

2012 MONTEREY COUNTY CIVIL GRAND JURY

INTERIM FINAL REPORT NO. 3

**AN OVERVIEW OF THE CARMEL AREA WASTEWATER
DISTRICT**

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SUMMARY

The 2012 Monterey County Civil Grand Jury (CGJ) initiated a review of the Carmel Area Wastewater District (CAWD). We find that CAWD is run efficiently and managed effectively. The current rate structure for wastewater treatment and connection fees are in line with other agencies with similar populations.

The hiring of a new General Manager in 2010 and Treatment Facility Superintendent in 2011 seemed to have caused morale issues as shown in an employee survey conducted in 2011. The CAWD Board of Directors (BOD) and the management team of the CAWD are actively addressing these issues and plan on conducting another employee survey in 2013 to gauge their effectiveness in improving employee relations between management and staff.

The CAWD is now actively engaged in updating physical plant infrastructure and is formulating a 15 year Capital Improvement Plan. This plan should be finalized and in place by March 2013. Early findings have indicated that 80% of the useful lifespan of half of the plant equipment and structures have been used up. The CGJ feels that the CAWD should have been more proactive in performing ongoing maintenance and upgrades of their facility.

BACKGROUND

Prompted by complaint letters claiming workplace discrimination, improper hiring practices and low employee morale, the CGJ initiated a review of the CAWD. This review included employee satisfaction, hiring practices, the relationship between the CAWD and the Pebble Beach Community Services District (PBCSD), fiscal responsibility and a review of the short and long range capital improvement plan.

INVESTIGATIVE METHODOLOGY

The CGJ conducted interviews with members of the BOD, past and present management and staff of the CAWD and an employee of the PBCSD. In addition, a comprehensive review of CAWD policies and procedures, annual budgets and financial reports were conducted.

The CGJ concentrated its investigation around five items: (1) the hiring of the General Manager, (2) the relationship between management and staff, (3) the fiscal responsibility of the CAWD to its customers, (4) the working relationship between the CAWD and the PBCSD and (5) the rates for wastewater treatment charged to its customers.

FACTS RELEVANT TO THE INVESTIGATION

The Carmel Area Wastewater District (CAWD) is an independent political entity operating under authority of the California State Health and Safety Code, Division 6, Sections 6400 through 6941.9, and as such is governed by its own 5 member Board of Directors who are elected, at large, for terms of 4 years. The District currently employs 24 full time employees. This includes 4 in Administration, 5 in Collection System Maintenance and 15 in Treatment and Disposal.

The existing CAWD treatment plant is on the south bank of the Carmel River approximately one-third of a mile west of the State Route 1 Bridge. The administration office is located at 3945 Rio Road, Carmel. The service area consists of the city of Carmel-by-the-Sea and outlying County areas including Carmel Woods, Hatton Fields, portions of lower Carmel Valley, Carmel Meadows, Hacienda Carmel, Del Mesa Carmel, Quail Meadows, Pacific Meadows and to the South, Highlands Inn, the Tickle Pink Inn and the Highlands Sanitary Association and several individual lots in the vicinity. The total service area is comprised of approximately 5.5 square miles with a permanent population of approximately 11,000.

Since 1968, the CAWD has provided treatment and disposal services under contract to the PBCSD, which owns one third of the capacity of the CAWD Treatment Facility. The PBCSD is comprised of a service area of approximately 5,300 acres located in the Del Monte forest with a service population of approximately 4,500.

In addition, the CAWD/PBCSD Reclamation Project is a cooperative effort between the CAWD, PBCSD, the Monterey Peninsula Water Management District (MPWMD) and the Pebble Beach Company to provide treated wastewater to irrigate golf courses and open space areas in Pebble Beach, which frees up a considerable amount of potable water previously used for irrigation. This partnership which began in 1992, has been beneficial to both districts.

At the plant, safety is paramount, as evidenced by the CAWD being awarded the California Sanitation Risk Management Authority award last year for having the best worker's compensation loss record in the small agency category – a notable achievement.

Low morale among staff was noted in an employee satisfaction survey conducted in 2011 by the CSI HR Group.

