



Shasta County

SHASTA COUNTY WATER AGENCY BOARD OF DIRECTORS

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June 27, 2017

The Honorable Gary Gibson
Presiding Judge, Shasta County Superior Court
1500 Court St., Rm. 205
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Board of Directors to Fiscal Year 2016-2017 Grand Jury Report:
Shasta County Service Areas – Elk Trail Water Improvement Project**

The Shasta County Water Agency Board of Directors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

RESPONSES AND FINDINGS

Water Loss in CSAs

FINDINGS

The Grand Jury findings:

F1. *Water loss in seven of the eight water CSAs is above the national average and should be prioritized by Public Works staff.*

Response: The Board of Directors is unable to agree or disagree with this finding. Management and operation of County Service Areas (CSA(s)) are the responsibility of the County of Shasta through its Board of Supervisors.

F2. *The CSA customers ultimately pay for lost water, either through increased water purchases or through repairs to correct the water loss.*

Response: The Board of Directors is unable to agree or disagree with this finding. Management and operation of County Service Areas (CSA(s)) are the responsibility of the County of Shasta through its Board of Supervisors.

F3. *Identifying the causes of and/or addressing water loss will cost the CSA customers unless grand funding can be obtained.*

Response: The Board of Directors is unable to agree or disagree with this finding. Management and operation of County Service Areas (CSA(s)) are the responsibility of the County of Shasta through its Board of Supervisors.

F5. *At least three Public Works engineers are being paid by the Water Agency for duties that could be managed by a single dedicated engineer.*

Response: The Board of Directors disagrees wholly with the finding. Water Agency resources are presently insufficient to dedicate an engineer to water issues. Moreover, there is not a single full-time engineer whose salary is being paid by the Water Agency. Public Works engineers charged 661 hours and 839.5 hours to the Water Agency in FY 2015/16 and 2016/17 respectively. These charges amount to only a fraction of a full time position.

F6. *The Water Agency and Public Works lack dedicated management to oversee water issues in the County.*

Response: The Board of Directors partially disagrees with the finding. Management resources are fiscally constrained. All related costs are charged to the beneficiaries and a clear majority opposed any additional expenditures. The Water Agency's needs do not require dedication of full-time employees to manage it nor would its resources support such management.

Elk Trail Water Improvement Project

F9. *The Elk Trail Water Improvement Project demonstrates the great costs involved with designing and constructing a complex water distribution system.*

Response: The Board of Directors agrees with the finding.

F10. **The efforts of both Public Works staff and Elk Trail residents to secure grant funding for the Elk Trail Water Improvement Project resulted in lower property tax assessments than originally projected.**

Response: The Board of Directors agrees with the finding.

Water Transfer between CSAs

F12. **The Water Agency Board of Directors adopted Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water, resulting in Jones Valley CSA incorrectly compensating Keswick CSA \$13,090.11 to date.**

Response: The Board of Directors disagrees partially with this finding. The Board of Directors adopted Resolution No. 2008-01. The Board of Directors wholly disagrees that Resolution No. 2008-01 resulted in Jones Valley CSA incorrectly compensating Keswick CSA. Resolution No. 2008-01 was a sound business decision for Elk Trail and the CSA. The ACID alternative was projected to cost three times as much. The ACID water would have cost approximately \$11,000 per year, each year, plus any water deliveries at approximately \$140 per acre-foot. As such, Keswick Water was the lower-cost alternative.

F13. **This incorrect compensation will continue until Water Agency Resolution No: 2008-01 is rescinded or expires, whichever comes first, potentially costing Jones Valley CSA an additional \$39,000.**

Response: The Board of Directors disagrees wholly with this finding. Resolution 2008-01 was valid and remains valid.

F14. ***Because all CVP water purchases by the Water Agency goes into a “common pool”, Jones Valley CSA did not and cannot enter into a long-term water transfer agreement with Keswick CSA.***

Response: The Board of Directors disagrees wholly with the finding. Resolution 2008-01 was executed by the Water Agency, not the County or any of the various CSA's therein. In 1964, Keswick CSD (CSD) entered into a contract with the U.S. Bureau of Reclamation for 500 acre-feet of Central Valley Project water (CSD Water). In 1990, the CSD was reorganized into Keswick CSA with all attendant assets and liabilities

including the CSD Water being transferred to the CSA. In 2004, the CSD Water was combined with a Water Agency contract for administrative purposes. The CSD Water remains an asset of Keswick CSA.

RECOMMENDATIONS

The Grand Jury recommends:

R1. *By September 30, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to assess and report back on what measures the County could take to stem water losses in all the CSAs. The report should also be forwarded to the CSA CABs.*

Response: The recommendation has been implemented. Such studies and investigations have been undertaken repeatedly over many years. Simple and economical measures have been implemented. More elaborate steps would require significant expense and the CSA customers have consistently declined to bear the associated costs.

R2. *By September 30, 2017, the Board of Supervisors and Water Agency Board of Directors jointly direct staff to assess and report back the financial impact on CSA customers of current and future measures the County can take to stem water losses in the CSAs. The report should also be forwarded to the CSA CABs.*

Response: The recommendation has been implemented. Such studies and investigations have been undertaken repeatedly over many years. Simple and economical measures have been implemented. More elaborate steps will require significant expense and the CSA customers have consistently declined to bear the associated costs.

R3. *By December 31, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to appoint a single Public Works engineer solely dedicated to managing all water issues in the County.*

Response: The recommendation will not be implemented because it is not warranted or not reasonable. Existing staffing arrangements provide flexibility and broad expertise. The Water Agency cannot afford to fund an engineer solely dedicated to managing water issues. CSA's are enterprise funds. All related costs are charged to the beneficiaries. The existing structure allows numerous CSAs to share the cost of the employees performing work on their behalf.

R7. *By September 30, 2017, the Water Agency Board of Directors rescind Shasta County Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water.*

Response: The recommendation will not be implemented because it is not warranted or not reasonable. Resolution No. 2008-01 remains necessary to ensure adequate water supplies for ultimate build-out within CSA #6.

R8. *By September 30, 2017, the Water Agency Board of Directors direct staff to immediately reimburse Jones Valley Water Fund – 0377 all monies paid to Keswick CSA under Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water.*

Response: The recommendation will not be implemented because it is not warranted or not reasonable. Resolution No. 2008-01 remains necessary to ensure adequate water supplies for ultimate build-out within CSA #6 and there is no justification for any reimbursement. Resolution No. 2008-01 continues to be a sound business decision for Elk Trail and the CSA that provides water for future needs of the CSA.

This concludes the responses of the Shasta County Water Agency Board of Directors to the FY 2016-2017 Grand Jury Report entitled “Shasta County Service Areas – Elk Trail Water Improvement Project.”

Sincerely,

DAVID A. KEHOE, Chairman
Board of Directors
Shasta County Water Agency