 4: Obtain commercial banking services for the Agency to accommodate independent operations. Identify local banking services and conduct interviews to determine their ability to provide both the services that are critical to the Agency and as many of the desirable features listed above.

Analysis

As discussed previously, the transition from County services to in-house services will also require the development of internal policies and procedures. Although staff is confident of their ability to operate on their own, they feel an independent review by an accounting expert would be important for the development of proper practices. In the past, that service would normally be provided by the Agency's independent auditor.

Conclusion

With current restrictions on the services an auditor can provide and still retain their independence, it is prudent to choose a third party to provide this service. Staff will also require some support in the development of the first independent Agency CAFR.

Recommendation

Recommendation 5: Review and update Zone 7 financial practices and procedures to ensure they meet the Agency's needs for independent operation. A consulting CPA may be desirable to assist the agency with this effort.

Analysis

The Agency currently uses the Fundware financial accounting system, which has modules available for all of the Agency's functions. Some additional software licenses will be required for full independent operation such as purchasing, cash management, and fixed assets. The Fundware system has been a common choice for small governments during the past ten years. Although Fundware's feature list cannot compare with the County's Peoplesoft system, many small special districts find it adequate for their needs.

Currently the Fundware system installed in Zone 7 is customized to a minimal degree. It primarily addresses the needs of project management support because that was its primary function since its acquisition. In order to realize the full functionality of Fundware, its manufacturer, Blackbaud Inc. (which recently acquired Fundware from another vendor) or one of its third-party support providers can be consulted. The vendor should assess the configuration based on the Agency's new needs for independent operation and help staff assess how it does or does not fit their needs. Once the assessment is completed, it will be clear which configuration options are needed improve its current function and which additional computer reports should be created to provide the base information for the Agency's independent CAFR.

In the future, it may be appropriate to replace Fundware with a more robust financial system. Currently there are several on the market. In fact, Blackbaud continues to provide support for the Fundware product but is actively marketing its own product as a replacement option for Fundware customers. Blackbaud's product clearly has a more modern look and feel but a more detailed evaluation must be performed to determine whether it would be appropriate for use by Zone 7. Blackbaud offers Fundware clients an option to transition to their own product for no additional license fees for software under a maintenance contract (although the missing modules would require an additional license fee). There would also be costs for implementation services. This option is likely to provide Zone 7 with an alternative that would be less expensive, and require less staff time, than acquiring one of the alternative products on the market.

Conclusion

Because of the transition to an independent operation, Management Partners recommends that the Agency forego implementing a new

financial system prior to executing the transition from County services unless it is absolutely impossible for the agency to operate independently with the Fundware software. There are two significant reasons for this recommendation. First, it will take time to develop the detailed project specification and go through the purchasing and implementation process which can be done more effectively after the transition. Second, the Agency needs to develop its internal skills and processes in order to be able to utilize the new system effectively.

New business systems projects are fraught with risks and are likely to introduce delays that may prove to be very costly. A formal government acquisition process and major business system implementation will require at least a year. Unfortunately, major business system implementations (for financial systems and most others as well) are not always smooth because of software problems, problems with the implementation partner, problems within the organization itself, and most commonly, problems with all three. It is not uncommon for such problems to continue for a few years after the system is put into service. If Zone 7 embarks on the process of separating from County services, there will be a large number of organizational changes required. The implementation of a major software system itself brings significant changes.

In Management Partners' experience, the selection and implementation of a financial system is best managed by an agency that has well-developed financial processes and accounting practices. Such experience would put the organization in a much better position to identify its needs and to manage the project. While managing operations with weak financial software is difficult, we believe the organization has few opportunities to acquire a full-featured system and implement it in the most effective way. That is best done when the financial system is the primary focus of the project staff and the staff has some experience in independent operations. However, the Fundware system should not be allowed to stand in the way of this project. A temporary use of the Blackbaud product might offer a slightly less disruptive option if Fundware is found to be lacking. Third party solutions could be an option further down the priority list even though some of the third-party solutions may be technically superior. Several examples of such systems are listed below.

Tyler Technologies (formerly Eden Systems) www.tylerworks.com

Sungard Inc. Bi-Tech www.sungardps.com

Sungard Pentamation www.pentamation.com

Microsoft Dynamics

<http://www.microsoft.com/dynamics/gp/product/government.mspx>

Black Mountain Software www.blackmountainsoftware.com

Red Wing Software www.redwingsoftware.com

Accufund www.accufund.com

Note: This list reflects some recent consolidations of the market. There are additional systems in use in local governments that are no longer supported.

Recommendation

Recommendation 6: Identify configuration changes that might be necessary for independent service operation. Consultation with Blackbaud Inc., the manufacturer of the Agency's financial software, or one of its certified partners, will be helpful to identify and prioritize changes. Eventually the Agency may find that Fundware is not ideal for complete service and a replacement project can be developed in future years after this initial transition has been completed.

Analysis

It is very common for small organizations in both the private and public sectors to outsource payroll processing services. The ACO has provided excellent payroll support service but cannot continue while the Agency is otherwise independent because the County's software is not configured to provide all financial services for its subunits. Management Partners has a client in Los Angeles County that is the same size as Zone 7. They recently signed a contract with one of the largest payroll processing companies for \$18,400 per year, over \$11,000 per year less than the \$29,518 currently charged by the ACO). Although Bay Area rates may be slightly higher than Los Angeles County, it is unlikely that the cost will approach the ACO's current rate unless the Agency chooses extra services beyond base payroll services.

Conclusion

Contract with an outside provider will utilize about the same labor currently expended by Agency staff. Contracting with one of the large commercial service firms will allow the Agency to use automated time collection technologies if it so chooses. Such technologies provide web pages for staff to enter their time and credits labor to projects or other activities as appropriate. Other technologies support traditional time clocks or other electronic devices. Once the time is entered and approved according to Agency policies, it can be transferred to both the payroll system and project accounting systems with minimal involvement by finance staff, thereby reducing the labor required to process payroll and project time reporting.

Recommendation

Recommendation 7: Outsource payroll to a commercial provider. Investigate automated time-collection technologies to streamline current processes.

Purchasing

Analysis

The Agency uses the County's processes for purchasing. For goods and many services less than \$3,000 in cost, Zone 7 uses purchasing cards (issued by J.P. Morgan under a County program). The County administers the purchasing card program, including paying the bills. The Agency's internal auditor manages the statements, validates use, etc. Periodically the County "kicks back" a charge if they feel County purchasing regulations have not been followed, resulting in service delays and frustration for Agency staff. Maps of the current purchasing processes can be found in Attachment A.

Purchases of \$3,000 but less than \$10,000 require a purchase order with three informal quotes (verbal, fax, or electronic). Purchases of \$10,000 but less than \$25,000 require three formal quotes. Notice of the sole source acquisitions are posted on the County's internet website for five business days before processing by a County purchasing manager to insure compliance with the sole source regulation.

Purchases of \$25,000 to less than \$100,000 require three written bids. Sole source bid notices are put on the internet for 10 days before processing the request. Purchases over \$50,000 require Zone 7 Agency Board approval and those over \$25,000 require County Board of Supervisors approval in addition to Agency Board approval.

A small number of Agency employees have purchasing cards issued under the County's program. The Agency periodically has difficulties that prevent staff from acquiring certain products due to restrictions the County has put in place to control purchases and costs for the organization. The County's rules are appropriate for their larger organization, but they create difficulties for the small Agency such as Zone 7.

Purchasing and procurement services for Zone 7 cost a total of approximately \$180,000, with the County charges totaling approximately \$80,000 and \$100,000 for Agency staff and miscellaneous internal costs.

Conclusion

Agency staff reports that a great deal of effort is expended to acquire goods and services under the County's purchasing program. While the County's purchasing program meets a wide variety of interests in the County as a whole, it is often less effective for Zone 7 rate payers and efficient support operations in the district organization.

Recommendation

Recommendation 8: Develop purchasing policies and procedures consistent with the best practices of a special district. Policies should be developed in consultation with the General Manager and Assistant General Manager. The Board should delegate to the General Manager the authority to purchase goods and services below a comfortable threshold and the General Manager should delegate purchasing authority to lower level staff as appropriate. Revising the Agency's purchasing policies will simplify and improve internal controls and result in the faster acquisition of goods and services. In turn, that should improve external service delivery to Agency customers.

Analysis

Despite the complexities of the County's purchasing processes and procedures, the County does provide the Agency with a fair amount of administrative labor in packaging and managing the acquisition process and maintaining the Agency's fixed asset data. The primary advantage to the Agency in assuming full responsibility for purchasing is to improve the speed of acquiring goods and services.

Conclusion

Despite efficiency improvements available from streamlined policies and processes, Management Partners believes current purchasing staff does not have the labor capacity required to operate the purchasing function. The addition of a temporary part-time purchasing agent to assist with acquisition management and fixed asset tracking should remedy the situation during the transition from County support services. Following the transition, Management Partners recommends that Zone 7 staff analyze the purchasing workload to determine if this position should become permanent.

Recommendation

Recommendation 9: Hire a temporary part-time purchasing agent to ensure that the purchasing operations are efficient and effective during the transition from County support services. This position is necessary to take on some of the internal purchasing workload that will occur if the Agency separates services from the County. This would cost approximately \$55,000 per year.

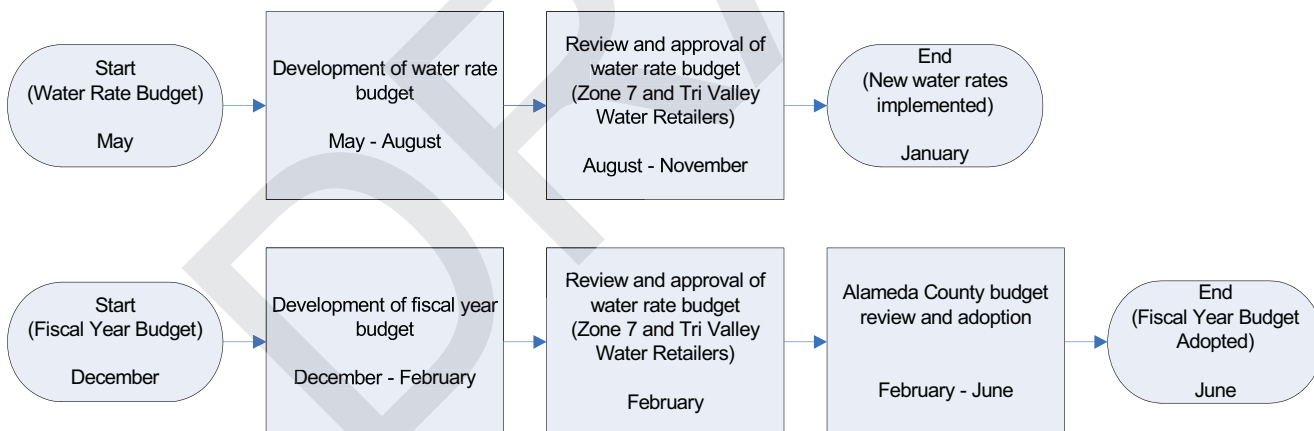
Budget Preparation

Analysis

Zone 7 participates in the County's budgeting process, which creates a number of costly inefficiencies for the Agency. Currently, the Agency must develop a tentative budget, primarily of its water enterprise, beginning in the summer of each year in order to adopt water rates by early winter and notify retail customers of changes effective January 1. This tentative budget is then updated in the beginning in December with the remaining non-water enterprise activities included. The Agency then must adopt a complete budget by March for inclusion in the County's fiscal year budget which runs from July 1 through June 30. Because the water enterprise comprises the majority of the Agency's operations, budget development is effectively done twice. Most organizations adopt budgets in May or early June for fiscal years beginning in July. That late adoption allows organizations to include two to three months more cost and revenue information. Zone 7 is forced to base its budget process on information developed no later than January in most cases. Thus, they do not have the opportunity to review the additional months of revenue and expenditure information when they make their financial projections for the next year.

Figure 2 below shows the current process for both water rate and fiscal year budgets:

FIGURE 2: CURRENT WATER RATE AND FISCAL YEAR BUDGET PROCESS



As a purely practical matter, since the County provides accounting services, the Agency's fiscal year and budget must coincide with the County's to avoid costly dual bookkeeping practices. The ACO has stated they cannot support Zone 7 using a different fiscal calendar because of technology limitations with its financial system and an unreasonably large amount of labor that would be required of them. Management Partners agrees that changing the Agency's fiscal year would create a number of redundant processes for the ACO, as it would create two different year-

ends (Zone 7's and the County's) and two audit periods. Also, this would negatively impact many of the County's other routine financial operations.

Conclusion

Management Partners believes practical limitations within the ACO do not prevent a single budget process from being adopted by Zone 7 once the ACO no longer provides financial services. The Agency would likely also save at least one-half of a full-time equivalent employee (FTE) in internal labor by eliminating redundant budget processes.

Recommendation

Recommendation 10: Separate from the County budget process and institute a January 1 through December 31 fiscal year for the Agency. A transition period should be carefully planned between the staff of both agencies to ensure a smooth transition.

Analysis

Many governments have implemented two-year budget cycles to reduce the staff time spent on the budget process each year. In such organizations, a two-year budget is prepared and approved by the governing body at the beginning of the cycle. Minor updates are made in the second year to correct for unforeseen costs and revenue changes but a full budget development process is not necessary. In the case of Zone 7, water rate adjustments could be proposed in the update that is prepared for the second year of the two year budget.

Conclusion

Two-year budgeting requires careful forecasting of revenues and expenditures. It typically requires slightly more time to complete the budget but it can free a significant amount of time in the out years for other work. Both staff and the governing body are the beneficiaries. With regard to the transition from County services, an 18-month budget is recommended to allow the Agency to cover the transition from County services and move into independent operations. After the transition has occurred, a two-year budget can be prepared and can continue into the future.

Recommendation

Recommendation 11: Initiate a two-year budget process. Doing so reduces total labor required for the Agency's budget process while providing a way to address annual water rate changes, and allows Agency budgets to more accurately reflect costs and revenues.

Financial Reporting

Analysis

As mentioned earlier in this report, Alameda County currently includes the Agency in its Consolidated Annual Financial Report (CAFR). While no serious discussions have occurred to this point, County staff have approached Agency staff informally and told them the County may not be able to provide that service much longer. However, the Chief Deputy Auditor-Controller informed Management Partners there has been no serious internal discussion of this at this point. Staff reports there are differences in technical opinions between the ACO and the agency's independent auditor regarding how certain expenses and revenues are reported. This leaves Zone 7 with the responsibility of reconciling the differences to comply with the audit requirements. Regardless of the County's decision to include Zone 7 within its CAFR, the Agency's needs will be better met if they produce independent financial reports. The Agency's financial information is largely lost in the much larger volume of information on County functions, thereby limiting its value to the Agency's constituency and potential creditors. In addition, preparing separate financial reports will allow the Agency staff to align its accounting practices with the recommendations of its auditor who is ultimately responsible for validating the information.

