September 6, 2019

Presiding Judge
Amador Superior Court
500 Argonaut Lane
Jackson, CA 95642

Your Honor,

The Amador Water Agency Board of Directors wishes to express its gratitude for the diligent and detailed work of the 2018 - 2019 Grand Jury. AWA Directors and staff are always looking for ways to improve. The Agency takes seriously its responsibilities to its ratepayers and the general public and appreciates the opportunity to respond to the Grand Jury’s Findings and Recommendations. We have also included further background information and documents in the appendix to support the responses.

Grand Jury Findings

F1. The AWA has lost sight of transparency as a core value as demonstrated by the way AWA publishes information for the ratepayers.

   Information is made available on their website, but much of it is either incomplete, confusing, erroneous, or illegible.

   Efforts to check and cross-check data found consistent discrepancies and errors.

   Established published reports were modified and prior reports replaced with no explanation of the changes.

Amador Water Agency Response to F1

Disagree partially with the finding.

The Agency has not lost sight of transparency as a core value. The Board also disagrees that it published reports without reasonable explanation of the changes as discussed
Transparency is a core value of Amador Water Agency, and the Board of Directors will be considering adding transparency standards to our written policies. Additionally, the Board is currently taking other measures to improve public information. The Board has published an informational budget brochure, Budget-in-Brief, which includes a discussion of prior year accomplishments, the Capital Improvement Plan, priorities for the year, graphs of revenues and expenses, and budget highlights. (See Appendix A)

The Board also stream-lined the budget format this year to provide a consolidated budget and summaries with graphs to present a more customer friendly document. The Agency has improved the format of the website with the assistance of a website consultant to enhance its use by the public. (See Appendix B)

Bullet 1. The Agency strives to post information as it becomes available on the website to better serve the public. More information will be placed on the website in the future. Recordings of Board Meetings have been added to the website on the Minutes page beginning on July 11, 2018:

https://amadorwater.org/board-directors/board-minutes-agendas/

Other Information and past Board audio recordings are available to the public upon request. We also agree that some items or information from studies placed on our website may have been difficult to read. Staff will implement increased content quality control.

Bullet 2. The Agency agrees that some errors have been made and we appreciate when these are brought to our attention. We will always take corrective action to ensure the accuracy of the data available to the public. We will strive to enhance our transparency including providing more user-friendly information to the public.

Bullet 3. The Agency agrees there are two instances where the reports were replaced. To avoid the need for future changes and meet established deadlines, the Agency has scheduled its annual audits earlier in the year so that required reports will not have to be completed before audited financial statements are available.

Based on discussions in the Grand Jury report, we assume this bullet is referring to Government Code Section 66013 reports which are placed on the Agency website. There are two instances where the reports were revised:

1. Government Code Section 66013 reports are due six months following the close of the fiscal year. Audited Financial Statements are not required until one year following the close of the fiscal year which is June 30. During the audit there may be adjustments which
change information used in the 66013 report. Given this, the Agency has posted the 66013 report by its due date of December 31 and marked it as Pre-Audit. Once the audit was completed, the Agency would make adjustments to the 66013 report, if any, and retitle the 66013 report as Post Audit and then replace the report on the website. Beginning with the 2017-2018 66013 report, the audit is being completed by December 31 each year (6 months in advance of the required completion date) which allows the population of the 66013 report with audited information which eliminates the need for changes from pre-audit to post-audit versions. (See Appendix C)

2. In 2011, it was discovered that two accounts were combined in 2005 which resulted in incorrect information in the 66013 reports. Once information was reconciled, presentations were made to the Board and public during a Board meeting on April, 5 2013, that explained what had happened and what was done to provide corrected information. The 66013 reports for 2009/10, 2010/11, and 2011/12 were then placed on the website replacing the old versions. (See Appendix D)

F2. The AWA is not sufficiently transparent with its ratepayers about the costs of current employee compensation. From 2010 through 2017, management salaries increased on average of 48%, over twice the rate of hourly employees. The practice of annually granting relatively substantial increases will impact rate increases for ratepayers in the future.

The GM and AGM salaries both increased over 50% during the review period.

While employee concessions were in place, the AGM’s salary was increased by 24.2% in 2016 and another 34.7% in 2017.

The increases in the management salaries significantly exceed what would be expected by economic variables, decreases in revenues and the increased debt.

Amador Water Agency Response to F2:

Disagree partially with the finding.

The Agency salary and benefit costs are transparent. It publishes these costs in Monthly Financial Reports on the website at https://amadorwater.org/financial-information/. These reports are also mailed to interested members of the public with the agenda of open public meetings of the Budget and Finance Committee. The Committee reviews the Agency’s financials each month. Salary ranges are published on the Agency website at https://amadorwater.org/careers/. Also available on this web page is the Memorandum of Understanding between the Employee Association and the Agency that describe applicable salaries and benefits in detail.
The average management salary increases was not double that of the hourly employees during the period from 2010 to 2017. The increases are similar in magnitude. The average hourly salary increased 28% (not including promotions) for employees that worked this entire period without including promotions or topping out of a salary range. Comparisons are as follows:

Bullet 1. From 2010 to 2017, the GM salary increased 31% (excluding payouts for unused vacation). Executive Secretary/Clerk of the Board position from 2010 to 2014, the salary increased 16%. The AGM position was created in 2014 as a promotional position. From 2014-2017 the AGM salary increased 49%.

Bullet 2. The AGM salary increased 31% in 2016 and 9% in 2017.

Bullet 3. The inflation between 2010 to 2017 was 21% based on the applicable Consumer Price Index. The increases of hourly employee and the GM salaries slightly overcame the impact of inflation after the new increases in employee contributions for retirement and medical insurance were implemented. Given these new costs and inflation, management salaries did not exceed what would be expected by economic variables. (See Appendix E)

F3. The AWA financial reporting and auditing process is not done according to industry standards.

The AWA publishes an “Annual Audit” on its website in lieu of a Comprehensive Annual Financial Report (CAFR)

The title on the published document is “Audited Financial Statements”.

The “Audited Financial Statements” do not contain a cover letter that indicates the report was transmitted to the Board.

A transmittal letter is feature of all “GFOA-awarded” CAFR’s

There is no evidence that the “Audited Financial Statements” are reviewed by, or formally transmitted to the Board.

Amador Water Agency Response to F3:

Disagree partially with the finding.

AWA financial reporting and the auditing process are completed in accordance with governmental accounting standards. The Independent Auditor’s Report from 2017-2018 states:
“In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller’s Office and State regulations governing special districts.”

For years prior to this, auditors have declared in annual audit reports that the Agency’s financial statements are fairly presented and are in accordance with accounting principles generally accepted in the United States of America. These standards are found in the references below.

Bullet 1. AWA produces the audited financial statements required by the State of California and they are published on AWA’s website. AWA is not required to produce a Comprehensive Annual Financial Report (CAFR), which contains the audited financial statements and additional optional unaudited information. The Agency doesn’t produce the additional optional information.

Bullet 2. AWA agrees with this statement.

Bullet 3. Disagree. Page one of the Audited Financial Statements in the Independent Auditor’s Report is the transmittal letter to the AWA Board of Directors. (See Appendix F)

Bullet 4. AWA does not dispute this point.

Bullet 5. Disagree. See response to Bullet 3. The Audited Financials are formally transmitted to the AWA Board by the auditor. The auditor reviews their findings and the audited financial statements with the Board during a regular meeting each year. For example, the Board of Directors Regular meeting on December 13, 2018, included a presentation from the Agency’s auditor, Richardson & Company, who reviewed the draft audited financial package with the Board. The audited financials are not “Final” until this presentation occurs and the Board approves the audited financial statements package. (See Appendix G)

F4. The AWA’s finances are grossly mismanaged, with numerous errors identified in the millions of dollars.

Total Operating Revenues and Expenses reported to the SCO do not match the amounts contained in the “Audited Financial Statement.”

Total Operating Revenues and Expenses indicated in AWA Budgets to not reflect the amounts indicated in the correlated “Audited Financial Statement.”
From 2009 through 2017, Total Operating Revenues vs Expenses show a surplus of $11.0 million according to AWA budgets. Yet the "Audited Financial Statements" for the same period indicate that there was actually a shortfall of $20.9 million, a difference of over $30 million.

The 66013 reports do not match data reported in the annual budgets

When errors are corrected in financial reports, they are not disclosed per Audit Standard 154.

"Actual" values of Total Operating Revenues reported in budget documents are one example of budget data that has changed in arrears.

Erroneous reports and frequently changing formats inhibit AWA management's ability to manage the budget and the debt.

**Amador Water Agency Response to F4:**

Disagree partially with the finding.

The Agency finances are not grossly mismanaged. Responses to individual bullets are explained below.

**Bullet 1:** The information in the State Controller's report beginning with the 2017 matches the audited financial statements as evidenced in Table 2, page 19 of the Grand Jury report. For years 2015 and before, the CA State Controller's Office required the Financial Transactions Report to be submitted within 90 days after the close of the fiscal year per Government code 53891. (See Appendix H). The State Controller's Office found that receiving audited financial information in a 90-day timeframe was unreasonable for all state and local agencies. Variances between the SCO report and the audited financial statements are inherent throughout the state, not specific to the Amador Water Agency, through the 2015 reporting year as audited financial information was not available and pre-audit information was utilized for the SCO Report in order to meet the required deadline. The State amended this deadline on January 1, 2016, to seven months after the close of the fiscal year. This allows local agencies such as counties, cities and special districts a more appropriate amount of time to complete the year-end audit process and the SCO can provide ratepayers more meaningful data and transparency in their "By the Numbers Report."

There are two distinct events that have caused differences between the audited financial statements and the State Controller's Report. First, prior to Fiscal Year 2016-17, the SCO did not incorporate GASB pronouncements, such as GASB 68 that relates to pensions, into their report, although recording this information was mandatory for Special Districts
financial reporting for the audited financial statements. Second, due to the timing of compliance deadlines for the SCO reports (as mentioned above) versus the audited financial statements which has a deadline of one year following the close of the fiscal year, AWA reporting to the SCO have not incorporated audited financial information as it was not available at the time of the reporting deadline for the SCO report. The Agency adopted an action plan prior to the 2018-2019 Grand Jury Report to establish an internal year-end audit process that outlines a completion date, including the presentation by the auditors to the Board and subsequent acceptance of the audited financial statements prior to December 31, each year.

