

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administration		(2) MEETING DATE August 8, 2006		(3) CONTACT/PHONE Jim Grant, Administrative Office (805) 781-5020	
(4) SUBJECT Request to approve recommended responses to findings and recommendations contained in the Grand Jury report on the San Luis Obispo County Fleet Garage and to forward the responses to the Presiding Judge of the Superior Court.					
(5) SUMMARY OF REQUEST The Grand Jury has prepared a report addressing several issues associated with the County Garage. The report directs that the Board of Supervisors respond to the two findings and two recommendations in the report. The Grand Jury also requires that the County Public Works Department, the Department of General Services and the Auditor-Controller to respond to the findings and recommendations. This item includes the Board of Supervisors and departmental responses to the findings and recommendations. Upon approval, the responses will be forwarded to the Presiding Judge.					
(6) RECOMMENDED ACTION It is recommended that your Board approve the attached responses and forward these responses to the Presiding Judge of the Superior Court.					
(7) FUNDING SOURCE(S) N/A		(8) CURRENT YEAR COST N/A		(9) ANNUAL COST N/A	
(10) BUDGETED? <input type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> N/A					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): The Public Works Department, Department of General Services and the Auditor-Controller were contacted and requested to respond to this report.					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) <input type="checkbox"/> 1st, <input type="checkbox"/> 2nd, <input type="checkbox"/> 3rd, <input type="checkbox"/> 4th, <input type="checkbox"/> 5th, <input checked="" type="checkbox"/> All			(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		(15) Maddy Act Appointments Signed-off by Clerk of the Board <input checked="" type="checkbox"/> N/A
(16) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(17) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(18) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(19) BUDGET ADJUSTMENT REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		
(20) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) _____			(21) W-9 <input type="checkbox"/> No <input type="checkbox"/> Yes		(22) Agenda Item History <input checked="" type="checkbox"/> N/A Date _____
(23) ADMINISTRATIVE OFFICE REVIEW					

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County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. 370 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011



DAVID EDGE
COUNTY ADMINISTRATOR

TO: Board of Supervisors
FROM:  Jim Grant, Deputy County Administrator
DATE: August 8, 2006
SUBJECT: Request to approve recommended responses to findings and recommendations contained in the Grand Jury report on the San Luis Obispo County Fleet Garage and to forward the responses to the Presiding Judge of the Superior Court.

RECOMMENDATION

It is recommended that your Board approve the attached responses and forward these responses to the Presiding Judge of the Superior Court.

DISCUSSION

In 2001-02, the Grand Jury recommended to the Board of Supervisors that the garages of the Public Works Department (Public Works) and the Department of General Services (General Services) be combined as a way to reduce costs and increase efficiency by eliminating duplication.

On February 25, 2003 the Board of Supervisors approved the concept of consolidating the garages under General Service's management to be effective March 9, 2003. An operating plan was agreed to and documented in a Memorandum of Understanding (MOU) between the two departments. The consolidation resulted in an annual savings of approximately \$76,000 due to the elimination of two staff positions.

In June of 2006, the Grand Jury issues a report addressing several issues associated with the County Garage. The report revealed that the consolidated garage is performing satisfactorily though the extent of savings realized from the consolidation is not clear. Additionally, the report directs that the Board of Supervisors respond to the two findings and two recommendations of the report. The Grand Jury also requires that the Public Works Department, General Services and the Auditor-Controller to respond to the findings and recommendations. This item includes the Board of Supervisors and departmental responses to the findings and recommendations

After evaluating the Grand Jury report, staff has prepared a recommended Board of Supervisors' response found in Attachment 1. Also included are responses from the Public Works (Attachment 2), General Services (Attachment 3) and the Auditor-Controller (Attachment 4) to the Grand Jury report.

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OTHER AGENCY INVOLVEMENT

The Grand Jury conferred with, Public Works, General Services and the Auditor-Controller as part of their investigation.

FINANCIAL CONSIDERATIONS

In 2003 the garage consolidation yielded a net annual savings of approximately \$76,000 (elimination of two positions) and also enhanced efficiency in garage operations and eliminated duplicate management, inventory and accounting practices.

The recent Grand Jury report found conflicting information from Public Works and General Services about the actual savings to the departments after they had been combined.

RESULTS

Adoption of the findings and recommendations will fulfill the County's obligation to respond to Grand Jury reports as specified in Section 933 of the Penal Code.

