



TO: Mark Relph, Littleton City Manager

FROM: Shawn Lewis, Englewood City Manager

DATE: January 3, 2020

SUBJECT: Proposed Reorganization of Englewood Utilities Department

A proposed reorganization in the Englewood Utilities Department requires the City Managers of Littleton and Englewood to sign an Administrative Agreement due to elements of the proposed reorganization that involve South Platte Water Renewal Partners Director Pieter Van Ry. The purpose of this memo is to provide the City of Littleton with an understanding of the proposed reorganization and convey how Englewood will ensure that the excellence established at SPWRP through the longstanding partnership of the two Cities will not be adversely affected should Littleton see fit to approve the administrative agreement.

Summary of the Proposal Most Relevant to Littleton

- The City of Englewood is proposing that SPWRP Director Van Ry expand his Director role to assume responsibilities for the City of Englewood Water and Sewer Enterprise Funds and all associated assets and staff.
- In the proposed structure Director Van Ry will lead the two independent organizations and continue to hold the title of Director of SPWRP while separately holding the additional title of Director of Englewood Utilities. No other SPWRP staffing resources will be split between SPWRP and Englewood Utilities under this proposal.
- Director Van Ry will continue to lead the effort for SPWRP to establish long-term financial sustainability and translate those efforts to the City of Englewood Sewer Fund to ensure that the concern raised by the City of Littleton in its December 17, 2018 letter regarding long term funding of SPWRP continues to be addressed.
- The new structure that Director Van Ry has established at SPWRP, consisting of four Deputy Director Positions, has set SPWRP up for continued success and allowed Director Van Ry the time necessary to lead Englewood Utilities in building the long-term financial sustainability and capital reserves necessary to ensure funding of SPWRP capital and operational needs.
- Englewood will remove two divisions from the current Utilities Department and place them into other departments; specifically, Utility Billing/GIS and the Stormwater Utility will move under the Finance Department and Public Works Departments respectively.
- The City of Littleton is expected to experience a 3-year cost reduction of approximately \$137,000 as a result of Englewood assuming a greater percentage of Director Van Ry's salary and benefits.
- Littleton will maintain equal control of plant operations in accordance with all provisions of the SPWRP Joint Use Agreement as expressed through their 50/50 participation in the SPWRP Supervisory Committee.
- Any agreement entered into by the two Cities will be subject to periodic review, on a minimum 2-year frequency, to ensure that the continued interests of each City

associated with SPWRP are being met. Additionally, either City can at any time, require that Director Van Ry's responsibilities be reduced to their original level as Director of SPWRP only, if deemed necessary.

- Director Van Ry has extensive water and sewer system experience and welcomes the additional challenge of directing both departments. The Englewood City Manager's Office sees this change as an employee retention opportunity that will benefit both Littleton and Englewood by retaining a high-value employee as Director of SPWRP.

Background

With a vacancy in the Director position for the Englewood Utilities Department, City Manager Lewis began discussing the future of the department with City leaders in August, relying heavily on the analysis and recommendations of existing staff.

Challenges, Goals and Options Explored

Based on the City Manager's discussions with Englewood's departmental leadership, City Council and staff members who participated in the City Manager focus groups in October and November, the following challenges were identified in the utility area of the City:

- Operating under a set of systems managed to keep utility rates low resulting in underfunding for capital investment and staffing over the last decade or more
- Providing for maintenance-only operations in water, wastewater and stormwater utilities
- Deterioration of water and wastewater collection and distribution infrastructure
- Insufficient funding of SPWRP by the City of Englewood.
- Insufficient focus on protecting Englewood's extensive, but complex water rights portfolio.
- Deferred maintenance and lack of capital reinvestment in the Allen water treatment plant
- Insufficient long-range planning due to a lack of funding for appropriate staffing levels
- Lack of long-term financial planning to ensure appropriate funding of necessary capital and operational needs in the City of Englewood Utility Enterprise Funds

Goals for Changes to Reporting Structures

- Establish adequate funding levels to ensure long-term viability of Utility systems including SPWRP
- Generate cost reductions that allow for reinvestment in capital, equipment and hands-on staff who can assist existing staff in restoring deteriorating systems
- Ensure leadership with the technical, managerial and political know-how to oversee infrastructure master planning and rate increase proposals needed for capital reinvestment
- Establish long range infrastructure planning and replacement programs while protecting and enhancing Englewood's historic water rights
- Maintain departmental excellence in all affected departments
- Modernize utility billing system to ensure the full capture of revenue from customers and Connector Districts, establish monthly billing and work toward smart metering of every customer
- Maximize the use of technology such as GIS and asset management software for decision making and efficient operations
- Create a new Stormwater Division to provide increased focus on failing Stormwater system

