



June 17, 2008

Rosemary Mulligan, Foreperson  
2007-2008 Grand Jury  
State of California El Dorado County  
360 Fair Lane  
P.O. Box 472  
Placerville, CA 95667

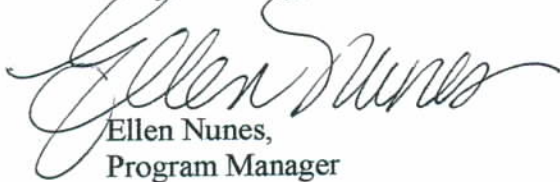
RE: RESPONSE TO GRAND JURY CASE NO. GJ 07-11

Dear Ms. Mulligan,

Enclosed, please find the formal response from the Clean Tahoe Board of Directors to the report issued by the El Dorado County Grand Jury in March 2008 regarding the Clean Tahoe Program.

In addition, South Tahoe Refuse President, Jeff Tillman, has requested that his letter, with respect to the above-mentioned, be included with Clean Tahoe's response.

Very Sincerely,



Ellen Nunes,  
Program Manager

Enc.

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**Clean Tahoe Program  
Case No. GJ 07- 011**

**REASON FOR REPORT**

The El Dorado County Grand Jury received a letter from the South Lake Tahoe District Attorney's Office that prompted an investigation of the Clean Tahoe Program's procedures for managing its funds.

**BACKGROUND**

The Clean Tahoe Program is a non-profit organization funded primarily by the City of South Lake Tahoe and El Dorado County. Its mission is to improve the visual quality of the Tahoe Basin within El Dorado County. Because it is publicly financed, it has a fiduciary responsibility, similar to the City and County, to properly manage its funds.

The Clean Tahoe Program performs an important service to the community. This is accomplished through the dedication and hard work of the Clean Tahoe staff.

**METHODOLOGY**

The Grand Jury visited the offices in South Lake Tahoe of the Clean Tahoe Program and the South Tahoe Refuse Company (STR) to obtain information. STR is a private corporation with an exclusive franchise from the City and County to gather, sort, recycle, and dispose of refuse in the South Tahoe Basin. The investigation included a review of records, cashed checks, credit cards and the security of petty cash.

People Interviewed:

- Clean Tahoe Program Board, Two Directors
- Clean Tahoe Program Manager
- Clean Tahoe Program Outside Bookkeeper
- Clean Tahoe Program Treasurer
- El Dorado County Assistant District Attorney
- South Tahoe Refuse Company Controller
- South Tahoe Refuse Company President

Documents Reviewed:

- Clean Tahoe Program Brochure
- Clean Tahoe Program By-laws, Procedures and Personnel Manual
- Clean Tahoe Program Financial Documents
- Clean Tahoe Program Budget vs. Actual Income and Expenses, October '06 through September '07

- Clean Tahoe spreadsheets showing field work assignments
- Comparative cost study by STR in 2004 showing cost savings if STR assumed Clean Tahoe Program duties
- E-mail memos from Clean Tahoe Program Manager
- Mission Statement of Clean Tahoe Program
- South Tahoe Refuge Company controller memo (11/16/07) with financial spreadsheets

## RESULTS OF INVESTIGATION

In the investigation of Clean Tahoe's management of funds, financial controls were found to be deficient. However, the deficiencies are in the process of being corrected.

The Clean Tahoe Program is small and requires management and overhead functions that are disproportionately high and expensive in small publicly financed organizations. These costs would be lower if shared with similar costs in a larger organization. In principle, this can be achieved either by absorbing Clean Tahoe into a larger organization or by selecting a larger organization to perform the essential services that are now performed by the Clean Tahoe Program. The Grand Jury investigated these possibilities and found the following:

## FINDINGS

In accordance with the California Penal Code §933 and §933.05, each finding will be responded to by the government entity to which it was addressed. The responses are to be submitted to the Presiding Judge of the Superior Court. The 2007-2008 El Dorado County Grand Jury has arrived at the following findings:

1. The refuse picked up by the Clean Tahoe Program is deposited at the STR company transfer station in the City of South Lake Tahoe. There, the refuse is processed, with some of it recycled. The Clean Tahoe Program is charged for this at standard rates for this service.

***Response to Finding 1: The Clean Tahoe Board of Directors, hereinafter "the Respondent", agrees with the finding.***

2. South Tahoe Refuse is capable and willing to assume the operations of the Clean Tahoe Program if asked by the City and County to do so. However, it has been reluctant to initiate this change because it does not wish to appear hostile to the Clean Tahoe Program.

