

**Fair Oaks Water District Response  
To the Findings and Recommendations  
From the Survey of Independent Special Districts  
By The Sacramento County Grand Jury  
(September 20, 2010)**

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**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.

**FOWD Response:** *FOWD currently complies with this recommendation.*

*Directors at FOWD are required to complete ethics training. In addition, the District policies are updated as required to meet changes in the law or issues at the District. The District does not wait any set period to make changes that are required to ensure positive and ethical leadership at the District. Updates to District policies are reviewed by the current General Counsel for the District.*

**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.

**FOWD Response:** *FOWD currently complies with this recommendation.*

*FOWD Policy No. 2040 is titled Compensation for Directors. The policy reads as follows:*

- *Each member of the Board of Directors shall be entitled to receive compensation in the amount of \$100.00 per day for each day's attendance at agendized meetings of the Board as defined in the Brown Act or at agendized meetings of other organizations where the Board sends or provides an official representative. Compensation for meetings shall not exceed a total of ten (10) days in any calendar month.*

- *Compensation shall be limited to one meeting per day, regardless of the actual number of meetings attended on the particular day.*
- *The amount of compensation each Director shall be entitled to receive shall remain in effect until amended by ordinance by the Board of Directors.*

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

**FOWD Response:** *FOWD currently complies with this recommendation.*

*FOWD Policy No. 3010 Section 8.2 specifically outlines items that can be included in the consent calendar of any Board Agenda. Any specific consent item may be removed or questioned unilaterally by any Director. In addition, any member of the public may request that additional information be provided on any consent item.*

*FOWD provides a written report on all directors monthly and year-to-date expenses at each regular Board of Directors meeting. These written summaries of Board expenses are also made available on the FOWD website for 2007, 2008, and 2009.*

**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.

**FOWD Response:** *FOWD is currently in substantial compliance with this recommendation and does not plan to make any changes based on the recommendation. FOWD does provide a limited financial incentive for obtaining certificates required to operate a water system in the State of California. This program, titled "Certificate Incentive Program", is included in Chapter 3 of the FOWD employee Handbook. FOWD does not provide direct financial incentive for obtaining any other diplomas, degrees, or certificates.*

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

**FOWD Response:** *FOWD currently complies with this recommendation.*

*Many positions at the FOWD have specific employment requirements that may include educational degrees and certificates. These requirements are clearly listed in the job description for all positions at the FOWD. All FOWD job descriptions can be found on the FOWD website, along with pay ranges for every FOWD job classification including the General Manager.*

*Since 2004 FOWD has a record of enforcing the minimum requirements for working at the District, which includes litigation against two former senior managers for the misuse of \$1,200 in public money to buy bachelor's degrees from an online diploma mill.*

**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.

**FOWD Response:** *FOWD currently complies with this recommendation.*

*FOWD currently participates in the PERS retirement program at the industry standard level of 2% @ 55 based on the average of the three highest paid years. FOWD does not provide any other post-employment benefits at this time.*

**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.

**FOWD Response:** *FOWD currently complies with this recommendation.*

*Please see response to recommendation 3.1.*

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

**FOWD Response:** *FOWD currently complies with this recommendation.*

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

**FOWD Response:** *FOWD is currently in substantial compliance with this recommendation and does not plan to make any changes based on the*

*recommendation. FOWD pays the full cost of employee contributions to PERS, but does not provide any other post-employment benefits. FOWD leadership believes that this is a fair "trade-off" for both the employees and the District ratepayers.*

**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.

**FOWD Response:** *FOWD currently complies with this recommendation.*

*FOWD Policy No. 5110 is titled "Procurement". The purpose of this policy is to provide FOWD with general guidelines to manage the procurement, lease and rental of equipment, supplies and services from outside suppliers. District employees are required to implement a competitive bidding program which is in the best interests of the FOWD ratepayers. The District includes professional consultant selection in the competitive selection program.*

- *FOWD has a contract for professional legal services. The award of this contract was made by competitive process. All attorneys providing services under this contract complete an FPPC Form 700 and provide a written copy to FOWD.*
- *FOWD has a contract for financial audit services. The award of this contract was made by competitive process. The principle members of the team providing services under this contract complete an FPPC Form 700 and provide a written copy to FOWD.*
- *FOWD does not have any contracts for professional services with a firm that has ownership interest with a family member of any current FOWD Director or employee. Since 2004, FOWD has never had a contract of this type.*

**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.

**FOWD Response:** *FOWD currently complies with this recommendation.*

*FOWD completes an annual Independent Financial Audit and presents the results at a public meeting every year. In addition, a copy of the audited Comprehensive Annual Financial Report is sent to the County of Sacramento Chief of Audits and the Office of the State Controller every year.*

*FOWD annual financial reporting has been recognized and awarded by the Government Financial Officers Association every year since 2004. Current and historic Audited Comprehensive Annual Reports are available on the District'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.

**FOWD Response:** *FOWD is currently in substantial compliance with this recommendation and does not plan to make any changes based on the recommendation. The FOWD Board Personnel Committee completes management performance report annually. This process includes staff interviews of District personnel from all levels by Board members and concludes with a written report presented to the full Board.*

**Finding 6.0** Sacramento County Local Agency Formation Commission (SacLAFCo) is responsible for oversight of government agency functions and performance, and for all changes of agency boundaries and functions. SacLAFCo has not completed the state mandated Municipal Service Reviews for the majority of ISDs in Sacramento County. If special district malperformance is identified, SacLAFCo is often the last best hope for corrective action when ISDs fail to perform.

**Recommendation 6.1** SacLAFCo must conduct, and review as necessary, the state mandated Municipal Service Reviews for every ISD.

**FOWD Response:** *SacLAFCO has recently scheduled a Municipal Service Review of FOWD. FOWD staff is fully cooperating with the MSR process.*

**Recommendation 6.2** SacLAFCo must evaluate, and forthrightly judge, the performance of every ISD. When needed, it should initiate reorganization (consolidation, dissolution, or annexation) proceedings to assure protection of public health, safety, and welfare.

**FOWD Response:** *FOWD endorses protection of public health, safety, and welfare.*

**Recommendation 6.3** Local agency information on SacLAFCo's web site should be improved by including documents or links on ISD budgets, required financial reports and audits, utility rate schedules, current regulatory citations and compliance orders, enabling laws, and director rosters.

**FOWD Response:** *FOWD leadership endorses full public disclosure of all public information that does not compromise employee or public safety.*

Please contact me at 916-967-5723 if you have questions, comments, or require additional information.

Submitted by:

Tom R. Gray



General Manager  
Fair Oaks Water District