Attachments

1. Board of Supervisors' response to the Grand Jury Report
2. Public Works response
3. General Services response
4. Auditor-Controller response

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BOARD OF SUPERVISORS

1055 MONTEREY, ROOM D430 • SAN LUIS OBISPO, CALIFORNIA 93408-2040 • 805.781.5450



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TO: The Honorable Rodger Piquet, Attachment 1
California Superior Court, San Luis Obispo County

FROM: County of San Luis Obispo Board of Supervisors
Katchik "Katcho" Achadjian, Chairman

DATE August 8, 2006

RE: 2005-2006 Grand Jury Report - San Luis Obispo County Fleet Garage

Thank you for the opportunity to respond to the Grand Jury report on the County Garage. This memo is the County Board of Supervisors response to the report. The required responses from County Public Works, Department of General Services and Auditor-Controller are also attached to this memo.

Grand Jury Finding 1

The Memorandum of Understanding between the departments of General Services and Public Works prevents complete implementation of the Board of Supervisors' directive.

Board of Supervisor's response to Finding 1

We disagree with this finding.

Overall, the consolidation has been successful and Memorandum of Understanding (MOU) (agreed to and signed by both departments) ensures that both departments are provided a written operating plan that guides the consolidation. As stated in the original Board letter dated February 25, 2003, "The Department of Public Works will still own its own equipment and will essentially be contracting with General Services for the maintenance service".

In essence, the consolidation created a business relationship between the Public Works and General Services. Public Works is the customer and the General Services is the service provider. The MOU serves as a service agreement that provides, in part, the scope of services, compensation, equipment ownership, use of other vendors and dispute resolution. The Board finds that the MOU challenges General Services to be

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competitive in the marketplace, increases General Service's accountability to provide service at competitive rates and provides flexibility to Public Works provide effective and timely road service, often in times of emergencies.

Grand Jury Finding 2

The Grand Jury was given conflicting reports from each department about actual savings to the departments after they had been combined.

Board of Supervisor's response to Finding 2

The Board adopts the Auditor-Controller's response to this finding.

Grand Jury Recommendation 1

The Board of Supervisors should invalidate the Memorandum of Understanding.

Board of Supervisor's response to Recommendation 1

The Board of Supervisors will not implement this recommendation and adopts the Public Works Department's response.

Grand Jury Recommendation 2:

The County Auditor should conduct an operational audit of the combined maintenance operations to determine if, and to what extent, overall costs have been reduced since the consolidation of the two garages.

Board of Supervisor's response to Recommendation 2

The Board adopts the Auditor-Controller's response to this finding. Additionally, the consolidation of the garages in 2003 reduced net costs by approximately \$76,000 by eliminating two positions. Since the consolidation, garage staffing levels have remained static so the original personnel savings have saved money each year.

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SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

Noel King, Director

County Government Center, Room 207 • San Luis Obispo CA 93408 • (805) 781-5252

Fax (805) 781-1229

email address: pwd@co.slo.ca.us

June 29, 2006

MEMORANDUM

TO: The Honorable Rodger Piquet,
California Superior Court, San Luis Obispo County

FROM: Noel King, Director of Public Works *NK*

SUBJECT: San Luis Obispo County Public Works Department - Response to "Grand Jury Report Titled "San Luis Obispo County Fleet Garage"

The Grand Jury Report on "San Luis Obispo County Fleet Garage" requires response from the County Public Works Department on Finding 1 and 2 and Recommendation 1.

Finding 1: The Memorandum of Understanding between the departments of General Services and Public Works prevents complete implementation of the Board of Supervisors' directive.

Reply:

The Public Works Department disagrees with this finding.

The first paragraph of the Grand Jury Report refers to a Board of Supervisors "directive" to be found in Appendix B of the report. However, a complete reading of this document finds no such directive.

The recommendations to the Board in the Appendix B document include approval of the concept of consolidation of garage operations; authorization of the transfer of ownership of various shop equipment and funds; authorization of the payment for parts; and approval of a change in staff position allocations.

Under the "Discussion" section of the agenda report that effected this new process under which the Public Works equipment would be serviced by the General Services Shop the majority of the time, the document states that the Public Works Department will continue to owns its own equipment and, under the section on "Other Agency Involvement," the document states "Public Works staff will have frequent input into various repair decisions, as outlined in the Interdepartmental Memorandum of Understanding."

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The Grand Jury stated that the MOU prevents the complete implementation of the Board's direction. They, however, failed to define what "complete" means to them. If, by that, they mean that all Public Works equipment should be maintained by General Services at all times, they are incorrect. That would not be cost effective or feasible. The Board understood this when they endorsed the agenda item in Appendix B that stated, in part "It is anticipated that the majority of the construction equipment repairs, as well as most major repairs to the sedans and pickup trucks, will be outsourced to private shops, and the routine servicing and minor repairs will be done in the General Services shop."

It is clear that this memorandum of understanding is an integral part of the Board of Supervisors' intent for this new process to maintain Public Works equipment, as expressed in the agenda item that was referenced by the Grand Jury in Appendix B of their report.

Finding 2: The Grand Jury was given conflicting reports from each department about the actual savings to the departments after they had been combined.

Reply:

The Public Works Department disagrees with this finding.