Bullet 2: The budget is comprised of forecasted estimates prior to the year, whereas, the audited financial statements are the reflection of actual activity after the year, and as such they would not match as real events throughout the year cause changes to the budget.

According to Special District Uniform Accounting and Reporting Procedures, Chapter 5, page 64: “The budgetary comparison schedule, also known as a variance report, is a statement that compares actual budget against the amounts in the governmental funds statement of revenues, expenditures, and changes in net position. The amounts in the budgetary comparison schedule and the governmental funds financial statements are different primarily because the governmental funds financial statements are prepared following GAAP, while budgets are not. Special districts must often budget on a cash or near-cash basis, or include encumbrances and other items that would not be considered revenues or expenditures in the financial statement.” (See Appendix I)

Bullet 3: The $30 million difference is incorrect. The most significant difference between the audited financial statements and budgets is the reflection of depreciation expense, captured in the audited financial statements. This is not a cash expense that is related to day-to-day operations, and is not included in the annual budget. Depreciation expense recorded from years 2009 through 2017 totals $32,122,761 as reflected in the Schedule of Revenues, Expenses and Changes in Net Position by Fund, within each audited financial statement. All audited financial statements are on the AWA website. Another factor that contributes to the difference between the audited financial statements and budgets is the “actual” for fiscal years 2008/09 and 2009/10 shown in Agency budgets for 2012/13, 2013/14, and 2014/15, contain contributed (facilities) capital which was incorrectly included. Contributed (facilities) capital is not a cash transaction and should not have been added to the actual data. (See Appendix J)

Bullet 4: As explained previously, information in the budget is unlikely to match reports following the close of the fiscal year as is the case with the 66013 report. However, the Agency recognizes that the budget for fiscal year 2017/18 did not reflect the principal reduction on internal loans that occurred in the prior year payment. The 66013 accurately
reported the payment. The error on the budget carried over into the next fiscal year before being corrected. The correct loan payments were made, but the budget reflected incorrect loan balances and payments for those two fiscal years which contrasted against the correct information in the 66013 report.

Bullet 5: The finding cites Audit Standard 154, which may be a reference to Financial Accounting Standards Board (FASB) Summary of Statement #154. FASB 154 does not apply to government agencies. In any case, there should be no future changes in fund amounts after they are published because the Agency is using audited information in the required State reports instead of pre-audit information. “This (154) Statement applies to all voluntary changes in accounting principle and changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions.” As provided to Agency Board of Directors on August 8, 2019, by Ingrid Sheipline, CPA and founding partner for Richardson and Company, LLP, Ms. Sheipline stated that FASB 154, “does not apply to government agencies.” Ms. Sheipline also said, “Generally accepted accounting principles (GAAP) require revisions related to correction of errors in audited financial statements be disclosed, but not other documents. It is not typical for GAAP to be applied to financial documents other than the audited financial statements.” (See Appendix K)

Bullet 6 – The “Actual” values of the Total Operating Revenues was changed in arrears. This was noted in bullet 3 above where a line item for contributed capital (facilities) was improperly inserted in “Actual” for fiscal years 2008/09 and2009/10, as shown in the budget documents for 2012/13, 2013/14, and 2014/15. The Agency has addressed this concern and concluded that a document will be presented that reflects the audited actual revenues and expenses and will tie back to the audited financial statement.

The Agency is planning after year-end to complete a “FINAL” Budget report that captures the original budget and any budget augmentations that occurred during the year. This report will be posted on the Agency’s website.

Bullet 7. While some errors were regrettably made as discussed above, the Board of Directors do monitor and manage expenses, revenues and cash balances monthly. The errors have not inhibited the Agency’s ability to manage the budget to best serve the customers and public. (See Appendix L)

F5. The AWA converted to a new finance system without in-house expertise. Requirements were not specified and data from the old system was not migrated and is now unavailable. There is not a single repository for financial data.

Amador Water Agency Response to F5:
Disagree partially with the finding.

The Agency disagrees with the entire finding except the Agency did not have in-house expertise specific to the new Springbrook software. However, the Agency engaged outside expertise to assist with migrating to the new Springbrook software. It would be unusual for the Water Agency to have in-house expertise for a program that it does not own nor use in its day to day business.

The old financial system which was 30 years old and no longer supported and was replaced by Springbrook software in April 2015. Springbrook is governmental Enterprise Resource Planning software. The Finance Director at the time had experience with Springbrook Software and worked with Springbrook and Agency staff to update the General Ledger accounts into the Springbrook format, but left the Agency around the time of the conversion. The Agency engaged the services of Bill Zenoni of Municipal Resources Group, LLC, to assist with the implementation of the General Ledger module. The General Ledger and each of the other modules were tested while the old software program continued to operate until the Agency confirmed that the system was ready for the conversion. The Agency also used the Springbrook team of experts to assist with set-up, implementation and training for each of the modules of the software program. Over the past 4 years, the Customer Service and Finance/Accounting teams have studied the training information and created procedure manuals for many of the individual modules that flow information into the General Ledger module. Through this process, staff has also worked with Springbrook to improve upon the software to benefit all Springbrook users. (See Appendix M)

Springbrook is the Water Agency’s single repository for financial data. The legacy financial software records have been retained and are available. The life of the legacy software records will follow the records retention policy consistent with all Agency data. (See Appendix N)

F6. Departments do not have a defined budget dedicated to and managed by the department head, leaving managers with no budget control or reporting mechanism to inform the decision process.

**Amador Water Agency Response to F6:**

Disagree partially with the finding.

Departments participate in developing the annual budget and they have budgets dedicated to and managed by the department heads, however there is some overlap in management. The Operations and Maintenance components of the budget are the
responsibility of the Operations Manager, the CIP budget typically is the responsibility of the Engineering Manager, the fixed assets budget is mainly the responsibility of the Operations Manager and may have components related to the Engineering Manager. The Salaries and Benefits category is the responsibility of all Department Heads but largely created and managed by the Human Resource/Office Manager and Finance Manager. The Administration budget is the responsibility of the Assistant General Manager, Human Resource/Office Manager, and the Finance Manager. A few budget items, such as training and safety contain funding for multiple departments for which there is a known dollar amount for each department, but the line items are the responsibility of Human Resource/Office Manager who coordinates with the other department heads. Draft monthly financial reports are distributed to all department heads and supervisors for review and comment. (See Appendix O) Monthly financial reports are reviewed by the Agency Budget and Finance Committee (two AWA Board members) and distributed to all Board members. Department managers are actively engaged in tracking the budget and variances as they occur during the fiscal year.

The Board of Directors will consider adopting a standard detailed budget format for Departments for at least 5 years so budgets and unit costs can be compared from year to year.

F7. A significant portion of capital project costs are budgeted to operational expenses. This creates a condition where the implementation and ongoing cost of a project are obscured from the ratepayers.

**Amador Water Agency Response F7:**

Disagree wholly with the finding.

Approximately 7.5% of capital project costs are funded by operating rates (monthly collected rates and charges primarily for water and wastewater service). As can be seen in the 2019-20 Agency budget, found in Appendix B, as well as in previous budgets, capital projects and programs are budgeted separately. Pages 20 & 21 of the budget clearly show the budgeted expenses and sources of funds for each capital project and program. Project costs are tracked. See the response to F20.

F8. A “formal” operations reserve has not existed in prior years and there is not a reserve currently reflected in the budget. Although there is a stated goal of contributing $100,000 per year to the reserve, there is no formal process to assure compliance.

**Amador Water Agency Response F8:**
Disagree partially with the finding.

The Agency Board of Directors adopted a formal operating reserve policy in 2015 (See Appendix P) response to F9. At that time, the Agency reserves were depleted during the drought and the State Drought Emergency Mandatory Conservation Declaration. The Agency’s financial health has improved since then. Beginning with the 2018-19 budget, the Board approved $165,000 for reserves. In the 2019-20 budget, the Board approved $154,086 for reserves (see page 15 of the 2019-20 budget in Appendix B). Additionally, with the 2019-20 budget, the Agency adopted a formal process to monitor progress toward building reserves to the targeted amounts. The Water Agency budget includes depositing funds in the reserve accounts, and a supplemental report that tracks the reserve account balances. These documents allow for the public, Board Budget and Finance Committee and the full Board to assess progress towards meeting the reserve policy goals of 1% of the asset value for a Capital Reserve and an Operating Reserve equal to two months of annual operating expenses. (See response to Finding 9)

The 2017 Water System Financial Plan and Rate Update Study by the Reed Group recommended establishing and maintaining a total Reserve of $2,175,000 ($1,298,000 for an Operating Reserve and $877,000 for a Capital Replacement Reserve) in 2016-17.

F9. The lack of an operating reserve policy creates a condition where decisions become reactive in the near term rather than proactive planning for the long term.

Amador Water Agency Response F9:

Disagree wholly with the finding.

The Agency Board of Directors adopted a reserve policy 4 years ago on May 28, 2015. As discussed in the response to Finding F8, the Water Agency budget includes depositing funds in the reserve accounts, and a supplemental report to track the reserve account balances and provide that information to the Board and public during regular Budget and Finance Committee and full Board meetings. (See Appendix Q and Appendix R)

F10. The AWA employs hardworking personnel who are dedicated to the highest level of customer service.

Amador Water Agency Response F10:

Agree with the finding.
F11. A number of the recommendations cited in the 2018 Ad Hoc Organizational Study Committee report were of high value. The GM was not held accountable for resolving issues raised in the ad hoc report.

Amador Water Agency Response F11:

Agree with the finding.

