

Wallace Community Services District

P. O. Box 398, Wallace, Ca 95254 - 209 763-2882

Historic Wallace School House

7999 Ward Avenue, Wallace

Thursday, July 15, 2010

Regular Meeting of the Board of Directors

Meeting Notice & Agenda

7:00 PM

AGENDA

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting please contact WCSD Office at 763-2882. Notification in advance of the meeting will enable WCSD to make reasonable arrangements to ensure accessibility to this meeting. Any documents that are made available to the board, before or at the meeting, not privileged or otherwise protected from disclosure, and related to agenda items will be made available for review or purchase at \$0.15 a page.

CALL TO ORDER AND ROLL CALL

Directors; Patsy Balley, Larry Howen, Cathryn Jackson, David Reyner, and Jerry Zedlitz.

New Business

1. Report Field Activities

Teresa Tanaka, Deputy Director of Utilities will supply the Board with her written report.

2. Report General Manager

General Manager, Bill Perley, including discussion/action on repairs needed.

3. Legal invoice

Discussion/Action regarding legal invoice and contact authorization.

4. Plant/Office Repair

Discussion/Action cost analysis for repairing damage at the sewer plant, water plant, pump station, and office trailer.

5. Bulk Water Sales.

Discussion/Action regarding request from Teichert to purchase bulk water.

6. Public Comment

At this time, members of the public may address the Board on any non-agendized item. Please keep your comments brief as no action can be taken on matters not on the agenda.

7. Website

Discussion/Action regarding a website for the District to be administered by Mike Jones.

8. Adoption of Final Budget

Discussion/Action approve Resolution 2010-02 adopting FY 2011 Budget

9 Grand Jury Report

Discussion/Action regarding mailing of and response to the Grand Jury Report.

10. Sewer/Water Code

The Board will discuss possible changes to the Sewer/Water Code,

11. Committee Reports

a. Finance Committee (Jerry Zedlitz) Discussion/ Action

The Board will review two fund transfers presented by Director Zedlitz.

b. Gates and Open Space (David Reyner)

c. Roads and Utilities (Larry Howen)

d. Inter-Agency and Collections (Cathryn Jackson)

12. Bills for Payment **

Discussion/Action, approval of WCSD bills for payment. (Discussion/Action)

13. Approval of Minutes

The Board will review, correct, and approve the minutes of the June 17, 2010 Regular meeting and the June 25, 2010 Special meeting. (Discussion/Action)

14. Correspondence

15. Director's Comments

16. Adjournment

The next Regular meeting will be August 19, 2010.

** Copies of the Bills for Payment available at the meeting.

1. Water treated for the month of June was 2,166,100 gallons. Water treated for the month May was 1,192,500 gallons. Usage was up approximately 45% from last month and up 2% from the same time last year.
2. Sewage usage for the month on June is not available at this time.
3. Still no update on the blending of Well #2 and #3. This is a low priority for CDPH and they will get to it when they can.
4. The Fusselman job has been completed. New 1 -1/2 inch meter that reads in cubic feet has been installed and we returned the 1-1/2 inch meter that read in gallons back to the customer.
5. Mooreman's finally came out and made adjustments to the VFD at Well #2 because the Well kept tripping out. We have not experienced any further problems with the well since their visit which was on Tuesday, June 15, 2010. still
6. I am awaiting the cost breakdown for installing an autodialer that will call us out if the pump fails, power outage and low water levels. I should have this information by the next board meeting.
7. Everything is running smooth and I have nothing else to report.
8. We received a phone call from a customer on 7856 E. Hwy 12 that their sewer was not working and that the problem is on the District's side. Sweet Pea had come out on May 10, 2010, they pumped out the customer's septic, noticed that there were loose wires on the pump and re-wired. On Tuesday, Sweet Pea was called again because the customer's sewer wasn't working and was overflowing.

Steve at Sweet Pea came out and said the pump was running, so it was working, he tried to send a camera down the line but it got stuck and he felt that there was a blockage on the District's side of the line. I called our Collection's Crew, they pumped the customer's tank out in order to keep from spilling more sewage. He also checked the other surrounding septic tanks and noted that they were all working fine. We called Angels Sewer Service to assist in digging up the pipe and making the necessary repairs. Come to find out there wasn't any plug, the union on the pump in the septic tank was not tightened all the way, so rather than pumping 30 gpm, the pump was pumping half of the flow back into the septic tank. Everything is working well now.

13. WALLACE COMMUNITY SERVICES DISTRICT

REASON FOR INVESTIGATION

California Penal Code section 925 states in part "...investigations may be conducted on some selective basis each year." The Grand Jury has in the past studied one or more special districts. This year the Grand Jury selected the Wallace Community Services District (WCSD) for review.

BACKGROUND

The WCSD was formed by the County Board of Supervisors in 1990 "...to provide domestic water service, sewage treatment services, road maintenance and repair, garbage collection and disposal, street lighting and recreational facilities and common area maintenance..." and later liquefied petroleum gas for the development area known as Wallace Lake Estates. The community is involved in planning, having issued a Vision Statement for the Community of Wallace in February 2009.

It is noted that in January 2010, the WCSD signed an Agreement for management and operational assistance to be provided by the Calaveras County Water District. The Findings and Recommendations included below are from observations prior to January 1, 2010.

PROCEDURES

During 2009 the WCSD Board was the subject of community contention played out in the press. In order to evaluate the sources of contention, the Grand Jury attended several meetings of the WCSD Board of Directors. In addition, an interview was held with the outgoing President of the Board and the WCSD General Manager hired in the fall of 2009.