Conclusion

Development of an independent CAFR would meet the Agency's financial reporting needs. The CAFR and a Special District Financial Transaction Report have to be provided to the State Controller each year. For the Agency, separating services from the County and preparing their own financial reports would provide agency managers and supervisors with detailed reports that better support Zone 7's operations and project management other than those currently available. Other reports may be required by creditors or if the Agency becomes a member of certain Joint Powers Authorities.

Recommendation

Recommendation 12: Develop a CAFR and Special Agency Financial Transaction Report with guidance from a professional versed in small government accounting. As the Agency undertakes this recommendation, it will need to attend to internal and external reporting needs.

Human Resources

Analysis

Although general governance issues between the County and Zone 7 have previously been resolved (through AB 1125), the delivery of human resource services remains linked to the County's Civil Service Commission. The Agency is mandated by the District Act to appoint its employees pursuant to the County's Civil Services Rules. These rules are promulgated by a five-person Civil Service Commission whose members are appointed by the County's Board of Supervisors.

In this section of the report, we discuss human resource services related to recruitment and classification, employee benefits, labor relations, and employee recognition programs. We begin with recruitment and classification services which have the greatest link to the County's Civil Service Rules.

Recruitment and Classification Services

In the area of recruitment and classification, Zone 7 is currently responsible for the following:

- Employee recruitment (advertisement)
- Testing (assessment)
- Hiring
- Job analysis studies
- Classification studies

Alameda County serves as auditor for all activities of the Zone 7's recruitment and classification functions. Zone 7 is one of five decentralized human resources units of Alameda County. Attachment C shows the breakdown of human resources duties between these five departments/agencies and County HR Services, according to the decentralization agreements. In summary, the County provides the following services:

- Audits/approves Zone 7 recruitment plans, test materials, job analysis studies
- Creates list of eligible candidates
- Administers civil service rules
- Seeks Civil Service Commission approval
- Reviews and approves new classifications

As part of this review, Management Partners prepared detailed process maps of the current Zone 7 recruiting process. As can be seen in Attachment C, the County's civil service process adds numerous steps and, thus, time delays to Zone 7's recruitment process. While the County's process may serve its own needs, Zone 7 staff estimates that the recruitment process can take nine months from the time an existing

position is vacant until the position is filled. If a new classification needs to be created, the process can take two to three months longer.

Conclusion

Zone 7 can achieve greater efficiencies and better meet its own needs with a standalone (full service) recruitment and classification unit. Doing so will eliminate duplicative internal controls. The workload suggests that this can be accomplished with current staff in the Zone 7 HR staff.

Recommendation

Recommendation 13: Seek approval of the County Board of Supervisors to administer the Alameda County Civil Service rules internally, without oversight from the County Human Resource Services Department and transition all human resources functions from the County to Zone 7. This recommendation should be implemented by creating an internal Personnel Commission. Although a Personnel Commission can be accomplished in many different ways, such a commission could be composed of several board members, Agency counsel, and a department manager for example. Zone 7 will also need to develop policies and procedures for a personnel system which includes recruitments and disciplinary procedures.

Analysis

Alternatively, Zone 7 can obtain the advice of legal counsel to determine the feasibility of establishing a personnel commission and independently administering the County's Civil Service rules under the authority provided through AB 1125. As noted above, AB 1125 clarified the relationship between Zone 7 and Alameda County by giving Zone 7 the authority to manage its own internal affairs. Human resource services certainly fits within the typical definition of internal affairs for a unit of local government.

Modernizing Recruitment and Classification Services

As noted previously, during the course of this review Management Partners did not assess how well the County's rules and regulations serve County interests. We have assessed how the County's rules and regulations affect Zone 7 and offer recommendations to resolve inefficiencies and implement best practices.

The County's Civil Service Rules are not reflective of modern HR systems for small local governments in the region. Rather, a clear set of hiring practices and regulations typically take the place of civil service systems. These practices reflect the same principles found in civil service systems: hiring on the basis of qualifications, skills and abilities, competitive processes, and thorough evaluations of candidates' skills.

In addition, most small governments (and special districts) no longer use a traditional civil service program which utilizes an independent personnel commission to guarantee independence of hiring and firing practices from political interests. The mandate of such commissions is that it verifies compliance with many civil service policies and as a result, creates inevitable delays in personnel activities.

We have found that it is more effective and efficient for organizations with professional HR staff to manage personnel issues directly, especially with organizations that have effective employee representation. Respect for labor law and appropriate memoranda of understanding between the government and its employees are sufficient to ensure the interests of employees are taken into consideration while allowing personnel processes to proceed quickly and smoothly.

Appointing employees based on qualifications and ability is imbedded in professional management. Cities and special districts with and without formal civil service systems use a set of practices that reflect the standard and policy of hiring the best candidate for the job based on qualifications, experience and ability to perform at a high level. Those practices are recorded in a set of personnel rules in most local governments. Some agencies have personnel rules adopted by the Board, a Civil Service Commission or a set of administrative policies. Regardless, these systems achieve the same end, which is appointment on the basis of qualifications, ongoing evaluations and maintenance of a merit system. Both have structured classifications, salary resolutions, appeals systems, examination processes, and make appointments on the basis of qualifications.

One of the prime interests of Zone 7 staff is that the Agency be able to perform recruitments without support from the County. While there is some benefit to oversight by an external reviewer (which the County provides), small governments throughout the County are able to provide effective marketing and testing processes. However, the County HR processes are undergoing significant review and revision to streamline processes for its own purposes. In establishing independent recruiting operations, the Agency should look toward the many other small governments in the region for models.

Conclusion

The Agency has actually performed most of the recruiting functions for several years and has significant experience in this area. Although there are currently many policies and procedures in place, they may require some modification to bring them into alignment with modern public sector human resources practices and the instructions of the Agency's independent Civil Service commission.

Recommendation

Recommendation 14: Revise recruitment and selection processes and develop personnel policies to ensure the Agency is in conformance with appropriate laws and mandates.

Two of the steps that are required to revise the current personnel system for the agency include:

- Creating an appeal/grievance process, including a corrective/disciplinary action appeal process and steps in the progressive discipline process. An internal Personnel Commission should adjudicate employee grievances as well as hear appeals of alleged fraud, irregularity, bias or discrimination in the recruitment/selection process
- Investing in technology to assist with the recruitment process, including an online requisition, application and testing.

Analysis

Once the Agency begins performing its own HR services, it will need new software to work most effectively. The Agency currently uses a software license for Knowledge, Skills, and Abilities (KSA) computer software that is owned by the County. The software assists in the development of valid job classifications. Existing job classifications are structured with this software.

Conclusion

Reverting back to developing job classifications in a manual format would require a fairly significant amount of labor. This software assists in validating the form of the classifications relative to legal standards. Continuing with the use of the same software would make the transition to independent operation smoother.

Recommendation

Recommendation 15: Purchase new Knowledge Skills and Abilities (KSA) software to conduct job analysis.

Analysis

One function of Alameda County's computerized human resources management system is a web-based recruiting tool that displays the descriptions of open positions and allows an applicant to complete an

application online. Management of the applications and testing processes can be done with this system in the County HR processes, although for many practical reasons the Agency currently manages testing outside of the County's system. The Agency does use the County's online job postings.

Conclusion

There are at least two commercial services that specialize in government recruiting that would allow the Agency to both post job openings on a website and manage the subsequent testing processes. Additionally, the City of Foster City has created a service called CalOPPS that is operated on a semi-independent basis that also provides this service to small governments in the Bay Area using a cost-sharing formula.

Recommendation

Recommendation 16: Analyze the cost benefits of contracting with a commercial job posting and recruitment management service or with the CalOPPS program to facilitate recruitment processes.

Benefits Programs

Alameda County provides all employee benefit services for the Agency, from developing a benefit program through administering the program on behalf of individual employees. If the Agency separates from County services, benefit administration will become the responsibility of the Agency.

Benefits Administration

Analysis

The employee self-service features of the County's ALCOLINK system allows employees access to a website where they can obtain payroll information, change insurance coverage and perform other common human resources transactions. During the past few years, Alameda County has relieved Agency human resources staff of much, but not all, involvement in benefit administration duties.

Conclusion

Prior to this system going online, Agency human resources staff performed these functions. Agency staff reports that given the relatively small employee pool, the labor capacity needed to manage this function still exists in the division. The payroll service provider may be able to allow employees to perform some of these services online. However, the work of actually processing changes is still often performed manually by

human resources staff. Thus, this would become the responsibility of Zone 7 upon separation from the County support services.

Recommendation

Recommendation 17: Begin administering the benefits program in house. Actual timing of a transition will have to occur with phasing out of payroll service by Alameda County. An evaluation of online systems should be made to determine if they will be beneficial.

Benefit Portfolio Development

Analysis

The benefit program offered to Zone 7 employees is that of the larger County organization. The County mandates that *only* its benefit program be offered to Zone 7 employees to streamline labor relations issues and the administrative effort involved with managing the program. This service has eliminated the need for the Agency to develop such a program on its own. Additionally, the County's buying power may offer some cost savings in certain benefit programs.

Despite these benefits, Agency staff reports some difficulty in attracting qualified professional or certified staff because the benefit program is not competitive with other water agencies and many other small governments in the region. During the current economic climate this is not as much of a concern as it was during the economic booms of the past two to three decades. Civil engineers and certified water delivery and treatment staff remain competitive positions even in the economic downturn due to an insufficient number of qualified persons in the labor market. In the long term, the attraction and retention of such skilled staff will require a competitive benefits program as part of an attractive compensation program. The Agency's ability to determine its own priorities in balancing cost and administrative concerns against other organizational interests will be a continuing advantage.

To complete the separation from County services, the Agency will have to offer its employees a benefit package at least comparable to that of Alameda County. A replacement benefit package will require a meet and confer process for ratification by employee labor organizations. An independent evaluation of current program offerings may reveal opportunities to reduce costs or offer superior benefits with minimal additional cost.

As mentioned earlier, the acceptance of a benefit program by employee groups is critical. Involving employee groups early on in a collaborative effort will be advantageous. While collecting proposals about possible programs should remain solely in the hands of human resources staff, employee groups can assist in the effort by articulating their interests.

Conclusion

Management Partners does not recommend the separation from County support services as a way to re-open union contracts regarding compensation packages. Rather, this should be an opportunity for the Agency and employee groups to develop a common understanding of the benefit programs available and their costs with a view toward replacing existing benefits with benefits that are either less costly for the same services or require minimal additional cost for better benefits in the short-term. Discussions about expanding the benefit program should be entertained during the normal contract renewal process or upon recommendation of the General Manager to address organizational interests.

Recommendation

Recommendation 18: Develop a replacement benefit package and attain ratification by employee labor organizations. Involve employee groups collaboratively to identify employee interests and benefit offerings that meet those interests at a similar cost.

Analysis

To date, Agency human resources staff has not had experience developing benefit programs. Training will be required to prepare analysts to embark on the project of building a benefit portfolio. Management Partners views effective training as critical to this effort.

Some benefit programs, particularly “cafeteria plans” must be carefully constructed to ensure compliance with federal and state tax law. An improperly constructed plan can expose the Agency to taxes and penalties.

Conclusion

The Agency currently contracts with Liebert-Cassidy, LLC for legal support in the area of human resources. They, or similar firms, can provide expert assistance in reviewing benefit programs to assure compliance. A number of insurance brokers can assist in the development of group health and other insurances typically offered in benefit packages.

Recommendation

Recommendation 19: Provide appropriate training in the development and operation of benefit programs to human resources staff.

Labor Relations

Analysis

Alameda County has managed the labor relations function for the Agency since its inception with the more recent exception of salary negotiations. The Agency's need to remain competitive in its industry has forced it to assume responsibility for that function. In other areas of labor relations, such as benefits, grievances, personnel procedures, and many ancillary issues, the Agency has not been included in the process. In many cases, the Agency has not been consulted before agreements on issues have been reached with labor organizations.

While the effects of this have mostly been benign, there are some issues unique to the Agency that are not of interest to the County organization. The operation of water treatment plants is a prime example. In such cases, a high degree of flexibility in scheduling on-call and call-out rules, allowing both the employer and employee to keep plants operating on a continual basis while fairly compensating and minimally disrupting the plant operators free time is critical to all concerned. Personnel rules that make sense in governing staff with regular hours (e.g., 8:00 to 5:00) may not apply to plant operators or shift personnel. Although Alameda County has spared the Agency the need to provide labor relations, the assumption of the responsibility can be beneficial to both the Agency and its employees. The focus of the personnel processes and procedures can be revised to better reflect the interests of the Zone 7 workplace.

When implemented, many of the recommendations in this report will impact existing labor agreements. Negotiations will be required to ratify new grievance procedures, disciplinary processes, and benefits programs. The Agency may find interest-based negotiations (IBN) to be of value. IBN is a method of approaching problems such as labor relations, dispute mediation, and other emotionally charged situations. Training in IBN is typically arranged to include a large number of management and line staff. Because the techniques are very applicable to the resolution of problems with service customers, it is cost effective even for staff not directly involved with labor negotiations to be included in the training. Just embarking on the exploration of a relationship management tool such as IBN can be very helpful in initiating a more collaborative work environment. In some organizations, it may be helpful to include labor organization representatives in the training as well.

Conclusion

Although the Zone 7 staff will develop a negotiation plan that includes selecting a spokesperson, identifying management representatives and designating staff to complete research projects, there may be a need during the transition for Zone 7 to hire a skilled professional labor negotiator on an as-needed basis during the transition. Such a person

can help staff and the Board develop effective directions for the negotiations as well as manage the interactive process.

Recommendation

Recommendation 20: Analyze the cost benefits of hiring a skilled professional labor negotiator on an as-needed basis during the transition. This professional negotiator could shadow the Agency staff to provide assistance during the negotiations..

Employee Recognition

Analysis

Alameda County has a program for recognizing employees at certain career milestones such as years of service, service retirements, etc. Zone 7's separation from County services will mean that the Agency will no longer be able to participate in this program.

Conclusion

In July, Zone 7 implemented an Employee of the Month Program. Through this program, the selected employee can earn one to two extra vacation days for being selected. Even though the Agency recently established an employee recognition program, there may be interested in amending the current program to recognize length of service (as done through the County's program). Appropriate recognition programs can contribute to good morale if embraced by the organization at large. Such programs often include recognition gifts and resolutions by the Board and managers.

Recommendation

Recommendation 21: Amend the current Employee Recognition Program to recognize length of service with the Agency.

