



FLORIN COUNTY WATER DISTRICT

Honorable Bunmi Awoniyi
Presiding Judge Sacramento County Superior Court
720 9th Street
Sacramento, California 95814

Reference: June 6, 2024 Florin County Water District Grand Jury Report

Dear Judge Awoniyi:

On or about June 6, 2024, the Florin County Water District (herein after "the District or "FCWD") received the Grand Jury Report entitled "*Infighting and Turmoil Drown Florin County Water District.*" As required by Penal Code Section 933(b), the following constitutes the response of the Florin County Water District Board of Directors.

FINDINGS

F1 Members of the FCWD Board of Directors have limited understanding of their duties and bicker among themselves as well as with staff, resulting in mismanagement and little planning for the future. (R1, R2, R3)

Response: The FCWD Board agrees with the finding. Each member of the Board has received a copy of "The Water Board Bible - The handbook of modern water utility management" made available through the California Rural Water Association. No member of the Board has attended a formal class on the duties of the Board of Directors, however the President of the Board is scheduled to attend California Special District Association's 2024 Special District Leadership Academy San Rafael on November 3-6, 2024. Other Members of the Board will attend future sessions of this training.

In terms of planning for the future, it is true that FCWD has made limited progress. The Board on several occasions discussed contracting for support in developing a Capital Improvement Plan and a Rate Study. Some progress has been made – for example, on April 22, 2024 FCWD entered into a contract with Bartle & Wells Associates to conduct a Rate Study, and FCWD has received 3 bids to prepare a Capital Improvement Plan for the District. The Board expects to approve a contract for preparation of the Capital Improvement Plan at its September 9, 2024 regular Board meeting.

F2 FCWD management lacks professional executive experience in finance, water management, human resources, and climate change, so they are unprepared for the complexities of modern water district operations. (R4, R5, R6, R7)

Response: The FCWD Board partially disagrees with the finding. The Board is in the process of recruiting a permanent General Manager.



F3 *FCWD Board of Directors, management, and legal counsel downplay the appearance of impropriety posed by employees directly supervising close family members, which raises questions about the integrity of the district. (R8)*

Response: The FCWD Board partially disagrees with the finding. California law does not prohibit the hiring of relatives and the FCWD has no adopted policy prohibiting this. As noted in FCWD's Response to Recommendation R8, FCWD will address the hiring of relatives as part of its Employee Handbook.

F4 *The FCWD Board of Directors fails to address the problems and financial risks identified in the delayed four-year fiscal audit dated October 27, 2022, so the district remains financially vulnerable. (R9)*

Response: The FCWD Board agrees with the finding. The FCWD Board has adopted several policies regarding financial risks. However, the Board agrees that much more remains to be done.

F5 *Because the FCWD Board of Directors fails to initiate annual audits as required by law, FCWD is unable to ensure public money is accounted for and controls are in place to protect against misappropriation and misuse. (R10)*

Response: The FCWD Board partially disagrees with the finding. FCWD agrees that it needs to ensure that annual audits are conducted and to have controls in place to protect against misappropriation and misuse. Some of the necessary policies have been adopted, but more are needed. FCWD Board does, however, carefully review annual budgets and engages in an open process during the noticed Board meetings at which the budget is discussed. In addition, Board members frequently ask questions concerning specific expenditures and encourage questions from the public.

F6 *The FCWD Board of Directors' disagreement about the salary increase given by the former General Manager only to himself, the Office Manager, and Superintendent (all close family members) contributes to Board conflict and paralysis. (R11)*

Response: Three FCWD Directors agree with the finding, and two Directors partially disagree with the finding. The audit completed in 2022 could not document a specific and distinct Board action approving certain pay increases. Staff were evaluated and salary increases were given all employees, not just to the three employees mentioned. The salaries of employees have been included in the annual budget and the budgets have been annually approved by the Board for the last 8 years. In March 2024, a new compensation study was completed by Bryce Consulting and is available for the Board and General Manager to use in setting salaries.

