



**CITRUS  
HEIGHTS  
WATER  
DISTRICT**

6230 Sylvan Road  
P.O. Box 286  
Citrus Heights  
California  
95611-0286

*phone*  
916/ 725-6873  
*fax*  
916/ 725-0345  
*website*  
[www.chwd.org](http://www.chwd.org)

September 29, 2010

The Honorable Steve White  
Presiding Judge of the Sacramento Superior Court  
Sacramento County Grand Jury  
720 9<sup>th</sup> Street, Department 47  
Sacramento, CA 95814

Re: Response to 2009-2010 Sacramento County Grand Jury  
Survey of Independent Special Districts

Dear Judge White:

Enclosed as requested by the Sacramento County Grand Jury are Citrus Heights Water District's responses to Findings 1 through 5 and associated recommendations regarding the Survey of Independent Special Districts.

Sincerely,

Robert A. Churchill  
General Manager

cc: Becky Casteneda, Coordinator: Sacramento County Grand Jury  
[castanb@saccourt.com](mailto:castanb@saccourt.com)  
CHWD Board of Directors  
Judith K. Albietz, Legal Counsel: Albietz Law Firm

*Board of Directors*  
**Allen B. Dains**  
**Joseph M. Dion**  
**Charles T. Rose**

*General Manager/  
Secretary*  
**Robert A. Churchill**

*Assistant General  
Manager/Treasurer*  
**David B. Kane**

*Assessor/Collector*  
**Nancy E. Alaniz**

**CITRUS HEIGHTS WATER DISTRICT  
RESPONSE TO FINDINGS AND RECOMMENDATIONS  
TO  
2009-2010 SACRAMENTO COUNTY GRAND JURY  
REGARDING  
SURVEY OF INDEPENDENT SPECIAL DISTRICTS (ISDs)**

**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.

**CHWD Response:** Agree

CHWD Board of Directors and Officers Policy Series 2000 and Board of Directors Meetings Policy Series 3000 include requirements regarding standards of conduct and ethical behavior. These policies are reviewed and amended as necessary periodically.

Management will recommend that these policies be amended to provide for review at an interval not to exceed four years.

**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 the principles in Section 5.1 of this report.

**CHWD Response:** Agree

Directors Meeting Compensation (Account No. 54110) and Directors Continued Education Expenses (Account No. 56830) are separately detailed in the District's Operating Budget that is reviewed and adopted in a public process. Additionally, the District's monthly regular meeting agenda includes a year-to-date summary of Director's training, seminars and conference attendance and expenses.

The Board of Directors annually reviews their meeting compensation during Open Session at a Regular Meeting. A change in the compensation of Directors is performed by District Ordinance. The current compensation rate, that was effective in March 2008, is \$145.00 per meeting day.

CHWD Compensation and Reimbursement for Directors and Officers Policy No. 2040 requires Directors to submit a monthly "Statement of Meetings Attended & Claim for Directors Compensation".

CHWD Educational and Training Functions Policy No. 2060 details expense criteria including written documentation and reconciliation utilizing the District's "Conference/Meeting expense Reconciliation" form. Spouse/Companion expenses are not permitted as a District expense pursuant to said policy.

CHWD Directors are subject to and comply with the requirements of the Fair Political Practices Commission including the filing of FPPC Form 700.

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

**CHWD Response:** Agree

CHWD Board of Directors Meeting Agenda Policy No. 3010 specifically categorizes consent calendar items to include minutes of previous board meetings, the monthly Assessor/Collector's report and cancellation/refund letter, the monthly Treasurer's report, monthly bills to be paid and other items of a routine or non-controversial nature.

Routine or non-controversial items typically include:

- A monthly summary of credit card purchases by individuals including type and amount of purchase
- A monthly year-to-date summary of Directors, officers and employees training, seminars and conference attendance and expenses
- Claims for property damage
- Annual transfer of monies between District funds and reserves
- Accepting, quitclaiming and granting of easements
- Concurring nominations for a joint powers authority
- Holiday Schedule

Consent calendar items are documented on the agenda and detailed in the agenda packet which is available for review at the District administrative office beginning the day that the agenda and supporting documentation is provided to the Directors.

Discussion and action regarding Directors' meeting fees, the general manager's salary compensation and the District's salary schedule are part of the District's regular Open Session business agenda separate from the consent calendar.

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

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

**CHWD Response:** Agree

CHWD Education Assistance Program Policy No. 4410 encourages employees to participate in educational and training programs. The District provides financial assistance for off-duty education in the form of reimbursement for actual documented expenses up to specified dollar limits and only after completion of a study course with a minimum final grade of a "C" or equivalent. Direct economic rewards such as bonuses or one-time cash payments for educational achievement are not provided.

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

**CHWD Response:** Agree

CHWD Education Assistance Program Policy No. 4410 does not currently reference accreditation of degree issuing institutions or state approval of private postsecondary institutions.

Management will recommend that said Policy be amended to reference accreditation by the U.S. Department of Education, Office of Postsecondary Education (OPE) and the California Bureau for Private Postsecondary Education (BPPE).

CHWD Education Assistance Program Policy No. 4410 recognizes Certification as a Water System Operator and Water Treatment Operator issued by the State of California Department of Public Health.

