

City of Sacramento
Department of Utilities

Operational Efficiency and Cost Savings Audit

City Auditor's Office
Public Financial Management, Inc.
Diemer Engineering, Inc.
EMA, Inc.
Gershman, Brickner & Bratton, Inc.

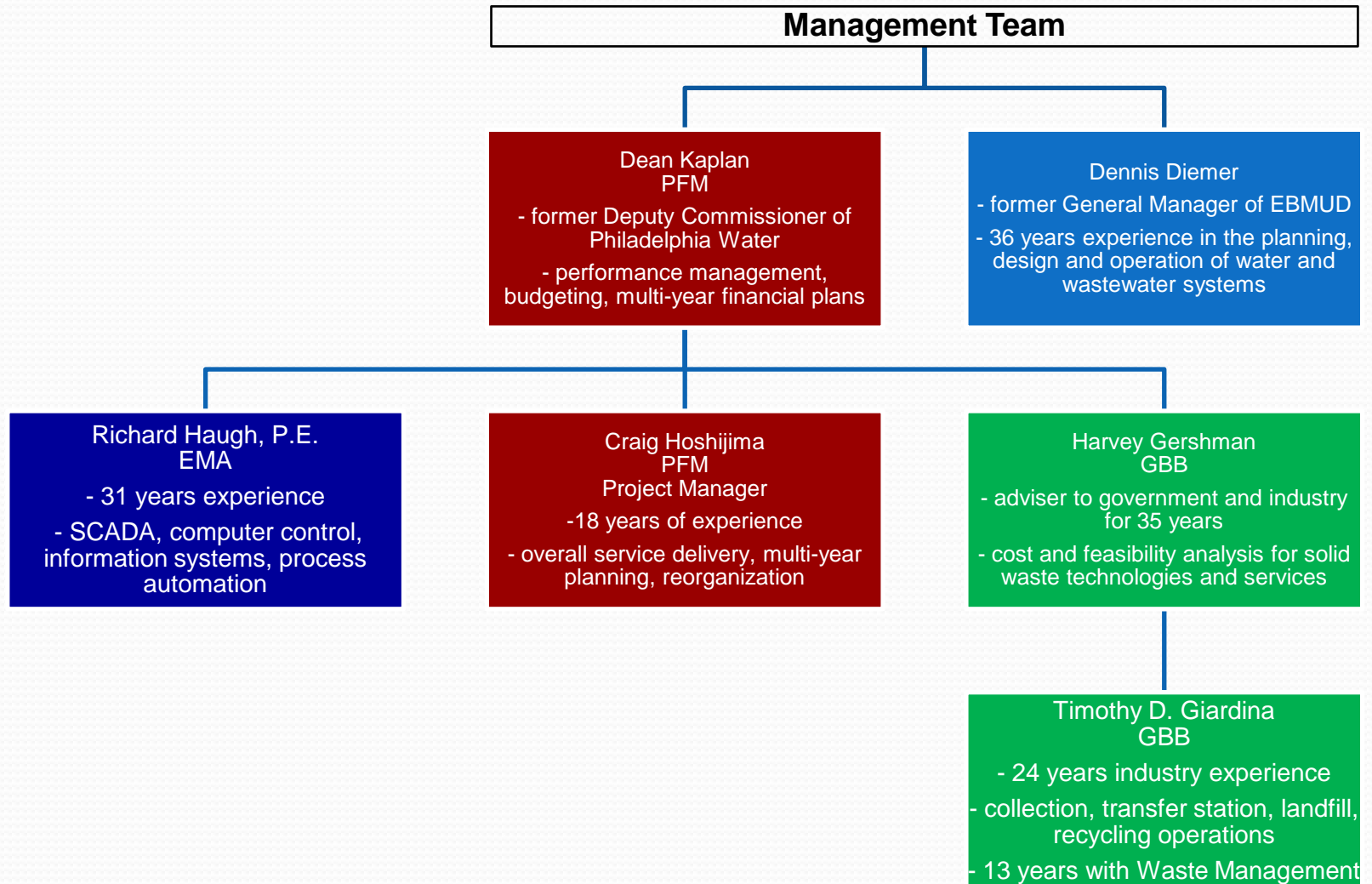
Introduction

- This was an independent audit providing an overall assessment of the City of Sacramento's Department of Utilities (DOU) that identifies:
 - potential efficiencies
 - cost saving opportunities
 - changes in practices for improvement
- Developed by a team of independent professional advisers that specialize in the management, finances and operations of water, wastewater, and solid waste utilities
- Conducted in under two months, this report spans a broad array of topics within the DOU.
 - Given the short timeframe of this audit, a draft report was not provided to the DOU. Instead, the report was discussed orally with the department. All of DOU's feedback was taken into consideration prior to finalizing the report.