The Board of Directors will follow-up on their March 8, 2018, direction to the General Manager (March 8, 2018 Minutes of the Regular Board Meeting) to report to the Personnel Committee and full Board on implementation of the Ad Hoc report. (See Appendix S)

F12. Hourly employees agreed to modify 2008 to 2012 MOU and accepted substantial wage and benefits concessions after the downsizing and again from 2014 to 2016 in an effort to help AWA maintain financial viability while management salaries increased.

Amador Water Agency Response F12:

Disagree partially with the finding.

In 2009, the employees within the Employee Association received a 2% Cost of Living Adjustment (COLA) applied to their salaries, while the Supervisors Bargaining Unit, the Confidential Bargaining Unit, and Managers received no salary adjustment. In late 2009, an interim General Manager was assigned by the Board at a salary less than the prior General Manager. From 2010-2012, only hourly employees (including supervisors) received a COLA adjustment of their salary ranges (no salary increases) while all employees (hourly -- overtime eligible and exempt -- no overtime) were put on furlough days and forfeited AWA matching 457 funds. Exempt employees rarely, if at all, were able to take the furlough time off, but their pay was still reduced. The General Manager took a pay reduction during this period. No employee, hourly or exempt, received a salary increase during this period of time, except for adjustments due to being promoted or reclassified into a position with increased responsibilities. (See Appendix T) There is no question that employees have helped the Agency through financially difficult times. Their efforts are very much appreciated. Employees are the Agency’s greatest resource.

From 2014-2015, all employees received 2.4% and 2.5% COLA salary increases respectively, which varied according to any additional “Merit” increase (based on performance for up to 5%) and Memoranda of Understandings (MOU’s -- bargaining unit agreements). During this period all employees (hourly, managers, Assistant General
Manager and the General Manager) increased their cost share toward CalPERS retirement and medical insurance premiums.

Most employees who received a COLA and a Merit Pay increase of 4% or 5%, received almost the same pay increase as Managers, other than the GM and AGM. Overall, the Assistant General Manager received a significantly greater increase in salary percentage-wise during the 2014-2016 period compared to hourly employees.

See Appendix U for a spreadsheet summarizing salary and benefit adjustments for all employees and bargaining unit memorandum of understandings.

F13. The AWA failed to adequately communicate management raises and responsibilities.

Amador Water Agency Response F13:

Disagree partially with the finding.

Salary ranges are shown on the Agency's website at: https://amadorwater.org/careers (See Appendix V) Employees may receive a merit salary adjustment following annual performance reviews in accordance with Agency rules, regulations, policies, employee handbook, and bargaining unit Memorandum of Understanding. Management positions may also receive a merit adjustment to their salaries following a performance review when Merit Pay is authorized. The specifics of performance reviews are confidential; however, the salary ranges are not. The July 1, 2017- June 30, 2018, Memorandum of Understanding between the Amador Water Agency and the Amador Water Agency Employees’ Association contains a paragraph which states “The Agency agrees to meet and discuss pay increases for non-AWA EA employees for any pay increase provided it is greater than the terms negotiated within this MOU, with the exception of contract employees.” (See Appendix W)

The AWA Board decision on September 22, 2016, to increase the Assistant General Manager’s salary was based on the motion documented in the approved minutes,” It was moved by Director Toy, seconded by Director Thomas and carried to implement the Ad Hoc committee recommendation to increase the Assistant General Manager’s hourly salary immediately and give direction to staff to communicate with the employees and to complete an in-house salary survey with a completion date of March 2017.” (See Appendix X)

There was no letter sent to employees about the AGM salary increase.
In 2018, the Board of Directors authorized a salary survey by an outside consulting firm. As a part of that work, salary ranges were established for management positions. Ranges for all positions are posted on the Agency’s website. The results of the salary survey were reviewed in public Board meetings.

Modifications to job descriptions, reclassification of positions, and creation of new positions and associated responsibilities for all positions require Board approval taken at a noticed public Board meeting for which minutes and audio recordings are available in accordance with the Records retention policy.

F14. The May 2014 Board meeting, designated to discuss and approve the new AGM position, was placed in recess prior to addressing the issue. The meeting reconvened after the public and employees had left the Board room. Board members dispute this account. Since Board meeting minutes are “action minutes” there is no detailed written record available to refute corroborated testimony.

Amador Water Agency Response F14:

Disagree partially with the finding.

The Board of Directors did not exclude the public from the approval of the new AGM position. The creation of the AGM position and reclassification of the Executive Secretary/Clerk of the Board to the AGM position with a salary adjustment was proposed by the Board Ad Hoc Committee, which was appointed by the Board President on January 23, 2014. (See Appendix Y) The May 8, 2014, Board Meeting Agenda, staff report and approved minutes are all available for public review. The recording of the May 8, 2014, Board Meeting was available for anyone to review for more than a year. The action on this item occurred almost exactly an hour after the meeting began and the first recess was taken at 10:18. The action minutes provide a time accounting of the meeting. (See Appendix Z)

F15. Clerk of the Board does not produce and publish detailed minutes of board meetings. Action minutes are produced but there is no follow up to provide details to the public.

Amador Water Agency Response F15:

Disagree partially with the finding.

The Agency makes audio recordings of Board meetings to accompany the written Action Minutes. Both the meetings minutes and audio recordings are available to the public. Together they provide more accurate details of meetings than could be detailed in written
minutes alone, which are complicated and time consuming to produce. Beginning with the July 11, 2019, Board meeting, audio recordings are published with the meeting minutes on the Agency website. (https://amadorwater.org/board-directors/board-minutes-agendas/).

Information and previous recordings of Board meetings are also available to the public. The audio recordings are available for the last 12 months of meetings. The AWA Board Policy Committee will be discussing extending the retention time for storing recordings of Board meetings to provide a more extensive archive of recordings available to the public.

F16. The job description for the AGM was created to fit the internal candidate instead of drafting the job description to match the needs of the organization. The job description was changed at least twice more as the perceived role and responsibilities changed. The need for the AGM position and the corresponding responsibilities remains in a state of flux.

Amador Water Agency Response F16:

Disagree partially with the finding.

The Assistant General Manager position was combined with the Clerk of the Board to provide additional administrative support to the GM and not to fit the internal candidate. It was to meet the needs of the Water Agency. (See Appendix Z)

The AWA Assistant General Manager job description and essential duties as presented and approved at the May 8, 2014, Board meeting was consistent with other water agency assistant general manager positions such as Sacramento Suburban Water District, Stockton East Water District, and South Tahoe Public Utility District, which were included in the Water Agency’s 2018 salary survey. (See Appendix AA)

The AWA Board took two actions specific to the Assistant General Manager position following its creation by the Board on May 8, 2014. (See response to F14). The first was on September 22, 2016 when an Ad Hoc committee determined the Assistant General Manager salary was significantly low and the Board approved an increase. The second action occurred following a presentation during the July 26, 2018, Board meeting when the job descriptions of the Assistant General Manager and Finance Manager were modified to better reflect the current needs of the Agency and role of these positions in the organization. (See Appendix BB)

F17. The AWA has a work environment where there exists offensive, abusive and persistent discourteous treatment of employees, characterized by degrading, demeaning
and rude remarks; taking credit for other employee’s ideas; little to no positive reinforcement; and a lack of confidentiality regarding employee issues.

**Amador Water Agency Response F17:**

Disagree partially with the finding.

The disagreement is based on the Board not having completed an evaluation of the allegations and the Agency’s work environment as follows. Prior to the release of the Grand Jury Report, the Agency’s Board of Directors initiated a comprehensive evaluation of the General Manager. That process is on-going. It included Director interviews of the department managers and employees. The purpose of these interviews was to find out how the employees felt about the General Manager’s performance and the overall health of the Agency. The second component of the evaluation process was to take the information from the employees and assemble a comprehensive list of issues to be addressed by the General Manager. These issues include responding to the recommendations of the February 2018 Ad Hoc Organizational Committee Report concerning evaluating the roles and responsibilities of the management team. The Board of Directors also is taking other actions to address allegations concerning the work environment. At the completion of these activities, the Board will review the various findings of fact and recommendations and determine what actions are warranted based on the facts found and input received from management and employees on improving the employment system and morale.

**F18.** The AWA does not have standard processes and procedures for capital planning and project management.

**Amador Water Agency Response F18:**

Disagree partially with the finding.

The Agency disagrees in that it does use standard forms, a filing system, processes for project management and other aspects of capital projects (see Current Project Management Tasks in the Supplemental Information), but agrees that some improvements in managing capital projects would be beneficial. The Agency will improve Project Management using a formal standardized Capital Project Procedure Checklist for capital projects (see Supplemental Information Page 44). This checklist includes a formal evaluation and closing of the project by the Board of Directors.

The Agency Engineering Department sends staff to Project Management Training and uses industry standard project management forms to control project schedule, budget
and quality. These forms also protect the Agency and their customers from frivolous contractor claims and poor work.

To strengthen capital project planning, AWA is developing a Master Plan for its water and wastewater systems that will rank projects for the Capital Improvement Projects list based on conditional assessment of facilities, cost/benefit analysis, and regulatory priorities.

F19. Ongoing analysis of project cost and benefit to assure original assumptions is not conducted.

Amador Water Agency Response F19:

Disagree partially with the finding.

The Agency staff reports capital project costs and status to the Board on a monthly basis, and depending on the project, they may present a report following completion where the benefit of the project is discussed. The Agency does analyze projects following completion to insure it meets the project design criteria and propose for which it was intended, but this currently does not happen on all projects formally with a report to the Board and public. The Agency will produce Project Completion Reports which will be presented to the Board in an open meeting. This report will be used to disclose final costs and project benefits, note the performance vs. design and need for on-going analysis where appropriate as part of the new capital project procedures.

See response to findings F18 and page 44 for additional information.

F20. Project cost tracking is not subject to rigorous reporting and tracking practices and procedures.

Capital projects are not assigned and tracked by a single general ledger account number.

Projects are identified by account number, job number, job name, funding source or any combination thereof.

Amador Water Agency Response F20:

Disagree partially with the finding.

