



G.C.S,D, Services - 209 / 962-7161
Fax - 209 / 962-4943
Fire Department - 209 / 962-7891
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18966 Ferretti Road P.O. Box 350 Groveland, CA 95321-0350

July 9, 2018

The Honorable Kate Powell Segerstrom
Superior Court Judge of Tuolumne County
60 North Washington Street
Sonora, CA 95370

Dear Judge Powell Segerstrom;

We have received and reviewed the 2017/18 Grand Jury Report. In accordance with California Penal Code §933(c), included herein please find our comments on the Report's findings and recommendations pertaining to matters under the control of the governing body of the Groveland Community Services District. In addition, as requested by the Grand Jury, please find our Board's responses to the Report's recommendations pertaining to the Groveland CSD, numbered 1-10.

In addition, it is important that the District correct two inaccurate statements made by the Grand Jury in the background of the Report:

1. At page 118, the Report states that the District is regulated by the Department of Water Resources; when in fact the District's water and sewer services are permitted through the State Water Resources Control Board (SWRCB). The SWRCB provides regulatory oversight and enforcement under the federal Clean Water Act, Safe Drinking Water Act, Surface Water Treatment Rule and other related laws.
2. At page 120, the Report inaccurately states that the District has received state grants for planning and upgrade of the aging infrastructure. The District has received planning grants, but has not yet received grants for improvements. The Report inaccurately states that the District has received 100% grant funding for "implementing" improvements in Groveland and Big Oak Flat, and infers that through the addition of improvements in Pine Mountain Lake, that the grant qualifications of the District have changed from Severely Disadvantaged to Disadvantaged, thereby reducing available grants and requiring rate increases. This statement is misleading and incorrect. SWRCB grant guidelines provide 100% grants for planning activities in Disadvantaged Communities; which is the designation of the GCSD due to the median household income of customers in the District's entire service area, not a portion thereof. As a Disadvantaged Community, the District qualifies for up to 75% grant funding for Implementation (Construction) projects. The District has not yet received a grant commitment for implementation dollars, nor has the amount of available implementation grant dollars changed. The proposed sewer rate increase is only partially based on the need to fund an estimated 25% grant match.

Comments on Findings:

F1. Public confidence and trust has been eroded by disrespectful behavior of Directors at Board meetings and negligent management practices.

District Comments: We agree that there were occasions of disrespectful behavior of Directors at past Board meetings. We have no significant indication or means to measure whether public confidence and trust has been eroded as a result of the past Board behavior. We disagree that the management practices identified in the report were negligent, however there is indication that past management may not have consistently implemented Board policy.

F2. Management practices created work conditions that resulted in the loss of highly qualified, experienced and certified employees.

District Comments: We disagree with the assumption that the employees lost were highly qualified, experienced employees. The qualifications of employees and their job performance is confidential information contained in the District records, so it is not possible for the Grand Jury's investigation to have included review of personnel records; therefore these conclusions must have been drawn on hearsay. Not all employees that recently left District employment were experienced (long time employees) or appropriately certified for their positions.

F3. Management has used District legal counsel communications to intimidate public individuals without full Board knowledge.

District Comments: We agree that District legal counsel communications were distributed to the Grand Jury and a public member without full Board knowledge. We disagree with the finding that management used legal counsel to intimidate the Grand Jury or public member.

F4. Inadequate staffing levels have increased environmental and safety risks for GCSD.

District Comments: We disagree with the finding that the District was or is inadequately staffed. Lacking state certification, experience in the public utility field, and not having utility management expertise; the Grand Jury is simply not qualified to understand the intricacies of operation and maintenance of a water and wastewater system. Every utility is different in the age and condition of infrastructure, mechanical complexity of the system, construction standards used, amount of money invested in infrastructure and equipment, etc. All of these factors, coupled with ever changing state permit requirements, come into play in determining adequate staffing levels.

In addition, there are no established industry standard staffing levels against which the Grand Jury can measure and make the determination that the District is understaffed.

We also disagree with the finding that District safety or environmental risks were increased, for any reason. In fact, there had been over one year without a workplace injury until March 2018, when an employee was bitten by a dog during its rescue from the wastewater pond. In addition, there has been no enforcement action by the Regional Water Quality Control Board, the enforcement entity for (wastewater) environmental compliance, since _____, and that action was due to sewer spills caused by grease and a defective sewer pipe, not due to a shortage of employees. There has also been no legal actions or liability claims filed against the District due to environmental or safety issues.

F5. Employees have used District equipment for personal use in violation of policy.

District Comments: We disagree with the finding that employees violated policy by using District equipment for personal purposes. There have been no reports of such activity submitted to the District

by employees or the public. There is no record of disciplinary action in recent years related to personal use of District equipment. Department managers report that personal use of District equipment is not allowed or tolerated.

F6. Policy and procedures were not followed for purchasing vehicles in 2017.