Risk Management

Analysis

The County currently provides responsive risk management services including the insurances listed below:

- General liability
- Flood and land subsidence coverage
- Worker's Comp

- Unemployment Insurance

The Agency currently has insurance coverage of \$10,000,000 per incident, \$10,000,000 aggregate for the entire Countywide flood control Agency over the “memorandum period” (yearly anniversary of policy). The cost to the Agency for this basic coverage is \$216,652 for the current year. Agency Counsel has asked the County risk managers to confirm land subsidence and flood damage is covered and for the cost of an increase in coverage. The County Risk Manager reported land subsidence and flood coverage is provided under the current policy. The concern remains that in a very bad rain year with countywide flooding or land subsidence problems, \$10,000,000 is a very small amount of insurance. The County’s AIG insurance broker quoted \$100,000 per year to increase the coverage by \$5,000,000 per incident and for the aggregate total coverage for the entire Alameda County Flood Control Agency. Zone 7 would be expected to pay the entire premium although the other nine flood control zones would benefit as well.

One of the options the Agency can consider is to join a Joint Powers Insurance Authority (JPIA). The members of a JPIA are not motivated by profit like private insurers. They tend to be more tolerant of a bad claim period because the members recognize that something similar could happen to each of them from time to time. Coverage is also available from private insurers, the County’s current insurance broker was mentioned as a broker commonly used by governments for coverage.

Management Partners has sent the District Act to the Association of California Water Agencies (ACWA) JPIA, Special Agency (Special District-SD) JPIA, and California JPIA to determine eligibility. The SD-JPIA has ruled the Agency does not currently conform to eligibility standards for membership. California JPIA staff members believe the Agency could qualify for membership although they currently do not provide flood coverage.

The legal department of the ACWA JPIA has determined that Zone 7 is an independent water agency as required by their by-laws. ACWA recommends a typical program of \$60,000,000 general liability coverage including flood and land subsidence for Zone 7. In addition, ACWA can provide worker’s compensation and property damage coverage. The \$60,000,000 coverage is offered at approximately \$200,000 per year and worker’s compensation would cost approximately the same for an agency Zone 7’s size. Property coverage may also be considered.

Conclusion

Currently, the County charges Zone 7 approximately \$248,000 per year for liability and worker’s compensation coverage. ACWA can provide significantly more coverage for approximately \$16,000 less than the County provides. The cost difference is well worth considering since the addition of only \$5,000,000 in coverage through the County adds \$100,000 to that premium. The ACWA JPIA does all of their own

administration, no third-party administrator is required. Final approval of Zone 7's membership in the ACWA JPIA will require a detailed risk management assessment by the JPIA. A comparison of insurance program options is shown in Table 1 below.

TABLE 1: INSURANCE LIABILITY PROGRAM COMPARISON

Coverage	Liability Limit	Cost
Alameda County	\$10,000,000	\$216,652
Alameda County with Extra Coverage	\$15,000,000	\$316,652
ACWA JPIA	\$60,000,000	\$200,000

Recommendation

Recommendation 22: Pursue membership in the ACWA JPIA for insurance coverage. This will provide the Agency with additional insurance coverage at a slightly lower cost per year.

Information Technology

Analysis

General information technology (IT) support for Agency staff is provided by a local IT support contractor called LanLogic. That organization is responsible for:

- Support for Agency personal computers
- Management of shared server computers
- Data communications
- Administration of business software such as financial software, email, etc.

Alameda County provides some ongoing minor IT support for the Agency. Among the services provided are:

- Email filtering (virus and junk mail scanning of incoming and outgoing messages)
- Administration of high speed data lines between the Agency offices and the County
- General support of systems shared by all County organizational units

Conclusion

With a separation from County services, the shared County information systems are of little value to Zone 7. Staff does not report using any of the services except the data communications line to access the financial and

budget systems. Once Agency staff has extracted financial and HR information needed from prior years, the data line can be disconnected and services abandoned. Email filtering is a valuable service but the identical service can be provided by the Agency's existing IT service provider for \$1 per employee per month. Other providers can provide the service for competitive prices as well.

Recommendation

Recommendation 23: Disconnect the County data line once the transition to independent operations is complete and Agency staff has extracted any information needed.

Recommendation 24: Outsource email filtering services to LanLogic or another service provider.

General Services

Zone 7 uses several services provided by individual County departments, including Public Works, General Services, Communications and Agriculture and Vector Control Departments. For example, Public Works provides construction and maintenance services while General Services disposes of old equipment and provides general labor for moving furniture and other odd tasks. Radio and safety light service is provided by the Communications Division and rodent and other pest control is provided by the Department of Agriculture and Vector Control.

Each of these organizations provides effective service at an appropriate cost. The services are supplemented by private contractors on an as-needed basis. There is no compelling reason to discontinue the County services in these areas. If service problems arise or costs skyrocket in the future, the Agency can shift more work to private contractors but there is no compelling reason to do that at this point in time.

Financial Impact of Separation

Based on the recommendations above, there is a financial benefit for Zone 7 to separate from many County services. Table 2 shows the projected fiscal impact of separating support services from the County.

TABLE 2: FINANCIAL IMPACT OF ZONE 7'S SEPARATION FROM COUNTY SUPPORT SERVICES

Revenue	\$1,000,000
Expenditures	
Annual Cost of County Services*	\$1,232,000
Annual Cost of Services (After Separation)	\$ 876,507
Annual Savings After Separation of Services	\$ 355,493

* Three year average cost for FY 2006 through 2008

After Zone 7 separates services from the County there is potential to realize additional revenue from investments. Since the Agency will be able to manage its own investment portfolio, it could select longer term investments and potentially realize a larger return on those investments. This is based on the assumption that Zone 7 could set aside a large portion of its reserves and long-term capital project funds in the long-term investments and achieve higher returns than those from the County Treasurer's cash pool. Historically, the additional revenue could have been \$1,000,000 per year based on \$100,000,000 in long-term funds placed in investments producing only 1% greater than the County's cash pool. Staff reports that the recent downturn in development activity will reduce the potential investment pool. The exact impacts of this effect will change relative to development activity and available returns on investment. Zone 7's separation from County services would result in an annual reduction in revenue of \$1 million for the County. However, this does not take into account the staff time they would save not having to provide services to Zone 7 (e.g., processing payroll, accounts payable, etc.).

The services Zone 7 is receiving from the County are costing the Agency approximately \$1.2 million annually. The initial one-time cost of separation is estimated to be approximately \$193,000 with the additional annual cost of the services if the separation occurs estimated at \$876,507 per year. This includes the cost of the additional 0.5 FTE that we are recommending to assist with the increased workload when the services are brought in-house. The resulting annual savings to Zone 7 is approximately \$355,493. Even if the Agency requires additional outside assistance beyond the one-time separation costs noted above, the costs of establishing the separation of services would be recouped in the first year.

In Management Partners' experience transitions are accomplished in a more timely fashion if a knowledgeable project manager is assigned responsibility for implementation of the transition business plans, including the management of specialized consultants and liaison with the County and other agencies. We recommend that the Agency budget

approximately \$150,000 for this assistance, which would partially offset the amount of staff time the Agency would need to devote to the project.

Transition Planning

If the Agency should choose to move forward with a total or partial separation from County services, the implementation phase will require forethought and planning. Each service area must be carefully transitioned through use of a step-by-step plan in coordination with County staff. By assigning staff to specific business plan tasks and regularly meeting to discuss progress against transition goals and timelines, the Agency will be able to make a smooth transition away from County services.

Management Partners has prepared draft business plans and a suggested overall timeline to assist the Agency in beginning this transition planning. Attachment D contains the draft business plans for the following service areas:

- General Organization Transition Planning
- Finance - Accounting, Purchasing and Budgeting
- Human Resources
- Risk Management
- Information Technology

Each business plan includes key implementation steps, specific action steps, resource needs (e.g., staffing and funding), outside agencies needed, the position responsible for overseeing each step and the timeline. These business plans will be provided electronically to the Agency so they can serve as a blueprint for action throughout the transition. The business plans are intended to be “living documents” that will be regularly modified and updated as the transition moves forward.

In addition, the draft business plans provided in Attachment D include estimates of the staff time required. The estimates assume assigned staff will spend 25% of their available work time on the particular tasks described. The 25% increment assumes that current positions have some existing capacity to take on the additional transition work by taking advantage of seasonal workload factors, deferring other work or projects, delegating lower level tasks to other employees or as a result of some underutilization.

Since such work can generally not be accomplished in a single sitting, the estimates describe the period of time each task is on the desk of the assigned staff during which they will expend 25% of their time on the task. The staff commitment necessary for transition activities is significant. If it is not manageable, there may be additional transition costs associated with hiring the estimated equivalent of approximately three FTE to be devoted to transition activities over the next 24 months. (The estimate is

derived by adding all the estimated times provided in the business plan and adjusting by a factor of 25%).

Attachment E contains a suggested timeline for each step of the transition process. Management Partners estimates that the transition of the business plan service areas should take approximately 24 months, with some follow-up activity after the transition.

The Zone 7 executive staff and Management Partners' staff met with the Alameda County CAO and several other department heads to discuss the possibility of Zone 7 transitioning from depending on County support services, to independently providing such services, as most other special districts operate. The County staff expressed support for discussing this transition and working together to determine the best method to accomplish this goal. If the Zone 7 Board approved the recommendation to transition from County support services further discussions with County staff should take place as soon as possible to determine the best process to accomplish the separation and timing of the transition for each service area.

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CONCLUSION

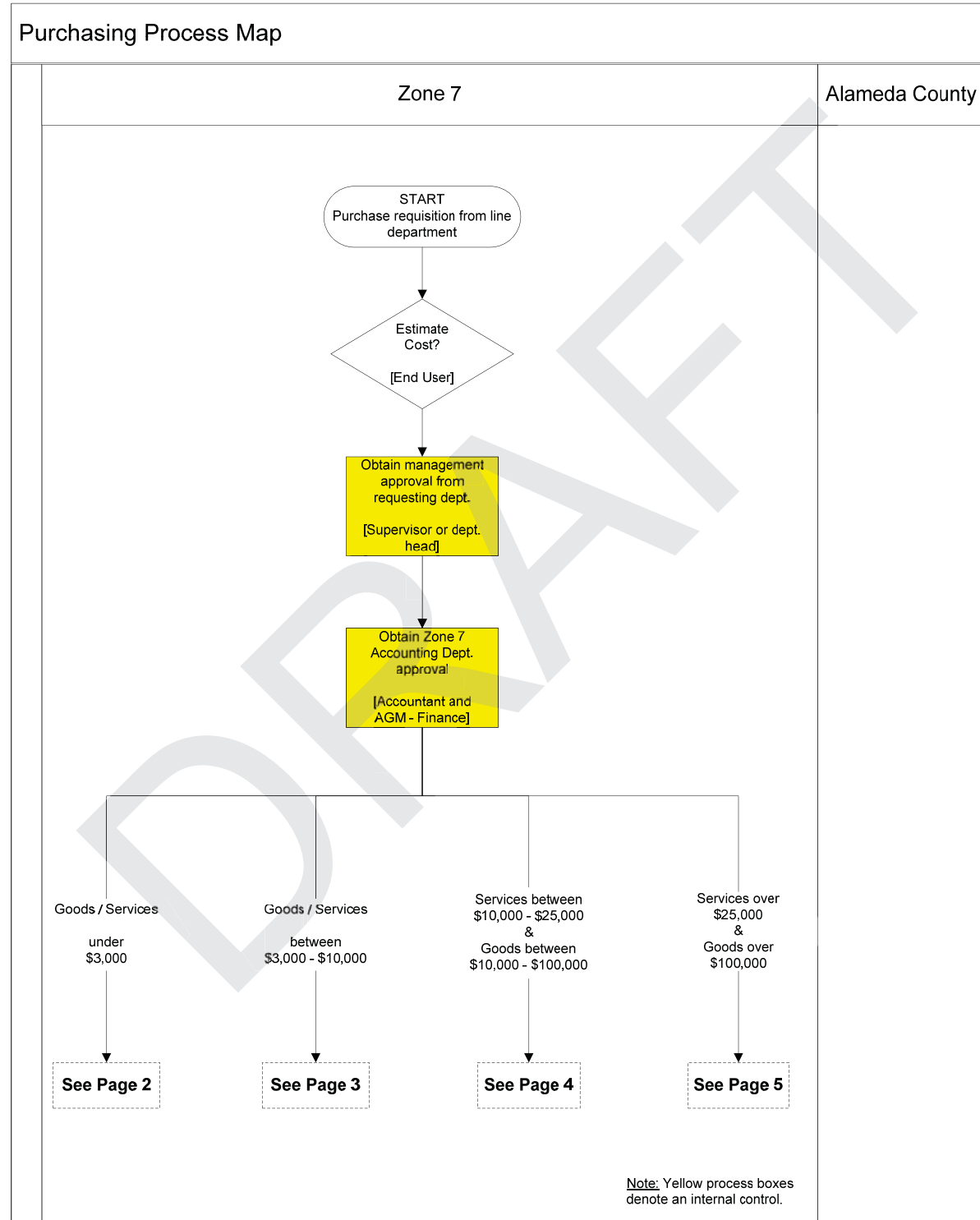
The purpose of this review was to determine the most efficient and cost-effective means to provide service to Zone 7 Water Agency rate payers. Even though the County's support services are appropriate for the County organization, in order for the Zone 7 Agency to provide the most efficient and effective services to its rate payers and stakeholders, separation from County support services makes sense in terms of cost savings, process streamlining, and staff efficiency.

Critical to a successful transition of services is a carefully planned and coordinated transition business plan with County staff. Following the implementation of the transition, Zone 7 will be able to increase revenue and decrease expenditures as well as increase the efficiency of services provided.

Management Partners is ready to assist Zone 7 with the transition activities, which will require approximately 24 months to fully implement.