Audit Team

- ***Public Financial Management***
 - a national financial and strategic consulting firm that has helped local government since 1975 to reduce costs and enhance revenues
- ***Diemer Engineering***
 - former General Manager of East Bay MUD with 36 years experience in the management and planning of water and wastewater systems
- ***EMA***
 - a national consulting firm that since 1975 has helped water and wastewater utilities make more efficient use of IT and O&M technology
- ***Gershman, Brickner & Bratton***
 - a solid waste consulting firm that since 1980 has helped communities nationwide to implement cost-effective services

Project Team



Objective and Scope

- The objective was to identify 3-5 opportunities for efficiencies/cost savings for the Council's consideration
- The audit included a review of all four major areas of the Utilities Department
 - Water
 - Wastewater
 - Drainage
 - Solid Waste

Audit Overview

- DOU provides high quality utility services as measured by its record of meeting regulatory requirements and reliable service, while attempting to reduce costs and the size of the organization.
- However, as with any organization, opportunities for operational efficiencies and reduced costs exist.
- The City also faces significant challenges in maintaining its aging infrastructure and may not be investing sufficiently in capital replacement.
- The DOU would benefit from a comprehensive construction and financing plan that identifies and prioritizes its capital needs.
- Additional ideas for improvement and areas for further research are discussed in the report.

Primary Finding 1

Finding: Backyard water mains are being replaced and moved to the street prior to the end of their useful life.

Recommendation: Keep backyard mains in place; new meters can be installed in resident's back yard; reallocate funding from backyard main replacement for immediate capital replacement needs.

FY12 Impact	FY13-15 Impact
\$6,000,000	\$25,400,000

Primary Finding 2

Finding: Water treatment plants are staffed 24 hours per day with multiple-man crews

Recommendation: Reduce the man hours at treatment plants and rely more on technology to monitor and control equipment

FY12 Impact	FY13-15 Impact
\$580,000	\$1,740,000

Primary Finding 3

Finding: DOU does not have an operations-focused energy management program

Recommendation: Implement a “best practice” operations energy management program to achieve significant energy and cost savings

FY12 Impact	FY13-15 Impact
(\$70,000)	\$480,000

Primary Finding 4

Finding: DOU is using an inefficient two-vehicle system to collect loose-in-the-streets garden refuse.

Recommendation: Change to a boom truck to collect garden refuse.

FY12 Impact	FY13-15 Impact
\$1,375,000	\$4,125,000

Primary Finding 5

Finding: DOU is not fully utilizing software that can optimize the routes taken by refuse trucks.

Recommendation: DOU should utilize the routing software and follow the recommended routes, which will reduce staff and vehicle road time.

FY12 Impact	FY13-15 Impact
\$240,000	\$720,000

Primary Finding 6

Finding: Recycling bins contain a relatively large amount of non-recyclable materials

Recommendation: Implement a more effective public information program that can reduce non-recyclables from 32% to 10%

FY12 Impact	FY13-15 Impact
\$516,000	\$1,998,000

Primary Finding 7

Finding: Investment in capital assets is likely insufficient, but DOU's proposed capital plan is not well defined and there are few specific projects identified

Recommendation: Continue development of a capital master plan that includes a long-term financing plan

Additional Efficiency and Cost Savings Opportunities

- Replace large meters
- Proper customer classification
- Increase size of construction contracts
- Accelerate Computerized Maintenance Management Systems
- Modify furlough program
- Evaluate number of supervisors and superintendents
- Downgrade positions
- Expand or exit commercial solid waste collections
- Evaluate general services fleet costs
- Consider managed competition to affect changes

Conclusion

- The audit recommends: The City Council Consider the Cost Containment options presented in this report and provide direction to the City manager as to which approaches to pursue further.
- The audit recommends: The City Council provide direction to the City Manager as to the need for further analysis of the secondary tier of potential cost savings/efficiency opportunities as identified in the report.