

August 24, 2010

Hon. Steve White, Presiding Judge  
720 9<sup>th</sup> Street, Dept 47  
Sacramento, CA 95814

Re: Questionnaire response on Management and Governance Practices of  
Independent Special Districts in Sacramento County

Dear Judge White,

Below please find our District's response to the above Grand Jury Findings  
questions.

**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.

*The District Agrees and is currently in the process of doing so.*

**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.

*The District agrees and has always set a budget for the Board that  
limits the amount of spending on meetings, other expenses for  
travel and conferences (which is currently \$1,000.00 per director  
per year) and other necessary professional activities to a set  
amount per Board member per year.*

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

*The District agrees and has a written policy in place that restricts  
which items may appear on the Consent Agenda.*

**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.

*The District agrees, and in fact, does not make direct monetary awards for educational achievement.*

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

*The District agrees, and jobs that require degrees and certifications must come from accredited programs*

**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.

*The District agrees, and believes it has.*

**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.

*The District agrees. The District's current contract with CalPERS does use the highest 1 year period for calculation of employee's base pension, however, is in the process of reviewing that practice with the intention of pursuing a change in this policy for future hires. The District stipulates, however, that it has never boosted the salary of any employee in order to balloon a pension award.*

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

*The District agrees.*

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

*The District currently does not have an employee contribution component, however agrees that this is a reasonable practice and is in the process of reviewing that practice with the intention of pursuing a change in this policy for future hires. The District would like to comment, however, that many public employees receive far less than industry standard in wages, and it is only through pension/OPEB benefit plans that it is possible to retain high quality staff.*

**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.

*The District disagrees with this recommendation. The District already has written policies regarding purchases which must go through a competitive bidding process. This policy complies with public law and Generally Accepted Accounting Principles. Every single item purchased by the District is reviewed by the elected Board, and subjected to an annual independent audit for both reasonableness and compliance with law and policy. The conclusion that an item that is purchased without going through a competitive bidding process has therefore been purchased for an unnecessarily high price is flawed. The District has very limited resources and consistently seeks pricing from multiple sources for even the smallest items in order to obtain the best value. A formal bidding process can be cumbersome and counter-productive. It would take a great deal of staff time and record-keeping without bringing added value to the overall results of the work of the District.*

**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.

*The District agrees and has always filed the required annual Independent Financial Audit without fail.*

**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:

*The District disagrees with this recommendation. Multi-disciplinary management audits are extremely expensive. For a small district that complies with the above-mentioned practices of regularly reviewed policies and annual independent audits, and has very limited resources, the cost of such an expensive management audit could not possibly be justified by the changes they might recommend to streamline processes and communication; which is the normal output of such audits. Large agencies that perform multiple layers of services to their constituents can certainly benefit from a top-down review of all of their practices; however, small park districts such as ours don't have the resources necessary to benefit from this type of audit.*

Sincerely yours,

Roy Imai, General Manager  
Fulton-El Camino Recreation and Park District