The Public Works Department disagrees with this finding, on the basis that the Department did not submit any cost related reports to the Grand Jury. Our department recently learned of some cost related information submitted to the Grand Jury by an individual who is employed by the department and was interviewed by the Grand Jury. This information was not prepared by the Finance Division of Public Works Department, nor was it reviewed and submitted by the Public Works Director. Therefore, the Grand Jury is incorrect in stating that this information came from the Public Works Department. Additionally, no related information generated by the General Services Department has been shared with us by the Grand Jury.

If the County Auditor/Controller believes this issue is worth spending the time and expense to audit the costs of maintenance by the General Services Garage, we would cooperate with the Auditor during the course of that audit.

RECOMMENDATIONS

Recommendation 1: The Board of Supervisors should invalidate the Memorandum of Understanding. (Finding 1)

The Public Works Department will not implement this recommendation, nor will it recommend that the Board of Supervisors do so.

Our department does not support this recommendation because it is not warranted, nor reasonable, and would impair the ability of the Department to meet its legally mandated responsibility to effectively maintain and operate its equipment. One of the primary functions of the Public Works Department is to operate and maintain the County

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Maintained Road System. This road system includes over 1300 miles of highway, and serves as the primary transportation link and essential property access for the majority of San Luis Obispo County. The great majority of the equipment that comprises the Public Works Department fleet and is serviced by the Department of General Services is critical to the Public Works Department's ability to perform this essential function. State Law and County Code give the responsibility for maintaining the County Road system, and for the assignment and management of equipment used for County road work, to the Director of Public Works and Transportation.

The primary function of the County Garage is to service the various types of vehicles owned and used by the County. Before the consolidation of the Public Works Equipment Shop and the General Services Garage, all of the vehicles serviced by General Services were the property of the General Fund and other related budget units, and were administered through the General Services Department. However, the Public Works equipment fleet is comprised of property owned by the Road Fund and Special Districts, not the County General Fund. These funds are administered by the Public Works Department, and the accounting for them must be kept separate and distinct from the General Fund. Accordingly, the business relationship of the Departments of Public Works and General Services is that of a customer and a service provider. As such, and like in private business, a service agreement is advisable for this working relationship to be conducted effectively. The intradepartmental Memorandum of Understanding serves as such a service agreement.

To prevent possible misunderstandings that could result in the loss of important safety related services provided by our department with this equipment, the MOU clearly lists the many maintenance related services that remain the responsibility of the Public Works Department. Those include the following:

- Daily operator checks of the equipment before its use on the job sites.
- Minor maintenance performed by the operators in the road yards.
- Approval of the scope of services and repairs to the Public Works equipment.
- Approval of modifications, conversions and addition of accessories to the Public Works equipment.
- Tracking and coordinating required, annual OSHA crane and aerial device inspections of Public Works equipment by certified inspectors.
- Road service needed for Public Works equipment.
- Occasionally arranging for service by private, non General Services Department, vendors when appropriate and warranted.
- Arranging for, and funding, the replacement of Public Works equipment, as needed.
- Transporting equipment to and from the General Services' garage.

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The grand Jury report makes no mention of these important, and necessary, equipment related services that continue to be provided by Public Works employees.

In addition to providing the necessary clarification regarding responsibilities for the above ongoing services by Public Works, the MOU serves another very important purpose - - it outlines a clearly documented and understood process for dispute resolution between the service provider and the customer. Again, this is a practice used by many private organizations and has proven to be of value in resolving shop service issues between the two departments.

The Grand Jury attempted to make the case that, if there was no interdepartmental MOU, the General Services Shop personnel would be able to make all decisions regarding the repair and maintenance of all Public Works vehicles and, somehow, that would lead to more cost effective provision of all related county services. That conclusion is not valid, as the Grand Jury has no knowledge of, nor did they mention and attempt to factor in, any of the issues relating to the Public Works Department's need to provide effective and timely roads related service - - often in times of emergencies, or when other significant cost of service issues are involved in the projects being carried out with the needed equipment. At times, these types of important factors dictate when, where and how the Public Works equipment should be serviced.

File: CF 270.190.01 Dept/Grand Jury

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COUNTY OF SAN LUIS OBISPO

Department of general services

COUNTY GOVERNMENT CENTER • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5200
DUANE P. LEIB, DIRECTOR

TO: NIKKI SCHMIDT, ADMINISTRATIVE ANALYST
FROM: ^{DR} DUANE P. LEIB, GENERAL SERVICES DIRECTOR
DATE: JULY 5, 2006
SUBJECT: RESPONSE TO GRAND JURY REPORT ON THE SAN LUIS OBISPO COUNTY FLEET GARAGE

As requested, the following is my response to the latest Grand Jury report on Fleet Services:

Finding #1: "The Memorandum of Understanding between the departments of General Services and Public Works prevents complete implementation of the Board of Supervisors directive."

