

**REPORT TO THE BOARD OF DIRECTORS  
BOARD MEETING OF DECEMBER 14, 2021  
AGENDA ITEM NO. 9A**



**AGENDA SECTION: NEW BUSINESS**

**SUBJECT: REVIEW UPDATE TO 2017 GRAND JURY REPORT**

**PREPARED BY:** Gloria Omania, Interim Board Clerk

**APPROVED BY:** Adam Coyan, General Manager

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**BACKGROUND**

The El Dorado County Grand Jury investigated actions by the Georgetown Divide Public Utility District (District) and released a report of its findings titled "Positive Changes and Continuing Challenges, 2016-2017 El Dorado County Grand Jury Case No. GJ2016-17-007," on May 17, 2017 (Report). The Report provided recommendations on how the District can conquer the challenges of aging infrastructure, inadequate revenues, over-worked staff, and a lack of leadership. This Report is included as Attachment 1.

Penal Code Section 933.05 requires a response from the Board of Directors as to all findings and recommendations. The initial response from the District is dated June , 2017, and is included with this report as Attachment 2.

The District received a letter, dated September 1, 2017, from the Grand Jury, stating the District's responses were not in compliance with California Penal Code Section 933.05 et seq. That letter is included as Attachment 3, and the District's response is included as Attachment 4.

**DISCUSSION**

The Civil Grand Jury 2021-2022 sent an email request to President Saunders for an update of where the District stood with the previous findings and recommendations in the 2017 Report. In compliance with California Penal Code Section 933.05, Board President Saunders submitted an updated letter to the Civil Grand Jury on behalf of the District (Attachment 6).

**FISCAL IMPACT**

This action does not result in an expenditure that is not within the fiscal year budget.

**CEQA ASSESSMENT**

This is not a CEQA Project.

**RECOMMENDED ACTION**

Staff recommends the Board of Directors receive the Grand Jury update and provide Staff direction if necessary.

**ATTACHMENTS**

1. Grand Jury Report: "Positive Changes and Continuing Challenges, 2016-2017 El Dorado County Grand Jury Case No. GJ2016-17-007," dated May 17, 2017
2. Response Letter from the Board of Directors to the Grand Jury, dated June 14, 2017
3. Grand Jury Letter, dated September 14, 2017
4. Response Letter from the GDPUD Board of Directors to the Grand Jury, dated October 3, 2017
5. Response Letter prepared and submitted by Board President Michael Saunders



**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**Positive Changes and Continuing Challenges**

**2016-2017 El Dorado County Grand Jury  
Case No. GJ 2016-17- 007**

**May 17, 2017**

# EL DORADO COUNTY 2016-2017 GRAND JURY

*Whiskey is for Drinkin' and Water is for Fightin'*

## **GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT: POSITIVE CHANGES AND CONTINUING CHALLENGES**

**Case GJ 2016-17-007**

### **SUMMARY**

For the last 6 years, readers of the Mountain Democrat have read front page news stories regarding fightin', feudin' and fussin'. These stories were reporting on the actions taken by the Board of Directors of the Georgetown Divide Public Utility District. These stories have covered repeated fights, acrimony and dysfunction among the Board. This has led to key employees leaving and the District delaying key decisions, which has resulted in increased costs. The relevant Mountain Democrat stories are footnoted below.<sup>1</sup>

Over the last decade, the Georgetown Divide Public Utility District (District or GDPUD) has been challenged by a deteriorating water delivery infrastructure, aging water meters, revenue shortfalls, lack of qualified professional leadership, significant staff turnover and turmoil within its Board of Directors.

While water purity meets or exceeds all safety standards, the District is currently under a compliance order issued in 2004 by the State of California to upgrade their treatment process at the Auburn Lake Trails (ALT) water treatment plant. In 2016 the District made significant progress in resolving the ALT treatment plant issue and recently took actions to upgrade aging water meters, but other intertwined challenges remain to be addressed.

The Grand Jury recommendations focus on ways the District can increase revenues, upgrade and replace aging infrastructure and equipment, and hire permanent qualified leadership.

### **BACKGROUND**

A number of newspaper articles have described apparent dysfunction on the Board of Directors of the Georgetown Divide Public Utilities District (District or GDPUD) and rapid turnover in executive and managerial positions. The byproducts of that dysfunction were reported to be increased costs to the District, citations by state agencies for regulatory issues and degradation

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<sup>1</sup> Lang, Roberta, "Georgetown Divide Water District Loses Key Employees", December 16, 2011: Hodson, Dawn (and all following articles), "Acrimony Over Upgrade at Georgetown Divide PUD Meeting", March 12, 2012; "File Wars Divide Georgetown PUD", June 15, 2012; "GDPUD GM Relieved to Leave", June 28, 2013; "GDPUD:Dysfunctional Board", January 6, 2014, "GDPUD GM Fired", August 5, 2016 and "ALT Project Starts a Fight", September 16, 2016.

of services provided to its customers. The Grand Jury sought to investigate and determined what the real state of this public water utility and its services was.

The District was formed as a public utility district In 1946, although its antecedents date back to 1852 and the Gold Rush. The District provides both potable treated water and untreated agricultural water to the northwest portion of El Dorado County (known as the Georgetown Divide) and supplies water to about thirty-five hundred (3500) treated (drinking) water customers and 375 agricultural customers. The District is a special district governed by an elected five-member Board of Directors (Board). The Board, with inputs from staff and professional contractors, adopts an annual budget to support staff and agency operations and authorizes hiring for necessary staff positions. The Board selects a General Manager to administer the day-to-day operations of the agency. The Board also recommends water and assessment fees which require voter approval.

Current GDPUD annual revenues are \$5.36 million which consist primarily (more than 90%) of water rates, paid by customers via a bi-monthly billing, and property tax collections. The District also obtains funding from grants, loans and fees paid by other agencies.

The District operates two water treatment plants to supply its customers with potable water- one at Walton Lake and the other at Auburn Lake Trails (ALT).

## **METHODOLOGY**

The Grand Jury conducted interviews of:

Members of the District's Board of Directors, District staff and District consultants.

The Grand Jury reviewed:

District Board Agenda and Meeting Minutes for: *December 13, 2011, June 12, 2012, February 12, 2013, February 9, May 10 & 31, June 14, July 12, Aug. 9 & 23, Sept. 13, Oct. 13, 2016 and January 10, 2017*, on the District Web Site at [www.gd-pud.org/](http://www.gd-pud.org/).