Some treatment department employee performance appraisals have not been conducted for some time. According to CAWD Personnel Policies and Procedures Manual, these employee appraisals are required annually.

In 2010 the General Manager announced his plans to retire. He then spoke with a few employees of the CAWD whom he thought would be interested in the position, even though their qualifications for the position might have been marginal in some cases. In the end, the BOD decided to hire their senior accountant for the position. This employee met all of the qualifications for the position as stipulated in CAWD's job description.

No external candidates were solicited. Even though an external search may have yielded highly qualified candidates, CAWD's policy encourages internal promotion where appropriate.

In a review of the rates charged by CAWD to its customers over the past 5 years, the CGJ found that CAWD rates are generally competitive both county wide and when compared to surrounding communities. Due to budget cutbacks, the last year that the State of California provided statistics on wastewater rates was in 2008. In 2008, the Monterey County average rate for single family dwellings was \$28.97 per month. In that same year, CAWD charged its residential customers \$28.08 per month. When the CGJ compared CAWD rates to those rates charged to customers served by the Monterey Regional Water Pollution Control Agency (this agency serves several communities in close proximity to CAWD customers), we found that total cost to the residential customers was competitive.

Prior to 2011, CAWD did not have a current capital replacement plan. CAWD did have sufficient revenues accumulated to cover replacement requirements, but they embraced a "run to fail" replacement plan.

The CAWD is currently developing a comprehensive 15 year Master Capital Improvement Plan, assisted by Kennedy/Jenks Consultants.

FINDINGS

F1. Currently, the CAWD appears to be more proactively maintaining the wastewater infrastructure of the district than in past years.

F2. Sufficient cash reserves are on hand for planned and unplanned repairs.

F3. The CAWD has a reasonable number of employees and efficient work practices.

F4. The CAWD has established overall rates and fees that are competitive with other districts.

F5. The CGJ found the BOD hired the most qualified internal candidate based on the job description for the position, although no external candidates were solicited or interviewed.

F6. After reviewing the employee satisfaction survey conducted in 2011, the CGJ finds that the lack of timely performance appraisals was undoubtedly a contributing factor to low employee satisfaction and a lack of communication between management and treatment department staff.

F7. Overall, we find that the relationship between the CAWD and the PBCSD is mutually beneficial.

F8. The CAWD will need to raise user rates in upcoming years to provide additional funds for capital improvement.

RECOMMENDATIONS

R1. When complete, the 15 year Master Capital Improvement Plan should be closely followed to ensure that adequate service and response is provided in the future.

R2. Management should heed results and recommendations from 2011 employee surveys, specifically communication between management and staff and increased cooperation between departments will help improve morale.

R3. Management should make every effort to ensure that all employee performance appraisals are current and conducted every 12 months in the future. This is absolutely necessary for effective communication between management and staff.

R4. A new employee survey should be conducted in 2013 to gauge success of improvement programs currently underway that address low employee morale.

R5. In the future, the BOD should make every effort to consider both internal and external job applicants for senior managerial positions.

RESPONSE REQUIRED

Carmel Area Wastewater District (CAWD) Board of Directors

Findings: F1.,F2.,F3.,F4.,F5.,F6.,F7.,F8.

Recommendations: R1.,R2.,R3.,R4.,R5.

BIBLIOGRAPHY

CAWD Employee Handbook

CAWD Policies and Procedures Manual

CAWD Worker Compensation Reports 1990-2012

Minutes of the past 26 months of CAWD Board meetings

Past 3 years of CAWD Connections consumer newsletters

Exempt and nonexempt employee performance evaluations

California Association of Sanitation Agencies staffing report 2012

Results of employee surveys conducted by the CSI HR Group 2011

Past year's CAWD weekly newsletter for staff and Board of Directors

CAWD Wastewater Treatment Plant Maintenance Dept. Evaluation 2006

CAWD ordinances establishing wastewater treatment charges from 2002-2012

Cal/OSHA Annual Summary of Work-Related Injuries and Illnesses 2002-2012

California State Water Resources Control Board Wastewater User Charge Report

Wastewater Treatment Plant Maintenance Dept. Evaluation by Carollo Engineers 2006