The Water Agency tracks project expenses based on unique job cost numbers and work orders. (See Appendix CC) Multiple job cost numbers may be assigned for larger capital projects for specific portions of the project such as predesign, environmental review, construction, etc. Active projects are reviewed weekly with project managers, department
managers and the general manager. Tracking schedules are produced for all capital projects and on significant projects, software programs are used for tracking. Each month, capital project cost and status are reviewed internally by staff and then shared with the Board during regular Board meetings. All expenses are coded using the assigned job cost number and can be tracked accordingly. In the past the Agency has assigned a specific general ledger number to only a few significant projects. Currently with the Springbrook software, which has a project tracking module, each capital project, with minor exceptions, will receive its own general ledger number as its project number. The Agency will implement capital project management procedures that include standardized reporting and tracking. See the responses to Findings F18 and F19. (See Appendix DD)

F21. The AWA does not perform a project post-mortem.

Amador Water Agency Response F21:

Disagree partially with the finding.

In the past, the Agency has reported on certain capital projects following construction completion, but these are not conducted on all projects consistently. As a part of the capital project procedures that will be implemented, there will be a formal Project Completion Report prepared and presented to the Board during a public meeting after completion of each capital project. See response to finding F18.

F22. The AWA does not accurately track and report project cost, benefit or operational effectiveness.

Amador Water Agency Response F22:

Disagree partially with the finding.

AWA disagrees that it does not accurately track projects. Although the date when the project should be deemed complete has not been consistent, which can result in multiple numbers being reported as the final project cost.

The Agency has a specific cost tracking system for each project. Although the project may be deemed complete, some employees may continue to charge time or materials against the project as they perceive some added efforts are a part of the job. Because the apparent final costs are reported and then at a later date additional costs were added, a different final cost may be captured in a subsequent report. As part of the proposed capital project procedures, a project close date and final project cost will be established. Costs, benefits and operational effectiveness will be addressed in the Project Completion Report. (See response to Finding F20)
F23. The AWA has failed to provide consistent and unambiguous information to the ratepayers on capital project cost and benefit due in part to the fact that AWA management does not know.

Amador Water Agency Response F23:

Disagree partially with the finding.

Each capital project considered for funding is reviewed by staff, the Board’s Engineering and Planning Committee, and the full Board prior to adoption of the Agency annual budget. Projects are evaluated in one or more of five categories: 1. Return on Investment, 2. Regulatory/Contractual Requirement. 3. Health & Safety. 4. Water Supply (Capacity needs), and 5. Cost. The Engineering and Planning Committee reviews staff’s prioritized recommendations for projects based on the need, purpose, cost, benefit, funding sources, and staff resource allocation. (See Appendix EE) The Engineering and Planning Committee recommends proposed projects following its review (See Appendix FF). The project review in the committee meetings and during the Board budget workshops are open to the public at which the project need, costs and benefits are discussed and debated. In addition to adopting a Project Completion Report (see response to F19), the Agency has budgeted for developing a Master Plan in 2019-20 to strengthen project planning, evaluation and priority setting to meet the Agency’s 2018-2023 Strategic Plan goal of producing a 10 year Capital Improvement Plan. (See Appendix B)

The Water Agency provides quarterly newsletters to its customers, which can include articles on projects and the benefits, costs and source of benefits. Additionally, the Agency provides news releases on capital projects to the local media (KVGC & Amador Ledger-Dispatch newspaper) and updates its website with information and photos on projects. Beginning with the 2019-20 fiscal year, the Agency improved its budget with graphs and user-friendly capital project information along with a “Budget-in-Brief.” (See Appendix A)

F24. The AWA does not adhere to a standard for capital project evaluation. Business case development is not consistent and does not address a cost benefit analysis.

Amador Water Agency Response 24:

Disagree partially with the finding

The Agency uses a capital project evaluation process, which includes how the project meets the business needs of the Agency. (See response to Finding F23). This standard
evaluation and review process has been in use for a couple of decades. The Agency can refine and improve this evaluation process and is creating a formal standard Capital Project Procedure Checklist as discussed in the response to Finding F18. The adoption of a standardized capital project process procedure will identify when a cost benefit analysis will be performed, such as in the case where the project is recommended due to its return on investment benefits. Projects which are necessary because of regulatory, health and safety, or capacity needs would not undergo a cost benefit analysis except potentially when two or more alternatives are being considered to solve a specific issue. The capital project procedure will provide a consistent standard for when a cost-benefit analysis is performed.

F25. The AWA does not have processes and procedures in place for project management. Project schedules have been produced, but these are high level timelines that estimate engineering and design, bid, construction and closeout. The day-to-day project status is managed with various status reports, but there is no mechanism to apply the impact of delays and changes to the overall project.

Amador Water Agency Response F25:

Disagree partially with the finding.

The Agency has procedures for project management as discussed in the response to F18. (Also See Appendix GG) The project manager and staff track schedules and conduct frequent meetings to discuss the status of projects. In some cases, the department head may meet daily with the inspector, construction manager, and project manager for critical elements of a capital project. During these meetings delays and project changes are discussed. Staff uses software for scheduling. Each month staff presents the Board a report on projects which identifies the status and concerns of a project, including delays. (See Appendix HH). See responses to Finding F20 & F22. The Agency will implement capital project management procedures.

F26. AWA management adheres to the notion that engineering and/or operations personnel are designated as project managers of a given project.

Amador Water Agency Response F26:

Agree with the finding.

Each capital project is assigned a project manager who has certain responsibilities regarding the project including, but not limited to, adhering to budget and schedule parameters. Typically, the assigned project manager resides in the Engineering or
Operations Departments; however, in some cases, the project manager may be in some other department. Examples of exceptions include the HR/Office Manager assigned as the project manager on a security surveillance system and the Assistant General Manager assigned as project manager for the renovation work on the office building. The General Manager meets with department heads weekly at a minimum to review critical activities and a project status meeting is held monthly with the General Manager to review all capital projects. (See Appendix DD)

Grand Jury Recommendations

R1. The AWA Board should determine if the AWA is currently being managed to their satisfaction. The Board should evaluate:

If the magnitude of the errors identified by the grand jury in published AWA financial documents are deemed ‘acceptable’

If the work culture endured by AWA employees allows them to best serve the ratepayers.

If the lack of accurate capital spending and reporting is detrimental to the financial health of the organization.

(F1, F3, F4, F5, F7, F10, F11, F12, F13, F14, F17, F20, F22, F23)

Amador Water Agency Response to R1:

The recommendation requires further analysis. It is currently being evaluated and portions of it may be implemented within six months.

Bullet 1. Board received a presentation by Ingrid Sheipline, CPA and founding partner of Richardson and Company, LLC. An outline of her presentation can be found in Appendix K. The Board finds that potential errors identified by the Grand Jury, if they exist, are insignificant and are deemed acceptable.

Bullet 2. The Board began addressing concerns about morale prior to release of the Grand Jury report in June. The Board will complete its evaluation and take necessary action when all information is available.

Bullet 3. The Board is in the process of investigating this item and reviewing staff's recommendations and they plan to adopt procedures for capital projects and reporting.

See responses to findings:
R2. The AWA Board should consider engaging a Business Analyst in a contract or permanent role by January 1, 2020. This type of position is primarily responsible for process analysis, generating new ideas and essentially implementing them to insure proper functioning across all departments. The analyst’s responsibilities would include but not be limited to:

  - Strategic Planning- Evaluation of strategic activities
  - Business/ Operation Model Analysis- Identification and evaluation of policies and procedures of the organization
  - Process Definition & Design- This analysis includes business process modeling, often the outcome of process definition and design
  - IT & Technology Business Analysis- Encompasses the rules as well as needs for technical systems and integration

Amador Water Agency Response to R2:

The recommendation will not be implemented because of the cost and it is not warranted as explained below.

Bullet 1. The AWA Board has a 5-year Strategic Plan and is moving toward a 3-year time horizon for action plans to track implementation of the Plan. The board will review the action plans for conformity with the Strategic Plan. The staff and Board of Directors review the Strategic Plan, accomplishments and updates annually. A consultant may assist the Board and staff periodically with updates as necessary. The Board has also authorized expenditures in the 2019-2020 budget for a major item in the Strategic Plan, the development of a Master Plan.

Bullet 2. In 2014 Municipal Resource Group, LLC, an independent third-party consultant, conducted a review of the financial systems, information technology, practices, financial policies, internal controls, chart of accounts financial planning and reporting and budgeting. (See Appendix II and JJ) Their recommendations are close to being completely implemented. The Agency’s auditor, Richardson and Co.LLP, has recommended 12 areas for added internal controls, which staff is working on. The Agency Board will continue to look for opportunities for improvements in business process management such as in the capital project processing procedure, but it does not believe
that a full-time business analyst is cost-effective for the Water Agency at this time. (See Appendix KK).

Bullet 3. In addition to bullet 2 above, the Agency Board will be implementing a formal standardized program for management and reporting for capital improvement projects and more detailed tracking of operational unit costs will be developed. (See Appendix JJ)

Bullet 4. The 2014 Municipal Resource Group, LLC, report included a recommendation to upgrade the financial software program which led to the purchase of Springbrook in 2014 and its implementation in 2015. The full Springbrook software suite contains the General Ledger, Extended Budgeting, Accounts Payable, Accounts Receivable, Cash Receipts, Fixed Assets, Payroll, Project Management, Work Orders, Purchasing, Purchase Orders, Inventory Control, and Utility Billing. In addition, a consultant team has completed integration of the Agency’s maintenance management software program (CMMS) with the Springbrook financial software.

See responses to findings (F5, F6, F18, F19, F20, F21, F22, F23, F24, F25, F26).

R3. The AWA Board should commission a forensic financial audit of the Agency by October 1, 2019. The financial mismanagement outlined in this report makes it clear that a fundamental review of the financial status of the agency is necessary for the protection of the ratepayers. A thorough review is also necessary to assure conformance with both accounting and legal standards. The magnitude of the financial errors uncovered far exceeds the cost of an audit. (F1, F3, F4, F6)

Amador Water Agency Response to R3:

The recommendation requires further analysis. The analysis and decision will be made by the Agency Board of Directors within six months.

