



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 The District loses significant revenue due to outdated water meters.

The Board partially disagrees with this finding that "significant" revenue is lost due to outdated water meters. The Board agrees that revenue is lost due to outdated water meters.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