



RD1000

RECLAMATION
DISTRICT 1000

September 27, 20010

Honorable Steve White, Presiding Judge
720 9th Street, Department 47
Sacramento, CA 95814

Honorable Judge White;

Reclamation District No. 1000 (District) appreciates the Grand Jury's recognition of the important role of special district's in California and the vital services they provide to the public. In our case, we believe the importance of flood control in the central valley and our reliance on century old infrastructure demands there be a special district like ours whose only responsibility is operating and maintaining the flood control system protecting our community. As requested in the Sacramento County Grand Jury's report on the Survey of Independent Special Districts, Reclamation District No. 1000 offers the following responses to the Grand Jury's recommendations:

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 agrees with this recommendation and does routinely review and update its by-laws as appropriate. The District most recently reviewed its by-laws in 2008

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

Response: The District agrees with this recommendation and currently limits Trustee compensation to Board meetings and Committee meetings not to exceed three meetings per month and conforms with the principles outlined in Section 5.1 of the report.

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 does not have consent items on its agenda.

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

Response: The District does encourage education and training for its employees so they can improve in the performance of their duties. We do not provide any direct monetary (cash) incentives for educational achievements.

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

Response: The District's educational degrees and certificate requirements are very limited and in all cases meet the criteria listed in Section 5.3.1.

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

Response: The District is dealing with this issue as are many public agencies and other special districts in California. To meet our responsibility to the public and insure a fair, affordable and sustainable plan, the Board of Trustees is currently considering establishing a two-tiered retirement and OPEB system with reduced benefits for future employees.

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 now nor will it engage in "pension spiking" activities. Decisions on salary adjustments and benefits are made based on comparisons to other similar public agencies to keep the District competitive in the labor market. As noted above, the Board is currently considering amending OPEB and pension benefits for future employees and will consider the recommendation by the Grand Jury.

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 has not made any changes to its pension/OPEB benefits for a number of years. The District concurs with the recommendation that any changes to the pension/OPEB benefits should be fully analyzed and its fiscal impacts fully disclosed to the Board of Trustees and the public before a decision is made in an open public meeting. In meeting this objective, the District has contracted for actuarial studies for OPEB benefits per GASB requirements to determine its unfunded liability and guide Board policy decisions.

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

Response: The District's pension benefit does have an employee contribution. The only OPEB offered by the District is a contribution towards a retiree's health care. The District operates on a "pay as you go" basis, though it is considering joining an OPEB

trust fund such as the CalPERS fund. The District's has a cap on its health care contribution which applies both for retirees and active employees. Retirees must pay for any costs above the District's cap. An employee contribution component could be an element of the two-tiered retirement and OPEB system for future employees.

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 uses the bid process for all purchases as required by law and any other available methodologies in an effort to procure needed equipment and materials at the lowest cost to its ratepayers. However, we believe the potential savings in bidding all small purchases or small contracts should be balanced against the additional costs to administer a bid process on a case by case basis.

The District agrees with the principles guiding the Grand Jury and the tenants behind a policy to use the bidding process for purchases and projects when warranted and required by law. Small districts such as ours have a number of small purchases, projects and tasks (less than the \$25,000 threshold applicable to reclamation districts under the Public Contract Code). The cost of preparing and administering a bid process (administrative time, preparation of bid documents, legal reviews, consultant time and resolving potential bid challenges) in these circumstances would likely exceed any potential cost savings to the District. Finally some of the District's needs are of a specialized and time sensitive nature given our flood control and public safety mission. In these instances, a formal bidding process would not be possible and we believe would qualify as an "emergency" exception noted in the Grand Jury's report.

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

Response: The District agrees with the recommendation and does file its annual Independent Financial Audit as required by law on an annual basis.

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 one in fiscal year 2011, and every four years thereafter.

Response: The District concurs that a periodic review of management practices by independent sources is reasonable and appropriate for ISDs. As part of our annual financial audit, the fiscal practices of the District are reviewed by the independent auditor. In addition, the District has an elected independent Board of Trustees who provide management oversight, set annual goals and objectives for the District's General Manager and conduct an annual review of his or her performance. Within the past five

years the District has done a Total Compensation Survey by an outside consultant and revised its Employee Handbook. Finally, the District is subject to a Municipal Service Review by the Sacramento LAFCO and just had its final MSR approved by the LAFCO Board earlier in 2010.

The District commends the Grand Jury for its efforts and oversight of local governance. We appreciate the opportunity to review and respond to the report and recommendations of the Grand Jury as they relate to the Independent Special Districts in Sacramento County. If there are questions or additional information is needed, please contact me at 916-922-1449 or via email at pdevereux@rd1000.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul T. Devereux". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Paul T. Devereux, P.E.
General Manager/District Engineer