District independent audits for the years 2011, through 2015, conducted by *Moss, Levy & Hartzheim, LLP*, available on the District web site.

Bid process documents for ALT water treatment plant:<sup>2</sup>

The Board's Regular Meeting on 2-9-16 for approval of plans, specifications & permission to solicit bids, and the Board's Special Meeting on 8-23-16 to award bid at [www.gd-pud.org/](http://www.gd-pud.org/).

Notice to bidders at [www.gd-pud.org/](http://www.gd-pud.org/).

Published Water rates for District, El Dorado Irrigation District (EID) and Grizzly Flat

PUD.

The Grand Jury inspected the Auburn Lake Trails water treatment plant.

## **DISCUSSION**

GDPUD operates two water treatment plants to supply its customers with potable water. One is at Walton Lake and the other at Auburn Lake Trails (ALT). The Walton Lake plant is up to date and in compliance with all water quality and process regulations of the State and Federal agencies. The ALT treatment plant is a different story.

The plant was built in the 1970s by the developer of the Auburn Lake Trails subdivision. It is no longer capable of meeting mandated water processing requirements and has exceeded its

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<sup>2</sup> Email to Grand Jury from GDPUD Consulting Engineer George Sanders, 10-31-16.

operational lifespan. ALT was the subject of a compliance order issued by the State of California in 2004. The plant meets water quality standards but employs a filtration process no longer approved for use by the State of California.

The District spent over \$1 million in the last decade on consulting and design firm fees seeking recommendations on how to proceed with the replacement or retrofit of the ALT plant. This search for solutions yielded three different design plans submitted to the district in 2008, 2012 and 2015-16, respectively. The first approach considered was to construct an entirely new plant in Greenwood for \$8 million. However, that amount did not take into account the significant topography and repiping issues which were estimated to cost some \$20 million. The second plan foresaw a retrofit of the current ALT plant at a cost of some \$10 million. The final, and now adopted, design is for a new plant at the ALT site at a current cost of \$12 million. Over the ensuing twelve (12) years, due to Board infighting and indecision, the cost of the retrofit-replacement project has increased from \$8 million to \$12 million.

Anticipating a \$10 million loan from the California Water Resources Control Board (WRCB), the District obtained voter-approval in 2016 for a bi-monthly assessment of \$30.16, to provide funds to service the WRCB loan. This will be the primary funding source for the \$12 million treatment plant rebuilding project at ALT. The 20-year loan, at 1.6% interest, requires the District to maintain a \$600,000 annual reserve to ensure uninterrupted servicing of the loan. The loan was granted in December 2016, and the \$30.16 assessment began to appear on customer bills starting with the January-February 2017 billing period. The District will also supplement the loan monies with grants and reserves to meet the overall budgeted cost of \$12 million .

These consist of:

|                                      |           |   |
|--------------------------------------|-----------|---|
| Fund 24 ALT Capital Reserve          | \$763,500 | Monies dedicated to ALT                   |
| Fund 39 Capital Facilities (portion) | \$240,000 | 15% of reserves earned by new connections |
| EPA Grant                            | \$740,000 | A matching grant from EPA                 |
| Fund 35 EPA                          | \$315,000 | Matched funding from EPA                  |

Table 1: Current ALT Funding Sources<sup>3</sup>

In the spring and summer of 2016, the District conducted requests-for-proposal (RFP) bid processes to select a contractor to build the new plant. That contract has recently been awarded to Myers & Sons Construction. Major field work is not expected to begin until the end of the 2016-17 rainy season.

<sup>3</sup>Memorandum by George Sanders, August 4, 2016, "Auburn Lake Trails Water Treatment Plant", Georgetown Divide Public Utilities District. Also on GDPUD web site.

## DISTRICT WATER DELIVERY INFRASTRUCTURE

As detailed in their July 2016 GDPUD Board Agenda and minutes, repairs are needed to their irrigation network of canals, ditches and piping. The District also needs to replace aging water meters, valves, pumps and implement other improvements to their infrastructure.

The District's old meters are a substantial contributing factor in the agency's revenue challenges. Most of the meters are more than 30 years old and create inefficiency and missed revenue. The current meters must be physically read at each customer's property. The readings are then manually recorded, entered and re-entered on paper ledgers until finally transcribed by office staff into the District's billing system. When the current meters need to be read, it is an "all hands on deck" effort, as office and treatment plant staff have to go into the field to read and record meter readings. This is costly and inefficient.

In addition this old meter system is significantly under reporting usage. The District is losing revenue up to 10 million gallons of water a month due to unmetered usage. Reports and tests have found that these old meters under-read water usage by as much as 30% due to the wear of their internal mechanisms. One such test described turning on a shower in a customer home and observing that the meter registered no flow or usage.

The Board recently issued an RFP for new meters. The new meters will be similar to ones used by the El Dorado Irrigation District (EID). EID now utilizes an Automated Meter Reading (AMR) system in their service area. AMR allows EID personnel to read customer meters remotely using radio communication technology without having to directly access the meter box. This allows for accurate and faster collection of water usage readings and eliminates transcription error.<sup>4</sup>

## REVENUE ISSUES

The generation of revenues is an ongoing issue for the District. In reviewing the agency's annual outside audit for last five years, the following statement is repeated in each report: "The fiscal year was once again challenging from an economic perspective."<sup>5</sup>

This statement is descriptive of the District's struggles. These annual independent audits have found total revenue decreasing in 3 of the last 5 years. However, even the increased revenues in 2011 & 2013 "...did not reach the levels expected to continue current service levels."<sup>6</sup>

Compared to other water districts in El Dorado County, the Georgetown District water rates are significantly lower than either EID or Grizzly Flats PUD.

|                    | District | EID     | Grizzly Flats |
|--------------------|----------|---------|---------------|
| Basic Water Charge | \$47.14  | \$58.14 | \$59.39       |

<sup>4</sup> El Dorado Irrigation District, "Are You Really Reading My Meter", 10/25/16, <http://www.eid.org/Home/Components/News/News/1582/26>.