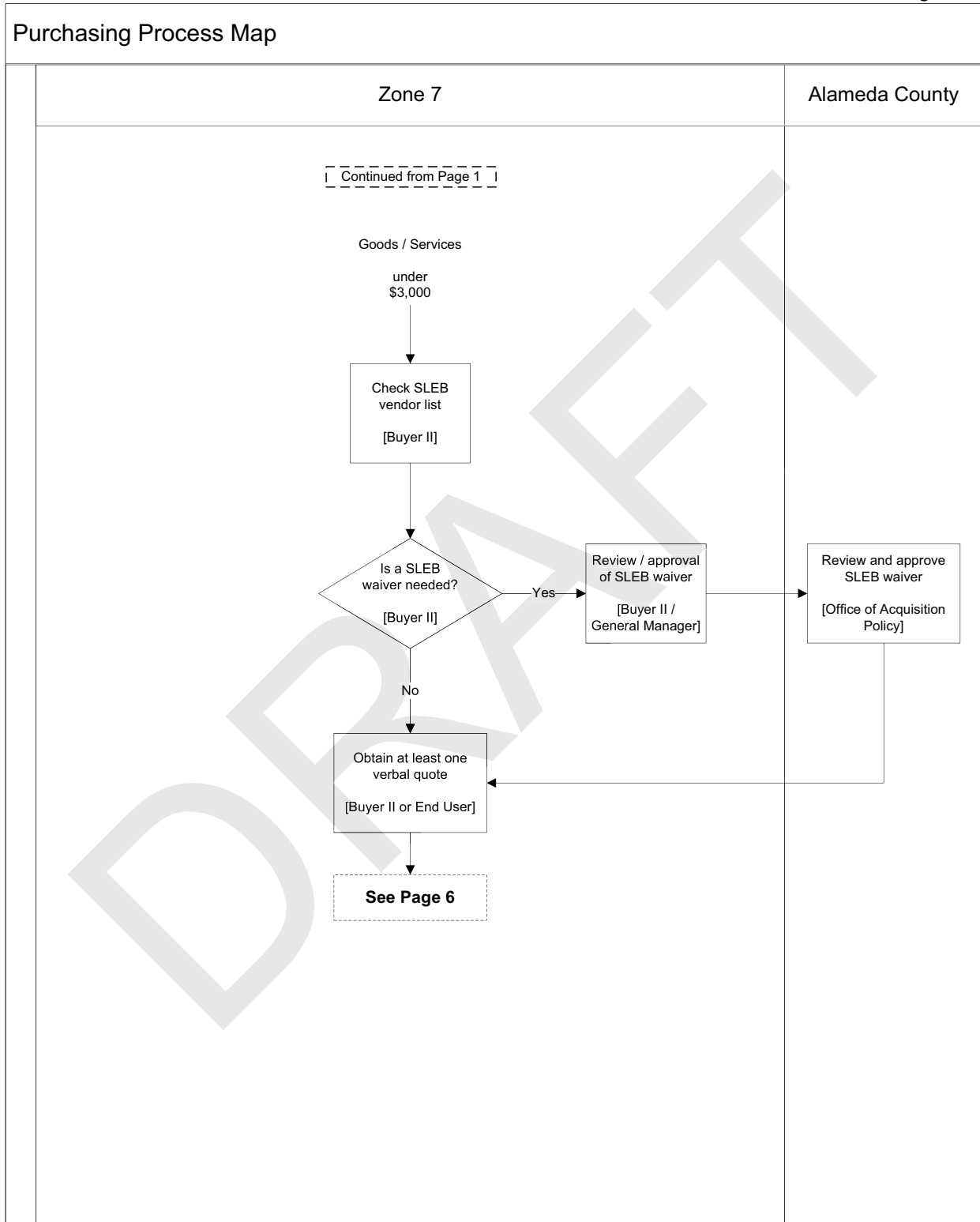
ATTACHMENT A – ZONE 7 PURCHASING PROCESS MAPS

