



## CALAVERAS COUNTY WATER DISTRICT

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120 Toma Court • San Andreas, CA 95249 • (209) 754-3543

October 3, 2024

Honorable Timothy S. Healy  
Superior Court of California, County of Calaveras  
400 Government Center Drive  
San Andreas, California, 95249-9794

**Re: Calaveras County Water District's Response to Calaveras County  
2023-2024 Grand Jury Final Report**

Dear Judge Healy:

Calaveras County Water District (CCWD or District) wishes to thank the Grand Jury for their commitment to public service and their extensive efforts in the development of the most recent Grand Jury Report.

As required by the Calaveras County 2023-24 Grand Jury Final Report entitled "Still Waters Run Deep," CCWD has reviewed the Report and developed responses to the findings and recommendations. The CCWD Board of Directors discussed the Report and the District's responses in multiple public meetings and has authorized this response. Accordingly, on behalf of the CCWD Board of Directors, CCWD's responses to the Report's findings and recommendations are attached.

Please do not hesitate to call me at (209) 754-3001 if you have any questions or require further clarification.

Sincerely,

CALAVERAS COUNTY WATER DISTRICT

A handwritten signature in blue ink, appearing to read "M Minkler", is written over a horizontal line.

Michael Minkler  
General Manager

Attachment: CCWD's Responses to Calaveras County's 2023-2024 Grand Jury Report

Copy: Vicki Plaugher, Grand Jury Foreperson

## Calaveras County Water District Draft Response to 2023/24 Grand Jury Report

**Finding F1, Pg. 12:** The five-year rate increase is disproportionately spread by meter size and usage, which has caused the 5/8" and 3/4" meter customers to bear a greater percentage of the overall rate increase.

**CCWD Response to Finding 1, Pg. 12:** CCWD disagrees with the finding.

CCWD's 2023 rate study did more than identify the need to raise additional revenue. The study also reassessed the cost allocation across different meter sizes, customer classes and the number of tiers for consumptive use charges. As required by Prop 218, the study included a detailed assessment of the cost to serve different sized meters to ensure a fair allocation of costs. The result was an adjustment of the cost allocation among meter sizes and the elimination of one of the tiers for consumptive charges. This was explained in detail in the Cost-of-Service study and in CCWD's public presentations.

The Report's Finding F1 states that the five-year rate increase is disproportionately spread by meter size and usage, which has caused the 5/8" and 3/4" meter customers to bear a greater percentage of the overall rate increase the redistribution of consumptive costs among different meter sizes, but it does not address the basis for those changes. The Report provides no basis for this conclusion other than the fact that increases weren't applied evenly to each meter size, which would have been a violation of Prop 218 because it would not have been based on the actual cost of service.

When allocating costs, the rate study looked at recent and representative water use, such as winter, summer, and peak usage, across all customers classes – residential, non-residential and irrigation. The use of current data is important as water use trends change over time, whether it is due to new customers, reduced water use because of drought or water conservation, change in water efficiency, or improved data detailing consumption trends. The allocations are not arbitrary, nor are they based on past cost of service studies.

The same applies to establishing the five-year cost projections for the District's water and sewer systems, both operating and capital programs. The cost of operating such a complex and geographically diverse system has changed significantly since the last Cost of Service rate study was performed in 2018. Cost drivers such as high inflation, energy, chemicals, aging infrastructure, and increased regulatory burdens were reflected in the five-year budget projections, or revenue requirements, for operations and capital.

After the revenue requirements are determined, those costs are allocated to each customer in proportion to their demand on the system. The revenue requirements are recovered through fixed charges and commodity rates (consumptive) charges, which also have a tiered component.

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<b>Meter Size</b>	<b>Capacity Ratio</b>	<b>Meters</b>	<b>Account Services</b>	<b>Meter Capacity</b>	<b>FY 2024 Proposed Bi-Monthly Base Fixed Charge</b>
5/8"	1.00	13,231	\$25.69	\$110.34	\$136.03
3/4"	1.50	3	\$25.69	\$165.51	\$191.20
1"	2.50	79	\$25.69	\$275.85	\$301.54
1 1/2"	5.00	23	\$25.69	\$551.70	\$577.39
2"	8.00	21	\$25.69	\$882.72	\$908.41
3"	16.00	2	\$25.69	\$1,765.44	\$1,791.13