Response: The Department of General Services agrees. Although the Memorandum of Understanding may be seen as beneficial to the Department of Public Works, it is seen as problematic by the Department of General Services. The Fleet Services division of the Department of General Services maintains every county department's vehicles. No other county department has an MOU, nor is one needed. This includes the public safety vehicles which are the highest priority in the Fleet. The idea of an MOU with DPW was born out of fear of the unknown at the commencement of services to DPW as to how their fleet would be maintained and whether the service level would meet their needs. Since several years have passed and the arrangement has shown itself to be very successful for the county, there is no further need for an MOU. The MOU allows DPW complete control over the choice to have their vehicles serviced by the county or outside vendors. This control should be centralized within Fleet Services as it is for other county departments.

Finding #2: "The Grand Jury was given conflicting reports from each department about the actual savings to the departments after they had been combined."

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Nikki Schmidt
July 6, 2006
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Response: There is no dispute that a savings to the county exists from the consolidation of services. What is at dispute is the amount of the savings. It appears that the Department of General Services has estimated on the "high" side and the Department of Public Works has estimated on the "low" side. Both positions probably represent each department's political view of the success of the consolidation. The Department of General Services recently forwarded financial savings info to the Auditor/Controller for his review. It is our understanding the Auditor will review info from both departments and offer an opinion.

Recommendation #1: "The Board of Supervisors should invalidate the Memorandum of Understanding. (Finding 1)."

Response: The Department of General Services concurs with this recommendation.

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County of San Luis Obispo
Office of the Auditor-Controller
 1055 Monterey Street Room D220
 San Luis Obispo, California 93408
 (805) 781-5040 FAX (805) 781-1220



GERE W. SIBBACH, CPA
BILL ESTRADA, Assistant
JAMES ERB, CPA, Deputy
LYDIA CORR, CPA, Deputy

TO: HONORABLE ROGER PIQUET, SLO COUNTY SUPERIOR COURT
 FROM: GERE SIBBACH, AUDITOR-CONTROLLER *Gere*
 DATE: JULY 5, 2006
 SUBJECT: RESPONSE TO GRAND JURY REPORT ENTITLED "SLO COUNTY FLEET GARAGE"

The grand jury's report requires response from the County Auditor to Finding 2 and Recommendation 2.

Finding 2: The Grand Jury was given conflicting reports from each department about the actual savings to the departments after they combined.

Response: The Auditor partially disagrees with this finding.

We requested information from both departments about the reports given to the grand jury regarding actual cost savings. We found that neither department had developed comprehensive accounting data about this matter, but had apparently provided only sketchy written or verbal information to the grand jury, and that this information seemed to conflict. However, after digging deeper into the representations made to the grand jury, we found that the information is not necessarily in conflict.

The Public Works Department (DPW) tracked their actual equipment fleet costs for about two years after the consolidation and reported that their costs had increased both years. This could result from inflationary increases in labor and materials, heavier utilization, or more extensive repairs during those years. DPW provided no analysis of those possible factors.

General Services (DOGS) noted that they had reduced the overall staffing for the combined two garages by two positions and reduced some parts inventory. In the view of DOGS, this must have saved money over what it would have been without the combination of the maintenance operations. They did not consider pay increases granted to maintenance staff nor inflation in other labor and material cost categories.

On further examination it became clear that the two departments were looking at the issue from different standpoints. While DOGS contends that they reduced costs on an overall basis from they would have been, that does not mean that costs were reduced countywide on an absolute basis, nor does it mean that the maintenance costs levels experienced by DPW were reduced. Perhaps more of the savings flowed to the Sheriff, Department of Social Services, or other departments relying on the fleet maintenance service. DPW reported that their maintenance costs went up, but did not examine what their costs might have been without consolidation.

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Honorable Roger Piquet
July 7, 2006
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Recommendation 2: The County Auditor should conduct an operational audit of the combined maintenance operations to determine if, and to what extent, overall costs have been reduced since consolidation of the two garages.

The Auditor will not implement this recommendation.

The Auditor has already performed a limited review (see response to Finding 2) and determined that the two departments' representations about cost savings are not necessarily in conflict. We also found that accounting records for the combined fleet garage over the years since consolidation are designed to report what costs *actually were*, and not what they *might have been* without consolidation.

Therefore, compliance with the grand jury's recommendation would require that the Auditor make judgments about what *might have been*. These judgments would be open to question by any interested party. Perhaps more importantly, we believe the question to be moot. The grand jury's narrative includes the following statement "*Our investigation revealed that the consolidated fleet garage on Kansas Avenue is performing satisfactorily...*" and so the grand jury has not suggested that the consolidation decision be reversed. Therefore, it does not appear that any additional auditing procedures are warranted at this time.

Cc: County Administrative Officer

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