<sup>5</sup>(Moss, et al, "Georgetown Divide Public Utilities District Basic Financial Statements", page 3, 2011, '12, '13, '14, '15, audits) [www.gd-pud.org/](http://www.gd-pud.org/)

<sup>6</sup> (Moss, et al, "Georgetown Divide Public Utilities District Basic Financial Statements", page 3, June 30, 2011 audit), *op. cit.*



|  |         |         |         |
|--|---------|---------|---------|
| Excess unit usage charges (per cubic feet) | 0.01380 | 0.01412 | 0.01500 |
|--|---------|---------|---------|

Table 2: Water Rates Comparison Table

Neither Board members nor staff expect much new residential development in the District due to zoning, terrain and limited growth initiatives. Water conservation efforts are also hurting revenues as customers are using less water. Board members and staff agree that some level of water theft is occurring, and leaks within the system further reduce revenues.

While some of these factors are beyond the control of the Board, recommending rate increase for voter approval is within their control. During 2016, the Board initiated preliminary steps likely to lead to upward adjustment of water rates.

Prior to seeking voter approval for rate increases, a *Water Rate Study-Cost of Service Report* (Water Rate Study) must be conducted by the District. GDPUD has selected the Rural Community Assistance Corporation (RCAC) to perform the study.<sup>7</sup> The Water Rate Study consists of analyzing financial, operational and regulatory factors related to revenues and expenses and determining the true and current cost of providing water to customers. The factors include: fixed and variable costs of providing water to treated and nontreated customers; a multi-year Capital Improvement Plan (CIP); 5-year budget projections, skills and number of District staff required to carry out the functions of the agency; salaries and benefits of staff compared to similarly sized districts; the agency’s long term need for reserves; and State required mandates and other factors.<sup>7</sup> The study is in progress.

At the October 2016 Board meeting, the process of replacing old water meters was begun with the discussion of a bid process to replace the meters and exploration of ways the purchase could be financed through a loan. District staff started researching possible financing alternatives. The bid process to replace the meters has been started as of February 2017. According to the bid process schedule released by the District, it is anticipated that new meters can be installed between spring and fall of 2017.

**DISTRICT LEADERSHIP AND STAFFING**

Between 2011 and 2014 a new Board majority set as its priority maintaining low water rates by focusing on reductions in staff and pay and benefits for employees. The operational impacts of these policies were not considered or addressed. As a result, the District experienced a leadership vacuum, staff turmoil and employee turnover between 2012 and 2016 while this majority held sway. In the last four years there have been five general managers. There have been reductions in total staffing levels and in key professional positions (particularly engineering and upper management). From 2002 to 2010, the authorized staffing level was 28; at the end of 2016, it was down to 21 positions<sup>8</sup>. Current staffing levels were reported to be low for a District this size.

<sup>7</sup> The District lacks staff qualified to conduct the Water Rate Study. At the July, and August, 2016, Board meetings the need to complete a Water Rate Study was discussed. The Rural Community Assistance Corporation (RCAC) is doing this study for free. The RCAC is a non-profit, independent, non-governmental agency. It is funded by grants (USDA, HUD) and contributions. Founded in 1978, RCAC provides training, technical and financial resources in 13 western states. RCAC works to support rural communities and their economic development. A focus area of the organization is the sustainability of rural community water, wastewater and solid waste systems. RCAC has a local office in West Sacramento.

<sup>8</sup> Adopted District organizational charts, (Exhibits 1 and 2).

Several employees are filling multiple positions and they have difficulty giving their assigned duties the attention they deserve. Two key professional positions, District Engineer and Business Manager, are currently filled by part-time consultants. Numerous employees have resigned due to a hostile work environment, vis-a-vis the 2011-14 GDPUD Board, and non-competitive pay<sup>9</sup>. The 2016 General manager annual salary of \$100,000 was noted by several witnesses to be low for a water district this size . After terminating their most recent General Manager last summer, the Board has hired a new General Manager, who has started as of March 2017. The Mountain Democrat reported on 2/19/17 that the General Manager annual salary is \$155,000.

Ratepayers will see significant increases in basic water rates in two ways. New meters will accurately reflect usage and lead significantly higher bills even with conservation. The Water Rate Study is likely to demonstrate that current rates are too low and insufficient to support the water systems and continued delivery of plentiful, safe drinking and agricultural water.

## **CONCLUSION**

The Georgetown Divide Public Utility District faces challenges arising from the intertwined issues of an aging infrastructure, inadequate revenues, over-worked staff and a lack of leadership. District Board members elected in 2014 and 2016 have taken steps to address these issues and have made real progress on the ALT plant project and the aging water meters. The District is to be commended for finally addressing these issues. Further significant progress is required to maintain services and water quality in the coming years. Effective, consistent leadership and increasing revenues are the keys to continuing positive change. Current employees are to be commended for continuing to provide safe water to their customers.

## **FINDINGS**

- F1. The District water rates are insufficient to support current operations and infrastructure and maintenance.
- F2. Total revenues are not adequate to support operations and fund needed capital improvement reserves.
- F3. The District loses significant revenue due to outdated water meters.
- F4. The District also loses water and revenue due to leaks in the aging infrastructure.
- F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.
- F6. The current staffing levels are insufficient, which impairs the District's ability to operate efficiently.
- F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.
- F8. The Jury found no evidence that either the District Board or staff is "preparing the ground" with their customers for what may be steep increases in their bills.

## **RECOMMENDATIONS**

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<sup>9</sup> Roberta Lang, *G-town Water Loses Key Employees*, Mountain Democrat, 12-16-11

- R1. Once the water rate study is submitted to the Board, the District must initiate a voter-approved rate increase process as soon as possible.
- R2. Along with replacing the aging water meters, the District must upgrade their aging infrastructure and prioritize maintenance and capital improvement projects.
- R3. The District must offer competitive salaries to attract qualified professional staff.
- R4. The District must review staffing levels and fill key positions with permanent staff to ensure continuity of operations.
- R5. The District must undertake a public information program to inform its customers of impending changes in their water rates and consumption recording.