**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.

**CHWD Response:** Agree

A pension plan for CHWD employees is provided through the California Public Employee Retirement System. CHWD's CalPERS plan with a 2% at 55 (highest 12 months) retirement benefit formula was adopted in February 2001.

Management will recommend that the Board of Directors evaluate providing a CalPERS plan with a 2% at 55 (highest 36 months) retirement benefit formula for new hires.

CHWD Insurance Benefits for Retirees Policy No. 4831 provides OPEB benefits for retirees with a minimum length of service of 20 years. Four retirees and one surviving spouse currently receive this benefit and nine current employees meet the minimum 20-year qualifying requirement.

The District's current financial participation under this Policy is dependent upon the length of employment with the District as follows:

<u>Length of Employment</u>	<u>Maximum Monthly District Participation</u>
20.00 years	\$287.00
25.00 years	\$323.00
30.00 years	\$359.00

The District has in place an Employment Related Benefits Reserve to fund this benefit.

**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.

**CHWD Response:** Neutral

CHWD concurs that spiking of base salary earnings over a year or multiple of years prior to retirement in order to achieve a higher pension is not proper.

Spiking of compensation, whether within the highest 12 months or highest 36 months of base earnings, in order to unfairly boost a retiree's pension has not occurred at CHWD and is not likely to occur due to the compensation setting practices of the District.

A historical accounting of salary adjustments attributed to CHWD's most recent six retirees for the three years prior to their retirement shows that the average salary increase per retiree (cost-of-living adjustments plus merit adjustments) over the three years prior to retirement was 2.79% annually and over the final year prior to retirement was 0.38%. Clearly, this level of adjustment at CHWD does not suggest a practice of increasing final years' salaries to boost pensions.

CHWD conducts a salary survey at a maximum of every three years to assure or reaffirm that District base salaries and benefits are competitive within the Sacramento region. The upper end of salary ranges are pegged to the 75<sup>th</sup> percentile of the region for all positions including executive management. Unless there were to be a significant increase in

comparative salaries regionally, it would then be very unlikely for the Board of Directors to adopt (in Open Session at a Regular Meeting) a spiking of salary ranges that would lead to a pension boost for retirees.

District personnel are not classified as public safety employees and, as unrepresented workers, salaries and benefits are not subject to contract negotiations.

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

**CHWD Response:** Agree

All CHWD pension and OPEB policies and changes to these policies have been made by action of the Board of Directors in Open Session following analysis and full disclosure to all parties of the fiscal ramifications.

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

**CHWD Response:** Neutral

The District's CalPERS Retirement Plan has an employee contribution component of 7%. The District pays the entire employee amount per CHWD Public Employees' Retirement System Policy No. 4820. Pick-up of the employee's contribution is typical of those agencies in the region with which the District benchmarks its salaries and benefits.

CHWD Health Insurance Policy No. 4210 sets the upper limit on the District's contribution for employee healthcare. The maximum monthly District participation for employee health insurance premiums is typically reviewed annually by the Board of Directors. When the premium cost exceeds the limit, the employee contributes the difference.

Inasmuch as the District's OPEB benefits, specifically retiree healthcare, begin to vest only after 20 years of service, requiring all employees to contribute to this benefit is not practical or equitable. As noted in the above response to Recommendation 3.1, the District sets upper limits on the agency's contribution for employee retiree healthcare. When the District's contribution exceeds the limit, the employee pays the difference.

**Finding 4.0** The majority of the 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.

**CHWD Response:** Agree, with qualifications

CHWD Purchasing and Procurement Policy No. 6500 outlines purchasing objectives, levels and procedures for general purchases, consultant services, public works projects, petty cash purchases, emergency purchases and single source purchases with a goal to acquire the best value and competitive pricing from various suppliers, contractors and consultants.

Requiring all purchases except utilities and emergency construction to be awarded to the lowest responsive responsible bidders can be problematic and not cost-effective with respect to small general and petty cash purchases and the personnel time necessary to solicit prices. Such a requirement also can pose issues with selection of qualification-based professional service providers (engineers, architects, management consultants, legal counsel, etc.)

**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.

**CHWD Response:** Agree

CHWD conducts an Independent Financial Audit annually and files copies with the State Controller's Office and the County of Sacramento Auditor-Controller's Office. Copies of the annual audit are also made available on CHWD's website.

**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.

**CHWD Response:** Agree, with qualifications

CHWD supports the concept of retaining outside consultants to provide expertise to supplement that of District personnel. To that end, the District commissioned the following two plans with direct bearing on the District's management practices:

- Human Resources Master Plan (2000, EMA Services, \$60,000)
- Technology Improvements Master Plan (2001, Westin Engineering, \$89,067)

These important endeavors come at a significant cost for consulting services and with a corresponding similar commitment of District employee resources. In these economic times, coupled with the intent to minimize rate increases to our customers, the District is facing choices of where to commit its financial resources and has deferred several capital infrastructure replacement projects. Continuing to defer needed improvements in favor of a management audit in 2011 is not likely.

Management will recommend that the Board of Directors consider budgeting to retain a consulting firm to perform a management audit in the future as fiscal resources and needs permit.