F7 *FCWD does not provide an adequate source of information about water operations and governance because its website is rudimentary and the only regular contact with ratepayers is the monthly bill, resulting in an uninformed customer base. (R12, R13)*

Response: The FCWD Board agrees with the finding. FCWD is initiating a process for working with its webmaster (Velocity Media Lab) to enhance the FCWD website, providing vital information be provided to all interested persons. In addition, the FCWD has initiated semi-

annual newsletters to all rate payers. Two issues of this newsletter have been sent January 2024 and July 2024.

F8 *Flat revenue and growing major expenses, including water meter installation and aging infrastructure replacement, threaten FCWD's financial viability. (R14)*

Response: Three FCWD Directors partially disagree with the finding, and two Directors agree with the finding. As outlined in the response to F1, a Rate Study has been contracted for with Bartle & Wells Associates. In addition, bids have been received to prepare a Capital Improvement Plan, and the Board expects to approve the contract for development of the Capital Improvement Plan by October 31, 2024. Water meters will be installed by 2032, when it is required for this small of a district.

F9 *Without a LAFCo review, FCWD has not benefited from an outside evaluation that would address governance, service capacity, infrastructure, and efficiencies. (R15)*

Response: The FCWD Board agrees with this finding. FCWD welcomes a review by LAFCo. A letter was sent on July 18, 2024 to LAFCo requesting a review based on this finding. At its meeting of August 7, 2024, LAFCo approved conducting a Municipal Services Review (MSR) for FCWD. The LAFCo commission asked for an extension to November 2025 to complete the MSR.

RECOMMENDATIONS

R1 *FCWD Board members should adopt and ensure staff adhere to Policies and Procedures (e.g., operations, accounting, and human resources) based on the best-practice templates provided by FCWD legal counsel or those available from special district or local government associations, no later than December 31, 2024. (F1)*

Response: The recommendation has not been implemented, but will be implemented by December 31, 2024. A template of an Employee Handbook, as well as examples of a number of other policies, was provided by Kronick, Moskovitz, Tiedemann & Girard, the District's legal counsel. The Employee Handbook template has been extensively reviewed by an ad hoc committee of the Board of Directors and the general public. FCWD has approved contracting with Palmer Kazanjian Wohl Hodson LLP for legal review of the Employee Handbook before adopting. FCWD has adopted several operational policies that have been reviewed by Kronick, Moskovitz, Tiedemann & Girard to assure that they meet legal requirements. It is FCWD's intention to obtain further templates for Operational and Accounting policies

R2 *FCWD management should establish a checklist by November 30, 2024, of all state-mandated training and forms required to be completed by Board members and staff, and document the completion dates. (F1)*

Response: The recommendation has been implemented. FCWD has established a check list of all state mandated trainings required to be completed by all Board members and staff, and will document completion dates.

R3 FCWD management should maintain a list of terms of office for all current members of the FCWD Board of Directors, including start and end of terms of office for each Board Member, no later than October 31, 2024. (F1)

Response: The recommendation has been implemented. FCWD has developed a list of terms of all current Board members of the FCWD Board of Directors that reflects the start and end terms for all members.

R4 FCWD Board members and management should take advantage of membership in the California Special Districts Association and attend relevant training sessions by March 31, 2025. (F1, F2)

Response: The recommendation has been implemented in part, and additional implementation will occur by March 31, 2025. FCWD currently has memberships in CSDA (2015), CRWA (2003), and AWWA (2003). The Board President will attend the CSDA 2024 Special District Leadership Academy San Rafael on November 3-6, 2024. The remaining members of the Board will take this training in 2025. The General Manager, Field Supervisor and 2 of the Board of Directors attended the 2023 CRWA Conference.

R5 FCWD Board should adopt an employment contract for the general manager position that requires, but is not limited to: demonstrated ability in financial management and budgeting, personnel management, groundwater conservation, and water treatment operations, and the performance assessment of the Interim General Manager by October 31, 2024. (F2)

Response: The recommendation has not yet been implemented, but will be implemented by October 31, 2024. FCWD is currently recruiting to fill the General Manager position and will ensure that the individual hired for the position is qualified.