Zone 7 Water Agency



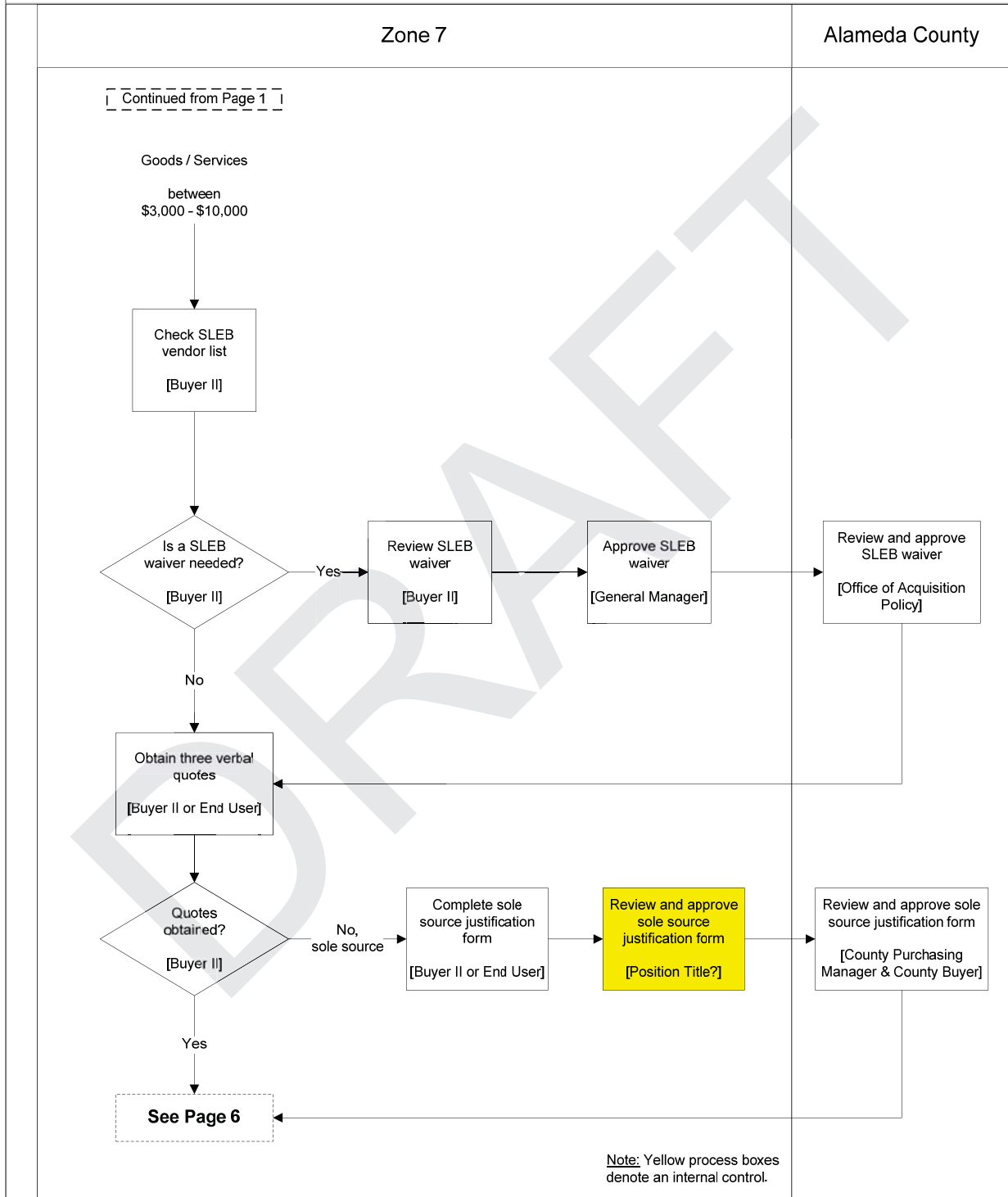
Zone 7 Water Agency

Purchasing Process Map

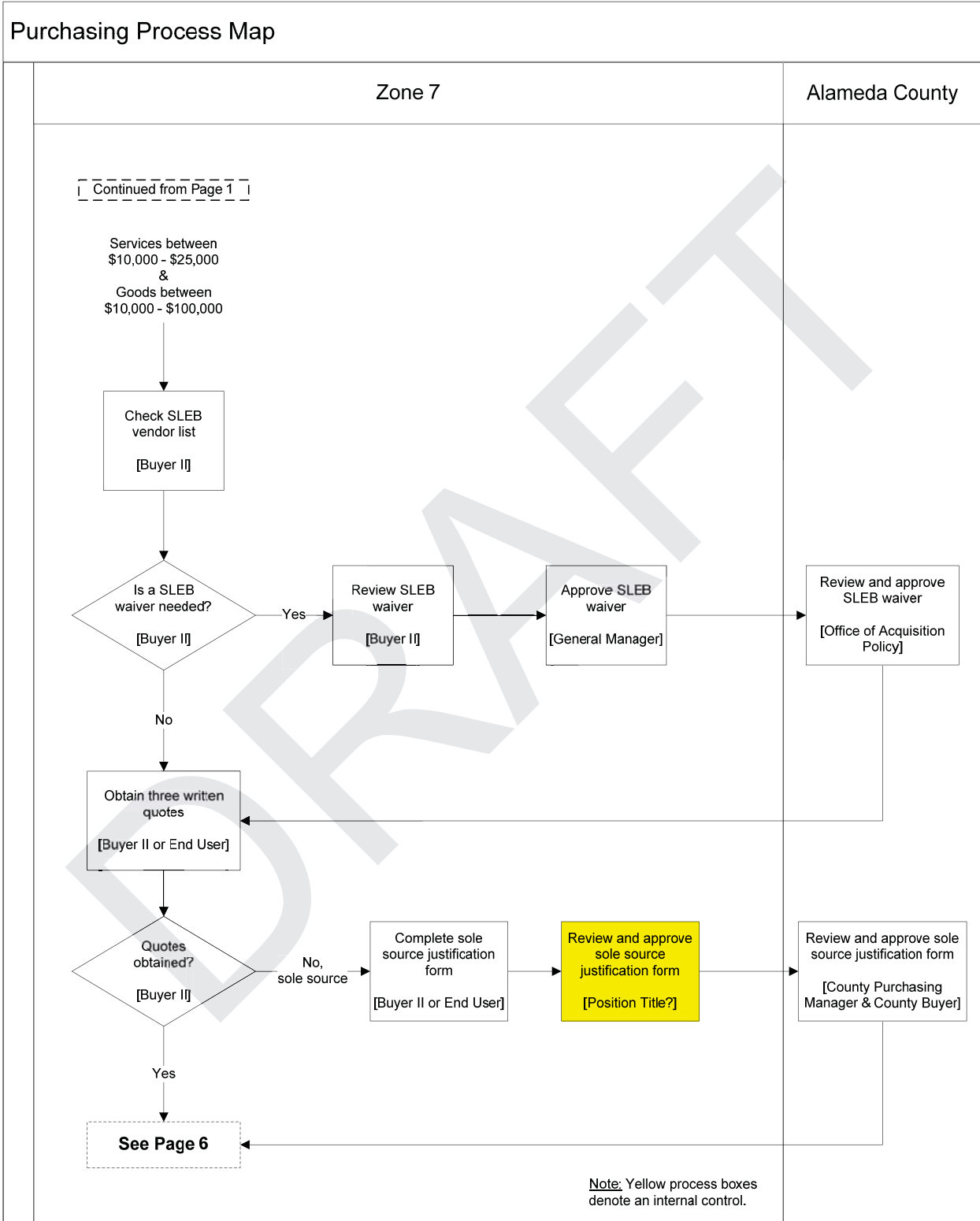


Zone 7 Water Agency

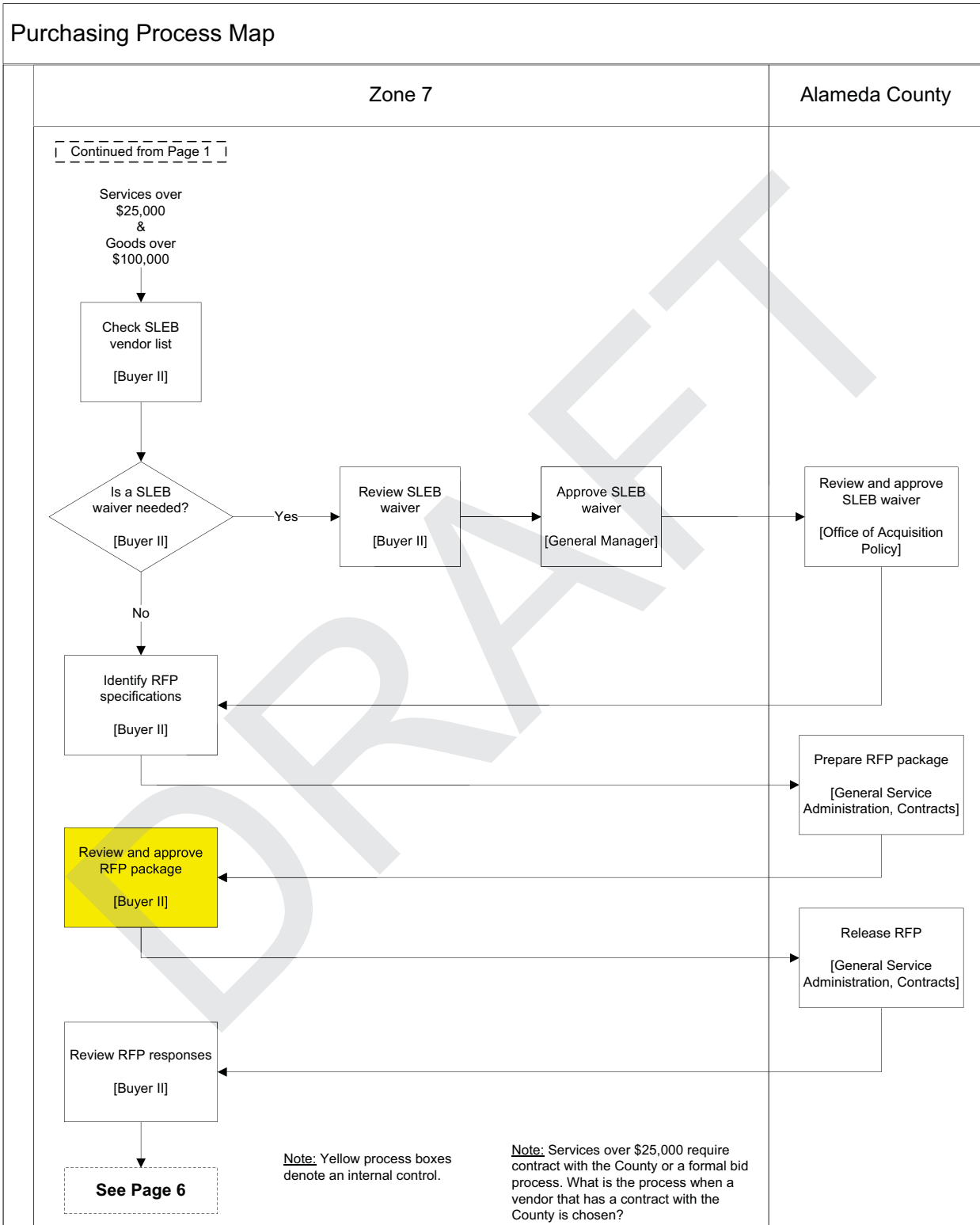
Purchasing Process Map



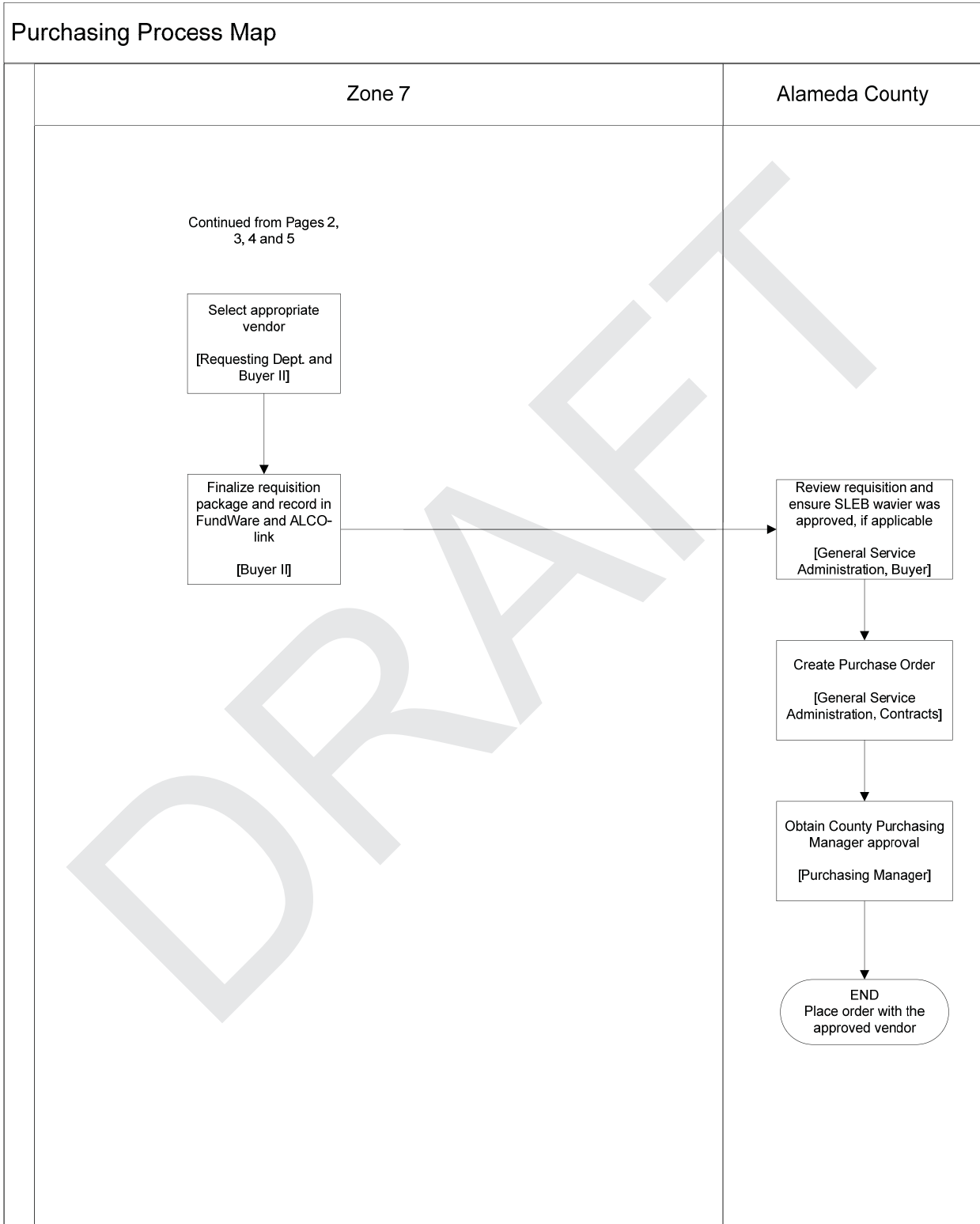
Zone 7 Water Agency



Zone 7 Water Agency



Zone 7 Water Agency



ATTACHMENT B – RECRUITMENT AND HIRING ACTIVITIES UNDER DECENTRALIZATION AGREEMENTS WITH THE ALAMEDA COUNTY HUMAN RESOURCE SERVICES DEPARTMENT

Human Resource Services Department has Decentralization Agreements with the following:

- Auditor-Controller Agency
- General Services Agency
- Information Technology Department
- Social Services Agency
- Zone 7 Water Agency

Activities	Responsible Party	
	Department / Agency	Human Resource Services
Determine Need for Exam, Identify Exam Type		
1.1 Determine Need for Exam	<input type="checkbox"/>	<input type="checkbox"/>
1.2 Determine Need for Job Analysis	<input type="checkbox"/>	<input type="checkbox"/>
1.3 Select Exam Types (open, promotional, continuous, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
1.4 Preliminary Determination of Job Specification Revision	<input type="checkbox"/>	<input type="checkbox"/>
1.5 Develop Recruitment Plan	<input type="checkbox"/>	<input type="checkbox"/>
1.6 Approve Activities 1.1, 1.3 through 1.5	<input type="checkbox"/>	<input type="checkbox"/>
Conduct Job Analysis		
2.1 Conduct Job Analysis	<input type="checkbox"/>	<input type="checkbox"/>
2.2 Determine if Job Specification Needs Revision	<input type="checkbox"/>	<input type="checkbox"/>
2.3 Identify Needed Knowledge, Skills, and Abilities (KSA)	<input type="checkbox"/>	<input type="checkbox"/>
2.4 Approve Activities 2.1 through 2.3	<input type="checkbox"/>	<input type="checkbox"/>
Develop Exam Strategy		
3.1 Identify Testable Exam Dimensions from KSAs	<input type="checkbox"/>	<input type="checkbox"/>
3.2 Select Exams (Written, Performance, Oral)	<input type="checkbox"/>	<input type="checkbox"/>
3.3 Create Exams	<input type="checkbox"/>	<input type="checkbox"/>
3.4 Approve Activities 3.1 through 3.3	<input type="checkbox"/>	<input type="checkbox"/>
Develop Exam Materials		
4.1 Recruit Subject Matter Experts	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Develop Rating Criteria and Rating Instruments	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Validate Exam	<input type="checkbox"/>	<input type="checkbox"/>
4.4 Prepare Draft Bulletin and Other Exam Components	<input type="checkbox"/>	<input type="checkbox"/>
4.5 Prepare Distribution Plan based on Recruitment Plan	<input type="checkbox"/>	<input type="checkbox"/>
4.6 Approve Activities 4.1 through 4.5	<input type="checkbox"/>	<input type="checkbox"/>

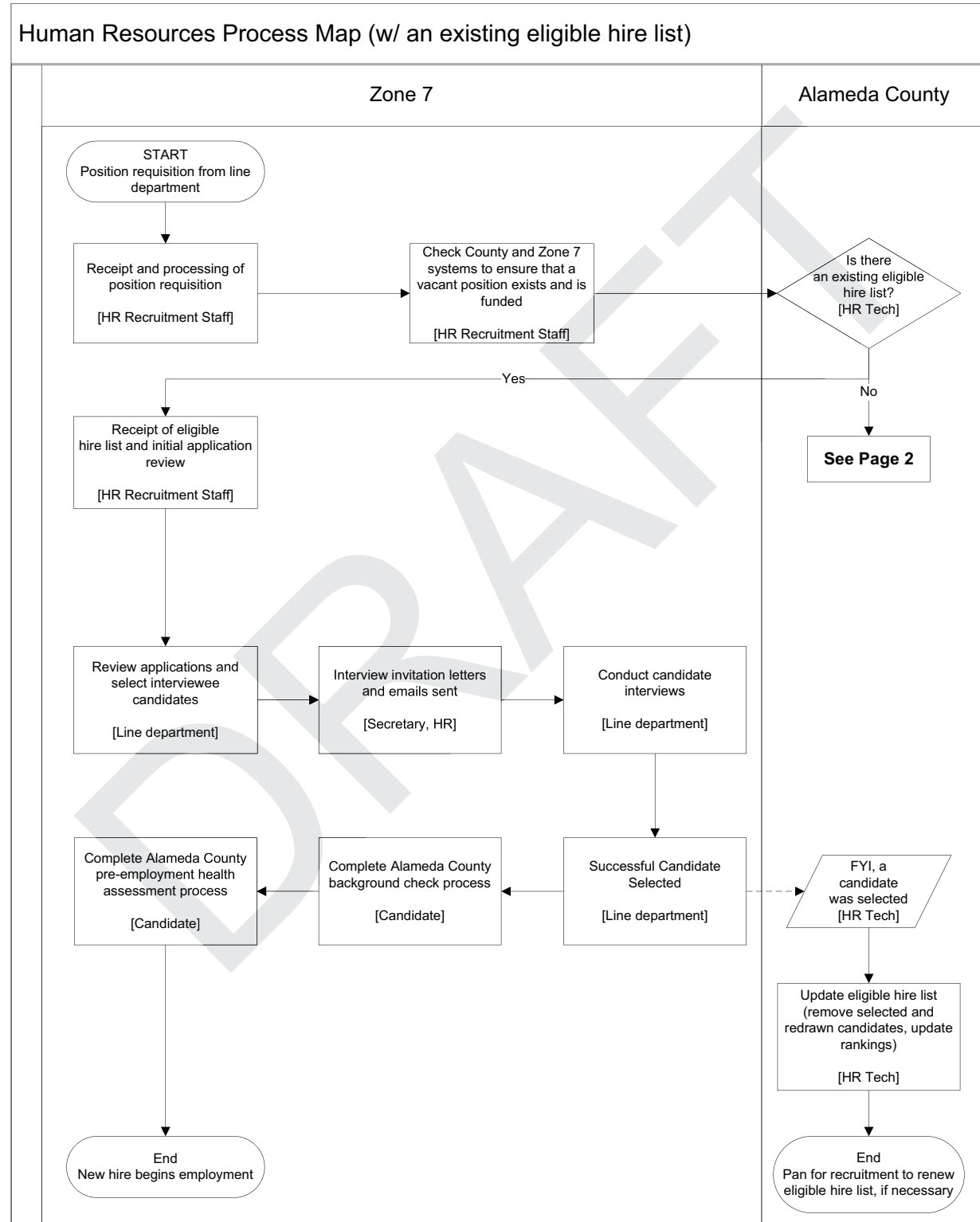
Prepare for Recruitment, Receive Applications			
5.1	Place Recruitment/Exam on Civil Service Commission Agenda	<input type="checkbox"/>	<input type="checkbox"/>
5.2	Prepare Bulletin for Printing and Order Distribution	<input type="checkbox"/>	<input type="checkbox"/>
5.3	Receive Applications and Review for Completeness	<input type="checkbox"/>	<input type="checkbox"/>
5.4	Prepare Applicant Pool and Affirmative Action Reports	<input type="checkbox"/>	<input type="checkbox"/>
Review Applications			
6.1	Recruit Subject Matter Experts for application screening (MQs)	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Notify Rejected/Screened Out Applicants	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Enter in Application Screen Results into Tracking System	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Generate Rejected/Screened Out Applicant Report	<input type="checkbox"/>	<input type="checkbox"/>
6.5	Coordinate Appeals and attend appeal hearings, if necessary	<input type="checkbox"/>	<input type="checkbox"/>
Written Exam			
7.1	Arrange and Administer Written Exam	<input type="checkbox"/>	<input type="checkbox"/>
7.2	Score Exam and Set Pass Point	<input type="checkbox"/>	<input type="checkbox"/>
7.3	Notify Unsuccessful Candidates	<input type="checkbox"/>	<input type="checkbox"/>
7.4	Coordinate Appeals and attend Civil Service Commission	<input type="checkbox"/>	<input type="checkbox"/>
Performance Exam			
8.1	Set Test Date, Reserve Site, Recruit Raters, Notify Candidates	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Administer Performance Test, Score Exam, Notify Candidates	<input type="checkbox"/>	<input type="checkbox"/>
8.3	Input Performance Exam Results in Applicant Tracking System	<input type="checkbox"/>	<input type="checkbox"/>
8.4	Coordinate Appeals and attend Civil Service Commission	<input type="checkbox"/>	<input type="checkbox"/>
Oral Exam			
8.1	Set Test Date, Reserve Site, Recruit Raters, Notify Candidates	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Identify parameters, schedule candidates, prepare test site	<input type="checkbox"/>	<input type="checkbox"/>
8.3	Administer Oral Exams, Score Exams	<input type="checkbox"/>	<input type="checkbox"/>
8.4	Notify Unsuccessful Candidates	<input type="checkbox"/>	<input type="checkbox"/>
8.5	Input Performance Exam Results in Applicant Tracking System	<input type="checkbox"/>	<input type="checkbox"/>
8.6	Coordinate Appeals and attend Civil Service Commission	<input type="checkbox"/>	<input type="checkbox"/>

Promulgate Eligible List		
9.1 Calculate Total Exam and Supplemental Points	<input type="checkbox"/>	<input type="checkbox"/>
9.2 Prepare Applicant Flow Analysis Report	<input type="checkbox"/>	<input type="checkbox"/>
9.3 Review Applicant Flow Analysis Report	<input type="checkbox"/>	<input type="checkbox"/>
9.4 Notify Successful Candidates, Generate Reports for Cert. Unit	<input type="checkbox"/>	<input type="checkbox"/>
9.5 Respond to Complaints	<input type="checkbox"/>	<input type="checkbox"/>
9.6 Review and Approve Complaints responses	<input type="checkbox"/>	<input type="checkbox"/>