RESULTS OF INVESTIGATION

Finding 1

The Grand Jury noted irregularities in Board activities. In violation of the Brown Act, items were initiated and voted upon which were not shown on the Board's agenda.

Finding 2

The WCSD Board appeared concerned about liability and insurance issues, yet the Grand Jury found the WCSD had no idea of the insurance consequences related to Board meetings being held on the property of and in a facility owned by a Board member. Several of the Directors-elect questioned the lack of due diligence by the sitting Board members in forming pre-determined opinions about will-serve cases rather than researching each individual circumstance and discussing the cases with the Board and the public in open session.

Finding 3

It appeared that WCSD Board members had little knowledge of California Department of Public Health or State Water Resources Control Board mandated certification requirements for persons working in water and wastewater treatment, distribution, and related services. Board members were known to have had access to, if not engaged in, the handling of facilities for which State certifications are required. In addition, WCSD's General Manager did not have the certification necessary to operate WCSD's wastewater plant. An arrangement was necessary for him to work under the license of an individual no longer on the WCSD payroll until the required on-the-job hours needed for certification could be documented. Though such an arrangement is allowed, on-site supervision requirements exist.

Finding 4

During its meetings the Board presented a confusing arrangement for hiring its General Manager. The Board contracted with an engineering company to assign a specific individual as General Manager to WCSD. Questions arose relative to the status of liability and workers compensation under such an arrangement, and written clarification of these issues did not exist. Typically a contractor is held to strict liability coverage requirements. It is not known whether WCSD sought assurance that the engineering company was properly licensed to provide such services.

Finding 5

While reviewing a water service connection issue involving one of the sitting Board members, a reference was made that the affected Board member had provided in-kind services to the District over many years. The Board cited these services as its reason for waiving the fee associated with the service connection in question. The public could have a negative perception of such decisions, perceiving favoritism and a lack of fiduciary responsibility by the Directors of WCSD in carrying out the duties charged to them by the voters.

Finding 6

The WCSD has developed a number of guidance documents necessary to operate the District including Governance Guidelines for the Board of Directors, an Annual Service Plan, administrative and financial procedures, as well as written operating procedures for the plants; however, a number of the documents were found to be only partially developed or incomplete.

Finding 7

Board members reported having obtained bids for services such as paving through a word-of-mouth method that included only select providers rather than through a broader, more formal process with public notices.

Finding 8

Recently an expansion of Wallace Lake Estates was proposed by a developer who had purchased property and plans from the entity responsible for the original development. The new owner had requested that the District honor the costs and rates agreed upon with the prior developer. Questions arose whether an apparently favorable response to the new developer's proposal was communicated by a Board member prior to the proposal being discussed in open session. A problem with actual approval of the prior expansion plan later surfaced.

Finding 9

Related to Finding 8, it was discovered the previous expansion application process had not been completed through Local Area Formation Commission (LAFCO). In its 2004 services review, LAFCO had advised WCSD to prepare a capital improvement plan, to perform an analysis of its rate structure, and to consider exploring sources of surface water to provide a long-term reliable water supply to the area. WCSD has acted upon all of these recommendations. LAFCO also urged WCSD to consider outside management assistance.

Finding 10

During the meetings, corrections to WCSD bookkeeping and balances were regularly pointed out by audience members. Inter-fund loans and transfer matters were presented for vote without clear or accurate information relative to terms or status of either fund. A confusing discussion was held regarding compensation for the General Manager and the individual under whose State certification the General Manager would be working. It is uncertain whether

accurate documentation detailing the outcome was ever prepared for the record following Board discussion of the topic.

Recommendation 1 for Findings 1, 5, and 6

The Grand Jury recommends that the Board of the WCSD clarify its responsibilities and obligations under the state's Community Services District law, specifically Part 3, Chapter 1, Section 61100, and review/revise its Governance Guidelines in keeping with the law.

Recommendation 2 for Findings 2 and 4

The Grand Jury notes that issues involving an analysis of risk and the assignment liability appear to be of particular concern in operations of the WCSD. The Grand Jury recommends the Board receive training in – or obtain the assistance of someone trained in – risk management and risk transfer issues. General calls to the WCSD insurer do not take the place of specific review and analysis of each situation.

Recommendation 3 for Findings 3 and 6

Various requirements exist from federal and state regulations that require documentation to be prepared. The Grand Jury recommends WCSD ensure its regulatory-required documents are complete. It also recommends that WCSD Board receive additional training on the employee certifications required to perform the duties necessary to operate the treatment plants and oversee WCSD's services, and the limitations placed on those who do not hold the proper certifications.

Recommendation 4 for Findings 4 and 7

The Grand Jury recommends that Board Members obtain training in – or the assistance of someone trained in – public contracting requirements to ensure transparency in the expenditure of public funds, including efforts to obtain the best value possible for the WCSD.

Recommendation 5 for Finding 8 and 9

The Grand Jury recommends that the WCSD ensure that it has responded to all LAFCO recommendations. It is further recommended that the WCSD formulate a procedure for listing and tracking its obligations, including regularly required events and reports, as well as obligations that are forthcoming from the District's involvement with other agencies, associations, and community-related commitments.

Recommendation 6 for Finding 10

The Grand Jury recommends that the WCSD thoroughly review its policies and procedures relative to financial matters. Procedures regarding inter-fund transfers specifically need to be addressed, including but not limited to authorized limitations to transfers, any interest paid on funds borrowed by one fund from another, timetables for paying back borrowed funds, and the tracking and reporting of all such activities.

Responses Required

Board of Directors, Wallace Community Services District