

August 18, 2010

Hon. Steve White, Presiding Judge
720 9th Street, Dept. 47
Sacramento, Ca. 95814

Dear Sir:

This letter is in response to the Survey of Independent Districts, prepared and approved by the grand jury. The North Highlands Recreation and Park District is a small independent special district serving the residents of North Highlands since 1955. Below are the responses to the Findings and Recommendations found in the grand jury 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 - The attorney for the District automatically notifies the District of new applicable laws. The new policy is then prepared by the Administrator and presented to the Board of Directors, for approval, at their next regular meeting.

New laws and procedures concerning ethical practices and appropriate behavior are done on a continuing basis as the need arises.

Recommendation 1.2 - The board members compensation is limited to \$100 per regular or special board meeting, and \$50 for committee meetings, not to exceed \$300 per director, per month. The North Highlands Recreation and Park District does conform to Section 5.1 of the grand jury report.

Recommendation 1.3 - The North Highlands Recreation and Park District does not include any consent items on any of their board meeting Agendas. The District does comply with the principals in section 5.1 of the grand jury report.

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

Recommendation 2.1 - The Board encourages continued employment by educational courses, workshops, and institutes in which the District will benefit. Attendance during the workday or portion thereof must not interfere with the normal operation of the District.

Recommendation 2.2 - The District does not offer monetary rewards to district employees for obtaining educational degrees and certificates.

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 - The District offers only a 457 Deferred Compensation Plan, and pays 6% of each full-time employee's annual salary. The employee has the option to contribute to the Plan, it is not required. The benefit does not begin until the employee has worked for six (6) months. It takes two years for the employee to be vested. If the employee leaves before the two years are up, the money is credited back to the District.

Recommendation 3.2 - The 457 Plan is not based on actual base salary earnings over their highest 36 month period. Recommendation 3.1 above, outlines the rules regarding the District's pension benefit.

Recommendation 3.3 - There are no other pension/OPEB benefits upon retirement from the District

Recommendation 3.4 - Each full time employee is provided with health and dental care paid for by the District. The employee has the option of insuring their dependents, at their expense.

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 - The District policy for Purchasing is as follows for Procurement of Services not associated with the Uniform Cost Accounting Act.

1. When procuring goods that cost less than \$1,000 price competition is not required.
2. When procuring goods that cost more than \$1,000 but less than \$5,000 price competition will be secured by obtaining at least three (3) written or oral quotations. Staff will be allowed to purchase with two (2) signatures

anything up to \$5000. Anything over \$5000 must be brought to the Board.

3. When purchasing goods that cost more than \$5,000, price competition will be obtained by formal bidding. Notice inviting bids shall be published in a newspaper of general circulation within the District at least one week before the time specified by the District Board of Directors for receiving bids. Upon receiving such bids, the District Board may 1) accept a bid; 2) reject all bids and re-advertise; or 3) by a four/fifths (4/5) vote, elect to purchase the materials or supplies in the open market if a better price can be obtained.

4. If an emergency occurs, the Districts's administrative officer may make the purchase without seeking a competitive price. An emergency shall be deemed to exist when unforeseen circumstances arise in which an immediate purchase is necessary in order to avoid a substantial hazard to life or property or a serious interruption in the operation of the District.

5. Patented or proprietary items: When the District requires suppliers, materials, or equipment which are produced only by one manufacturer, the District Administrator may specify such a manufacturer's make or brand in the invitation to bid and shall seek competitive bids from responsible bidders. If the manufacturer or his representative is the sole responsible bidder or sole source of supply, the Administrator may negotiate an open market order or contract with the manufacturer or his representative at prices and on terms most advantageous to the District.

When the District requires supplies, materials, or equipment which are patented or proprietary and which are obtainable in two or more equally satisfactory and competitive makes, brands, or types, the office may list such acceptable and competitive makes, brands, or types, in the invitation to bid. Such lists shall also include the phrase "or approved equivalent" to permit bidders to bid on alternative or additional makes, brands, or types. It shall be incumbent on each bidder to prove to the satisfaction of the Administrator that the alternate or additional make, brand, or type which it offers is equal in quality or performance to those listed in the invitation to bid.

Procurement Guidelines for New Construction and Repairs - (Uniform Public Construction Cost Accounting Act): For all construction related projects, the Board of Directors have adopted the Uniform Public Construction Cost Account Act, list under the Public Contract Code Sections 22010 through 22045. This Act and the Informal Bidding Ordinance were adopted by Resolution numbers 294 and 307. For purposes of this article, only a brief description of the Act will be listed, with the understanding that the entire act has been adopted and is on file in the District Office. These policies are also adhered to by District's employees.

1. Public project of \$30,000 or less may be performed by forced account,

by negotiated contract, or by purchase order.

2. Public projects of \$125,000 or less may be let to contract by informal bidding procedures as stated within the Act.

3. Public projects of \$125,000 or more shall, except as otherwise provided within the Act, be let to contract by formal bidding procedures.

4. The District shall determine the priority of alternative project components before opening bids for the project so that, upon opening bids, the lowest bidder shall be determined immediately.

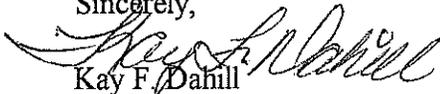
Recommendation 5.1 - All ISDs must complete and file the required annual Independent Financial Audit Reports and management audits.

1. Every year upon receipt of the State Financial Report the District contracts with the Auditor to prepare and send the Independent Financial Audit to the State.

2. This District is audited every year by a qualified Auditor. This Audit is then approved by the Board, and a copy sent to the County Auditor Controllers Office.

If there is any additional information that is required, please don't hesitate to contact me at 332-7440, or e-mail me at kay@nhrrpd.org.

Sincerely,



Kay F. Dahill
District Administrator