The fixed rate component is not determined by a percentage increase over the prior rates and should not be viewed as such. The new rate study includes a comprehensive new analysis of the cost of providing service to each customer class and corresponding account. Therefore, the cost allocations to each customer class are recalibrated based on the current meter and consumption (water usage) data. FY 2024, the first year of the new rate study, includes not only an increase in revenue but also appropriately reflects the updated reallocation of costs to each customer class. This results in a different rate increase by customer class in FY 2024, which is then increased in future years by the corresponding revenue adjustments for each subsequent fiscal year (12%, 13%, 7%, 7%). Trying to make a direct connection to prior rates is not the correct analysis and oversimplifies the work that was done to ensure rates are fairly and proportionately allocated.

CCWD changed the rate structure to ensure that the charges to each class of customer accurately reflected the cost of service. CCWD did not give a “discount” to commercial customers, as the Report alleges, and we cannot arbitrarily decide to charge residential customers less than their fair share of consumptive costs compared to commercial customers, even if that might seem more equitable to some. Prop 218 requires CCWD to evaluate the cost of delivering service and then allocate that cost to the appropriate customers based on actual water use characteristics, which is what we did.

**R1. Recommendation for Finding 1, Pg. 12:** *“Calaveras County Civil Grand Jury recommends that, by December 31, 2024, Calaveras County Water District follow their own policy and recalculate the base and usage rates so that the smaller meter customers are not subsidizing the larger meter customers.”*

**CCWD Response to Recommendation for Finding 1, Pg. 12:** The recommendation will not be implemented because it is not warranted.

The recommendation implies that CCWD did not follow its own policy when it adopted the new rate schedule, but it does not cite any policy that was violated. The Report quotes language from CCWD’s website, which explains that larger meters pay more for greater capacity to ensure customers with smaller meters are subsidizing customers with larger meters. As shown in the table above, larger meters still pay significantly more than smaller meters to account for their share of system capacity and the cost of service. That does not mean, however, that rates will always increase by the same percentage.

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As explained in detail in response to F1, CCWD did a comprehensive study to ensure the cost of service is fairly allocated among the different meter sizes. We did not simply apply a flat increase to each meter size nor did we give a discount to any customer class, which would have been prohibited by Prop 218.

CCWD's decision to change the rate structure and the basis for the differential rate increases are supported by the information in the Cost-of-Service study. As such, CCWD does not see the need to recalculate the base and usage rates, nor change the rates charged to smaller meter customers as they are not subsidizing the larger meter customers.

**Recommendation for Finding 1a, Pg. 12:** *“Calaveras County Civil Grand Jury recommends that the Calaveras County Board of Supervisors request that the California State Controller conduct a review of CCWD’s internal control system to determine the adequacy of CCWD’s controls for conducting its operations, preparing financial reports, safeguarding of assets, and ensuring proper use of public funds. Government Code Section 12422.5 authorizes the State Controller to “audit any local agency for purposes of determining whether the agency’s internal controls are adequate to detect and prevent financial errors and fraud.”*

**CCWD Response to Recommendation for Finding 1a, Pg. 12:** The recommendation will not be implemented because it is not warranted.

CCWD follows all generally accepted accounting standards and is audited every fiscal year by an outside certified public accounting firm that is well versed in water and wastewater enterprise accounting. The audits are reviewed in public Board meetings every year and are available for public review. Auditors have found nothing to support the Grand Jury recommendation that the Calaveras County Board of Supervisors request that the California State Controller conduct a review of CCWD's internal control system to determine the adequacy of CCWD's controls for conducting its operations, preparing financial reports, safeguarding of assets, and ensuring proper use of public funds. Since CCWD reviews its internal controls every year during its annual audit, we don't see the need to conduct additional review, which would put an undue burden on staff. Nonetheless, CCWD is committed to transparency and would fully cooperate if additional regulatory oversight was required.

**Finding 2, Pg.12:** *The Lease-To-Own Program has not resulted in the purchase ownership of any vehicles, despite what was stated in Calaveras County Water District's community presentations.*

**CCWD Response to Finding 2, Pg. 12:** CCWD disagrees with the finding.

The Enterprise lease-to-own program that CCWD participates in is not a conventional vehicle lease program in that CCWD retains the equity it invests in each vehicle. Some of the key features of the program that are not accurately described in the Report, include:

- There is no requirement to return the vehicle at the end of the lease term.

