Arch Cape Domestic Water Supply District and Arch Cape Sanitary District

Organizational Assessment: Executive Summary (DRAFT)

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DRAFT for Board review. The detailed findings and appendices are also in draft and will be published in December. This summary gives my assessment and recommendations; the detailed findings support them.

Disclosure. I prepared this assessment as the Districts' contract Administrator, as required by my contract. I have told the Boards I would certainly discuss continuing after June 2027 if requested. Please weigh my recommendations about the Administrator role with that in mind; the Boards may wish to have them reviewed independently.

Sustainability at a glance

The Districts are well run day to day but thinly staffed. One certified employee, the Manager of Plants and Operations, runs both plants and is effectively on call every day of the year. Scheduled relief ended in mid October 2026, and the second operations position has been vacant since September. Administration of the Districts depends on a contract Administrator funded by a Sanitary levy that ends June 30, 2027. The Boards are volunteers with limited time and regular turnover.

Together, these mean the Districts are one illness, resignation or levy decision away from a serious gap. The near term work is to add depth: certified backup, a second operations employee and a lasting plan for administration. The longer term question is whether two small Districts with two volunteer Boards should keep operating separately, or combine or partner to gain stability.

Current situation: strengths and weaknesses

Area	Strengths	Weaknesses
Plants, systems and equipment	OHA's 2026 survey found the water plant well run; permits and reporting are current; SCADA at both plants and at the Webb and Sallys Alley pump stations; satellite internet, cloud storage of District information and secure IT infrastructure at both plants; radio read meters; a work order system	With one operator, some work has to wait: phone and text alarm callouts at the plants need to be updated to match the two newer pump stations, SCADA is planned for the remaining pump stations, and some preventive maintenance waits until a second person is available; the wastewater discharge permit renewal is with DEQ Much of the underground infrastructure is 40 or more years old and is degrading IT support depends on one contractor under a contract renewed each year, and response times can vary.

Area	Strengths	Weaknesses
Plant management and operations	A capable, dedicated Manager who holds every required certificate, knows both systems and consistently gives far more than the job requires	One person carries all certified responsibility, every day; no dependable backup since relief ended; only ten operators in Clatsop and Tillamook counties hold all four Arch Cape certificates, and most work elsewhere
District management and administration	An Administrator, with some volunteer help, has kept budgets, contracts, grants, policies and Board support on track since July 2025	The position is funded by a levy that ends June 30, 2027; the work (about 960 hours a year, including forest administration) needs a permanent home
Office, billing and bookkeeping	A contracted office and bookkeeping person at about $42,000 a year, a common model for a district this size; a written scope of services A District website for posting and storing required documents A new billing system with online payment starting December 2026	The scope and service standards need review and updating; an individual contractor brings continuity risk (retirement or departure, and knowledge that is hard to transfer), while a service brings more depth at a higher cost. Resolutions, ordinances and other records are not current on the website, and the cloud storage is not yet fully used for District records
Contracting and engineering	Established contractors and vendors, cooperative purchasing, a mutual assistance agreement with a neighboring city for emergencies, and an Engineer of Record	Contracts, procurement and vendor oversight take steady administrative time; upcoming capital projects in the long range plans will also need engineering review and project management, bought as needed; the Engineer of Record has merged with a much larger firm, and the engineers most familiar with the Districts' systems have retired; requests for project contracts have been slow to get a response, and as a small client the Districts may receive less attention and face higher rates
Forest-Watershed	District ownership of the forest around the water source gives the District control over land use in the watershed that supplies the water plant; recent road improvements are complete, with project costs shared under written agreements, and some easement holders have committed to sharing maintenance	The forest has been a significant demand on District time and a subject of public debate; administration has relied on a volunteer and the general forester arrangement is ending; current grant funding will run out unless harvest revenue is realized, and the community is not fully in agreement on logging; not all easement holders have committed to sharing road maintenance
Finances	Rates fund operations; long range financial plans exist for both Districts	The Water fund is drawing on reserves (about $63,000 left by FY 2029-30), the Sanitary plant faces a $350,000 membrane replacement that year, and administration must move from the levy onto rates Grants and loans are already being used for capital projects, and alternative revenue sources warrant consideration

Key risks to manage

1. **Board capacity and duplication:** The Boards are engaged, committed volunteers, but two five member Boards have limited time; members change every two to four years, so knowledge is

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hard to keep; finding candidates is difficult; and the two Boards duplicate meetings, budgets, audits and administrative time.

2. **Shutdown of plant operations:** The Districts depend on one certified employee without dependable backup. A sudden illness, injury or resignation could leave the plants without certified operation, and within days water treatment and wastewater service could be interrupted, with risks to public health and permit compliance. It is unclear whether, or how quickly, a qualified operator can be recruited. Until backup is in place, a written contingency plan is the minimum protection.

   If one can be found, hiring a second employee will help, but a partly certified operator will still need purchased coverage while earning the remaining certificates. Nearby backup operators have other jobs, and the outside providers contacted, traveling from their normal bases, have not offered emergency response within an hour. If recruitment and backup agreements do not produce a workable arrangement, the Boards will need to turn to contract operations or a public agency partnership, using priced proposals and confirmed availability. Continuing administrative duties also need an assigned provider and dependable funding before the levy and the current Administrator contract end on June 30, 2027.

