

# DEL PASO MANOR *Water District*

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August 2, 2010

Sacramento Superior Court  
ATTN: The Honorable Steve White, Presiding Judge  
720 9<sup>th</sup> Street, Department 47  
Sacramento, CA 95814

RE: Responses to Survey of Independent Special Districts

Dear Honorable Judge White:

The Del Paso Manor Water District has reviewed the Survey of Independent Special Districts report issued by the 2009-2010 Sacramento County Grand Jury. Below are the Del Paso Manor Water District's responses to the Findings 1 through 5, per your request.

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

**Grand Jury 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 periodically reviews its bylaws and will enact a formal policy to review the bylaws every four years to ensure compliance with all federal and state regulations. In order to ensure complete compliance, the District will host ethics training for its members to fulfill the requirements of AB 1234. Furthermore, the District is independently audited every year.

**Grand Jury 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.*

**Response:** The Del Paso Manor Water District Director's stipend program complies with all federal and state law. Directors are awarded stipends for attendance at the Board of Directors meetings, attendance at any required training, and/or attendance as the District's appointed representative at meetings for other water-

related organizations. Stipends for other seminars or conferences are limited. The District's per diem rate for mileage and meals is set below the Internal Revenue Services recommended level.

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

**Response:** The Del Paso Manor Water District does not utilize a consent calendar at the Board meetings. Each agenda item is listed as a separate item.

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

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

**Response:** The Del Paso Manor Water District does not monetarily award academic achievement.

**Grand Jury 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 Del Paso Manor Water District has established specific job classifications/descriptions which include particular certifications and degree requirements. The salary level corresponds to those requirements/certifications.

**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.**

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

**Response:** The Del Paso Manor Water District's pension plan is with CalPERS and The OPEB plan only includes health insurance. The Board is aware of this and believes that this is fair, affordable, and sustainable.

**Grand Jury 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:** Pension is based on the actual salary of the employee. "Pension boosting" is not allowed.

**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:** An actuarial study, reviewed and approved by the Board of Directors prior to any pension change with CalPERS is required. The last change to the pension was made in July 2001. The change was adopted during a properly noticed public meeting. OPEB changes follow the same procedure.

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

**Response:** The pension benefit plan currently in place includes an employee contribution provision. The District's health plan for retirees mirrors that of an active employee. Depending on the particular health plan offered by CalPERS, the employee may or not provide an employee contribution. Therefore, the District pays a certain amount towards the health plan and if there is a remainder, the employee/retiree 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.**

**Grand Jury 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 Del Paso Manor Water District solicits bids for all construction contracts unless an emergency precludes such. The District's small quantity supply purchases do not go through the bidding process due to the minimal costs associated with such purchases.

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

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

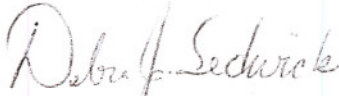
**Response:** The Del Paso Manor Water District completes and files an Independent Financial Audit annually.

**Grand Jury 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 Del Paso Manor Water District acknowledges the benefits of a periodic management audit; however, the District is concerned with the corresponding costs to the taxpayers. Some districts could benefit from such an audit. The Del Paso Manor Water District does not believe that a periodic management audit is necessary. First, the Board of Directors performs annual performance evaluations of the General Manager. The evaluations determine and measure the General's Manager's ability to set and meet goals in line with the District's mission. Second, this measures the District's need for employee training. This allows training costs to be included in the annual budget. Third, the evaluation analyzes the compensation packages/strategy of the district. Triennial reviews of the compensation and benefit packages will ensure accurate and appropriate budgeting for such expenditures. Finally, the District's budget process ensures the taxpayers are getting "there monies worth" and that resources are maximally used and allocated.

In light of this recommendation, the District will further investigate the feasibility of an independent "management audit" that addresses the concerns highlighted in 5.2.3, and if deemed through a cost benefit analysis to be worthwhile, will be implemented.

Sincerely,



Debra Sedwick  
General Manager/Board Secretary