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- Once the balance of the vehicle is paid, CCWD has some options:
  - Own the vehicle
  - Sell the vehicle and keep the profit
  - Sell the vehicle and roll the profit into paying down other vehicles within the Enterprise Program
- There are no mileage restrictions
- There are no penalties for vehicle condition.
- CCWD and Enterprise meet routinely to determine how the program is working in order to optimize the program to provide the greatest benefit to the District.

In 2019 CCWD implemented the program to leverage Enterprise's considerable automotive industry experience and expertise to identify replacement vehicles for its aged fleet. CCWD vehicles were failing at a rate that exceeded the District's ability to cost effectively purchase replacements. The program leased 10 vehicles in 2019. The lease cost for the 10 vehicles of 83,000 for that particular year allowed the District to provide staff with safe, reliable vehicles. It also provided the opportunity for the District to surplus 10 obsolete vehicles. The example of cost saving improvements referenced in the slide in the grand jury report illustrates the benefit provided by the program in that 10 unreliable, inefficient, and questionably safe District trucks were replaced at an annual cost similar or equal to that of a purchase of one service truck. Considering the additional facts that time and reliability are money, this benefit becomes even more valuable.

Here is a snapshot of the efficacy of the Program in 2022 – The District was able to obtain 19 service trucks and two dump trucks from 2019 to 2022. Prior to that time, CCWD purchased 31 service trucks in the previous 20 years. Only 7 trucks were purchased between 2008 and 2016. As of 2022 CCWD still had 27 trucks 15 years old or older and 6 trucks that were over 20 years old. Current vehicle emissions requirements don't even allow trucks manufactured in 2003 or before to be operated more than 1,000 miles per year in Calaveras County. They can't be operated at all in many Counties in the State. The condition and age of the fleet made it difficult for CCWD to conduct reliable and compliant work for its 6 water and 13 wastewater systems spread throughout the County. Financing vehicles through a lease to own program provided a cost-effective solution.

Vehicle unreliability results in system unreliability. If Staff cannot respond to system issues in a timely manner, water supply reliability and sewer system integrity are reduced. Public health and safety is of utmost importance and a priority to CCWD. Vehicle reliability is a huge component of that. This fact is not just something CCWD recognizes, many water & wastewater Districts utilize the Enterprise Program to improve vehicle reliability. Some examples include Calaveras County, Stanislaus County, Kern County, Yuba County, Yuba City, the Amador Water Agency, the Lower Tule River Irrigation District, and Glenn-Colusa Irrigation District.

Currently, CCWD has 35 leased vehicles in its fleet of over 70. This year the first 10 vehicles leased in 2019 will be owned by CCWD and can be sold back to Enterprise. The proceeds from the sale of these vehicles can be reinvested into the program. This will bring the District close to a fleet comprised of a majority of trucks five years old or newer. CCWD could never have improved its fleet to this extent without this financing solution.

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**R2. Recommendation for Finding 2, Pg. 12:** *“Calaveras County Civil Grand Jury recommends that, by December 31, 2024, Calaveras County Water District publish a correction to the statement made in their community presentations.”*

**CCWD Response to Recommendation 2, Pg. 12:** The recommendation will not be implemented because it is not warranted.

As explained in detail in response to F2, no correction is necessary.

**Finding 3, Pg. 13:** *Vehicle Lease-To-Own programs are not always the most effective use of funds.*

**R3. Recommendation 3, Pg. 13:** *“Calaveras County Civil Grand Jury recommends that the management of Calaveras County Water District, by December 31, 2024, re-evaluate the effectiveness of the Lease To-Own Program by initiating a study that compares the cost of leasing and subsequently returning vehicles, versus the ownership of vehicles throughout a reasonably expected useful lifespan.”*

**CCWD Response to Recommendation 3, Pg. 13:** The recommendation will not be implemented because it is not warranted.

CCWD routinely reviews the viability of the Enterprise Vehicle Lease Program from (among other aspects such as safety) a cost versus value perspective and routinely provides updates to the Board. The District will continue to do so and adjust as necessary.

**Finding 4, Pg. 13:** *The practice of assigning district vehicles to management personnel is unnecessary to operations and creates additional expense and liability.*

**CCWD Response to Finding 4:** CCWD disagrees with the finding.

District vehicles are an essential tool for CCWD due to the distance between and breadth of CCWD facilities. On-call staff and certain members of the management team are permitted to take vehicles home, but personal use of District vehicles is not allowed.