Recommended direction

Near term (now to about 18 months)

1. **Contract with backup operators.** Sign contract agreements now with at least two nearby certified operators for weekends, holidays, on call and emergencies, and with an outside contract provider for vacations, weekday absences and a long absence of the Manager.
2. **Hire a second operations employee.** Recruit a wastewater certified operator first (Grade I or II, working toward the water certificates), with a utility worker plus purchased backup as the fallback. Recommendation: decide by spring 2027, based on who applies and whether backup agreements are signed. Until a new operator is fully qualified, typically one to three years, backup must still be bought.
3. **Retain an Administrator after the levy.** Keep a half time Administrator, either a part time employee (about $70,000 to $95,000 a year) or a contractor (about $82,000 to $144,000 a year). Recommendation: decide which by January 2027 so the transition is complete before June 30, 2027.
4. **Secure an ongoing arrangement for office and bookkeeping.** Review and update the scope and service standards, decide whether the next contract should be with an individual or a service, and compare options before the current contract ends June 30, 2027.
5. **Secure the Forest-Watershed.** Assign forest administration to the Administrator, and put an on call forestry contract in place for road failures, fire risk advice and patrols.
6. **Increase plant reliability.** Once a second person is on staff, update the alarm callouts, add SCADA at the remaining pump stations and catch up deferred maintenance.
7. **Maintain reporting structure.** The Board Presidents give the Administrator general direction, with the Sanitary President as the lead contact; the joint personnel committee makes recommendations on hiring, reviews and pay, and the Water Board decides; the full Boards set policy, adopt budgets and approve contracts. The Administrator works with the Manager on budget, purchasing and policy, and the Manager keeps direct access to the Boards and regulators on safety and compliance. The Administrator oversees the office and bookkeeping

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contract, the Treasurers independently review reconciliations, and the independent auditor reports to the Boards.

What this costs. With a qualified second operator, the full annual staffing and administration cost is about $370,000 to $450,000 with a contract Administrator, or about $360,000 to $400,000 with an employee Administrator. A utility worker with purchased backup costs about the same ($365,000 to $455,000, or $355,000 to $405,000). Compared with this year's comparable budget ($352,825, excluding the levy funded Administrator), that is about $5,000 to $50,000 a year more with an employee Administrator, or $15,000 to $100,000 more with a contract Administrator, mostly because administration moves from the levy onto rates. Both fit within the staffing the Water long range plan provides for FY 2027-28 (about $480,600), once the second operator is qualified; the first training year of a certified hire could run up to about $50,000 above that.

The main options cost about the same. The real differences are reliability and control: an in house team with signed local backup can respond within an hour, which none of the outside providers contacted could.

Mid to long term (about 12 to 36 months)

Increase Board stability and efficiency. The Boards should seriously consider a merger of the two Districts. One Board instead of two would mean fewer volunteer seats to fill, one budget, one audit and less work to keep institutional knowledge.

Cash savings are modest (about $11,000 to $15,000 a year from one audit, fewer notices and no IGA legal costs, plus some administrative time). A first study would cost about $15,000 to $30,000; a full merger would take about 18 to 30 months and needs counsel's review, Oregon Department of Forestry consent for the forest, and voter approval in both Districts.

Consider alternatives to in house staffing. If in house staffing and backup cannot be secured, these become the main path rather than a fallback**.** Two are worth exploring, and they can be combined:

- **An intergovernmental agreement (IGA) with a neighboring city or larger district** to operate the systems or share staff. It scored highest in this assessment because a city has staff depth and leave coverage, but no neighboring agency has capacity today. Keep the door open.
- **Outsourcing to a private firm,** for some or all functions. Outsourcing parts of the work (selected routine operations tasks, backup coverage, bookkeeping, management support) is workable. Full contract operations would likely cost the most (about $430,000 to $610,000 a year at published rates). Priced proposals would replace these estimates with real offers.

Specific next steps

When	Step
December 2026 joint meeting	Authorize negotiation of backup agreements (two nearby operators and an outside provider). Confirm recruitment of the second operations position. Decide whether to study a merger of the two Districts, and whether to request priced proposals for outsourcing.
November to December 2026	File DEQ and OHA backup designations. Prepare a written contingency plan for a sudden or long absence of the Manager: notify the Boards, confirm which backup operators are available, and notify and set expectations with the community and regulators. Request a written classification review from DEQ. Prepare a task by task inventory of Administrator duties, and identify any that would need another provider if the role changes.

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When	Step
	With Board direction, seek preliminary service and pricing information from qualified outsourcing providers.
By January 2027	Decide how the Administrator role is filled after June 2027 and begin recruitment or solicitation. Review the office and bookkeeping scope and decide the approach for the next contract. Put an on call forestry contract in place. Confirm current IT support coverage and put an updated written agreement in place. Meet with the Engineer of Record to confirm staffing, response times and rates for upcoming projects; if service does not improve, request qualifications from other firms. Bring resolutions, ordinances and required records current on the website and in cloud storage.
Spring 2027	Decide between a certified operator and a utility worker with purchased backup, based on who applies and whether backup agreements are signed. Adopt FY 2027-28 budgets and rates for the chosen staffing model. Certify a Cross Connection Specialist (required by April 18, 2027).
By June 30, 2027	New administrative arrangement in place when the levy and the current Administrator contract end.
2027 to 2029	If the Boards proceed, complete the study of a merger of the two Districts and any outsourcing proposals, and return with recommendations.

The detailed findings, cost buildups and research behind this summary will be published in December.

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