### **REQUESTS FOR RESPONSES**

Pursuant to Penal Code section 933.05, the Grand Jury requests responses as follows:

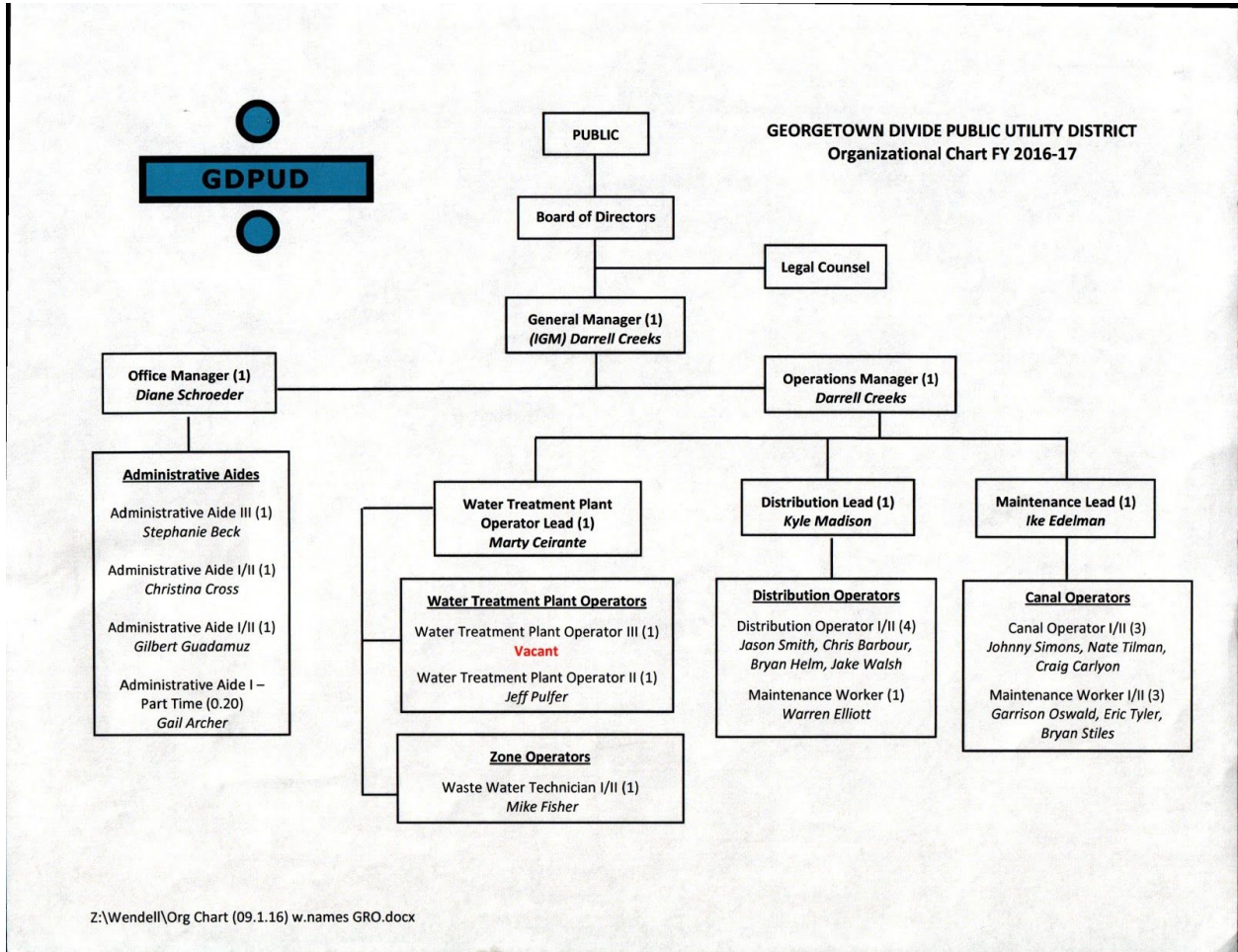
From the following individual:

\*Steven Palmer, General Manager, Georgetown Divide Public Utility District as to all Findings and Recommendations.

From the following governing body:

\*Board of directors, Georgetown Divide Public Utility District as to all Findings and Recommendations.

EXHIBIT ONE And TWO



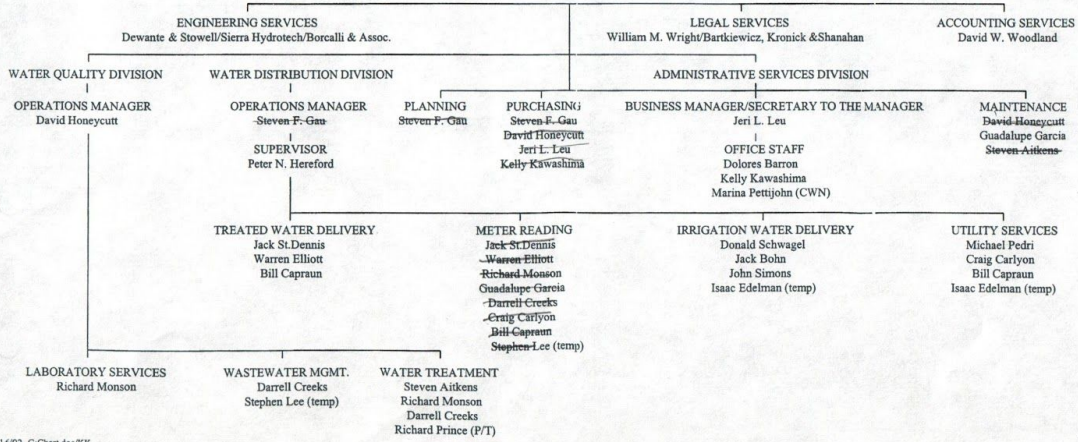
**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**

**BOARD OF DIRECTORS**

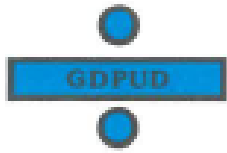
David E. Whittington, President  
 Kristine Anderson-Moore, Vice President  
 JoAnn A. Shepherd, Treasurer  
 Robert E. Flynn  
 Douglas C. Pickell

**GENERAL MANAGER**  
 CLERK OF THE BOARD  
 Henry N. White

**ASSISTANT CLERK OF THE BOARD**  
 Steven F. Gau



4/16/02 - G-Chart.doc/KK



June 14, 2017

El Dorado County Grand Jury  
PO Box 472  
Placerville, California 95667

**RE: 2016-2017 El Dorado County Grand Jury Case No. GJ 2016-17-007**

Dear El Dorado County Grand Jury,

On May 17, 2017, the El Dorado County Grand Jury (“Grand Jury”) released a report summarizing its review of actions by the Georgetown Divide Public Utility District (“GDPUD” or the “District”) over the last six years. The report titled “Positive Changes and Continuing Challenges” listed eight (8) findings and provided five (5) recommendations on how GDPUD can conquer the challenges of aging infrastructure, inadequate revenues, over-worked staff, and a lack of leadership.