**R4. Recommendation 4, Pg. 14:** *Calaveras County Civil Grand Jury recommends that, by December 31, 2024, all Calaveras County Water District vehicles be used by personnel only within the scope of their job descriptions during business hours with exceptions of after-hours by on-call and emergency response personnel.*

**CCWD Response to Recommendation 4, Pg. 14:** The recommendation will not be implemented because it is not warranted.

CCWD operates 24/7/365 so the concept of “business hours” is not particularly relevant to the use of District vehicles. CCWD will comply with District policy and ensure that District vehicles are not used improperly.

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**Finding 5, Pg.14:** *The Enterprise Resource Planning software integration issues cause unnecessary inefficiencies in day-to-day operations.*

**CCWD Response to Finding 5, Pg. 14:** CCWD disagrees with the finding.

Implementation of the new ERP system has been difficult and may have resulted in some temporary inefficiencies. The system is also providing new functionality and increased efficiency in other respects. Furthermore, implementation of the remaining modules will be substantially complete by the end of 2024, which will provide the full suite of benefits from the new software. CCWD will also continue to improve the Utility Billing module to address the temporary inefficiencies.

Calaveras County Water District (CCWD) implemented the Tyler Technologies CIS Software, Incode (Utilities Pro) in September 2021. Before selecting a specific platform and subsequent implementation process, an internal committee of CCWD employees was formed to discuss and explore the best option based on the district's operational needs. Alternative options were considered to the existing software since the previous vendor could not offer a viable upgrade that met the District's needs. All employees within the committee were encouraged to actively participate in the selection process and although a couple members of the committee voiced concerns about the Tyler Technologies option, the entire group ultimately decided that Tyler Incode was the best option available to CCWD. CCWD delayed the selection of new software for several months to ensure the committee had time to evaluate options and voice their concerns. During this time, CCWD also reached out to several other water agencies to confirm the applicability of Tyler Incode for CCWD's operations.

Once the District settled on Tyler Incode, the implementation process began. In hindsight, there are several decisions regarding the implementation that CCWD management staff has been transparent in confirming could have been addressed and processed differently, including:

- The implementation of the Utility Billing (UB) module after the successful implementation of the core financial and payroll modules.
- The simultaneous implementation of the UB module and the district's AMI meter implementation.

While there has been significant staff time spent over the past three years to optimize and build processes within the Tyler platform, and much progress has been made to better integrate into the UB module, further modifications will be needed in all areas as the district moves forward with the core financial and payroll implementation. Some progress to note includes:

- The reduction in office staff hours needed to process regular billing each month (from approx. 20-40 hours to 5-10 hours).

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- Implementation of the next phase, which includes core financials, payroll, and personnel management is on track for substantial completion by the end of 2024.

CCWD staff is engaged with a team from Tyler to implement the core financials and payroll/HR modules, and a detailed timeline for the implementation was presented at the CCWD Finance Committee meeting on August 20, 2024. Furthermore, CCWD is working with an outside consultant to participate in the implementation and assist in optimizing the UB module. Currently, CCWD anticipates successful transition and full integration into the Tyler ERP system by the end of December 2024 with only minor ancillary modules needing roll out within January & February 2025.

Once implementation is complete, and the new AMI system is fully integrated and optimized, CCWD staff will have access to all the benefits that the new, modern ERP system will provide.

**R5. Recommendation 5 Pg. 14:** *Calaveras County Civil Grand Jury recommends that, by December 31, 2024, Calaveras County Water District contract with an information technology firm that has the expertise to identify and provide an action plan to resolve the current system integration issues.*

**CCWD Response to Recommendation 5, Pg. 14:** The recommendation will not be implemented because it is not warranted.

In March 2024, CCWD contracted with a consulting firm, Eide Bailly, that is skilled in finance and ERP software implementations. Eide Bailly will continue to assist and advise CCWD as the District moves forward with resolving any existing Utility Billing integration issues, in addition to implementing the Core Financials and Personnel modules within this calendar year.