A forensic audit typically involves specific issues such as fraud and usually an evaluation of every transaction associated with the issue being investigated. The Grand Jury recommendation does not identify specific issues, but rather a need for a broad review. However, the recommendation requires further analysis. The Board of Directors will consider whether to conduct an engineering/financial audit on some specific Agency projects within six months.

In 2014, the Municipal Resource Group, LLC, an independent third-party consultant, conducted a review of the financial systems, information technology, practices, policies, internal controls, chart of accounts financial planning and reporting & budgeting and
provided recommendations for implementations. Those recommendations have been implemented with minor exceptions. (See Appendix JJ)

The 2012-13 Grand Jury commended the Agency on its financial reporting:

“F1. The Agency has implemented financial reporting that follows the standard accounting practices in line with the State’s Governmental Accounting Standards Board (GASB) and GAAP. (Facts 13, 14).” (See Appendix LL page 59 of the 2012-13 GJ report).

The AWA Board received a presentation from Ingrid Sheipline, CPA and founding partner for Richardson and Company, LLP, which confirmed that AWA is meeting its financial reporting requirements. Ms. Sheipline explained why there are discrepancies between audited financial statements and budgets, and discrepancies between audited financials and the State Controller’s Reports. (See Appendix K.)

The annual independent audits of AWA’s financial statements (see Agency website at https://amadorwater.org/financial-information/) provide an adequate review of the Agency’s presented financial standing. The Independent Auditor’s Report from the 2017-2018 audit states (See Appendix MM)

“In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller’s Office and State regulations governing special districts.” (See Appendix F)

See responses to findings (F1, F3, F4, F6)

R4. By January 1, 2020, the AWA should engage financial and/or legal professionals to determine if erroneous financial data historically reported to the SCO needs to be corrected. If it does need to be corrected, staff should work with SCO staff to correct erroneous historical data in accordance with SCO processes. (F1, F3, F4, F6)

Amador Water Agency Response to R4:

The recommendation will not be implemented as it is not warranted.

The State Controller’s Office (SCO) was contacted by Agency staff about this recommendation. They will not accept revised reports, nor do they have a mechanism to revise prior year forms, and as such audited financial statements and information in the SCO can have variances. The SCO reports prior to 2016-2017 did not reflect
Governmental Accounting Standards Board (GASB) pronouncements. The SCO has extended their reporting deadline which allows the Agency to use audited financial information instead of pre-audit information in reports. (See Appendix NN) See responses to findings (F1, F3, F4, F6)

R5. The AWA should standardize all of their financial processes to conform to standard accounting practices by January 1, 2020. The problems with accounting and budgeting practices are persistent as evident by similar recommendations made by the 2011/12 grand jury and the failure to make proper disclosures when financial reports are modified. (F3, F4)

Amador Water Agency Response to R5:

The recommendation has been implemented. See responses to F3 and F4.

The Agency is and has been in compliance with the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Also, the Agency has changed the schedule so that audited financial statements are used in annual reports to the State Controller, previous year actuals in budgeting and 66013 reports.

The 2018-19 grand jury report mentions the 2011/12 Grand Jury report, but fails to mention the 2012-13 follow-up Grand Jury report (see response to R3). (See Appendix OO)

Also, the 2013-2014 Grand Jury commended the Agency in their report, "Responses to the 2012-2013 Grand Jury Final Report and Follow-up, Amador Water Agency Financial Road to Recovery," with the following statement:

"The 2013-2014 Grand Jury commends the Agency’s commitment to sound financial policies and thoroughness of the financial analyses that occurred on behalf of the ratepayers." (page R-57, See Appendix PP)

See also the Independent Audit Report for June 30, 2018 by Richardson and Company, LLP, Certified Public Accountants, addressed to the Amador Water Agency Board of Directors. See response to R3; (See Appendix MM)

In 2017, and for years prior to this, auditors Leaf & Cole, LLP, gave the following opinion to the Agency Board of Directors:

"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amador Water Agency, as of June 30, 2017, and the
changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

See responses to findings (F3, F4).

R6. The grand jury recommends that the Springbrook financial system be fully evaluated and re-implemented after developing detailed requirements. A Business Analyst is best suited to oversee this activity. AWA does not have the required expertise on-staff. (F1, F3, F4, F5, F6, F7)

**Amador Water Agency Response to R6:**

The recommendation will not be implemented because it is not warranted and is not reasonable.

AWA engaged the services of Municipal Resources Group, LLC to review the Agency’s financial systems, policies and procedures, soft and hardware, reports, and related activities, which resulted in their June 26, 2014, “Financial Systems Analysis and Recommendations” report. This report contained a recommendation to replace the 30-year old financial software with a fully functional financial reporting software program. The Springbrook Software system and at least two others were recommended for consideration. The Agency selected Springbrook and engaged the company’s consulting and implementation services for integration, set-up and training. AWA maintains on-going technical assistance with Springbrook. The Agency also engaged the services of Bill Zenoni of Municipal Resources Group, LLC to assist with the implementation of the General Ledger module. The General Ledger and each of the other modules were run in parallel during the implementation processes to ensure the data from the old system was preserved and carried into Springbrook. Part of the evaluation included consideration that the 30-year old system (Datastream) was being acquired by Springbrook and that existing Datastream staff would collaborate with Springbrook during the migration. Agency staff now have a high degree of expertise using Springbrook software. See responses to findings (F1, F3, F4, F5, F6, F7)

R.7 The AWA Board should oversee the development of the CAFR with guidelines as follows when preparing the next annual report:

- Day-to-day AWA finances should be managed based on audited/ auditatable information
- At the end of the fiscal year, the financial status of the AWA should be finalized.
- The finalized financial data should be compiled and submitted for audit.
After the audit is completed, the results of the audit, along with the audited financial information, are compiled into a Comprehensive Annual Financial Report.

The audit results are presented to the Board

The CAFR is formally transmitted and presented to the Board

Soon after the transmittal to the Board, the CAFR should be posted on the AWA website.

(F3, F4)

**Amador Water Agency Response to R7:**

The recommendation will not be implemented because it is not required or warranted.

The guidelines outlined in Grand Jury recommendation R7 are being followed by the Agency except for producing a CAFR. A Comprehensive Annual Financial Report (CAFR) is a Governmental Financial Officers Association (GFOA) report and is not required by the State or any other regulations. In addition to the Audited Financial Statements, the CAFR contains optional information that is primarily unaudited statistical information and only needed if the AWA Board wishes to obtain a corresponding achievement award from the GFOA. The CAFR contains Audited Financial Statements which are required and which the Agency produces annually. The Agency’s Audited Financial Statements are in compliance with the GASB # 34 and GAAP standards. Two other comparable water agencies do not prepare CAFR’s; Calaveras County Water District and Tuolumne Utility District. On August 8, 2019, Ingrid Sheipline, a Certified Public Accountant and founding partner of Richardson and Company, LLP, confirmed that a CAFR is not required (See Appendix K). A CAFR would add time and expense to the annual audit process for which the AWA Board feels would exceed the potential benefit of the optional items. (See Appendix QQ)

See responses to findings (F3, F4) and response to recommendation R3.

**R8.** The AWA Board should require the staff to present the CAFR annually, including a comparison of information between the Budgets and the CAFR. The currently available document should be presented to the Board by August 1, 2019; annual presentations should become a standard practice. (F3, F4)

**Amador Water Agency Response to R8:**
This recommendation will not be implemented because it is unwarranted and unreasonable. See response to recommendation R7.

As discussed in the response to recommendation R7, production of a CAFR is not required and is unwarranted. Also, it is not reasonable to complete the Audited Financial Statements portion by August 1 of any year. The Agency's fiscal year-end is June 30. In accrual basis financials, required of public governmental agencies, financial transactions are recognized at the time of the transaction; however, the exchange of cash may occur at a later date. The estimation of unbilled water sales revenue, is the proration of customer billings reflected in June when the meter readings occur in July. Also, invoices are received in July for expenses which occurred in June. These all require time in preparing the accrual based financial statements for audit. This is typically a two to three-month process and includes other financial year-end closing activities. (See Ingrid Sheipline’s comments in Appendix K and the Finances section of the Supplemental Information for more detailed year-end closing entries). Once financial documents are prepared for the auditor, the auditor normally schedules up to a week on site to gather information and then spends additional time completing the audit process before it is ready to present to the Board.

The Agency staff at year-end will complete a “FINAL” Budget report that captures the original budget and any budget augmentations that occurred during the year and post on the Agency website.

Annual presentations of draft audits to the Agency Board by the auditor is, and has been, the standard practice. (See Appendix G)

See responses to findings (F3, F4)

**R9.** The AWA should acquire membership in the GFOA by October 1, 2019, implement GFOA standards for compiling the CAFR and strive to be awarded the GFOA’s “Certificate of Achievement for Excellence in Financial Reporting” to improve transparency in financial reporting. (F3, F4)

**Amador Water Agency Response R9:**

The recommendation will not be implemented because it is not warranted or required.

GFOA is not California specific, nor is it special district specific (AWA is a special district created by state legislation). AWA is a member of California Special Districts Association (CSDA) and their training, seminars, policies, standard practices are specifically geared towards California Special Districts. Additionally, the CSDA provides three award
programs that reflect the Special Districts excellent performance for Administration, Transparency and Distinction Accreditation. GFOA is a nation-wide organization and includes counties, cities and other governmental agencies which can have different financial reporting requirements. The AWA Board finds that membership in CSDA better serves the needs of the Water Agency than GFOA, and it provides support for the Agency as a whole and not simply the financial component. Also see responses to recommendations R7, R8.

See responses to findings (F3, F4) and (See Appendix RR).

R10. This grand jury recommends that the Board revisit the February 2018 Ad hoc Organizational Study Committee report and recommendations.

The Board should take authority and responsibility to assure an effective way of managing conflict is implemented, which is vital to the continued health of AWA.

The AWA Board should evaluate the benefit of in-house versus outsourcing the human resources and payroll functions pursuant to modern business practices. The standard ratio of HR to employees is one for every 150 employees.

The Board should consider placing the safety coordinator position in Operations

The management team should be re-evaluated in terms of competence, roles and responsibilities, and activities that don't correspond to AWA's core business.

