



**ADMINISTRATIVE SERVICES DEPARTMENT**

8820 Elk Grove Blvd., Suite 1  
Elk Grove, CA 95624

(916) 405-7150  
Fax (916) 685-5216  
www.yourcsd.com

September 20, 2010

Honorable Steve White, Presiding Judge  
Sacramento Superior Court  
720 Ninth Street, Department 47  
Sacramento, CA 95814

Your Honor,

The purpose of this letter is to respond to the 2010 Sacramento Grand Jury Survey of Independent Special Districts Report that was received by the Cosumnes Community Services District (District) on June 17, 2010.

**RESPONSES:**

Per your request, following are the District's responses to the specific findings and recommendations contained in the 2010 Sacramento County Grand Jury Survey of Independent Special Districts Report.

**Finding 1.0** ISD directors perform valuable service at minimal cost. However, this survey reveals inconsistent behaviors regarding compliance with sound management practices.

**Recommendation 1.1** Directors should review their by-laws every four years to assure compliance with applicable laws, ethical practices and appropriate behavior.

**Response:** The District concurs with the Grand Jury findings. The by-laws of the Cosumnes CSD were last amended on February 6, 2007.

**Recommendation 1.2** Directors should limit compensation to reasonable meeting stipends and necessary costs of professional activities. All ISD boards should ensure that their compensation practices conform to principles in Section 5.1 of this report.

**Response:** The District concurs with the Grand Jury findings and follows these recommendations.

**Recommendation 1.3** Directors should limit the use of consent calendars according to the principles in section 5.1 of this report.

*Response:* The District concurs with the Grand Jury findings.

**Finding 2.0** Some ISDs grant monetary awards for education and training; many have inadequate evaluation of employee's degrees and certificates.

**Recommendation 2.1** All ISDs should encourage education and training, but should not make direct monetary (cash) awards for educational achievement.

*Response:* The District does not concur with the Grand Jury findings. Educational incentives are a component of the overall compensation package for the District's Local 522 members. This compensation package is competitive with the surrounding jurisdictions.

**Recommendation 2.2** All ISDs should recognize educational degrees and certificates only if they meet criteria listed in Section 5.3.1.

*Response:* The District concurs with the Grand Jury findings and follows the guidelines.

**Finding 3.0** ISD pension awards and Other Post Employment Benefits (OPEB) have increased markedly in the last decade. Some of these awards are unfair and unsustainable.

**Recommendation 3.1** All ISDs should adopt pension and OPEB plans that are fair, affordable and sustainable.

*Response:* The District concurs with the Grand Jury findings and follows this recommendation.

**Recommendation 3.2** To minimize unfair pension boosting, all ISDs should ensure that calculations of employees base pension awards are on actual base salary earnings over their highest 36 months of earnings and urge CalPERS to promote this standard.

*Response:* The District does not concur with the Grand Jury findings. The District's total compensation package, including benefits, is competitive with surrounding jurisdictions. The Cosumnes CSD does not participate in pension boosting as all pension calculations are based on the employee's actual base salary earnings.

**Recommendation 3.3** All ISD pension/OPEB changes should be made only after analysis and full disclosure to all parties of the fiscal ramifications.

**Response:** The District concurs with the Grand Jury findings and follows this recommendation.

**Recommendation 3.4** All ISD pension/OPEB benefits should have an employee contribution component.

**Response:** The District's pension plan includes either an 8% or 9% employee contribution component. Per Board resolution, the District pays the entire employee contribution. The employer pick up of this amount is included within the District's total compensation package. This compensation package is competitive with surrounding jurisdictions.

District OPEB benefits for current employees include an employee contribution component through copayments and deductibles. The District is researching establishing a second tier of OPEB benefits for new employees that would include more stringent vesting rights and employee contributions.

**Finding 4.0** The majority of ISDs surveyed in this study are neglecting their fiduciary responsibility to taxpayers and ratepayers by excessive use of no-bid purchasing.

**Recommendation 4.1** Every ISD in Sacramento County should establish and adhere to a goal of minimizing no-bid purchasing. Essentially all purchases except utilities and emergency construction should be by contracts awarded to the lowest responsive responsible bidders.

**Response:** The District generally concurs with the Grand Jury findings. Current District procurement guidelines require three verbal or written quotes for purchases that are made between \$2,500 and \$5,000; a minimum of three written bids for purchases greater than \$5,000 and formal bids for construction projects greater than \$25,000. The District believes that it would be an inefficient use of District resources to obtain verbal or written quotes on purchases less than \$2,500.

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**Finding 5.0** ISDs have not consistently conducted and reported required Independent Financial Audit Reports and management audits.

**Recommendation 5.1** All ISDs must complete and file the required annual Independent Financial Audit.

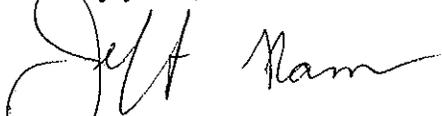
*Response:* The District concurs with the Grand Jury findings. The District hires an independent auditor to perform the annual required audit of the District's financial statements. The District's Comprehensive Annual Financial Report (CAFR) is submitted to the State Controller's Office (along with the required Special Districts Financial Transactions Report) and Sacramento County annually.

**Recommendation 5.2** All ISDs should commission a thorough periodic management audit. These audits should be completed by a multi-disciplinary team qualified to examine a district's management practices. This audit should be done in fiscal year 2011, and every four years thereafter.

*Response:* The District generally concurs with the Grand Jury findings. However, with the current economic situation facing special districts throughout Sacramento County and the significant expense of a management audit, undertaking this endeavor would be difficult to justify.

Should you have any questions, please do not hesitate to contact me.

Truly yours,



Jeff Ramos  
General Manager

cc: Cosumnes CSD Board of Directors