District Comments: We disagree with the finding that the District did not follow policy in its purchase of vehicles in 2017. District policy requires at Section 408.2 Purchasing of Materials, Supplies and Equipment Not Related to New Construction:

B. When procuring materials, supplies and equipment costing over Three Thousand Dollars (\$3,000.00) the purchase shall be based, wherever possible, on at least three (3) bids/quotes. The bid/quote shall be awarded to the lowest responsible bidder. **Three bids were received for each of the two vehicles purchased in 2017, and the purchase was made from the lowest bidder.**

District policy further requires, at Section 408.4 Approval Limits for Purchase Orders (Revised 5/03/2012)

The General Manager has signing authority for all budgeted items and any unbudgeted items up to Ten Thousand Dollars (\$10,000). All unbudgeted items over Ten Thousand Dollars (\$10,000) must be approved by the Board of Directors. **Both vehicles purchased in 2017 were contained within the approved budget, and therefore the General Manager was authorized to approve a purchase order for their acquisition.**

F7. Union pay negotiations between management and union workers were conducted by relatives.

District Comments: We agree with the findings.

[Comments and Response to Recommendations:](#)

R1. Develop and enforce standards of orderly conduct by Board members during meetings. (F1)

District Comments: The Board is in the process of developing standards of conduct and protocol for effective Board meetings.

District Response: The recommendation has not yet been implemented, but the District has conducted three Board workshops thus far to develop Board Norms and Protocol; a process that will be completed by December 31, 2018. Protocol developed in the first three Board workshops have been implemented.

R2. Periodically train employees in the problem resolution process outlined under section 710 of the GCSD employee handbook. (F2)

District Comments: None

District Response: The recommendation has not yet been implemented, but will be implemented by July 30, 2018

R3. Offer exit interviews with Board members to all departing employees. (F2)

District Comments: The General Manager is responsible for the appointment, supervision, discipline, and dismissal of the district's employees, consistent with the employee relations system established by the board of directors. Exit interviews should be conducted by the General Manager, trained Human Resources staff, or a neutral outside Human Resources consultant.

District Response: The recommendation will not be implemented because it is not reasonable to involve Board members in personnel matters that are specifically delegated to the General Manager at Section 61051 of the Government Code. By December 31, 2018, the District will include in its employee relations system or separate employee retention program a policy detailing that employee exit interviews are to be conducted and establishing the appropriate method therefore.

R4. Inform all Board members of legal communication before action is taken. (F3)

District Comments: Not all communications between District management and its legal counsel are appropriate for distribution to the Board; for example those related to personnel matters, (non-board related) or harassment claims filed by staff. In addition, if the Grand Jury's expectation was that the Board would receive such legal communications and give related direction or approvals to management prior to action; such direction would rarely be timely as it would need to occur on a Board agenda. Attorney communication is typically confidential which would be reviewed in closed session. However, there are no provisions in law to conduct a closed session to review a memo related to alleged harassment by a member of the public.

District Response: The recommendation will not be implemented because it is not reasonable to involve all Board members in legal communications before actions are taken by management. The District will implement a policy by December 31, 2018 requiring that legal communications, appropriate for distribution to the Board, be made available to all Board members within a reasonable timeframe following its preparation.

R5. Delegate responsible staff for training and proper disposal of Hazmat according to the new Board policy currently in the process of development. (F4)

District Comments: A Board policy regarding the handling of hazardous materials is not necessary as it is a requirement of law and a responsibility of management. The Board's budgeting and employee development practices will continue to support proper handling of hazmat.

District Response: The recommendation has been implemented through management direction for specific hazmat training, and implementation of an Asbestos Cement Pipe handling and disposal protocol in accordance with OSHA and DIR standards.

R6. Create a "whistle blower" program that protects the confidentiality of employees and the public. (F4)

District Comments: Current District policies provide the framework for maintain the confidentiality of employees when reporting concerns.

District Response: The recommendation has not yet been implemented, and the District will adopt a specific policy regarding reporting and handling of safety, operational and administrative concerns.

R7. Adequately staff operations to meet the requirements for routine inspections and preventative maintenance. (F4)

District Comments: The intent, staffing plan and policies of the Board support adequate staffing for routine inspections and preventative maintenance, which is currently being conducted by the District.

The District believes strongly that investments in infrastructure and a skilled, motivated workforce with a solid work ethic is the best means to achieve a balance between cost efficiency and effective maintenance. Management has been directed to develop staffing plans adequate to achieve routine maintenance and inspections in accordance with industry standards.

District Response: The recommendation has been implemented and the adoption of the 2018/19 fiscal year budget and sewer rate increase proposal supports this effort. The Board's July 9, 2018 agenda contains consideration for increased staffing.

R8. Hold employees accountable for violating policies regarding unauthorized equipment use. (F5)

District Comments: None

District Response: The recommendation has been implemented and will be reinforced through management memoranda.

R9. Hold managers and employees accountable for violations of District purchasing policies. (F6)

District Comments: The General Manager will be held responsible for implementing the Board's purchasing policies. The General Manager will hold department managers responsible for their role in purchasing.

District Response: The recommendation has been implemented and will be reinforced through management memoranda.

R10. Train GCSD Board members on their conflict of interest policy documented in the Policy Manual of the Board of Directors. (F7)

District Comments: Board members currently receive harassment and ethics training, which includes conflict of interest training, upon entering office and every two years thereafter.

District Response: The recommendation has been implemented and the District's conflict of interest policy updated by December 31, 2018. A Board Orientation program outline was approved by the Board in June 2018, and will be completed and implemented by November 30, 2018. The Board orientation program includes annual training on the District Conflict of Interest policy.

If you have any questions, concerns or comments related to this response, please do not hesitate to contact me.

Sincerely,

Robert Swan
President