As required by California Penal Code Section 933, the GDPUD Board of Directors (“Board”) hereby submits its response to the findings and recommendations of the Grand Jury Report.

Below are the eight (8) findings from the Grand Jury Report, along with the Board response to each in italics:

F1. The District water rates are insufficient to support current operations and infrastructure and maintenance.

*The Board agrees with this finding.*

F2. Total revenues are not adequate to support operations and fund needed capital improvement reserves.

*The Board agrees with this finding.*

F3. The District loses significant revenue due to outdated water meters.

*The Board agrees that revenue is lost due to outdated water meters.*

F4. The District also loses water and revenue due to leaks in the aging infrastructure.

*The Board agrees with this finding.*

F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.

*The Board lacks sufficient information to form an opinion on this finding.*

F6. The current staffing levels are insufficient, which impairs the District’s ability to operate efficiently.

*The Board agrees with this finding.*

F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.

*The Board agrees that the District needs to thoroughly evaluate revenue sources, including those other than connection fees and rates. However, the rates are the primary mechanism by which the District funds operations and capital improvements.*

F8. The Jury found no evidence that either the District Board or staff is “preparing the ground” with their customers for what may be steep increases in their bills.

*The Board agrees that at the time the Grand Jury investigation was performed, minimal work had been done on a new rate study. Since that time, the District has accomplished the following related to a new rate study:*

- *Retained Rural Community Assistance Corporation (“RCAC”) to perform a rate study.*
- *Held two public meetings of the District Finance Committee meeting to review the methodology and policy questions for the rate study.*
- *Held one public Board meeting to review the methodology and policy questions for the rate study.*
- *Additional public meetings will be held to educate the public before any Proposition 218 hearing.*

The five (5) recommendations from the Grand Jury Report are listed below with the Board responses in italics.

R1. Once the water rate study is submitted to the Board, the District must initiate a voter-approved rate increase process as soon as possible.

*The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Additional public meetings will be held to educate the public before any Proposition 218 hearing.*

R2. Along with replacing the aging water meters, the District must upgrade their aging infrastructure and prioritize maintenance and capital improvement projects.

*The Board is implementing this recommendation. The District has received construction bids to replace all water meters and upgrade from paper meter reading to electronic meter reading, however the District does not have sufficient reserves or revenue to be able to borrow funds to complete this project. Rates must be increased to fund or finance any infrastructure improvements.*

R3. The District must offer competitive salaries to attract qualified professional staff.

*This recommendation requires further analysis. The Board does not have enough information at this time to make a determination of the appropriateness of current salaries. The District has limited reserves and revenue to fund personnel costs. To ensure sustainability of the District, rates must be increased to fund any additional personnel costs, including costs associated with a determination of competitive salaries.*

R4. The District must review staffing levels and fill key positions with permanent staff to ensure continuity of operations.

*The Board agrees with this recommendation. However, the District has limited reserves and revenue to fund additional staff beyond the current level of staffing. To ensure sustainability of the District, rates must be increased to fund any additional personnel costs.*

R5. The District must undertake a public information program to inform its customers of impending changes in their water rates and consumption recording.

*The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Additional public meetings will be held to educate the public before any Proposition 218 hearing.*

The current Board has made long term sustainability a key goal for the District. The Board appreciates the findings and recommendations of the Grand Jury, and makes it a priority of the Board to address the findings and incorporate the recommendations into the current Board's goals.

Sincerely,

Londres Uso  
President

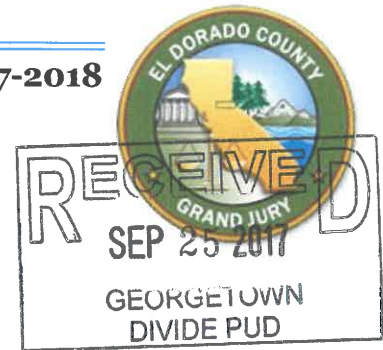


STATE OF CALIFORNIA

**GRAND JURY  
El Dorado County**

P.O. Box 472  
Placerville, California 95667  
(530) 621-7477 Fax: (530) 295-0763  
[Grand.jury@edcgov.us](mailto:Grand.jury@edcgov.us)

2017-2018



September 14, 2017

Londres Uso, President, Board of Directors  
Steven Palmer P.E., General Manager  
Georgetown Divide Public Utility District  
P.O. Box 4240  
Georgetown, CA 95634

RE: 2016-2017 Grand Jury Case no. GJ 2016-17-007 Responses

Gentlemen:

We received your responses to the Grand Jury report GJ-2016-17-007. The responses are not in compliance with California Penal Code Section 933.05 et seq. Specifically:

- 1) Your responses to findings F3, F5, F7, and F8 are not in compliance with Penal Code Section 933.05 § (a) in that they qualify the responses. If the respondents do not totally agree with the finding the responding agency or individual should respond with disagrees wholly or partially, and provide an explanation.
- 2) Your responses to our report's recommendations do not include timeframes. California Penal Code § 933.05(b)(2) requires that you provide a timeframe for implementation. California Penal Code § 933.05(b)(3) necessitates the inclusion of your analysis to be prepared, not to exceed six months.

Attached is an excerpt of the Code section for your reference with the specific sections highlighted with emphasis added as underlined.