(F10, F11, F12, F13, F14, F15, F16, F17)

Amador Water Agency Response to R10:

The recommendation requires further analysis. It is currently being evaluated and portions of it may be implemented within six months.

The Board of Directors is currently evaluating the General Manager, the recommendations of the February 2018 Ad hoc Organizational Study Committee, outsourcing and management responsibilities. This evaluation process began prior to the release of the Grand Jury Report and will continue until the management team is operating to the satisfaction of the Board. (See Appendix SS)

See responses to findings (F10, F11, F12, F13, F14, F15, F16, F17)

R11. The AWA Board should consider the use of a professional grant management consultant to oversee Agency grants. (F11)
**Amador Water Agency Response R11:**

This recommendation will not be implemented as it is not affordable for AWA.

The AWA Board agrees that a strong emphasis is needed on grant applications and management. Effective management of grants is critical to minimizing the financial impact on customers from project costs. Inefficiencies in the existing organization will be addressed in the review of the reorganization plan to increase the emphasis on the grant program. Use of a professional grant management consultant is not financially feasible for the Agency, but the Agency does engage in the use of a consultant to manage some grants such as from the Upper Mokelumne River Watershed Authority, which the Water Agency is an active member. The Water Agency has been very successful obtaining and managing grants, and has been awarded more than $30 million in grants from 2009 through 2018 without the assistance of a Professional grant management consultant. (See Appendix TT).

**R12.** Establish practices and procedures for Capital Project development, funding, implementation and tracking. This should at a minimum include:

- Business case development including ROI and/or NPV and a threshold for what is an acceptable timeframe to realize benefit.
- Evaluation of business cases including validation of cost assumptions
- Critical evaluation of grants to ensure grant funds are used to advance AWA’s core business and/or regulatory requirements.
- Project management processes including detailed project plans with dependencies identified.
- Acceptance testing criteria
- Post mortem evaluation and reporting
- Ongoing tracking and reporting of project effectiveness and cost

(F18, F19, F20, F22, F23, F24, F25, F26)
Amador Water Agency Response R12:

The recommendation has not been implemented, but will be implemented by the end of the fiscal year.

The Agency staff has recently developed draft standardized Capital Project Procedure Checklist for capital project planning, analysis, funding, development, implementation, tracking, and post construction evaluation and reporting. It incorporates the fundamental elements for each of the bullets cited in the recommendation.

(See Supplemental Information page 44)

See responses to findings (F18, F19, F20, F21, F22, F23, F24, F25, F26)

R13. The grand jury recommends suspension of all capital projects until such time as finances are reviewed, corrected, and evaluated, and capital projects processes and procedures can be developed and implemented. Projects in process should be evaluated in light of apparent misreporting of cost and benefit to ensure that the needs of the business and ratepayer investment is properly addressed. Exceptions should include only those projects required by state or federal agencies to meet regulatory compliance.

(F18, F19, F20, F21, F22, F23, F24, F25, F26)

Amador Water Agency Response to R13:

This recommendation will not be implemented as it is not warranted nor financially feasible.

This is not practical as the Agency would place millions of grant funds in jeopardy (funds already dedicated to make improvements for customers at little or no cost) and would likely incur penalties from the grantors or contractors. The Board reviews proposed capital projects prior to the adoption of the annual projects and receives monthly reports on the financial status and progress of each project. The AWA Board does not believe there is a need to review and correct finances that necessitates a suspension of all capital projects. See response to recommendation R3. The Agency is implementing a formal standardized process for all capital projects which will increase information to the Board and public on the selection, prioritization, management, and final completion of all capital projects. See Response to recommendation R12.

See responses to findings (F18, F19, F20, F21, F22, F23, F24, F25, F26)
R14. The grand jury recommends that the Clerk of the Board produce complete and clear minutes of Board meetings. Board meetings are recorded and should be transcribed to provide a complete and permanent record to the public.

Amador Water Agency Response to R14:

The recommendation will not be implemented because it is not warranted.

The Agency records audio of each regular Board meeting and provides written action minutes. Detailed transcribed and accurate written minutes are complicated and time consuming to produce. Beginning with the July 11, 2019, Board meeting recordings are posted on the website next to minutes (https://amadorwater.org/board-directors/board-minutes-agendas/).

The recordings of the meetings are available to the public for the last 12 months of meetings. The AWA Policy Committee will be discussing extending the retention of Board meeting recordings to provide a more extensive archive of recordings available to the public. Transparency policies will also be considered by the policy committee. Action minutes provide a quick and easy reference to the actions taken by the Board, and the recordings provide the details of all discussions during the Board meeting (excepting closed sessions).

R15. The grand jury recommends that the Board’s complete response to these findings and recommendations be posted on the AWA website at the same time as they are transmitted to the presiding judge, and grand jury, as a demonstration of the AWA’s commitment to transparency. (F1, F2)

Amador Water Agency Response to R15:

The recommendation has been implemented.

Sincerely,

Paul Molinelli Jr.
President, AWA Board of Directors

CC: Grand Jury, AWA Directors, Gene Mancebo
Supplemental Information

Rate Adjustments, Growth and the Acquisition of Debt

The Grand Jury expressed a desire to understand business drivers that affect cost increases and how the Agency is managed (GJ Report, page 3). First, it is important to know the Amador Water Agency is not a land use agency. AWA supports the water and wastewater facility needs based on the General Plans of the County and the five cities.

The Agency is statutorily authorized to provide water service to all territory in Amador County (West’s Ann. Water Code App., Secs. 95-1 and 95-4). The Agency statutory authorization to provide public water service also imposes a “duty to serve” upon the Agency (Maddow, The Role of Water Agencies in Land Use Planning (March 1992) California Water Law and Policy Reporter, at p.105). The duty to serve requires public utilities, such as the Agency, “to provide adequate and reasonably efficient service in an impartial manner, without unjust discrimination, to those within the Agency service area who comply with its rules and regulations and pay its rates and charges.” (Id.) Accordingly, the Agency “must hold itself out as ready to serve” and must provide water service to its service area without discrimination or preferences, unless differences in the services provided are justified by differences in cost of service (Butte County Water Users’ Association v. Railroad Commission (1921) 185 Cal. 218, 224-225).

Furthermore, the Agency has an obligation to “exert every reasonable effort” to augment and expand its supplies and facilities to meet increasing demands for service within the County (Swanson v. Marin Municipal Water District (1976) 56 Cal. App. 3d 512, 524). Long Term Water Needs Study Section 3.1 July, 11, 2017 (See Appendix UU)

Projects focus not only on supply, but on conservation, producing safe and reliable water, sustainability and fire suppression.

Projects - The following are some major projects which resulted in debt service, their funding sources, and a discussion of why the project was needed. Projects focus not only on supply, but on conservation, producing safe and reliable water, sustainability and fire suppression.

1997 Ridge Cluster System and the Hillside System - The Agency worked with property owners in order to provide water service that meets safe drinking water standards. These two projects were funded to provide potable water to customers along the lower Amador Canal where public potable water was not available and raw untreated water from the canal was being used in homes. These two construction projects were
funded by grants and loans from the Department of Water Resources and the debt service is paid only by the property owners by means of annual assessments. Other rate payers do not pay for this debt service.

2004 Buckhorn Water Treatment Plant - The old plant was unable to meet state drinking water standards at the time, especially during heavy storm events when the water turbidity was high. The plant would have to be shut down because it could not adequately treat the turbid water to state standards. A grant and low interest loan funded the construction of a new water treatment plant to replace the existing plant last updated thirty years before the 2004 project, prior to the state safe drinking water standards. The plant now provides high quality drinking water while meeting state drinking water standards. Existing and new customers being serviced by the plant pay towards the debt service for this project through water service rates and participation fees.

2007 The Amador Transmission Pipeline was constructed because the Agency was not able to transport adequate water capacity through the Amador Canal from Lake Tabeaud to the Tanner water complex mainly due to the losses along the alignment of the canal. Faced with placing a moratorium on new water connections and the inability to meet the County and cities land use plans, the Agency acquired funding through bonds in order to construct this project. This project conserved water such that the Agency now provides service to the City of Plymouth and numerous subdivisions that were in need of water service. The bond funding, Certificates of Participation (COP's 2006) totaled $23,240,000. (See Appendix WW). East Bay Municipal Utility District contributed $4 million to the project. PG&E contributes annually based on an agreement with the Agency and benefit received. Existing and new customers contribute to the debt service payment through water rates, participation fees, and a Community Facility District.

2009 Plymouth Pipeline Project - The City of Plymouth was under a 20-year moratorium and in need of a reliable water supply prior to this project. The project provided reliable water supply for the City of Plymouth through an extension of Amador Water Agency facilities to Plymouth's water storage tank. It also provided improved water reliability to Amador City and Drytown County Water District. (See Appendix WW) page 147 of 2014 Amador LAFCO Municipal Services Review for Amador County.

The Agency (and City of Plymouth) received both a grant and loans for the construction of the Plymouth Pipeline. The City of Plymouth provided $1.34 million in participation fees to offset the impacts to the existing facilities. The City of Plymouth is also directly responsible for 60.95 percent of the debt service associated with the USDA loan needed for the project in addition to grant funding. The Agency's share is 39.05 percent and collected through water rates.
2014 Gravity Supply Line Project (GSL) - Prior to the construction of the Gravity Supply Line Project (GSL), the pumping system supplying water to the Buckhorn water treatment plant was experiencing reliability issues and failures. In the Kennedy Jenks January 31, 2012, opinion letter (See Appendix XX) they stated that the existing Tiger Creek and Silver Lake Pines pump stations and the high-pressure pipeline that delivers water to the Buckhorn Water Treatment Plant were both at the end of their useful lives and an extended outage was likely within 5 years. An opinion letter from former Amador County Public Works Director, Rod Schuler dated April 5, 2013 stated that "not having the GSL in place before now is resulting in a huge risk of jeopardizing the health and safety of the people in the CAWP service area" (See Appendix YY) The 2012-2013 Grand Jury recommended the GSL be built (R2, page 69). (See Appendix OO)

The estimated cost to replace the existing pump stations and CAWP pipeline with a gravity pipeline was approximately $13.4 million. The Agency received a $5.07 million grant and an $8.33 million low-interest loan from the USDA for the GSL project. The project is estimated to save about $261,300 annually in pumping and pump-related costs and benefits will grow as energy costs rise. A 45 year analysis showed cost savings of $30 million for building the GSL versus replacing the existing pump stations and pipeline. Both existing and future customers pay debt service payments through water service and participation fee payments. (See Appendix ZZ)

2015 Tanner Hydro-electric Generation Project - Power costs continue to rise and in order to offset operations and maintenance expenses the AWA Board considered that generating our own power with the residual energy in water flowing to its facilities would help to avoid costs to ratepayers. This project was funded by a 20 year low interest loan from Amador County in the amount of $1,450,000.