**Recommendation 5b, Pg. 15:** *Calaveras County Civil Grand Jury recommends that, by December 31, 2024, a process and timeline be created for the migration of other standalone applications at Calaveras County Water District into their Enterprise Resource Planning platform.*

**CCWD Response to Recommendation 5b Pg. 14:** The recommendation will not be implemented because it is not warranted.

A timeline has already been established between CCWD and Tyler Technologies for the implementation of the Core Financials and Personnel Management modules. Current solutions, Springbrook (Finance) and ADP (Payroll/Personnel), will be phased out. Migrating Finance and Human Resources to Tyler will integrate all financial processes, payroll processes, personnel management and time management, and utility billing and utility customer management into one system. The established timeline for the completion of the ERP conversion is slated for the end of December 2024, with smaller ancillary modules requiring roll out within the first several months of 2025.

## Calaveras County Water District Draft Response to 2023/24 Grand Jury Report

**Finding 6, Pg.15:** *Given the fear of retaliation, rank and file employees at Calaveras County Water District do not feel they can express their concerns to their superiors.*

**CCWD Response to Finding 6:** CCWD disagrees with the finding.

The Report makes serious allegations regarding workplace culture and a widespread fear of retaliation that are unsubstantiated and inconsistent with CCWD's own findings. CCWD has indeed experienced a high rate of employee turnover, but the data gathered from departing employees do not support the Report's accusations that the rate of turnover is related to a negative workplace culture. Nonetheless, CCWD has discussed the issue of retaliation with staff since the Report was issued to make sure all staff know that CCWD encourages, and even depends on, input from all levels of the organization and that retaliation for raising concerns will not be tolerated. Employees are made aware that they have multiple avenues to report concerns or misconduct and that State law and District policy will protect them from retaliation.

The Reports findings appear to be based on a small sample of input that is not representative of the workplace culture at CCWD. It is unfortunate that these unsubstantiated accusations were included in a public report as it has the potential to undermine CCWD's reputation in the community and could frustrate CCWD's efforts to recruit the highly-skilled workers it needs to provide safe and reliable services to communities throughout Calaveras County. CCWD prides itself on being one of the best places to work in our region and we are extremely proud of our dedicated employees.

**R6. Recommendation 6 Pg. 15:** *Calaveras County Grand Jury recommends that, by December 31, 2024, an outside human resource consultant be contracted to address the root of workplace culture issues with all Calaveras County Water District management and employees.*

**R6. CCWD Response to Recommendation 6 Pg. 15:** The recommendation has not yet been implemented, but will be implemented within six months.

CCWD asks a lot of its employees. At the same time, we want them to work in a safe and positive workplace free from the fear of retaliation. While CCWD disagrees with Finding 6, we take allegations of retaliation seriously and we acknowledge there is always room for improvement when it comes to workplace culture. Accordingly, CCWD is acting on this recommendation and is currently evaluating quotes from HR consultants specializing in organizational development.

**Finding 7, Pg. 15:** *Regularly scheduled employee performance reviews are not being completed in a timely or consistent manner, causing a lack of accountability at all levels of the workforce.*

**R7a. Recommendation 7a Pg. 15:** *Calaveras County Grand Jury recommends that all employees in a supervisory level position review the District employee performance evaluation policy and comply with that policy by December 31, 2024.*

## Calaveras County Water District Draft Response to 2023/24 Grand Jury Report

**CCWD Response to Recommendation 7a Pg. 15:** The recommendation has not yet been implemented, but will be implemented within three months.

CCWD will remind supervisory employees of policies related to performance evaluations, as recommended. The District recognizes the importance and need for Employee Performance Reviews. As CCWD embarks on training and coaching efforts as the result of HR consulting efforts described in Finding 6, the importance of conducting timely performance reviews will be discussed. CCWD management also acknowledge that annual employee evaluations are not the only or the most effective method to provide feedback to employees. CCWD must ensure employees receive the feedback they need for their professional development while recognizing that feedback and accountability should not be reduced to an annual evaluation.

**R7b. Recommendation 7b Pg. 16:** *Calaveras County Civil Grand Jury recommends that, by December 31, 2024, the Calaveras County Water District Human Resources Department document and enforce the execution of regularly scheduled employee performance reviews.*

**CCWD Response to Recommendation 7b Pg. 15:** The recommendation has been implemented.

The tracking of performance evaluation due dates is already done by the District's Human Resources Department. However, the District will work with Supervisors and Managers to ensure the timely completion of performance reviews.