



# TUOLUMNE UTILITIES DISTRICT

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**REVISED**

September 16, 2016

Honorable Donald Segerstrom  
Presiding Judge of the Superior Court  
County of Tuolumne  
41 W. Yaney Avenue  
Sonora, CA 95370

**FILED**

OCT 17 2016

Superior Court of California  
County of Tuolumne

By:  Clerk

**Subject:** Tuolumne Utilities District Response to the 2016 Grand Jury Report

Dear Judge Segerstrom,

The Board of Directors ("Board") of the Tuolumne Utilities District ("TUD" or "District") submits the following response to you regarding the findings and recommendations of the 2016 Civil Grand Jury Report as it pertains to TUD. The Board thanks you for the opportunity to file this response.

With respect to the Grand Jury's report narrative, the Board desires to point out several technical corrections. First, the report transposes the electoral status of board of director seats slated for election. The number of seats open for election in 2016 is three (3); followed by two (2) in 2018. Second, the Board desires to point out that it was the 2013 board of directors, as then constituted, that cancelled and then later implemented a 2.78% increase in rates, as established by the 2012 Board through their Prop 218 three year rate increase. Finally, the Board desires to point out that it was the 2013 board of directors, as then constituted, that was the subject of a Brown Act inquiry.

The Board is appreciative of the time and effort put forth by the Grand Jury to conduct its review of TUD's operations and the challenges the District faces across many fronts, and offers the following response to the findings (F) and recommendations (R) found on pages 72-74 of the Grand Jury report:

Response to Report Findings:

- F1: The District agrees with this finding.
- F2: The District agrees in part and disagrees in part. While the District does not have a document entitled "Succession Plan" the District does have in place the training, mentoring and certification processes that assist the District in preparing employees for taking on greater responsibilities as they develop specialized skills over the course of their careers. These programs constitute succession planning as they are designed to both train and retain employees over the long term and provide them a basis to successfully compete for higher level jobs when they become available. Each of these programs is currently documented separately.
- F3: The District agrees with this finding, though the District also notes that it is embarking on the implementation of a long term capital improvement plan, funded by ratepayers and grants, to improve both the water and wastewater infrastructure of the District.
- F4: The District generally agrees with this finding. The 5-year rate plan effective in January 2016 is intended to provide approximately \$19 million (M) in funding for capital infrastructure improvement.

over the term of the current rate plan. At the conclusion of the rate plan term, the District will continue to use funding provided by rates to address capital needs, although future rate increases may be necessary to address the overall \$52M (2015 dollars) in water infrastructure needs and \$7M (2015 dollars) in wastewater infrastructure needs.

- F5: The District agrees with this finding. The Board has been working hard to both define and execute a vision, mission, goals and policy agenda for the District. The Board's *Strategic Planning* materials can be found on the District website at [www.tudwater.com](http://www.tudwater.com).
- F6: The District generally agrees with this finding. Neither the District, nor Tuolumne County government, holds its own water rights. Pacific Gas and Electric Company (PG&E) holds a series of water rights that require water use for *domestic* purposes, amongst other uses, including allowing the use of water for hydroelectric power generation. (*emphasis added*) PG&E's separate Federal Energy Regulatory Commission licenses for operation of both Pinecrest and Lyons Reservoir amplify the underlying water rights, including domestic water supply responsibilities. The District works with PG&E on an annual basis relative to receiving the required allotment of domestic water for both treated water production and use as raw water supplies for agricultural and other purposes important to the local economy. The District and PG&E collaborate during low watershed production, or drought years, to address the domestic water supply needs of the District in and before state and federal agencies.
- F7: The District agrees with this finding. The Board has established the importance of financial responsibility as part of its vision, mission, goals and policy agenda within the District's overall *Strategic Plan*.
- F8: The District agrees with this finding.
- F9: The District agrees with this finding, but notes that the public advisory committee (PAC) was developed for the singular purpose of community engagement to inform the public as to the water and sewer connection fees of the District and gain input to help inform the Board as to community thoughts as it developed its fee policies.

Response to Report Recommendations:

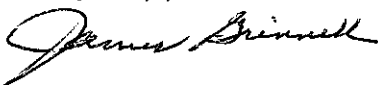
- R1: The Grand Jury made no recommendation on this item.
- R2: The recommendation will be implemented during the current fiscal year. The District will document its active succession planning efforts to train, educate and develop the skills and acumen of District staff in a written document. Though the elements of successful succession planning are in place, and have produced favorable results in preparing employees for more advanced positions as evidenced by the promotion of District employees in recent years, there is merit to combining these efforts and programs into a singular document.
- R3: The recommendation has been implemented. In March 2016, the Board set forth the completion of the Treated Water System Optimization Plan (TWSOP) as one of its top priorities in the 2016 Action Agenda. The Board is pursuing funding for completion of the TWSOP and has authorized the general manager to file applications for that funding.
- R4: The recommendation has been implemented and will be ongoing. The District has and will continue to pursue grant funding for various of its infrastructure improvement projects. The District has been very successful in receiving grant funding in the past and completed capital projects in 2015, and thus

far in 2016, with grant funding. The District will also pursue financing, as planned and identified in the 2015 rate study, to be able to undertake infrastructure improvement projects. The District efforts at obtaining financing will first concentrate on low interest loans through the State of California's *State Revolving Fund* (SRF) which provides low interest financing so long as the District maintains an appropriate rate structure that meets State criteria.

- R5: The Grand Jury made no recommendation on this item.
- R6: The recommendation requires further analysis. The Board has included in its policy agenda for 2016 the completion of a report outlining long term water supply options. Given the complicated nature of water rights in California, and the body of law that adjudicates those rights, the District will look to pursue options within that contextual framework.
- R7: The Grand Jury made no recommendation on this item.
- R8: The Grand Jury made no recommendation on this item.
- R9: The recommendation is compound, but has been implemented and will continue to be implemented. The District is committed to transparency in its operations and the conduct of its Board meetings, including without limitation, the process by which the Board makes its decisions. The Board members are committed to the statutory provisions of the Ralph M. Brown Act which advance the importance of the public agency decision making process and provide important protections for the public. The District is also committed to broad public outreach to include an updated, active website, social media presence, community newsletter and other means and methods to both inform and receive information and comment from our constituents. Additionally, the District makes detailed presentations to service clubs, the Board of Supervisors, Chamber of Commerce and others to help provide up-to-date information as to the activities of the District. The District is open to utilizing a public advisory group from time to time for more focused efforts at soliciting public input on issues or projects facing the District.

Again, the District thanks the Grand Jury for their service and the report they prepared on the Tuolumne Utilities District.

Very truly yours,



James Grinnell  
Board President



Thomas J. Haglund  
General Manager