Key Options Explored

1. Open the Utilities Director position to qualified applicants and select a new Director
2. Identify leadership in other departments that could take parts or all of the current Utilities Department

Proposed Structure

In collaboration with the City Manager, the Directors of Public Works, South Platte Water Renewal Partners (SPWRP) and Finance are proposing the following organizational structure changes that are designed to achieve the goals outlined above:

- Move the Stormwater Enterprise Fund, associated assets and staff under the direction of Public Works Director Maria D'Andrea. Director D'Andrea will continue to hold the title of Public Works Director.
- Move Utility Billing under the direction of Finance Director Maria Sobota.
- Create a new GIS Division in the Information Technology Department, moving the existing Utilities GIS Analyst position into this Division.
- Move the Water and Sewer Enterprise Funds, associated assets and staff under the direction of SPWRP Director Pieter Van Ry. Director Van Ry will lead the two separate and independent business units; continue to hold the title of Director of SPWRP; and hold the additional title of Director of Englewood Utilities.

Benefits of Proposed Changes that directly affect Littleton

Moving Water, Wastewater Collection, Distribution & Treatment under Director Van Ry

- Director Van Ry has completed a cost of service analysis and established a long term 20-year financial plan for SPWRP that has identified the appropriate funding requirements for the two partner Cities. He can translate this understanding and experience to lead the City of Englewood Water and Sewer Utility in ensuring that Englewood establishes a rate and fee structure that will adequately fund the City of Englewood's share of SPWRP. This directly addresses the most significant concern raised in the December 17, 2018 letter from the City of Littleton to the City of Englewood regarding management and administration of SPWRP.
- The proposed programs and processes that must be created in the Utilities Department are currently established and operating effectively at SPWRP. A combined Director role can rapidly and efficiently translate those programs to Utilities, saving valuable time and effort.
- There will be salary savings for each City as two Director positions will be reduced to one.
 - City of Littleton is expected to experience a 3-yr reduction of approximately \$137,000
 - City of Englewood is expected to experience a 3-yr reduction of approximately \$480,000 and use the salary savings to enhance the staffing structure of the current Utilities Department and reinvest in capital assets where possible.

Moving Stormwater, Utility Billing and GIS out of the Englewood Utilities Department

- This change reduces the Utility Department to a set of responsibilities focused only on water and wastewater, thereby making the proposed shared director role more easily manageable and aligned with existing responsibilities at SPWRP.

Other Considerations

Partnership between SPWRP and Utilities Department

- SPWRP Director has been on loan to the City of Englewood in 2019 and 2020 to lead the Water and Sewer Utility Master Plans including new rate and fee studies and models for each Utility.
 - The masterplan is a critical first step to establishing a foundational understanding of the challenges the systems face.
 - The plan and rate and fee study are needed to provide defensible rationale for Council and the citizens to approve future revenue needs.

A Commitment to Continued Excellence at SPWRP

- The new deputy director structure in SPWRP will allow Director Van Ry to efficiently and effectively lead and maintain strong connection to each organization.
 - Currently the SPWRP Director meets individually with the four SPWRP Deputy Directors on a weekly basis. The proposed structure would increase those meetings for the Director to six weekly meetings by adding individual meetings with the two Utilities Deputy Directors.
 - Each organization will have an administrative assistant with appropriate time dedicated to Director Van Ry. A weekly 1:1 with those individuals will also be established.
 - This formalization of roles and frequency of meeting will ensure proper time split for the Director as leadership and execution responsibilities will be clearly defined within each Department.

Next Steps

The Littleton and Englewood City Manager's Offices, in coordination with the Littleton and Englewood City Attorney's Offices, will create and facilitate discussion of an administrative agreement—signed by the City Managers of Englewood and Littleton—to outline Director Van Ry's responsibilities to SPWRP. The agreement will ensure continued excellence and oversight at SPWRP and ensure that no merger or comingling of funds occurs between the Englewood Utilities Department and SPWRP.

If the administrative agreement is signed by Littleton, City Manager Lewis and Director Van Ry will sign an employment agreement outlining Director Van Ry's new role, consistent with the administrative agreement between Littleton and Englewood.

In Closing

As stated in its July 3, 2019 letter to the City of Littleton, the City of Englewood truly values the mutually beneficial relationship that our cities share in regards to the joint ownership of the South Platte Water Renewal Partners facility. Over the course of 2019 Director Van Ry and his staff at SPWRP have worked to resolve many of the issues identified by Littleton in the December 2018 letter and establish SPWRP on a path of continued success. Given this track record of performance, we believe that by making this change to Director Van Ry's role as proposed, the most significant issue of funding of SPWRP can be addressed to the benefit of both Cities.