Tanner Hydro is estimated to save ratepayers over $2 million over a 30 year period. (See Appendix AAA) The net metering program shares the credit of power produced over four separate metered power accounts at the Agency's offices and water treatment plant (Administration Building, Tanner Water Treatment Plant, Ridge Pump Station, and the Operations Building) with PG&E, which is then trued up once a year. The project produces enough energy to offset the loan payment plus reduce the electric utility bills. See further discussion of this project on page 41.

As of August 18, 2019, the Agency has generated 1,155,940 kWh. This is an offset of 815 tons of CO₂ or 20,437 trees. Since being put into operation approximately three years ago, the total net benefit to the Agency is $184,648. The cost savings from reduced power bills is used to pay the debt service payments. As the cost of power from PG&E continues to rise, the annual benefit from the Tanner Hydro-electric facility will also increase. Power produced by this facility also reduces the Water Agency's reliance on power from PG&E.
2016 lone Backwash Project - The cost of discharging backwash water into the lone sewer system was estimated at $100,000 per year at the time the lone Backwash project was being considered. The Agency received a drought grant from Department of Water Resources in the amount of $614,676, and a $500,000, 5 year, 2% interest loan from the County. The FY 19-20 annual loan payment with interest is $105,333 and the loan will be paid off in July of 2020. The debt service loan payment is almost equal to the cost that the Agency would be paying the City of lone if the project had not been constructed. AWA will realize a savings of $90,000 to $100,000 per year once the loan is paid off next year without consideration of future lone sewer rate increases to the Agency.

The City of lone was facing wastewater capacity issues prior to this project. The Agency’s backwash water made up approximately 20% of the City’s wastewater plant volume. This project has broad benefits which include Water Agency cost savings by reducing the volume of backwash water going to the City (thereby reducing the monthly bills), conserving and reclaiming the water, and increasing the City of lone’s available capacity in their wastewater plant. The Water Agency conserved over 26 million gallons of water in 2018 which was returned to the water treatment plant for treatment and delivery to residents in the lone area. (See Appendix BBB)

Growth - The customer growth the Water Agency experiences does not correspond to the growth patterns estimated by the Department of Finance or as compared with the overall growth for Amador County. The Water Agency’s customer base increased from 4596 in 2000 to 7365 in 2018 which is over a 60% increase and some customers, like the City of Plymouth (wholesale customer), with approximately 500 water services are counted as just one AWA customer. During the economic downturn of 2008-2012, the Water Agency experienced an increase of 231 connections (Including the City of Plymouth). In 2000, the City of Jackson, who was a raw water customer at the time, became a treated water customer which required expansion of the Tanner Water Treatment Plant and water line improvements. This demonstrates that there are needed projects which are not necessarily related to growth of the population. Also during the last 18 years, five wholesale customers (Ridgeway Pines CSD, CSA #1, CSA#2, Sunset Heights CSD, and Rabb Park CSD) requested the Water Agency to take over ownership, operations and management of their system and serve their customers on a retail basis, which increases the Agency’s workload and responsibilities. (See Appendix CCC)

Inflation - The Water Agency, like all businesses and consumers, experiences inflation over time and must make adjustments as the costs of goods and services increase. The Amador Water Agency does its best to control costs and continually searches for cost reduction opportunities. The Water Agency uses a widely accepted inflationary index: Engineering News Record Construction Cost Index (ENRCCI). The ENRCCI provides
information respecting the cost for construction materials and labor. Between June 1999 to June 2019 the ENRCCI determined that the inflationary cost increase for construction rose 87%. (See Appendix DDD). The Agency would need to raise rates an average of 4.35% annually (without compounding) in order to keep pace with construction cost inflation. The Agency must adjust rates to counter the effects of inflation in addition to raising capital to be able to replace aging infrastructure and make improvements for existing customers. The Water Agency generally adjusts rates once every five years in which the Board may approve inflationary adjustments for each of those five years. Prior to uniform rates for water and wastewater services, the Water Agency had multiple systems which each had an individual rate and were on different timelines for rate adjustments. Rates may also need to be adjusted for regulations such as executive orders during droughts or when case law dictates a rate structure change such as the San Juan Capistrano decision that led the Agency to eliminate its tiered rates.

The Water Agency increased the typical monthly cost of water service (based on 5 units) for a typical residential customer in the Amador Water System from $20.05 to $48.69 during the period of 2001 through 2019. Eighty seven percent of this increase or $17.44 is necessary to counter inflation as discussed above. The remainder of the increase, $11.20 if spread equally over the 18 year period this amounts to an increase $0.62 per month annually. This increase is necessary to replace and improve aging water and wastewater systems and associated equipment to insure safe and reliable services for residents of Amador County as demonstrated by projects discussed above.

**Salary Trends and Salary Survey**

The Agency reviewed the Grand Jury’s table on page 37 of their report, and compiled a more detailed table. (See Appendix T). Sources of data used were: Memorandums of Understandings (MOUs), Performance Letters and Board actions. Salary increases are fairly comparable for most all employees during the period cited by the Grand Jury Report, 2008-2017, except for the Assistant General Manager. (See Appendix EEE)

During the period of 2010-2017 the average salary adjustment summation for hourly employees employed with the Agency for the entire period (ignoring furloughs and one employee who was promoted to a manager) was 28.3% when omitting promotions and capped salaries. There was only one manager (outside of the General Manager and Assistant General Manager) that was employed the entire period and received 31.4% in salary adjustments. If other management salary adjustments are included, and the Assistant General Manager and the General Manager are excluded, the average summary of salary adjustments is 32.2% also ignoring furloughs. The General Manager received 31% in salary adjustments (excluding payouts for unused vacation) for the period.
The Assistant General Manager was created in 2014. The Board approved a salary adjustment of 34.6% for the newly created position. In 2016, the Board determined that the salary for the Assistant General Manager was significantly low and should be adjusted to be in alignment with other similar positions. The creation of this AGM position is more than double the cost of the pre-existing position.

In 2018 a Salary Survey was conducted by an outside consultant with an expertise in conducting salary comparison studies. It should be noted that the AWA Board of Directors agreed to the implementation methodology prior to the Study being completed. In addition, they chose to implement the results in full instead of phasing in the results and agreed to implement consistent range separation between position levels. Within the results, 15 positions were indicated to be below the median; 8 of which were Employee Association positions. Within the implementation of Manager salary ranges and range separation, 17 employees received a wage increase, 15 of which were Association positions. The increase for Association members was approximately $49,000 and the two manager positions $23,000, one of which was significantly below other like positions in the survey. The Salary Survey also confirmed the AGM to be within the salary range of comparable positions with the title AGM as adjusted previously by the Board. (See Appendix FFF)

Using the State Controller's Office and/or Transparent California to determine employee salaries is misleading. The wages listed do not allow for a differentiation in the salary versus a vacation or comp time cash out or a retirement cash out; as well as if the position was for the full year or a partial year. They also only include medical, dental, vision and retirement plan benefit information.

**Financial Terminology**

**California Special District** -- Amador Water Agency is defined as a California Special District.

**State Controller's Report** – To promote transparency in government, the California State Controller's Office compiles revenue, expenditure, and other financial data reported by California's counties, cities and special districts for use by taxpayers, legislators, and educational institutions. The deadline to complete the State Controller's Report is January 31, seven months after the last day of the fiscal year – June 30. The Amador Water Agency is designated as a Water Enterprise Fund for the purposes of the State Controller's Report. This determination means that all revenues, expenses, debt, etc. are consolidated into one fund. As outlined on the State Controller's website, this information should be presented from audited financial information, if available. The product of this report differs from the budget as it reflects actual revenue and expenses.
**66013 Report** (Ca Gov Code Title 7, Div.1, Ch. 7 - Fees for Specific Purposes) – This report reflects activity of restricted participation fee funds, "when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges". The deadline for reporting is December 31, each year.

**GAAP** (Generally Accepted Accounting Principles) -- The Amador Water Agency is required by the State of California to maintain accrual/modified accrual basis records and have financial statements audited annually according to GAAP.

**AWA Budget and Finance Committee** is comprised of 2 Directors of the Board along with the Finance Manager, General Manager and Assistant General Manager. The Committee reviews Agency financials monthly along with items to discuss, follow-up or investigate for further discussion or direction of staff.

**Budget** – used as a management tool, the annual budget provides a basis of control of financial operations during the fiscal year. Components for building this tool incorporate the use of estimates from contracts, approved rate adjustments and historical data to reflect anticipated revenue and expenses. Unforeseen events such as added expenses or reduced revenues from prolonged inclement weather, droughts, other unexpected expenses and difficulties suffered by business partners, such as PG&E, can create variances from the budget amounts to the actual revenue and expenditures. The budget is a cash based system and the audited financial statements are on an accrual basis as described below.

**Audited Financial Statements** – These are audited reports in accordance with GAAP (Generally Accepted Accounting Principles), GASB (Governmental Accounting Standards Board), and the State Controller's Minimum Audit Requirements for California Special Districts. It is the responsibility of the Amador Water Agency to fairly present the Agency financial statements annually. It is the responsibility of the auditor to express an opinion on the financial statements based upon the audit conducted. The audit involves procedures selected to assess the risks of material misstatement of the financial statements, whether due to fraud or error. Deadline to complete the audit legally is one year after the last day of the fiscal year – June 30. Audited financial statements include high dollar items such as depreciation and Other Post-Employment Benefits which are not budgetary items.

