SLIPPERY COSTS AND RISING FEES IN THE GRATON COMMUNITY SERVICE DISTRICT

SUMMARY

The Grand Jury received several complaints about increases in wastewater rates and ever increasing operating costs of the Graton Community Services District (GCSD). Complaints attributed much of the increases to the GCSD Board of Directors having minimal wastewater treatment and disposal related experience, while management attributed these increases to mistakes by other agencies. Because the GCSD has a small rate payer base, it can only go so far in covering multimillion dollar cost increases (see Background), many of which are the direct result of regulations relative to wastewater disposal, such as controlled or zero discharge into rivers and streams, and mandatory tertiary treatment.

Numerous factors, including a small rate payer base, environmental sensitivity and demands, competitive salaries for qualified operators and engineers, repairing flood damage, capital improvements needed to meet mandated tertiary treatment requirements, along with routine maintenance and operations have led to the dramatic increase in rates. When the GCSD was formed in 2004 the annual rate was $826, which rose to $1359 in 2009.

REASON FOR INVESTIGATION

Both the 2008/09 and 2009/10 Grand Juries received complaints claiming that overall management of the GCSD was incompetent and not fiscally responsible. Issues raised included the general manager's performance and his placing blame for many cost overruns on other agencies, along with the inability of the GCSD Board of Directors to make competent decisions.

BACKGROUND

In 1995, the Sonoma County Public Works Department turned operational control of the County's water and sanitation districts and zones to the Sonoma County Water Agency (SCWA), and in 1996, the West County Sanitation Report was released. The report contained proposals that would improve West County wastewater treatment efficiency, and made reference to the North Coast Regional Water Quality Controls Board's (NCRWQCB) 1994 requirement relating to tertiary treatment of wastewater. The proposals included consolidation of the smaller (less than 1,000 users) West Sonoma County districts and zones, or creating a major treatment facility in Guerneville with pipelines to nearby communities for the shipment of untreated sewage. Many Graton citizens did not feel that either proposal was in their best interest and expressed a desire to form their own independent agency. In 2000, the SCWA Board of Directors (which is also the County Board of Supervisors) recommended consolidation. In 2002, the SCWA initiated proceedings with the Local Agency Formation Commission (LAFCO) to dissolve both the Graton Sanitation Zone (GSZ) and the Forestville County Sanitation District, form the independent GCSD, and approve the Forestville Water District (FWD) to exercise latent sewer powers. With LAFCO approval, a special election was held in December of 2003 with the voters in Graton approving the dissolution of the GSZ and formation of the GCSD, which held its initial Board of Directors meeting on July 12, 2004.

The FWD has a NCRWQCB approved tertiary treatment plant, but does not have the storage capacity of the GCSD. At times during the winter, vineyards in Forestville required additional frost protection and would contract with the GCSD to provide secondary treated effluent. The effluent would be transported through the pipeline between the Forestville and Graton treatment facilities that the SCWA had constructed but maintained ownership. Included was a valve to control the flow, for which the SCWA would charge a fee of $25,000 when the valve was opened.

Of the approximately 652 GCSD users, there are 565 single-billed residential users. The remaining users are commercial businesses such as shops and restaurants, and industrial users which are primarily wine industry related using treated effluent for irrigation and frost protection.
The GCSD Board takes pride in the number of innovative and environmentally friendly alternative approaches to sanitation that they have explored and, when possible, adopted. The GCSD initially felt they would reach the zero discharge requirement by natural filtration through a grove of redwood trees adjacent to their treatment facility, eliminating the need to construct a tertiary treatment facility, as well as being a means for positive cash flow in the future when the redwoods were harvested. However, the redwood grove failed to get regulatory approval, and the GCSD is now faced with the challenging task of converting their treatment facility to meet tertiary standards at a capital expense of over $7 Million. If the tertiary conversion had been started immediately after the redwood grove was disapproved, the cost would have been approximately $5 Million. $2.7 Million of outside funding has been secured to help with these costs. In addition to FEMA funding for flood relief, GCSD has been awarded $650,000 in Proposition 50 funding, and has applications pending for additional grants in excess of $1.25 Million.

The GCSD general manager, an independent contractor, is a level five licensed sanitation plant operator, the owner of Industrial Wastewater Solutions, and also teaches water treatment at Santa Rosa Junior College. He previously worked for Sonoma County Department of Public Works and the SCWA, with experience operating West Sonoma County sanitation facilities. He also is a director of a local non profit organization, which sues agencies responsible for violating legal and environmental standards applying to river pollution. In such litigation he receives expert witness fees. A local engineering firm under contract with GCSD plays an important role in the evaluation and monitoring of proposals developed by GCSD. Including reimbursement from FEMA for the flood relief related project, the firm has billed the GCSD in excess of $1.5 Million since August, 2004.