Please provide your response within 60 days for the individual and 90 days for the governing board to:

Honorable Suzanne N. Kingsbury  
Presiding Judge of the El Dorado County Superior Court  
1354 Johnson Blvd  
South Lake Tahoe, CA 96150

Regards,

Tom Simpson, Foreman  
El Dorado County 2017-2018 Grand Jury

cc: Judge Kingsbury  
Attachment (1)

## Attachment:

### 933.05.

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decisionmaking authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report. (CAL PENAL CODE § 933.05 et seq)



GEORGETOWN DIVIDE  
**Public Utility District**  
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PHONE (530) 333-4350  
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gd.pud.org

October 3, 2017

El Dorado County Grand Jury  
PO Box 472  
Placerville, California 95667

**RE: 2016-2017 El Dorado County Grand Jury Case No. GJ 2016-17-007**

Dear El Dorado County Grand Jury,

On May 17, 2017, the El Dorado County Grand Jury ("Grand Jury") released a report summarizing its review of actions by the Georgetown Divide Public Utility District ("GDPUD" or the "District") over the last six years. The report titled "Positive Changes and Continuing Challenges" listed eight (8) findings and provided five (5) recommendations on how GDPUD can conquer the challenges of aging infrastructure, inadequate revenues, over-worked staff, and a lack of leadership.

As required by California Penal Code Section 933, the GDPUD Board of Directors ("Board") submitted its response to the findings and recommendations of the Grand Jury Report in a letter dated June 14, 2017. The District recently received a letter dated September 14, 2017 from the Grand Jury, stating that the District's response was not in compliance with California Penal Code Section 933.05 et seq. The District is submitting this revised letter to more clearly demonstrate compliance with California Penal Code Section 933.05 et seq.

Below are the eight (8) findings from the Grand Jury Report, along with the Board's revised responses to each in italics:

F1. The District water rates are insufficient to support current operations and infrastructure and maintenance.

*The Board agrees with this finding.*

F2. Total revenues are not adequate to support operations and fund needed capital improvement reserves.

*The Board agrees with this finding.*

F3. The District loses significant revenue due to outdated water meters.

*The Board partially disagrees with this finding that "significant" revenue is lost due to outdated water meters. The Board agrees that revenue is lost due to outdated water meters. The exact amount of revenue lost is difficult to estimate. A July 2014 report prepared by MC Engineering, Inc. estimated that the lost revenue associated with residential meters is about \$31,500 and will increase by 0.25% per year. This is 1.7% of the District's estimated Fiscal Year 2017/2018 annual revenue from water sales of \$1,839,000. However, the value of this study is limited as it relied on data from available*

*literature and the age of the residential water meters. The study did not test any residential meters.*

F4. The District also loses water and revenue due to leaks in the aging infrastructure.  
*The Board agrees with this finding.*

F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.  
*The Board partially disagrees with this finding. A salary and compensation survey has not been completed recently. The District has recently had success recruiting and retaining employees, though it has struggled with recruitment and retention in the past.*

F6. The current staffing levels are insufficient, which impairs the District's ability to operate efficiently.

*The Board agrees with this finding.*

F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.

*The Board partially disagrees with this finding. The Board acknowledges that the District needs to thoroughly evaluate revenue sources, including those other than connection fees and rates. However, the rates are the primary mechanism by which the District funds operations and capital improvements.*

F8. The Jury found no evidence that either the District Board or staff is "preparing the ground" with their customers for what may be steep increases in their bills.

*The Board partially disagrees with this finding that the District Board or staff is not "preparing the ground" for potential rate increases. The Board acknowledges that at the time the Grand Jury investigation was performed, minimal work had been done on a new rate study. Since that time, the District has accomplished the following related to a new rate study:*

- *Retained Rural Community Assistance Corporation ("RCAC") to perform a rate study.*
- *Held two public meetings of the District Finance Committee meeting to review the methodology and policy questions for the rate study.*
- *Held one public Board meeting to review the methodology and policy questions for the rate study*
- *The General Manager and one Board member attended and made presentations regarding the water rate update at the September 5, 2017 meeting of the Georgetown Chamber of Commerce, and at the September 12, 2017 meeting of the Georgetown Rotary.*
- *The Operations Manager and one Board member attended and made a presentation regarding the water rate update at the September 5, 2017 meeting of the El Dorado County Rural Community Coalition.*
- *Held the first of two public workshops regarding updating the water rates on September 18, 2017 at the Georgetown Elementary School. This workshop focused on educating and informing customers on the state of District facilities and financial needs; and gathering meaningful input that will shape rate calculation. The meeting*

was advertised via billing inserts, customer email database, Facebook, and District website.

- *The second public workshop will be held on October 12, 2017 at the Cool Community Hall. The second workshop will involve a discussion of the feedback from the last meeting, and presentation of rate calculations for a few different scenarios.*
- *Two more Board meetings are planned before the Proposition 218 hearing.*

The five (5) recommendations from the Grand Jury Report are listed below with the Board responses in italics.

R1. Once the water rate study is submitted to the Board, the District must initiate a voter-approved rate increase process as soon as possible.

*The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Informational meetings have been held with the Georgetown Chamber of Commerce, El Dorado County Rural Community Coalition, and Georgetown Rotary. The first of two public workshops was held on September 18, 2017, and additional public meetings will be held to educate the public before any Proposition 218 hearing. The tentative timeline for the water rate study adoption and Proposition 218 process is:*

- *September and October 2017: Engage in public outreach and hold informational meetings regarding the rate study.*
- *October 2017: Rate study issued and 45-day public notice issued for Proposition 218 Public Hearing*
- *December 2017: Public Hearing for Proposition 218 held and Board action on new rates*

R2. Along with replacing the aging water meters, the District must upgrade their aging infrastructure and prioritize maintenance and capital improvement projects.

*The Board is implementing this recommendation. The District has received construction bids to replace all water meters and upgrade from paper meter reading to electronic meter reading, however the District does not have sufficient reserves or revenue to be able to borrow funds to complete this project. Rates must be increased to fund or finance any infrastructure improvements. This infrastructure improvement is currently planned for fiscal year 2018-2019, provided rates are increased to cover the cost of such improvements.*

R3. The District must offer competitive salaries to attract qualified professional staff.

*This recommendation has not yet been implemented, but will be implemented in the future. The District has limited reserves and revenue to fund personnel costs, including costs related to determining appropriate salaries to attract qualified professional staff. Following the proposed Proposition 218 process currently scheduled to be completed in December 2018, the District will turn to the process of determining the appropriateness of current salaries for several positions at the District as part of its budgeting process for fiscal year 2018-2019.*

R4. The District must review staffing levels and fill key positions with permanent staff to ensure continuity of operations.