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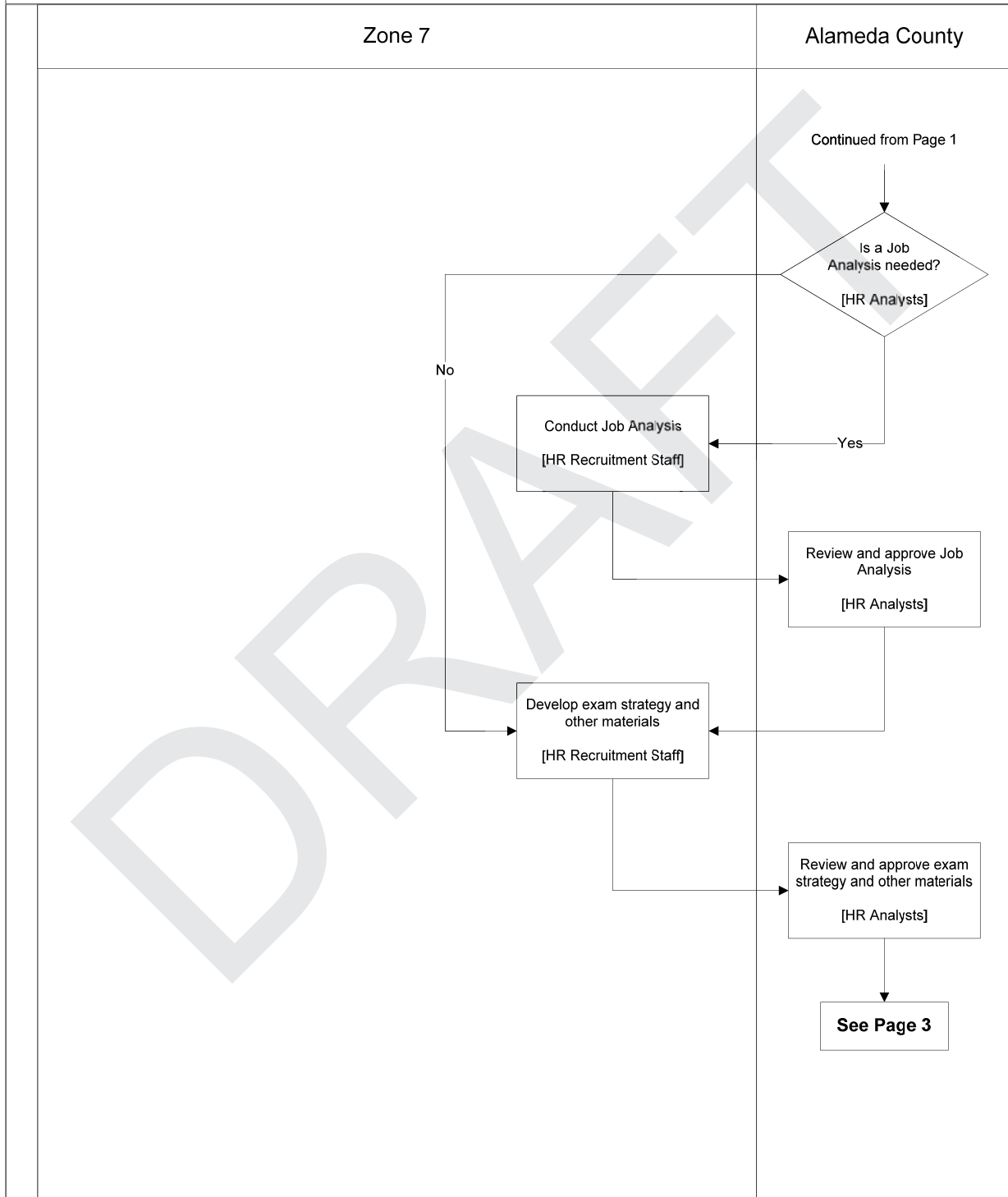
ATTACHMENT C – ZONE 7 HUMAN RESOURCES PROCESS MAPS

Zone 7 Water Agency

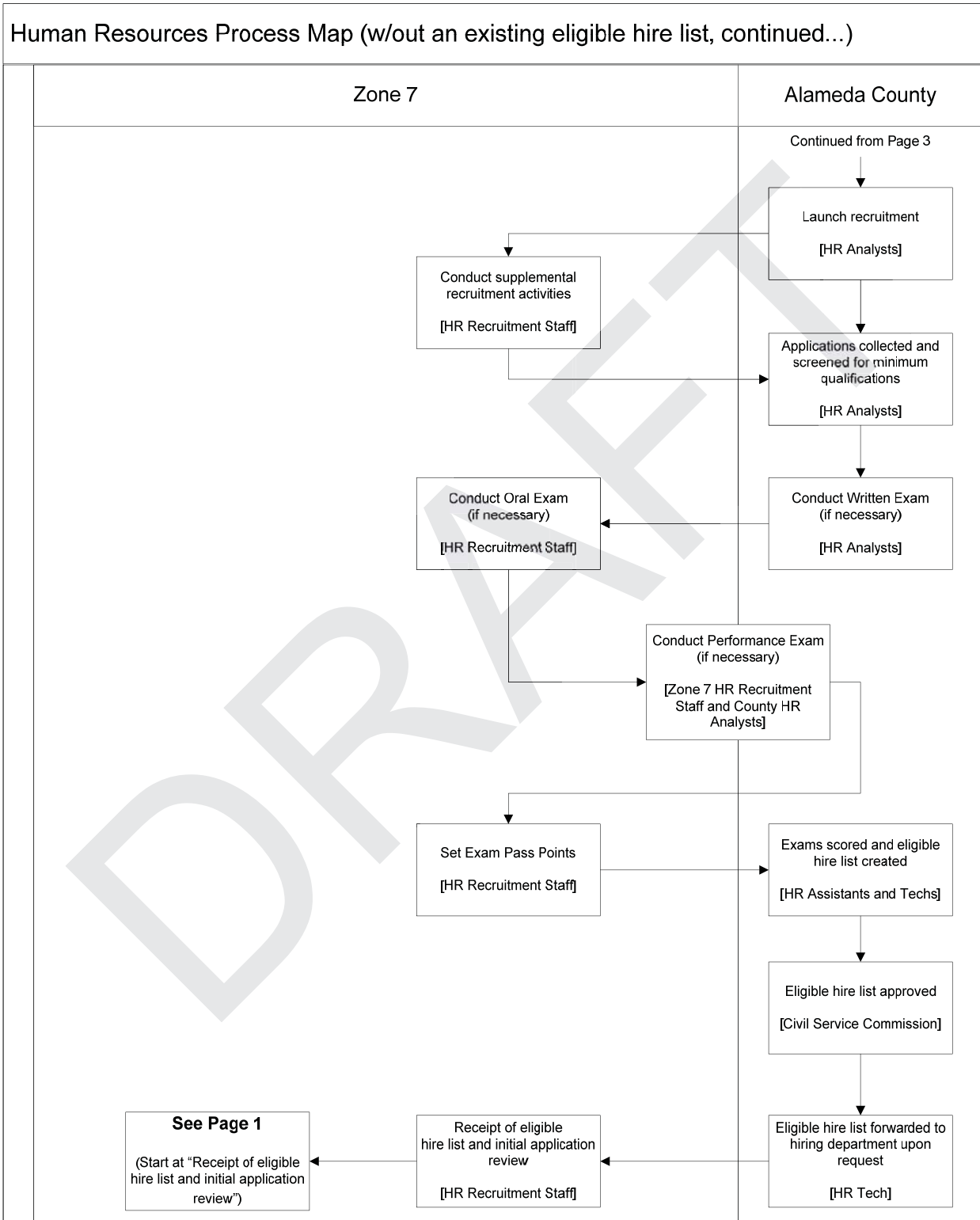


Zone 7 Water Agency

Human Resources Process Map (w/out an existing eligible hire list)



Zone 7 Water Agency



General Organization Transition Planning

for all service areas (finance, human resources, risk management, and information technology).
provided for each service area.

Person with assigned responsibility, contractor/consultant assistance may be required

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
Meet with County to discuss intention to transition from the use of County services; negotiate mutually acceptable understanding of current District Act that allows for separation or, if this is not feasible, development of amendments to District Act that clarify separation process	3 months	Staff Time and possibly some outside assistance with technical details	Staffing: Zone 7 staff	Administration	Alameda County County Administrator's Office, Auditor Controller, Human Resources, Risk Management, Information Technology	General Manager and General Counsel
Begin discussion with bargaining units on general organizational changes required for independent operation; discuss the benefits and opportunities that the transition will provide both in terms of the organization and for individual professional growth	3 months					
General Counsel and General Manager to propose interpretation of District Act that allows for transition or offers clarifying amendments to District Act	1 month					
Request approval or accept modifications from board and submit with Omnibus bill (depending upon board direction on how separation will take place)	1 month					
Prepare the phased implementation plan with milestones and schedule based upon input from the employees and the County	1 month					
Meet with County and present the phased transition schedule for each area	1 month					

for all financial functions internally

with assigned responsibility, contractor/consultant assistance may be required

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Advertise for and fill vacant auditor position on a temporary basis to provide support in Accounting units allowing senior accountants to execute this project</p> <p>Assign current staff to Government Finance Officers Association (GFOA) or other training to update skills and knowledge of accounting practices</p> <p>Prepare new and enhanced Finance policies that are (e.g., investment, procurement, reserves, financial reporting, debt)</p> <p>Research policies from similar agencies</p> <p>Draft financial policies manual</p> <p>Collect control and procedure manuals from other agencies and any existing Zone 7 policies for each business cycle (billing/collection, procurement/disbursements, payroll, treasury, financial reporting, etc.)</p> <p>Review for adequacy</p> <p>Hold workshops with staff to agree on risks and goals for policies and procedures</p> <p>Choose a policy to use as a basis, edit as appropriate to reflect internal goals and risk assessments or draft own policies</p>	<p>3 months</p> <p>3 to 6 months</p> <p>3 months (may require outside assistance)</p> <p>3 months (may require outside assistance)</p>	<p>Staff Time</p> <p>\$15,000</p> <p>\$30,000</p> <p>Inc.</p> <p>Contingency \$20,000</p>	<p>Staffing: Temporarily fill vacant Accountant-Auditor position</p> <p>Ongoing \$128,000 to reactivate Accountant-Auditor position (currently reallocated to another position)</p>	<p>Administration</p>	<p>Some coordination with Alameda County ACO</p>	<p>Assistant General Manager Finance</p>
<p>Meet with staff to brainstorm all technology needs and system changes needed to operate independently</p> <p>This assessment should not only include system modules required, but also specific features that are problematic</p> <p>Request a review of hardware configuration and management practices by LanLogic to confirm business continuity can be maintained</p>	<p>1 month</p> <p>1 month</p> <p>1 month</p>	<p>None</p> <p>\$20,000</p> <p>\$40,000</p>	<p>Staffing: Blackbaud Software or approved third party consultant</p>	<p>Administration</p>	<p>N/A</p>	<p>Accounting Manager</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>operations Meet with Fundware or approved third-party consultant to outline software needs and get cost estimates and schedule to tailor the financial system for independent operation If Fundware will not be adequate for independent operation a full formal acquisition of a new financial system will be required Budget and contract for software improvements Oversee vendor and hold to schedule</p>	<p>2 months 2 months</p>	<p>None None</p>				
<p>Create detailed budget transition plan with steps and deadlines for transition occurring on July 1, 2011 Prepare draft Zone 7 calendar year budget with overlap for the remaining time with County If change to calendar year, determine whether to issue six month or 18 month stub audit Assist staff in developing/enhancing year-end closing procedures Update Finance staff as necessary related to generally accepted accounting principles, especially new requirements If Comprehensive Annual Financial Report (CAFR) is desired, determine format and content of required schedules of 10-year trend information. Develop other compliance reports that will be required and any general management reports required by the district. Anticipate a mid-period reconciliation and adjustment as may be necessary in late 2011 for 2012</p>	<p>1 month 5 months</p>	<p>Staff Time \$15,000 \$10,000 Contingency • \$15,000</p>	<p>Staffing: Possible use of outside assistance by accounting professional</p>	<p>Administration</p>	<p>Some coordination with Alameda County ACO</p>	<p>Senior Staff Analyst</p>
<p>Collect basic data on current Zone 7 payroll (number of employees, payment frequency, payroll amount, etc.) Prepare request for proposals (RFP) to solicit for private payroll services Review proposals and interview vendors</p>	<p>10 days 1 month 1 month 10 days</p>	<p>Staff Time</p>	<p>Staffing: Will require some training by the selected service provider. Cost: Ongoing \$25,000 per year</p>	<p>Administration and HR</p>	<p>Some coordination with Alameda County ACO</p>	<p>Assistant General Manager Finance</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Meet to establish steps and timeline for transition</p> <p>Coordinate with financial software provider to provide an automated interface between payroll provider and General Ledger</p> <p>Notify staff of change in payroll processing and means to resolve any errors or questions</p> <p>Investigate parallel payroll process to ensure accuracy</p> <p>Transition payroll on schedule</p>	<p>10 days</p> <p>1-2 pay periods</p>		<p>minor savings over current County charges</p>			
<p>Obtain tax-ids</p> <p>Obtain basic data on current banking needs (number of accounts, size of accounts, special needs for deposits, hours, etc.)</p> <p>Meet with at least three local banks regarding their services and offerings</p> <p>Establish commercial checking account with chosen bank. Re-evaluate bank choice every three to five years</p>	<p>1 month</p> <p>10 days</p> <p>15 days</p> <p>1 month</p>	<p>Staff Time</p>	<p>Resource: Local Bank</p> <p>Cost: Ongoing \$24,000 banking fees</p>	<p>Administration</p>	<p>N/A</p>	<p>Assistant General Manager Finance</p>
<p>Solicit sample purchasing policies from other agencies</p> <p>Create work team to revise sample policies to meet Zone 7 needs in terms of appropriate controls desired by the Board and General Manager, with audit and approval of expenses by supervisory and management staff</p> <p>Gain board approval</p> <p>Recruit new temporary part-time Purchasing Agent</p> <p>Investigate and contract for purchase card options</p> <p>Select financial institution</p> <p>Tailor financial institution's suggested policies and procedures to Zone 7 requirements</p> <p>Determine card limits (both per transaction and per month maximums) for each employee or class of employee</p> <p>Determine which merchant codes to restrict by employee or class of employee</p>	<p>1 month</p> <p>15 days</p> <p>1 month</p> <p>2 months</p>	<p>\$5,000</p>	<p>Resource: Obtain a new government purchasing card contract such as the State of California's Cal-Card program.</p> <p>Cost: May involve some small fees for purchasing card program.</p>	<p>All</p>	<p>N/A</p>	<p>Senior Staff Analyst</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>to exclude from purchasing card procurement (i.e., food, alcohol, gifts, contributions, professional services)</p> <p>Determine extent of review to be performed by Finance prior to payment</p> <p>Write and communicate policies and procedures</p> <p>Finance staff to train line staff on new policies and implement on set date</p>	10 days					
<p>Brainstorm and prioritize training needs for clerks to switch from supporting county processes to independent functions</p> <p>Hire or assign trainer</p> <p>Schedule mandatory training sessions</p> <p>Hold training</p> <p>Allow staff to evaluate training and offer suggestions for future improvement</p>	10 days 10 days 2-3 days 1 day	\$5,000	<p>Staffing: Possible trainer from Blackbaud or internal trainer</p>	Administration	N/A	Senior Auditor
<p>Collect sample investment policies from other agencies and revise for Zone 7</p> <p>Ask board to adopt policy</p> <p>Prepare RFP for fund management services and regular reporting</p> <p>Interview and evaluate vendors</p> <p>Contract with at least two firms and allocate portfolio amongst them; regularly evaluate performance</p>	2 months 1 month 1 month 1 month 15 days	Staff Time	<p>Staffing: Contract with two or more private fund management firms such as First Southwest, PFM, or Chandler Asset Management.</p> <p>May require some assistance from financial expert.</p> <p>Cost: Ongoing approximately \$80,000 in management fees (actually a net savings over County Treasurer fees)</p>	Administration	Some coordination with Alameda County Treasurer	Assistant General Manager Finance
<p>Brainstorm and prioritize staff training needs</p> <p>Assign trainer(s)</p> <p>Schedule "Just-in-Time" training sessions for line staff using in-house trainers</p>	3 weeks	Staff Time	<p>Resource: Training facility</p>	All	N/A	Senior Auditor