INVESTIGATIVE PROCEDURES

Interviews and discussions were held with the following:

- All current members and one prior member of the GCSD Board of Directors.
- The General Manager of the GCSD.
- The President of the engineering firm under long term contract with GCSD.
- The General Manager of the SCWA during the period covered by the complaints.
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- The General Manager of the GCSD during the period covered by the complaints.
- The Deputy Chief Engineer of the SCWA.
- The Sanitary Engineer of the NCRWQB who is the GCSD primary contact.
- The GCSD treatment facility licensed operator.
- The GCSD bookkeeper.
- Both complainants.

The following documents and resources were reviewed or inspected:

- Sonoma County Auditor financial audits of the GCSD.
- The GCSD General Manager’s Form 700 (Statement of Economic Interest).
- Proposition 218 relative to sanitation fee requirements, compliance and protests.
- Newspaper articles and reports concerning GCSD.
- West County Sanitation Report.
- GCSD general ledger including general manager and engineering firm invoices and statements.
- GCSD Board of Directors meeting minutes.
- Miscellaneous GCSD e-mails and correspondence.
- LAFCO documents relative to dissolution of GSZ and creating GCSD.
- Site inspection of the GCSD treatment facility including the redwood grove and pumping equipment inherited from SCWA.
- Inspection of the pipeline connecting the GCSD and FWD treatment facilities, including the valve which controls the flow between them.

FINDINGS

F-1  The initial capital plan for a low cost treatment of sewage was based on the assumption that natural filtration through the root system of a redwood grove would result in zero discharge. This led to the conclusion that treating effluent to reach tertiary standards was unnecessary. While there are examples of successful effluent filtration through redwood trees, serious early planning was not done to develop alternative methods of filtration should the redwood grove process fail.

a. Some GCSD Directors felt the redwood grove natural filtration did not succeed because of capricious decisions by the NCRWQB.

b. The Grand Jury found that the redwood trees had a layer of clay just below their roots which impeded successful filtration. The resulting need to treat sewage to meet tertiary standards has led to a project that will now cost over $7 Million.

c. Management is actively seeking outside grants, in addition to those mentioned in BACKGROUND, to help fund the project.

F-2  Management continues to explore both conventional and unconventional means to treat sewage. Environmentally friendly options receive attention, but don’t always work. The cumulative billings of the engineering firm that evaluates treatment options to ensure compliance with Title 22 of the California Water Code is a major expense to the rate payers.

F-3  The assertions that a portion of the high costs are due to poorly maintained and/or inappropriate equipment turned over to the GCSD by the SCWA display an eagerness to finger point, obscuring inadequate initial planning. SCWA had a well publicized plan, which was included in the West County Sanitation Report, to consolidate regional systems in West Sonoma County by shipping effluent to a state of the art treatment facility in Guerneville. This plan included pumps designed for that purpose, which were turned over to the GCSD who subsequently had to replace them as they were not the proper design for their needs. It was alleged that representatives of the GCSD were not allowed to fully inspect the facility and equipment prior to its formation. As individuals involved with the formation of the GCSD, including the current General Manager, had worked at the facility and also with the SCWA, along with NCRWQB inspections of the Graton facility being in the public domain, these circumstances cast doubt on some of the assertions.
The Graton general manager is the owner of Industrial Wastewater Solutions and also teaches water treatment at Santa Rosa Junior College. He previously worked for Sonoma County Department of Public Works and the SCWA, with experience operating West Sonoma County sanitation facilities. He has served and been paid as an expert witness in lawsuits organized by Northern California River Watch that claim to protect water quality by suing SCWA projects. He is a paid consultant for operating treatment systems both locally and internationally. With the ready, if expensive, track record of the GCSD in continually trying alternative approaches, he has acquired a wealth of knowledge which he is able to use in his consulting activities.

Engineering support paid since inception averages over $250,000 a year. Payment to the general manager is based on the number of hours worked, including activities related to FEMA and Proposition 50. Records indicate that remuneration as been as high as $19,000 for a 3 month period including FEMA related reimbursements. Add to that the full time salaried staff of the plant operator, 2 assistants, a bookkeeper and routine operational costs make it clear that the rate payers face the potential for additional rate increases based solely on operating costs.

Cease and Desist Order R1-2008-1009 was issued by the NCRWQCB requiring the GCSD to meet tertiary treatment standards by October 2010. The Cease and Desist Order actually increases their priority ranking for obtaining outside funding.