*The Board has implemented a portion of this recommendation but it will not be fully implemented at this time because the cost of this recommendation is currently unreasonable. The General Manager reviewed the staffing levels and presented the*

*Board with a recommended organizational chart with the Draft Fiscal Year 2017/2018 budget. Due to limited reserves and revenue, that organizational chart was not adopted and an organizational chart with reduced staffing levels and reduced budget was adopted instead. The Approved Fiscal Year 2017/2018 Budget includes one new professional position, Water Resources Manager, and one reclassified position, Management Analyst. The recruitment to fill these positions is currently underway. The District does not have sufficient reserves and revenue to fund additional staff beyond that newly approved level of staffing. Should the District be able to increase rates, staffing levels may be increased in the future.*

R5. The District must undertake a public information program to inform its customers of impending changes in their water rates and consumption recording.  
*The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Additional public meetings will be held to educate the public before any Proposition 218 hearing. As discussed above, public outreach activities began in September 2017 and will continue to take place through December 2017. If the rates are successfully adopted, public outreach will continue through the implementation of the new rates in 2018.*

The current Board has made long term sustainability a key goal for the District. The Board appreciates the findings and recommendations of the Grand Jury, and makes it a priority of the Board to address the findings and incorporate the recommendations into the current Board's goals.

Sincerely,

Londres Uso  
President

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT**  
**Positive Changes and Continuing Challenges**  
**2016-2017**  
**El Dorado County Grand Jury**  
**Case No. GJ 2016-17- 007**

**Grand Jury Report Updates - 2021**

**FINDINGS**

F1. *The District water rates are insufficient to support current operations and infrastructure and maintenance.*

**Finding resolved.**

In 2017, RCAC completed a Water Financial Analysis. This study was the basis for the Prop 218 which passed in 2017 leading to rate increases for both Treated and Irrigation Water. The new rates have built-in variability protection for water use by having fixed charges.in addition to water use charges.

The rates have a programmed 5% increase per year for Treated and 10% increase per year for Irrigation. However, the need for the percent increase with the increased rates are still being determined and since that time the Board has chosen to freeze the percent increase in rates three out of four years and 4 out of 4 years for irrigation rates. A new rate study will be initiated in 2022.

Here is the current rate structure

| Meter Size   | Monthly Base Charge |                   |
|--------------|---------------------|-------------------|
|              | 2021<br>(Jul/Aug)   | 2022<br>(Jan/Feb) |
| 5/8, 3/4, 1" | \$ 30.88            | \$32.42           |
| 1.5"         | \$102.92            | \$ 108.07         |
| 2"           | \$ 164.67           | \$ 172.91         |
| 3"           | \$ 329.34           | \$ 345.81         |
| 4"           | \$ 514.60           | \$ 540.33         |

| Usage Charge (per Cubic Feet) |                   |                   |
|-------------------------------|-------------------|-------------------|
| 2020<br>(July/August)         | 2021<br>(Jan/Feb) | 2022<br>(Jan/Feb) |
| \$0.0268                      | \$0.0268          | \$ 0.0281         |

| Meter Size (per Acre Feet) | Monthly Base Charge - Irrigation |
|----------------------------|----------------------------------|
| ½ "                        | \$ 77.00                         |
| Per each 1"                | \$154.20                         |

**2021 -2022 Budget**

**Total Revenue: \$5,239,158**

**Total Expenses: \$4,387,464**

**Projected Balance: \$ 851,693**

**Restricted Funds: \$ 2,516,902**

*F2. Total revenues are not adequate to support operations and fund needed capital improvement reserves.*

**Finding resolved.**

Since the rate increase the District has been able to place anywhere from \$600,000 to \$800,000 in reserves each year. All operational costs have been met and a reserve for infrastructure and projects has been created. The District also has received grants this year to help with the Capital Improvement Projects. The District also had a one time water transfer which yielded a net of \$750,000 in additional revenue.

**Five Year Capital Improvement Plan Projected Projects cost**

| FY 21/22    | FY 22/23  | FY 23/24  | FY 24/25  | FY 25/26    | Total<br>2021 - 2026 |
|-------------|-----------|-----------|-----------|-------------|----------------------|
| \$1,151,000 | \$701,458 | \$918,258 | \$551,458 | \$3,551,458 | \$6,873,633          |

**Funding Sources**

| Fund                               | FY 21/22    | FY 22/23    | FY 23/24  | FY 24/25  | FY 25/26  | TOTAL        |
|------------------------------------|-------------|-------------|-----------|-----------|-----------|--------------|
| Capital Reserve                    | \$3,279,417 | \$851,693   | \$775,040 | \$705,286 | \$641,811 | \$6,253,001  |
| Capital Facility Charge Restricted | \$1,848,957 | \$216,000   | \$201,000 | \$192,000 | \$170,000 | \$2,627,957  |
| ALT WTP Capital Reserve            | \$1,401,645 | \$0         | \$0       | \$0       | \$0       | \$1,401,645  |
| Total                              | \$6,530,019 | \$1,067,693 | \$976,040 | \$897,286 | \$811,811 | \$10,282,849 |

This funding above does not include the Grant obtained from the U.S. Bureau of Reclamation for **\$500,000** nor the State Revolving Fund Loan from the State Water Resources Control Board for **\$1,726,046.00** towards the Automated Meter Project. The District also has an emergency reserve of **\$1,082,673**.

In addition, the District is also planning for revenue offsets and revenue generating projects.



F3. *The District loses significant revenue due to outdated water meters.*

**Finding:** As with the 2017 response, partially agree. The loss of revenue is most likely less than 1.7% of the budget. This revenue loss may increase in drought years if District consumption decreases to near 30% conservation rates and the slower flow is not picked up as accurately with the meters.

**Finding resolved.**

In September 2021, the Board approved an RFP for the Automated Meter Project. The Automated Meters will start being replaced in the District beginning Feb 2022 and should be complete by August 2022. The savings in labor and time will outweigh any losses from the outdated meters. The Board also approved an app which will help the District and allow the customers to follow their water use with current usage, projected water budget levels, historic usage, bill pay, etc.. This project is being completed through the Capital Improvement Program and did not require any additional rate increases or assessments and also received a grant and SRF loan funding as mentioned above.