***Response to Finding 2: The Respondent disagrees partially with the finding. South Tahoe Refuse does not currently perform the same services as the Clean Tahoe Program. Clean Tahoe Services include, but are not limited to, walking the highways and neighborhoods performing litter abatement, issuing ten-day***

*courtesy notices, re-inspection of properties in violation of trash ordinances, and assisting the disabled and seniors with pick and haul issues at a reduced or no cost. In addition, Clean Tahoe mandates the pick up of overflowing dumpsters, performs bulk item pick ups, cleans Conservancy lots, maintains the bus stops benches and trash cans and further assists the community by removing snow at the stops in the winter. South Tahoe Refuse Company has recently provided a letter to the Clean Tahoe Board that supports our Program. Please see attached letter.*

3. Because of its franchise agreements, the rates charged for STR services are controlled by the City and County. Consequently, the transfer of the complete operations of the Clean Tahoe Program to STR could be accomplished easily and without requiring a competitive bid process.

***Response to Finding 3: The Respondent has no comment.***

4. During 2003, STR was provided a copy of the FY 2002/03 Clean Tahoe Budget and asked to review the budget for opportunities for cost savings if STR were operating the Clean Tahoe Program. After doing a line-by-line assessment of each cost item, STR estimated that it could reduce the annual cost by \$49,720. Details of this assessment are shown in a spreadsheet that is Exhibit A. South Tahoe Refuse management expressed to the Grand Jury that it believes this estimate is still reasonable.

Elimination of the Clean Tahoe Program's management and overhead costs is an important area of savings if STR assumes operations of the Clean Tahoe Program, but these costs are not included in the previous study that resulted in Exhibit A. Work now being carried out by two field assistants of the Clean Tahoe Program would continue to be required at STR. The additional net payroll savings were estimated by the Grand Jury as follows:

Elimination of Clean Tahoe's full payroll budget for 2006-2007:	\$112,000
Less full payroll of two field assistants at STR costs:	( 71,480)
Estimated Net Payroll Cost Savings:	\$ 40,520

The total estimated savings expected from transferring the Clean Tahoe Program duties to STR are obtained by adding the former estimate of \$49,720 to the net payroll cost estimate of \$40,520. This yields an estimated total annual cost savings of \$90,240. It is important to recognize that these are recurring savings. The present value of these savings aggregated over the next 10 years can be calculated by discounting the savings each year at 5 percent. This is the County Treasurer's Pool Rate that is used for project loans that have been approved by the County Board of Supervisors. The calculated savings is a present value over 10 years of \$698,806. The actual savings will depend on details of any agreement between the service-provider selected to take over the Clean Tahoe

Program. Nevertheless, the estimated potential savings are significant and lead to the following Grand Jury recommendations:

***Response to Finding 4: The Respondent disagrees partially with the finding.***

*In 2003, South Tahoe Refuse Company was provided with Clean Tahoe's operating budget and was asked to compare costs if they were to operate the Program. At that time, the Clean Tahoe Board was neither informed of this movement nor given the privilege of a response. The Grand Jury used this comparison done in 2003 to formulate their recommendation that the Clean Tahoe Program could be operated in a more cost effective manner by STR. A current detailed cost or service analysis was not prepared, the current Chief Financial Officer of the Clean Tahoe Program was not interviewed, and a budget from 2002/2003 which contained one-time expenditures was used as the basis for their recommendation. It is the opinion of the Clean Tahoe Board that the Grand Jury did not thoroughly compile or review current financial information to make a statement of this magnitude.*

*The Grand Jury also suggested that the elimination of the Clean Tahoe Program's management and overhead costs would be an important area of savings. It appears that the Grand Jury only considered the actual labor of the field service worker to be valuable and essential to the community. Clean Tahoe's administration works diligently to provide a coordinated community Program to accomplish a cleaner community. The Program serves as the El Dorado County Coordinator for the California Coastal Commission's Coastal Cleanup Day - an annual event that cleans up tons of trash from our beaches and meadows. In addition, the Program manager is involved in the planning for community events such as Earth Day and Firefest.*

*Program management also organizes the annual Community Clean Up Day which is held in June. The Clean Tahoe Board is resolute that current Program management is critical to the Program's success and has been undervalued by the Grand Jury.*

*The entire staff of the Clean Tahoe Program performs an important function in our community and has done so for twenty years. The Clean Tahoe committee was originally formed in 1988 to address the unmet trash and litter issues in the City of South Lake Tahoe and has gone through many changes since that time. Clean Tahoe became a non-profit organization in 1994 at the recommendation of the City Attorney in order to provide a more cost effective service. Today, the Clean Tahoe Program facilitates more trash removal and affects more change in our community through Courtesy Notices and education than ever in the history of the Program. The Clean Tahoe Board of Directors has the best interest of our community at heart and stands behind the staff and management of this small community based non-profit organization.*

## **RECOMMENDATIONS**

1. The City and County should seek a capable public or private organization to provide, at less cost, the services now provided by the Clean Tahoe Program.
2. Savings that may be realized by the City and County replacing the Clean Tahoe Program with a new service provider should be passed to the property owners by reducing their property tax assessments.