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Sacramento grand jury finds fault with some special districts

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There isn't enough oversight of independent special districts and as a result many local agencies have spiked pensions for retiring employees, failed to report district finances and spent millions on no-bid contracts and goods, according to the Sacramento County Grand Jury.

The grand jury on Wednesday released the findings of its investigation into independent special districts. The jury found a troubling lack of management controls within agencies and not enough oversight from one of the only bodies that could exert some authority over such districts - the Sacramento Local Agency Formation Commission.

"They operate with little financial oversight or public scrutiny. That is because they are mostly smaller, single purpose organizations which do their important but routine jobs effectively without fanfare," according to the jury's report.

The jury's investigation consisted of a survey to the 31 districts in Sacramento County that serve at least some urbanized residents. Among the districts are the American River Flood Control District, Cordova Recreation and Park District, Sacramento Metropolitan Fire District and the Omochumne-Hartnell Water District.

The survey looked at areas such as employee pay, financial reporting and oversight.

"Most citizens know relatively little about the special districts which serve them and many take their services for granted. Not surprisingly, this relative 'invisibility' can sometimes obscure district performance or political behavior that does not meet formal requirements or public expectations," the jury wrote.

Among the findings:

-- A high percentage of directors -- 33 percent -- originally joined their respective board through appointment rather than election.

"Understandably, this raises the questions of whether director appointments are being used to avoid open and fair elections, and whether incumbents are strategically resigning their seats before elections to aid the selection of their cronies, who thereby gain incumbency and usually safe tenure," according to the report.

-- Of the 31 districts surveyed, only 18 responded that they have regularly filed mandatory annual financial audit reports. The other 13 either haven't or did not respond to the question.

"It is troubling that twenty-five of the 31 districts surveyed have not had a management audit during the past five years or did not respond to the question," according to the report.

-- Ten of the districts surveyed made at least 25 percent of their purchases without getting bids from other suppliers or contractors.

"For the five-year period of this survey, these ten districts spent more than \$200,000,000 without competitive bidding," the report found. Only five of 31 districts reported that less than 25 percent of their purchases were without competitive bidding, while 16 did not respond to the grand jury's question.

-- The jury took a sample of retirees from the districts and studied their pensions. The investigation found costs are going up. In some cases, the rise is thanks to pension boosts or spiking - practices that can drive up a worker's pension during their final years of service. About 67 percent of the districts base retiree pensions on a worker's highest 12 months of salary, which allows for end of career bumps that can increase pensions.

-- SacLAFCO has failed to complete Municipal Service Reviews every five years for each district. "(M)ost LAFCOs in the larger counties in California have completed nearly all their MSR's, while SacLAFCO has only completed about 16 out of the more than 80 MSR's required," the grand jury found.

The grand jury made a number of recommendations for the districts to improve performance. The jury said districts should update policies, minimize no-bid purchasing, regularly report finances and change pension calculations to the highest 36 months of earnings as opposed to using a 12 month calculation.

The grand jury also chastised LAFCO and recommended the commission review all area districts.

"If special district malperformance is identified, SacLAFCO is often the last best hope for corrective action when ISDs fail to perform," according to the report.

To read the full report visit www.sacgrandjury.org.

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