R6 FCWD management should engage with the Sacramento Central Groundwater Authority and the Regional Water Authority regarding local groundwater management projects no later than October 31, 2024. (F2)

Response: The recommendation has not yet been implemented, but will be implemented by October 31, 2024.

R7 FCWD's operating policies and procedures, including provisions to require construction plans be reviewed by a professional civil engineer, should be adopted by the Board by December 31, 2024. (F2)

Response: The recommendation requires further analysis, which will be completed by December 31, 2024. The District will look into retaining a Professional Engineer that can be on call to review plans as needed for future and existing projects.

R8 FCWD Board should establish human resource policies that address nepotism and lack of separation of duties between family members no later than December 31, 2024. (F3)

Response: The recommendation has not yet been implemented, but will be implemented by December 31, 2024. A draft Employee Handbook has been prepared and is under review, and will address the hiring of family members.

R9 FCWD Board should review the four-year audit and management report presented in October 2022 and establish an action plan to address problems no later than December 31, 2024. (F4)

Response: The recommendation has not yet been implemented, but will be implemented by December 31, 2024. A draft Action Plan has been prepared and will be presented to the Board at its September 9, 2024 regular meeting.

R10 FCWD Board should ensure that audits for Fiscal Years 2021/2022 and 2022/2023, are completed no later than December 31, 2024, and arrange that future annual audits are completed within 6 months of the end of each fiscal year. (F5)

Response: The recommendation has not yet been fully implemented, but will be implemented as quickly as possible. An auditor (Richardson's) was hired in March 2024 to do audits for fiscal years 2021/2022 & 2022/2023. The Fiscal Year 2021/2022 audit is scheduled to begin September 30, 2024.

R11 FCWD Board should require budgets include a schedule that lists by job title all actual and budgeted positions and salaries starting with Fiscal Year 2025/2026. (F6)

Response: This recommendation has not yet been fully implemented, but will be implemented in the FCWD 2024/2025 budget. FCWD budget for the last 3 years has reflected all job titles and listed budgeted positions but does not contain salary data. Salary data will be included moving forward.

R12 FCWD management should add key documents to the FCWD website by the dates below. (F7)

- *Adopted policies and procedures, by December 31, 2024. (see R1)*
- *Terms of office for current members of the FCWD Board of Directors, including start and end of terms of office for each Board Member, by October 31, 2024. (see R3)*
- *The action plan developed to address the deficiencies identified in the four-year audit and management report presented in October 2022, by December 31, 2024. (see R9)*
- *Audited Financial Statements with accompanying Management Reports, within two months of delivery to the Board. (see R10)*

Response: The recommendation has not yet been fully implemented, but will be implemented by March 31, 2025.

R13 FCWD management should update and maintain the FCWD website for ease of use by all, no later than March 31, 2025. (F7)

Response: The recommendation has not yet been fully implemented, but will be by March 31, 2025.

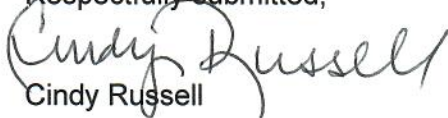
R14 FCWD Board should study the need to implement a rate increase, with the first step being the creation of a five-year capital improvement plan, no later than November 30, 2024. (F8)

Response: The recommendation has not yet been fully implemented, but will be by **March 31, 2025**. See responses to Findings F1 and F8.

R15 A Municipal Service Review should be performed by LAFCo to study and analyze information about the District's governance structure, service capacity, infrastructure, and efficiencies, by March 31, 2025. The Grand Jury also recommends that FCWD fully cooperate with LAFCo. (F9)

Response: The recommendation has not yet been implemented but will be when **approved by LAFCo**. FCWD supports a Municipal Services Review (MSR) by LAFCo and will cooperate fully with LAFCo when an MSR is initiated. LAFCo asked the Commission at its August 7, 2024 meeting for an extension to November of 2025.

Respectfully submitted,



Cindy Russell

President, Florin County Water District