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Allow staff to evaluate training and offer suggestions for future improvement</p>						
<p>CAFR preparation: Collect sample CAFRs from other utility districts Prepare draft CAFR format and outline (or if another district has format available electronically, borrow) Establish schedule for initial CAFR preparation Internal staff prepare numbers for CAFR and drop into format Have accounting professional review CAFR numbers Revise as needed; publish on schedule</p>	<p>1 month 1 month 10 days 3 months 20 days</p>	<p>One-time cost for CAFR support. Costs have been included in the consulting costs under the step of changing from fiscal year to calendar year.</p>	<p>Staffing: Utilize accounting professional and Blackbaud software as needed. Cost: One-time cost for CAFR support. Costs have been included in the consulting costs under the step of changing from fiscal year to calendar year.</p>	Administration	Some coordination with Alameda County ACO	Accounting Manager

Create and implement modern internal human resources policies, practices and procedures allowing Zone 7 to enhance efficiency and flexibility in order to meet the 7's needs

When assigned responsibility, contractor/consultant assistance may also be required

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Determine the configuration of the Personnel Commission. Set number of members (five or seven), and specific representatives (Attorney's Office, board members, etc.)</p> <p>Staff prepares mission, roles, and procedures for personnel commission for adoption by board subject to Meet and Confer</p> <p>Appoint commissioners</p> <p>Set internal milestones and deadlines for this process</p>	<p>1 month</p> <p>3 months</p> <p>1 month</p> <p>1 month</p>	<p>Staff Time and possible legal assistance</p>	<p>Staffing: Internal staff support to oversee transition; ongoing administrative support staffing to commission</p> <p>Cost: Legal costs and internal staff time</p>	<p>Administration and Human Resources</p>	<p>County Administration, Board of Supervisors, Civil Service Commission, HR Department</p>	<p>Human Resources Manager</p>
<p>Collect sample processes from other utilities/agencies</p> <p>Revise for Zone 7, subject to Meet and Confer</p> <p>Have board adopt</p> <p>Train all supervisors on new process</p> <p>Implement on set date</p>	<p>1 month</p> <p>3 months</p> <p>1 month</p> <p>1 month</p>	<p>Staff Time</p>	<p>Staffing: Human Resources staff and/or consultant</p> <p>Cost: Internal staff time for training</p>	<p>Human Resources and the Office of the General Manager (Legal)</p>	<p>N/A</p>	<p>Human Resources Manager</p>
<p>Assign staff to be responsible for the benefit function</p> <p>Provide assigned staff with necessary training to build a skilled "Benefits Team"</p> <p>Inventory existing benefits and providers; brainstorm potential changes. Interview and select vendors for services and get price quotes</p> <p>Select and contract with vendors; include performance measures and reporting requirements in contract</p> <p>Meet and Confer on new benefit program, develop independent MOUs</p> <p>Set timeline and implement; notify employees</p>	<p>3 months</p> <p>3 months</p> <p>2 months</p> <p>3 months</p>	<p>\$8,000</p>	<p>Staffing: Existing HR staff</p>	<p>Human Resources</p>	<p>County HR ACERA</p>	<p>Human Resources Manager</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>research, interview, and contract with class and compensation specialist particularly in utilities)</p> <ul style="list-style-type: none"> o Contract to include methodology and training for internal staff to perform studies in-house o Contract to include preparation of compensation policy for board approval <p>urchase new Knowledge Skills and abilities (KSA) software to conduct job analysis</p> <p>develop modifications to class/comp program under contract</p> <p>et timeline to hold training classes</p> <p>ake compensation policy to the board or approval</p> <p>omplete additional compensations studies as necessary</p>	<p>1 month</p> <p>2 months</p> <p>1 month</p> <p>5 days</p> <p>1 month</p>	<p>\$5,000 for KSA software license</p>	<p>Staffing: HR staff and consultant</p>	<p>Human Resources</p>	<p>N/A</p>	<p>Human Resources Manager</p>
<p>staff team to identify and recommend process changes for independent operations</p> <p>taff to create any necessary new forms, documents, or reports for independent operations</p> <p>leet with recruitment vendor(s) and contract for recruiting services</p> <p>plement changes</p>	<p>1 month</p> <p>1 month</p> <p>1 month</p>	<p>\$5,000</p>	<p>Staffing: HR staff and temporary staff as needed during transition.</p> <p>Cost: One-time approximately \$5,000 start-up cost for starting with an online recruiting service. On-going costs for the service is approximately \$10,000 per year</p>	<p>Human Resources Administration</p>	<p>Contractor (NeoGov or CalOPPS)</p>	<p>Human Resource Manager</p>
<p>ollect samples from other utilities/agencies</p> <p>iscuss possible performance standards with customer departments</p> <p>evise and adopt performance standards for Zone 7 HR</p> <p>rovide copies of the performance standards to all Zone 7 divisions</p> <p>onitor and report performance against goals no less than quarterly</p>	<p>15 days</p> <p>10 days</p> <p>10 days</p> <p>10 days</p> <p>Ongoing</p>	<p>Staff Time</p>	<p>Staffing: Existing HR staff</p> <p>Cost: None</p>	<p>Human Resources</p>	<p>N/A</p>	<p>Human Resources Manager</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Collect sample processes from other utilities/agencies</p> <p>Brainstorm potential revisions/improvements</p> <p>Meet with all supervisors to review current system and discuss potential changes subject to Meet and Confer implementation changes (if any)</p> <p>Require adherence through performance valuation process</p> <p>Randomly review a small subset of performance evaluations each year for adherence to system and coach individual supervisors if necessary</p>	<p>15 days</p> <p>1 day</p> <p>15 days</p> <p>30 days</p> <p>Ongoing</p>	<p>Staff Time</p>	<p>Staffing: Existing HR staff</p> <p>Cost: None</p>	<p>Human Resources</p>	<p>N/A</p>	<p>Human Resources Manager</p>
<p>Prepare a staff report to the Zone 7 board outlining rationales and implications for negotiating all terms and conditions directly with labor organizations</p> <p>Board to approve staff recommendation</p> <p>Board to negotiate all terms and conditions</p> <p>Formally notify County Administrator and Board of Supervisors</p> <p>Meet with labor organizations to discuss process and procedures for future negotiations</p>	<p>15 days</p> <p>1 month</p> <p>1 month</p> <p>4 months</p>	<p>Staff Time, including release time for Unit Reps</p>	<p>Staffing: Human Resources staff and possible outside legal counsel/consultants</p> <p>Cost: Legal and consultant costs will vary depending on the length and complexity of implementation</p>	<p>Human Resources, Attorney, and board</p>	<p>Consultant County HR County Administration</p>	<p>General Manager</p>
<p>Research, interview, and contract with labor specialist (particularly in utilities)</p> <ul style="list-style-type: none"> ○ Include in contract provision of negotiations methodology and training for internal staff to negotiate in-house ○ Include in contract preparation of labor negotiation policies and procedures <p>Set timeline to hold training sessions</p> <p>Board to approve policies and procedures</p> <p>Staff to negotiate alongside consultant for first round, then to take over in-house</p>	<p>2 months</p> <p>1 month</p> <p>1 month</p> <p>2 months</p>	<p>Staff Time</p>	<p>Staffing: Human Resources staff and possible outside legal counsel/consultants</p> <p>Cost: Costs will vary with frequency and intensity of negotiations</p>	<p>All</p>	<p>Consultant County HR County Administration</p>	<p>General Manager</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Establish an Employee Recognition Program (ERP) staff team to research recognition programs in other jurisdictions</p> <p>Task the ERP team to prepare recommendations and a timeline to management</p> <p>Request board approval of program</p> <p>Transition from County and implement program</p>	<p>15 days</p> <p>15 days</p> <p>1 month</p>	<p>Staff Time</p>	<p>Staffing: Human Resources staff</p> <p>Cost: On-going \$5,000 per year for recognition offerings or recognition event. Similar to current County costs for this program.</p>	<p>Human Resources</p>	<p>None</p>	<p>HR Manager or Analyst, General Counsel, and Assistant General Manager Finance</p>

unity and contract with another provider for service

When assigned responsibility, contractor/consultant assistance may also be required

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e., staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>Compile Zone 7 insurance information such as claim histories, number of employees, asset inventory, etc.</p> <p>Research JPIA and private insurer options and request price quotes</p> <p>Select vendor and set timeline for contract; include performance measures and reporting requirements</p> <p>Undergo risk analysis by JPIA or potential insurer as appropriate</p> <p>Request board award of bid</p> <p>Implement contract</p> <p>Monitor performance</p>	<p>1 month</p> <p>2 months</p> <p>2 months</p> <p>2 months</p> <p>1 month</p> <p>1 month</p>	<p>Staff Time</p>	<p>Staffing: Administration, General Counsel, Finance</p> <p>Cost: Possibly a minor filing fee with JPIA. Ongoing premiums unknown at this time. Likely to be higher than current cost but much superior coverage is available</p>	<p>Human Resources and Administration</p>	<p>County Risk Management, JPIA and/or Insurance Brokers</p>	<p>Assistant General Manager Finance and Administration</p>

Maintaining information technology services provided by the County and contract with another provider to provide coverage for Zone 7

When assigned responsibility, contractor/consultant assistance may also be required

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e. staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
<p>or minimal potential disruption of services during the transition process, extend existing IT service contract to provide e-mail filtering services. current IT service provider is not performing adequately or their price of service becomes too high, develop an RFP, interview proposing organizations and select one for service vendor and staff to meet with County ITD to plan transfer steps and timeline monitor performance</p>	<p>1 month</p>	<p>Staff Time</p>	<p>Staffing: Administrative resources for management of contract in-house Cost: No net change in cost over current County services</p>	<p>Administration (Finance)</p>	<p>County Information Technology Department IT service provider</p>	<p>Assistant General Manager Finance</p>
<p>arrange with County ITD to disconnect data lines</p>	<p>30 days</p>	<p>Staff Time</p>	<p>Staffing: Administrative resources for management of contract in-house</p>	<p>Administration (Finance)</p>	<p>County Information Technology Department</p>	<p>Assistant General Manager Finance</p>
<p>ask IT service provider to review current hardware in use with the financial software and related management practices to insure business continuity during independent operation identify provider for any identified hardware or software needs and acquire through normal purchasing processes group services into general IT support contract monitor performance re-bid contract every three to five years</p>	<p>2 days 5 days if needed 5 days Ongoing</p>	<p>Staff Time and Consulting cost from IT support contractor identified above as cost of business continuity improvements</p>	<p>Staffing: Fundware Financials already supported by existing IT support organization but additional contract support may be needed if hardware and software is reconfigured for higher availability. Cost: Possible minor hourly charge to IT service provider for assessment and possible hardware and software changes. Ongoing costs</p>	<p>Administration (Finance)</p>	<p>IT consulting agency</p>	<p>Assistant General manager Finance</p>

Action Steps	Staff Time Required	Transition Cost	Resource Needs (i.e. staffing and funding)	Zone 7 Department(s) Involved	Other Agencies Involved	Responsibility Assigned
			upon recommendation by IT service provider and agreement by staff. All changes are not expected to exceed the current County charges for these services.			



ATTACHMENT E – TIMELINE

DRAFT

Zone 7 Water Agency Separation Plan

ID	Task Name	Start	Finish	2009												2010											
				Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
1	Administrative Tasks	10/1/2009	7/1/2010																								
2	General organizational and transition planning	10/1/2009	7/1/2010																								
3	Transition Planning with County	10/1/2009	1/15/2010																								
4	Meet with County to discuss intention to transition from the use of County services effective 07/01/2011	10/1/2009	10/15/2009																								
5	Develop a detailed transition plan with County staff	10/16/2009	12/15/2009																								
6	Present Plan to County	12/16/2009	1/15/2010																								
7	Organizational Outreach	10/1/2009	12/31/2009																								
8	Begin discussion with bargaining units on general organizational changes required for independent operation	10/1/2009	12/31/2009																								
9	Amend the District Act	4/1/2010	7/1/2010																								
10	General Counsel and General Manager to propose interpretation clarifying amendments to District Act	4/1/2010	5/3/2010																								
11	Request approval or accept modifications from board and submit with Omnibus bill	5/4/2010	6/3/2010																								
12	Submit changes to District Act to Omnibus Bill	6/4/2010	7/1/2010																								