GCSD will save significant R&D expense by contacting and developing working relationships with other wastewater treatment facilities in the area. Other facilities sharing their experiences with various tertiary treatment methods will assist the GCSD in finalizing their plans to meet the Cease and Desist Order requirement.

GCSD was charged a $25,000 fee for opening the valve controlling the pipeline between their facility and FWD's in order to provide frost protection to vineyards near Forestville. The dissolution agreement with the SCWA called for a $25,000 per use fee to be charged to both the FWD and GCSD, but at no time was the FWD charged the fee. In May 2009 the SCWA requested that the agreement be amended to waive past fees and institute a fee based on volumetric use and not to exceed a combined fee of $25,000.

CONCLUSIONS
While there was strong pressure from within for the citizens of Graton to maintain local control over their wastewater treatment facility, it is evident that economic feasibility was not given sufficient consideration. In all probability, if the consolidation of smaller districts and zones had been implemented, GCSD rates would not have increased over $500 in 5 years, and their tertiary treatment plant would be up and running, having been completed for as much as $2 Million less than the current projected cost.

Although regulatory approval was not received, the use of a redwood grove for filtration in order to reach the zero discharge requirement was a conceptually viable approach. However, not having alternative plans has had an extremely negative impact on the GCSD. Too much emphasis has been placed on experimenting with unconventional filtration means rather than investigating proven means and determining which best meets GCSD’s unique requirements.

While well intentioned, utilizing a part time consultant as general manager is not cost effective or efficient. The operation would be better served with a full time licensed sanitation plant operator acting as both general manager and plant operator.

COMMENDATIONS
Both complainants are to be commended, not only for bringing this most important matter to the attention of the Grand Jury, but also for their well documented and informative complaint submissions. The Board of Directors, General Manager and staff of the GCSD for their continuing efforts to develop environmentally friendly wastewater treatment and disposal solutions. Also the SCWA’s Deputy Chief Engineer and the President of the engineering firm contracting with the GCSD for their most appreciated “above and beyond” efforts in providing invaluable documentation, insight, and details relative to the complaint.

RECOMMENDATIONS
R-1 That the GCSD contract for a management audit of its current policies and procedures. A determination should be made to ensure sufficient checks and balances are in place to avoid unnecessary expenses. The management audit should be in addition to financial audits conducted by the Sonoma County Auditor’s office.

R-2 That the GCSD periodically review their rate structure, preferably at an open community forum, to ensure that fees charged are realistic and meet the goals set during the LAFCO investigation prior to formation of the GCSD.

R-3 In cooperation with either the SCWA, the NCRWQCB, and/or one or more local educational institutions, schedule training conferences relating to new industry developments and trends, and cost effective management. Ideally, as there are many small districts such as GCSD in Sonoma County and elsewhere in Northern California, the conferences should be open to any who would benefit from attendance. Small districts such as the GCSD have well intentioned members who do learn from experience, but the lack of training does cause mistakes that can be expensive.

R-4 The GCSD should routinely arrange outside independent peer review of its professional staff rather than simply using its limited expertise to make evaluations.

R-5 Job announcements should include full job descriptions emphasizing experience and the ability to work cooperatively with neighboring districts and agencies. Joint appointments with adjacent districts should be considered as they can both save money and institutionalize cooperative work.

R-6 Serious consideration should be given to a joint venture with the FWD! The pipeline between the 2 facilities combined with irrigation and frost protection in the areas served by the GCSD and FWD indicate such a venture would be mutually beneficial. A good starting point would be to open negotiations with SCWA to assign the title of the pipeline's valve jointly to the GCSD and FWD.
R-7 The GCSD Board should ask the California Fair Political Practices Commission to give an opinion whether the activities described in F-4 amount to a conflict of interest under State law.

**Required Responses to Findings:**
- Graton Community Service District: F-1, F-2, F-3, F-4, F-5, F-6, F-7, F-8
- Sonoma County Water Agency: F-3, F-8
- North Coast Regional Water Quality Control Board: F-1a, F-6

**Requested Responses to Findings:**
- General Manager, Graton Community Services District: F-3, F-4

**Required Responses to Recommendations:**
- Graton Community Services District: R-1, R-2, R-3, R-4, R-5, R-6, R-7
- Forestville Water District: R-3, R-6

**Requested Responses to Recommendations:**
- Sonoma County Water Agency: R-3, R-6
- Sonoma County Auditor: R-1
- Forestville Water District: R-5
- North Coast Regional Water Quality Control Board: R-3