F4. *The District also loses water and revenue due to leaks in the aging infrastructure.*

**Findings:** The Board agrees with this statement, this issue will never be resolved due to the nature of water conveyance. However, the Board recognizes this and continues to work on ways to reduce water losses.

| Conveyance Lost/Operations | 2019 -2020   | 2020-2021  |
|----------------------------|--|--|
|                            | 34%<br>6% - Up Country (ditch)<br>16% - Kelsey (ditch)<br>11% - Main (ditch/pipes) | 39%<br>9% - Up Country<br>12% - Kelsey<br>19% - Main (ditch/pipes) |

Note there was an increase of water used by 3% in 2020-2021. The majority of loss is via evaporation of raw surface water. The debate of open ditches versus piping tends to lean on the side of ditches when you consider the ability of the ditches providing a firebreak through the District and allowing for fire mitigation.

Water loss through leaks and breaks in the pipes will continue whether the pipes are aged or not, however the goal is to replace all of the pipes.

The ditch system is programmed by the District in our Capital Improvement Plan for having areas lined each year to decrease the leaks, improve flow, and reduce labor for cleaning the ditch. Whenever the District is able to receive a grant for additional lining and ditch work, more areas are lined that year.

The pipe system will take approximately \$100 million dollars to replace. The accounting to get to this level of replacement would require a 10% rate increase every 5 years if the burden was placed solely on the customers. This is not a feasible method and the District has begun long range strategic planning for offsets and revenues that will mitigate the 10% increase. For example, adding solar to the new Treatment Plant for a power offset will yield approx. 5% increase per year at the current dollars. Other plans such as regaining the Hydro contracts in the next 3 years when they are negotiated, adding new hydro plants, micropower generation, spending reductions, etc. With planning the 10% increase can be reduced to a more reasonable increase in rates at a 5-year schedule or a cost of living type increase annually as each rate study is performed. The Strategic Planning and Goal Setting Workshop is scheduled for 11/18/2021.

Another long term plan the Board will need to work on is a pipe replacement program. The Board has approved an RFP for an Asset Management Program. This will help identify the pipes which are most in need and allows for ordering of each pipe targeted for repairs versus replacement with prioritization.

F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.

F6. The current staffing levels are insufficient, which impairs the District's ability to operate efficiently.

**Findings:** The Board partially agrees with this statement. The COVID period has also led to issues with retention. We have lost key staff positions and the previous General Manager resigned effective March 2020, leading to the need for another Interim General Manager. The District has hired a new General Manager as of August 2021.

At the last Board meeting, the Board President made a request for an item that will have an RFP go out for a study for compensation, salary, and staffing levels for the District. This is expected to be sent out in December 2021.

*F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.*

**Findings: Revenue sources are being investigated.**

The Board agrees with this statement. See also F3. The District has begun looking for additional revenue streams and revenue offsets.

Other sources of revenue can be one time water transfers. While this can provide the District with extra revenue, the District has a single source of water and the refill agreements can curtail the overall stored water making this option undesirable.

While new homes are not expected, the new law SB 9 which goes into effect Jan 1, 2022, allows for single family homes to split their lots and add accessory dwelling units. This gives the possibility of increased revenue through more households on the same lots. One ADU request was already made through Auburn Lake Trails.

F8. The Jury found no evidence that either the District Board or staff is "preparing the ground" with their customers for what may be steep increases in their bills.

**Findings:** Resolved -The Prop 218 was passed.

The previous Board and Staff did do their due diligence to meet the requirements of meetings for the Prop 218, but the steep increase still provided a "sticker shock" to the customers because all of the changes and increases added up (removal of the free first 2000 cubic feet, removal of tiered water use rates but the water use rates increased above what the previously highest tier was, add on the new base charge, and the assessment, plus the 5% increase per year for treated water and 10% increase per year for irrigation water). With the increase and questions about the assets this led to litigation after the Prop 218 was passed. The District won the litigation and reached a settlement on the appeal. The current rate study is based on a capital replacement program. That is over \$80 to \$100 million dollars with 4,890 customers. As stated above this cannot all be on the customers. This is why we will have a new rate study to incorporate the revenue saving ideas and based more on a 5-year Capital Program.

The District did put out an RFP to upgrade the Water System Assessment which will help provide a template for infrastructure needs and coupled with the Asset management Plan will provide a prioritization for infrastructure repair and capital improvements to be programmed for long term sustainability and resiliency.

## RECOMMENDATIONS:

R1. Once the water rate study is submitted to the Board, the District must initiate a voter-approved rate increase process as soon as possible.

**Done. New rates took effect January 2018.**

R2. Along with replacing the aging water meters, the District must upgrade their aging infrastructure and prioritize maintenance and capital improvement projects.

**Implemented in Progress.**

**Water meters will be replaced with automated meters Feb 2022 to August 2022**

**New Water Treatment plant completed**

**A Capital Improvement Plan has been developed prioritizing maintenance and capital improvement projects. Will attach current CIP**

**A Grant Committee was formed to help with identifying grants for upcoming/proposed projects.**

**This is also a non-ending process as new laws and regulations may have unexpected**

R3. The District must offer competitive salaries to attract qualified professional staff.

**In Progress. RFP for Study expected to go out in December**

The District will be doing a salary study and will be able to determine the best competitive salary levels.

R4. The District must review staffing levels and fill key positions with permanent staff to ensure continuity of operations.

**In Progress. RFP for Staffing levels expected to go out in December**

Permanent staffing is also tied to unfunded liability with CalPERS retirement costs. The District can save on money in areas where the study may recommend a contracted service is applicable to allow for the increased salary levels of permanent staffing.

R5. The District must undertake a public information program to inform its customers of impending changes in their water rates and consumption recording.

**Partially Done. Water Rate have been increased, customers notified, and voted on the Prop 218 in 2017, When the new meters and WaterSmart app becomes available water consumption recording will be available for every customer. The customer outreach for the meters and water application begins in January to include - emails, workshops, bill inserts, postcards, social media, and press releases. Consumption information expected initially complete by February 2022 and will be ongoing to the customers.**

The current Board is developing policies to ensure long term sustainability and resiliency for the District.

The District had its strategic planning and goal setting workshop with the customers on Nov 18, 2021 and will continue to build on strategies and goals set for the District in cooperation with the customers and staff.

Once again thank you for the work that the Grand Jury does and the Board continues to strive to make sure all of the recommendations and findings will be realized by next year.

Thank you,



Michael Saunders

GDPUD, Board President