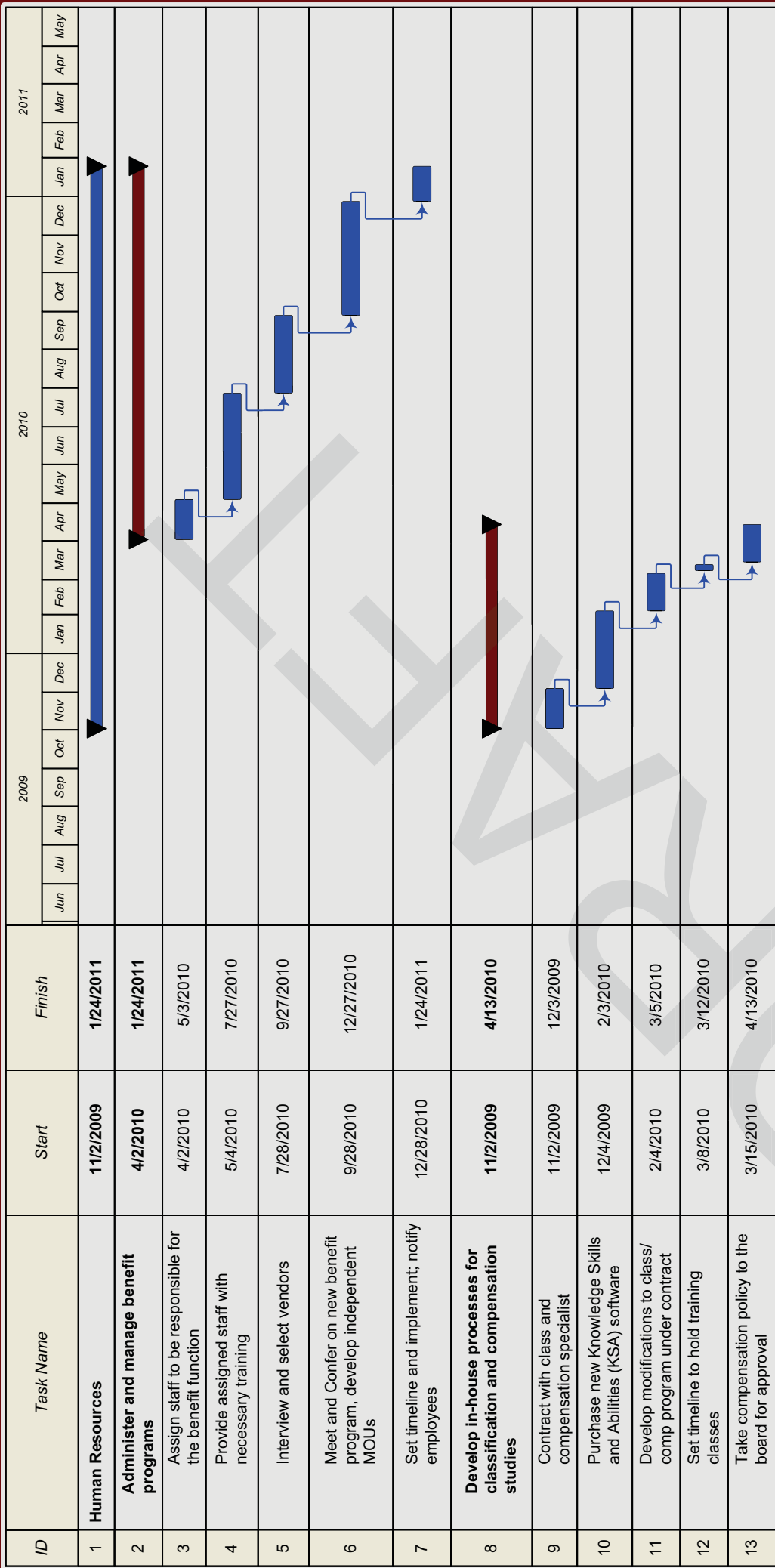
ID	Task Name	Start	Finish	2009												2010			
				Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Finance	9/3/2009	3/26/2010																
2	Evaluate existing financial system for independent operations	10/1/2009	3/26/2010																
3	Meet with staff to brainstorm all technology needs	10/1/2009	10/30/2009																
4	Request a review of hardware configuration and management practices by LanLogic	10/5/2009	11/2/2009																
5	Meet with Fundware to outline software needs	11/2/2009	11/30/2009																
6	Budget and contract for software improvements	12/1/2009	1/1/2010																
7	Oversee vendor and hold to schedule	1/4/2010	3/26/2010																
8	Prepare to change fiscal year to calendar year and develop a transition budget	9/3/2009	3/11/2010																
9	Create detailed budget transition plan for transition occurring on July 1, 2011	9/3/2009	10/1/2009																
10	Prepare draft Zone 7 calendar year budget with overlap for the County	10/2/2009	3/11/2010																

ID	Task Name	Start	Finish	2010												2011											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep			
1	Finance	3/1/2010	6/28/2011																								
2	Outsource Payroll to commercial provider	3/1/2010	6/28/2011																								
3	Collect basic data on current Zone 7 payroll	3/1/2010	3/12/2010																								
4	Prepare request for proposals (RFP) to solicit for private payroll services	3/1/2010	3/31/2010																								
5	Review proposals and interview vendors	4/1/2010	4/30/2010																								
6	Contract with preferred vendor	5/3/2010	5/14/2010																								
7	Meet to establish steps and timeline for transition	1/3/2011	1/31/2011																								
8	Coordinate with financial software provider to provide an automated interface between payroll provider and General Ledger	2/1/2011	2/14/2011																								
9	Train Finance Staff for data entry in payroll provider's system	4/1/2011	5/2/2011																								
10	Notify staff of change in payroll processing	3/31/2011	4/29/2011																								
11	Parallel payroll process to ensure accuracy	5/2/2011	6/28/2011																								
12	Obtain commercial checking account	4/1/2010	11/3/2010																								
13	Obtain tax-ids	4/1/2010	4/30/2010																								
14	Obtain basic data on current banking needs	9/14/2010	11/3/2010																								
15	Meet with at least three local banks	9/14/2010	10/4/2010																								
16	Establish commercial checking account with chosen bank	10/5/2010	11/3/2010																								

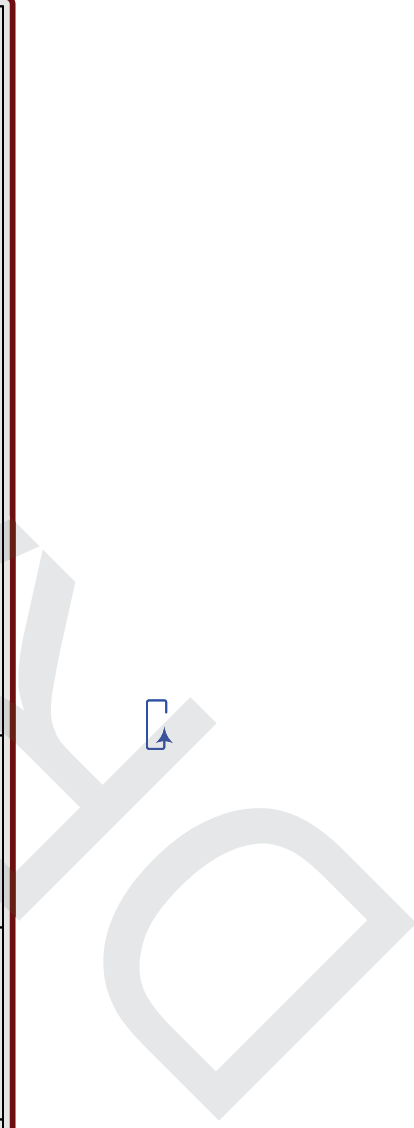
ID	Task Name	Start	Finish	2010												2011											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun						
1	Finance	6/1/2010	4/22/2011																								
2	Train Finance Clerks in new finance processes and procedures	12/20/2010	4/22/2011																								
3	Brainstorm and prioritize training needs	12/20/2010	12/31/2010																								
4	Hire or assign trainer	1/3/2011	2/4/2011																								
5	Schedule mandatory training sessions	2/7/2011	2/9/2011																								
6	Hold training	2/10/2011	3/23/2011																								
7	Allow staff to evaluate training	3/24/2011	3/25/2011																								
8	Parallel check AP generation and any untested financial transactions	3/28/2011	4/22/2011																								
9	Develop an investment policy and outsource treasury management	6/1/2010	1/12/2011																								
10	Collect sample investment policies from other agencies and revise	6/1/2010	6/30/2010																								
11	Plan for treasury transition with County Treasurer and ACO	7/1/2010	7/29/2010																								
12	Ask board to adopt policy	7/30/2010	8/30/2010																								
13	Prepare RFP for fund management services and regular reporting	8/31/2010	11/1/2010																								
14	Interview and evaluate vendors	11/2/2010	12/13/2010																								
15	Contract with at least two firms and allocate portfolio	12/14/2010	1/12/2011																								

ID	Task Name	Start	Finish	2010												2011						2012					
				Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1	Finance	1/25/2011	4/3/2012																								
2	Train line staff as appropriate in new purchasing processes and use of financial system	1/25/2011	2/24/2011																								
3	Brainstorm and prioritize staff training needs	1/25/2011	1/31/2011																								
4	Assign trainer(s)	2/1/2011	2/7/2011																								
5	Schedule "Just-in-Time" training sessions for line staff using in-house trainers	2/8/2011	2/9/2011																								
6	Hold training	2/10/2011	2/23/2011																								
7	Allow staff to evaluate training	2/24/2011	2/24/2011																								
8	Assume full financial function independence	7/1/2011	7/15/2011																								
9	Mid budget period reconciliation and reauthorization	10/3/2011	12/2/2011																								
10	Create own CAFR, compliance, and management reports	9/1/2011	4/3/2012																								
11	CAFR	9/1/2011	4/3/2012																								
12	Collect sample CAFRs from other utility districts	9/1/2011	9/30/2011																								
13	Prepare draft CAFR format and outline	10/3/2011	11/1/2011																								
14	Establish schedule for initial CAFR preparation	11/2/2011	11/15/2011																								
15	Internal staff prepare numbers for CAFR and drop into format	11/16/2011	2/7/2012																								
16	Have accounting professional review CAFR numbers	2/8/2012	3/6/2012																								
17	Revise as needed; publish on schedule	3/7/2012	4/3/2012																								
18	Special District Financial Report	9/1/2011	4/3/2012																								
19	Internal Financial Reports	9/1/2011	4/3/2012																								

ID	Task Name	Start	Finish	2009												2010			
				Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Human Resources	9/1/2009	7/1/2010																
2	Complete performance standards for HR	9/1/2009	11/3/2009																
3	Collect samples from other utilities/agencies	9/1/2009	9/21/2009																
4	Discuss possible performance standards	9/22/2009	10/5/2009																
5	Revise and adopt performance standards for Zone 7 HR	10/6/2009	10/19/2009																
6	Provide copies of the performance standards to all Zone 7 divisions	10/20/2009	11/2/2009																
7	Monitor and report performance	11/3/2009	11/3/2009																
8	Establish a Zone 7 Personnel Commission	10/1/2009	3/31/2010																
9	Determine the configuration of the Personnel Commission	10/1/2009	10/30/2009																
10	Staff prepares mission, roles, and procedures	11/2/2009	1/29/2010																
11	Appoint commissioners	2/1/2010	3/1/2010																
12	Set internal milestones and deadlines for this process	3/2/2010	3/31/2010																
13	Identify an appeal/grievance, corrective/ disciplinary action appeal processes	12/30/2009	7/1/2010																
14	Collect sample processes from other utilities/agencies	12/30/2009	1/28/2010																
15	Revise for Zone 7, subject to Meet and Confer	1/29/2010	4/30/2010																
16	Have board adopt	5/3/2010	6/1/2010																
17	Train all supervisors on new process	6/2/2010	7/1/2010																



ID	Task Name	Start	Finish	2009												2010				
				Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
1	Human Resources	9/1/2009	5/6/2010	[Progress bar from 9/1/2009 to 5/6/2010]																
2	Revise recruitment and selection processes for independent operation	10/1/2009	5/6/2010	[Progress bar from 10/1/2009 to 5/6/2010]																
3	Identify and recommend process changes	10/1/2009	11/2/2009	[Task progress bar from 10/1/2009 to 11/2/2009]																
4	Staff to create any necessary new forms, documents, or reports	11/3/2009	12/2/2009	[Task progress bar from 11/3/2009 to 12/2/2009]																
5	Meet with recruitment vendor(s) and contract for recruiting services	12/3/2009	1/4/2010	[Task progress bar from 12/3/2009 to 1/4/2010]																
6	Implement changes	1/5/2010	5/6/2010	[Task progress bar from 1/5/2010 to 5/6/2010]																
7	Review existing employee performance evaluation system	9/1/2009	12/31/2009	[Task progress bar from 9/1/2009 to 12/31/2009]																
8	Collect sample processes from other utilities/agencies	9/1/2009	9/21/2009	[Task progress bar from 9/1/2009 to 9/21/2009]																
9	Brainstorm potential revisions/improvements	9/22/2009	10/21/2009	[Task progress bar from 9/22/2009 to 10/21/2009]																
10	Meet with all supervisors	10/22/2009	11/20/2009	[Task progress bar from 10/22/2009 to 11/20/2009]																
11	Implement changes (if any)	11/23/2009	12/22/2009	[Task progress bar from 11/23/2009 to 12/22/2009]																
12	Require adherence through performance evaluation process	12/23/2009	12/31/2009	[Task progress bar from 12/23/2009 to 12/31/2009]																



ID	Task Name	Start	Finish	2009												2010												2011					
				Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun						
1	Human Resources	12/1/2009	12/30/2010																														
2	Prepare to negotiate directly with Zone 7 labor organizations	12/1/2009	6/23/2010																														
3	Prepare a staff report to the Zone 7 Board	12/1/2009	12/21/2009																														
4	Board to approve negotiation terms	1/22/2009	1/20/2010																														
5	Formally notify County Administrator and Board of Supervisors	1/21/2010	2/19/2010																														
6	Meet with labor organizations	2/22/2010	6/23/2010																														
7	Develop a plan for negotiations	7/5/2010	12/30/2010																														
8	Contract with labor negotiation specialist	7/5/2010	8/31/2010																														
9	Set timeline to hold training sessions	9/1/2010	9/30/2010																														
10	Board to approve policies and procedures	10/1/2010	10/29/2010																														
11	Staff to negotiate alongside consultant	11/1/2010	12/30/2010																														
12	Develop internal Employee Recognition Program	1/1/2010	2/16/2010																														
13	Establish an Employee Recognition Program (ERP) staff team	1/1/2010	1/21/2010																														
14	Task the ERP team to prepare recommendations	1/22/2010	2/11/2010																														
15	Request board approval of program	2/12/2010	2/15/2010																														
16	Transition from County and implement program	2/16/2010	2/16/2010																														

ID	Task Name	Start	Finish	2010												2011					
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1	Risk Management	5/3/2010	2/2/2011																		
2	Transition from County Risk Management Insurance and Join Joint Powers Insurance Authority	5/3/2010	2/2/2011																		
3	Compile Zone 7 insurance information	5/3/2010	5/31/2010																		
4	Research JPIA and private insurer options and request price quotes	6/1/2010	7/30/2010																		
5	Select vendor and set timeline for contract	8/2/2010	9/30/2010																		
6	Undergo risk analysis by JPIA or potential insurer as appropriate	10/1/2010	12/1/2010																		
7	Request board award of bid	12/2/2010	12/31/2010																		
8	Implement contract	1/3/2011	2/1/2011																		
9	Monitor performance	2/2/2011	2/2/2011																		

ID	Task Name	Start	Finish	2010												2011												2012			
				Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr					
1	Information Technology	7/1/2010	1/31/2012																												
2	Outsource e-mail filtering	3/1/2011	5/2/2011																												
3	Extend existing IT service contract to provide e-mail filtering services.	3/1/2011	3/30/2011																												
4	If needed develop an RFP, interview proposers	3/1/2011	3/30/2011																												
5	Vendor and staff to meet with County ITD to plan transfer	3/31/2011	4/29/2011																												
6	Monitor performance	5/2/2011	5/2/2011																												
7	Disconnect data lines to County	1/2/2012	1/31/2012																												
8	Obtain additional technical support as needed for the district's financial system	7/1/2010	8/12/2010																												
9	Ask IT service provider to review current systems for business continuity	7/1/2010	7/2/2010																												
10	Identify provider for any identified hardware or software needs and acquire	7/5/2010	7/9/2010																												
11	Group services into general IT support contract	7/12/2010	8/10/2010																												
12	Monitor performance	8/11/2010	8/11/2010																												
13	Re-bid contract every three to five years	8/12/2010	8/12/2010																												