**Special District Uniform Accounting and Reporting** -- Pursuant to the California State Special District Uniform Accounting and Reporting Procedures, section 4.14 Fund Financial Statements (p. 52-53) – "GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as
amended, requires that the following financial statements be presented for government funds:

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balance
- Statement of Net Position
- Statement of Changes in Net Position
- Statement of Cash Flows

All of these documents can be found in the Water Agency's audited financial statements within the Basic Financial Statements section of the audited financial statements in all of the Audit reports.

*Special District Uniform Accounting and Reporting Procedures*, Chapter 17 Financial Reports. The following are the required minimum components for proper financial reporting" (p. 353-354):

- Management Discussion and Analysis (MD&A) - Reflected on pages 6 – 10 of the 2017 – 2018 audited financial statement package posted to the AWA website
- Basic Financial Statements (government-wide and fund financial statements) - found on pages 11 – 15 of the 2017-2018 audited financial statement package posted to the AWA website

As noted, all of these sections are contained within the Agency’s audited financial statements.

**Auditor’s Letter** -- The Audited Financial Statements include an Independent Auditor’s Report (letter) addressed to the Board of Directors providing the role and opinions of the auditors on the Agency’s financials. The Agency annually schedules the auditor to present a draft of this letter along with the financials to the Board at a regular public meeting.

**Monthly Financial Processes versus Annual Closing Entries (Accrual basis):**

The Agency reconciles the accounts each month including but not limited to:

- Cash accounts/Bank Reconciliations
- Accounts Receivable
- Accounts Payable
Prepaid/Accrued Expenses
Customer Deposits
Payroll/Payroll Taxes
Works Orders against Project Expenses
Insurance/Benefits Allocations
Grant Receivables/Reimbursements

Year-end Closing Entries (including but not limited to):

Calculation of Unbilled Revenue – Proration of customer billings to be reflected in June of the prior year, occurring throughout the month of July during billing process.
Calculation of Depreciation for Fixed Assets
Interest Receivable – Last quarter reflected on July LAIF statement, not accessible until August 1.
Internal Loan Payments/Receivables – based on LAIF interest rates. June is not released until July.
Pension/OPEB – required by GASB pronouncements 68 and 75. Information not available until mid-late July.
State of CA Dept. of Water Resources/OES letters outlining allocation of State versus Federal funds allotted to grant reimbursements received during the prior year. Necessary for establishing SEFA – the Schedule of Federal Awards and if threshold is met, requiring single-audit preparation. Letter released in August.

Capital Projects

Tanner Hydro-electric Generator Project

As the Water Agency struggled like many governmental agencies and businesses during the economic downturn 2007-2012, it looked for opportunities for reducing costs, increasing efficiencies, and even projects that could create revenues to offset other expenses. In 2012, The Water Agency engaged the services of Nline Energy, Inc. (NLine) to evaluate the potential to generate electricity from the excess energy in the water pipelines. Two sites were identified as top candidates, the Amador Transmission Pipeline which terminates at the Tanner Reservoir and the Ione Pipeline that terminates at the Ione Reservoir. After several iterations, NLine concluded that the Tanner site provided the best return on investment and provided several presentations to the Board. The Water Agency Board voted to proceed with the Tanner Hydro-electric project, but only if the project was a net positive cash flow. Nline's analysis showed that there would be a positive cash flow once the system was in operation. (See Appendix AAA) (Cost benefit sheet)
The Tanner Hydro-electric facility is designed to generate electricity anytime water flows through the pipeline to the Tanner site with some minimum flow requirements to turn the generators. It is designed to run 24 hours a day, but the benefit cost analysis is based on the amount of water needed for the Tanner Water Treatment Plant and the Tanner Reservoir and assumed to run the same hours as when water is needed for those facilities.

The Tanner Hydro-electric facility did have some warranty issues shortly after startup which included a turbine bearing and electrical connection which limited production during the first 6 months of operations. AWA staff believes that power production, and savings to the Agency can be increased through reduction of water bypassing the turbines for added pressure at the Tanner water plant and making better use of peak hour pricing. As time allows, staff will continue to refine power production in coordination with water operations.

The system has been in operation for approximately three years. Based on a review of the past 27 months of work orders, 160.5 hours of maintenance has been expended on the Tanner Hydro-electric facility which averages 5.9 hours per month. (See Appendix GGG) Assuming a labor cost with benefits of $52 per hour, the maintenance cost per month is $307 or $3682 per year. NLine assumed $6000 per year with a 3% escalator for their cost benefit analysis.

The Agency received a grant of $126,260 through a program called Self Generation Incentive Program or SGIP for short. The Agency received 50% of the grant the first year and will receive up to the balance over the following four years based on performance. To date the Agency has received $72,661 in SGIP grant funds. The Water Agency obtained a $1.4 million low interest loan from Amador County. To date the Agency has paid $165,948 in principal and interest. Based on the assumptions above, maintenance costs were $11,050 during the three years of operation for total expenses of $176,998. The assumed value of power is $0.25 per kWh based on the average partial peak for the past 12 months.

The Agency, as of August 18, 2019, has generated 1,155,940 kWh. This is an offset of 815 tons of CO2 or 20,437 trees. Based on the partial peak power value, the monetary value of the power produced is $288,985. Deducting the Agency’s expenses of $176,998, the total benefit to date is $111,987. Adding in the SGIP grant funds received to date, the benefit to the Agency is $184,648 during the first three years of operation. As the cost of power from PG&E continues to rise, the annual benefit from the Tanner Hydro-electric facility will also increase.
Capital Project Management

AWA carries out project management processes for capital projects as listed below.

Current Project Management Tasks

Budgetary Cost Estimate with Substantial Contingency of 20-30% (CIP)
Project Setup
Project Accounting and Project Agreements (Contracts)
Design Budget and Schedule with Milestone Chart
Project Kickoff Meeting
Design Progress Meetings and Cost Estimates, with Final Cost Estimate Contingency
   Around 10% 30%, 50%, 90% and Final
Building Permits, Easements, Survey, Environmental Permits,
Bid Plans and Specifications
Addendums
Conformed Plans and Specification
Bid Advertisement and Plan Holders List
Bid Summary with Actual Construction Cost
Bid Schedule with Task and Task Cost
Notice of Award and Notice to Proceed
Labor Compliance
Notices and Liens
Construction Schedule (Critical Path Method and Milestone Chart)
Preconstruction Meeting
Daily Inspection Reports and Photos
Weekly Construction Progress Meetings
Quarterly Grant Progress Reports and Completion Report
Submittals
Change Orders
Work Directive Changes
Progress Payments
RFC/RFI (Request for Clarification and Information)
Punch List
Record Drawings
Final Payment Request
Notice of Completion
Notice of Beneficial Occupancy
Project Closeout
Warranty Inspection (one year after project completion)
Capital Project Procedure Checklist

Amador Water Agency has developed the following Capital Project Procedure Checklist to enhance the processing of capital projects and provide for a future procedure guidance document for project managers (* - indicates an item to be presented to the Board and public):

Project Need

- Project alternatives analysis
- Master plan – Capital Improvement Plan (CIP) *
- Conditional assessment
- Failure of critical infrastructure
- Feasibility study/preliminary study
- ROI, Regulatory/Contractual, Capacity, Health/Safety
- Identify funding sources and cost shares
- Priority

Project Planning

- CIP *
- Funding sources *
- Preliminary design
- Environmental assessment *
- Rate study CIP inclusion *
- Create cost/benefit & present worth analysis for all projects

Grant funding applications for projects in advance of budget development

- Shelf ready information for grant applications
- Determination if project would be constructed with Agency staff

Review with Engineering & Planning Committee with recommendation to full Board for

Annual Budget approval *

Annual Budget (CIP)

- Project list development from carryovers, master plan, new projects not previously identified (new regulatory/contractual/repair-replacement, etc)
- Project recommendations based on prioritization from CIP or elsewhere *
- Assignment of Project Manager and other project team members
- Evaluate internal resource limitations

Following Budget Approval of CIP Projects and Programs

- General Ledger (GL)/Job Cost Number assignment/creation of electronic folders
- Contracts signed with consultants or contractors
- Scheduling project activities for year and length of project
- Land acquisition

Environmental review (CEQA)
Design (Predesign, 30%, 50%, 90%, Final)
Technical design studies (geotech, modeling, etc)
Permitting
Bidding
Construction management services (including inspections, warranties, and operation and maintenance manuals)
  Construction
  Construction completion activities
Project Control and Reporting
  Monthly project status meetings
Project expenditures and project status (including change orders, invoices, and reimbursements)
  Schedule evaluation
  Earned Value
  Process change orders (with General Manager & Board accordingly) *
  Provide project legal documents (contracts) for scanning/filing
  Monthly status reports to the Board (schedule and costs) *
Public information on construction progress (Website/Newsletters, photos/videos etc.) *
Finance
  Project Manager (PM) monitors/reviews all charges to the projects monthly
  PM/Dept. Manager approve project expenses
  Provide 3 month look ahead for Finance for anticipated major expenses
  Provide reimbursement support data for reimbursement requests
Prepare progress reports to funding agencies
Project Close Out
  Contract completion activities
  Operations manuals/training/start up coordination
  Final project cost and compare to budget
  Provide final project value to Finance for Capital Assets and Insurance Policies
  Provide information for asset maintenance (CMMS)
Project Performance Evaluation --
  Schedule, Budget
  Quality evaluation
  Staff evaluation
  Consultant evaluation
  Management evaluation
  Project team performance
  Project manager’s performance
  Major successes
  Lessons learned
Areas to improve

Project Completion Report to Board *
  Final costs vs budget (change order percentage) *
  Project performance vs expected outcome

Formal Board Resolution of completion, project budget and final cost. *

Clean up Job Cost File
  Remove draft documents
  Insure all photos/documents in proper folders
  Move from active to completed