



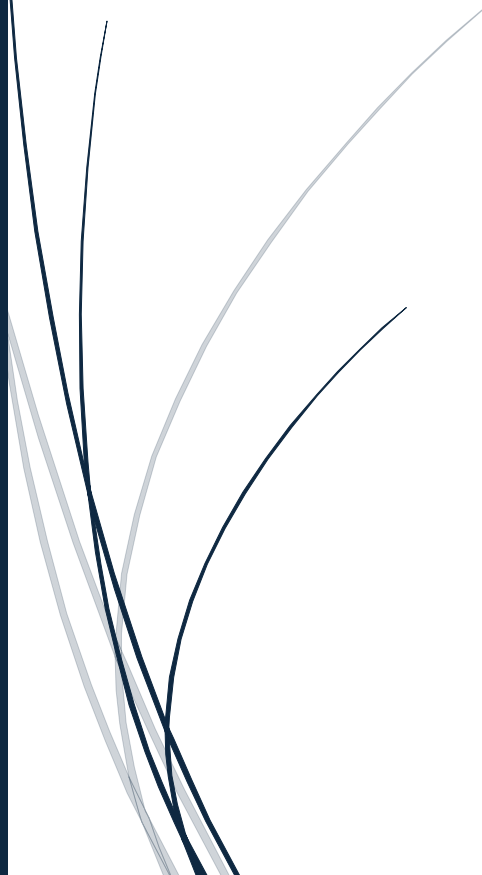
3/26/2024

White Paper

Chester Fire Ballot Measures B and C:
What you need to know before you
vote

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Requested Action: Identify What Happened in the Past and Address District Citizens Concerns

Date: March 26, 2024

Chester Public Utility District (CPUD) was approved by the Plumas Board of Supervisor's (BoS) on February 6, 2024, to conduct a Special Election on the May 7, 2024, ballot under CPUD's Ordinance 2023-001. The Ordinance has two possible measures to address fiscal and safety concerns for the Fire Department. Under Proposition 62 (1986) Government Code (GC) 53720, a "special tax" requires a 2/3 vote of voters to approve the special tax.

Special Tax – California Constitution Articles XIII A, §4 and XIII C, §2- Government Code §50075, 5372 and 53970 – A tax imposed for a specific purpose. A local government may impose, extend, or increase a special tax only if that proposal is submitted to the electorate and approved by a 2/3 vote. Special districts are limited to using only special taxes (versus general taxes) because districts are service specific and can only use funds for those services.

Measure B: "Shall the special tax for fire and/or emergency medical services be levied in the annual amount of \$450 per parcel for 2023-2024, with the anticipated revenues of \$665,000 be adopted."

Measure C: "Shall the special tax for fire and/or emergency medical services be levied in the annual amount of \$1,500 per parcel for 2023-2024, with the anticipated revenues of \$2,200,000 be adopted."

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PROBLEMS

District citizens' concerns on these two ballot measures are summarized below:

1. Inequitable taxation
2. Lack of written strategic methodology of proposed tax
3. Uncertainty of CPUD's renewal for insurance
4. Debt Owed to the Sanitation Fund
5. Past Board's failure to fulfill their elected fiduciary duty to citizens is cause for concern the patterns will repeat

Approach

The committee's approach to addressing these concerns was done in three phases. First, to openly and honestly with a fact-based mindset have a pros and cons debate within the committee and come to a consensus on what those answers were. Everything in this document has the evidence to support it.

Second, to provide the basic legal foundation to the district citizens in order for them to educate themselves on basic civic governance. This is vital in order for the citizen to make a clear and educated decision for their vote. The background section of this document explains how the legislative structure and statutes regulate how a Special District is governed by their Board of Directors.

Third, to take each of the concerns listed above and do a deep analysis of the pros and cons with recommendations to CPUD Board of Directors for any corrections, or implementation of a new process to be considered.

Background

What is a Special District?

Special districts are local governments created by the people of a community to deliver specialized services essential to their health, safety, economy, and well-being. A community forms a special district, which are political subdivisions authorized through a state's statutes, to provide specialized services the local city or county do not provide.

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Establishing & Governing Special Districts

Special districts are established under the authority of a state's statutes. In most states, districts are created by public referendum, which includes petitions, hearings, and a vote of the residents within the proposed new district's service area.

Overseeing each special district is a board comprised of trustees, directors, or commissioners, elected by their constituents to govern the district operations. In certain circumstances, a city council or county executive board may appoint special district board members. Special districts are subject to states' sunshine laws that apply to cities, counties, and other forms of local government, as well as audits of district finances and regulatory compliance of its operations.

A History of Special Districts

Although little is recorded on the earliest special districts, the history of these local government entities dates back to the 18th century with the establishment of park districts and expanded to toll roads and irrigation districts in the 19th century. Special districts originated with the common purpose of providing a service that other government entities, such as cities and counties, are not providing.

One example of the transformative power of special districts can be found in California's Central Valley. By passing the Wright Act in 1887, the California State Legislature empowered local leaders to source and deliver water for agriculture in the historically arid region. Local farmers formed the Turlock Irrigation District that same year and others soon followed suit. Formation of irrigation districts would contribute to the growth of the nation's single-largest source of food products.

Communities across the land turned to forming special districts to address a variety of urgent needs. As the country's population boomed in the post-World War II era, it became obvious that growing communities needed more hospitals and health care, water and wastewater, and other community enrichment services. Communities formed special districts to meet these needs.

Special Districts Funding

Special districts in many states operate on a small share of property taxes. Some, like water and electric utility districts, charge customers rates for the services. In most states, special districts do not receive shares of sales taxes. In states where a ballot initiative process is allowed, special districts are able to ask voters for additional assessments; however, it is a complicated process and usually difficult to win.

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Communities rely on special districts for many of their most critical services, including water, wastewater, and fire protection. Therefore, special districts must sustainably maintain critical infrastructure and continue the delivery of their essential services through economic downturns, natural disasters, and other emergencies.

Special districts strategically develop financial reserves to ensure continuity of vital quality of life services. Many maintain pipelines, firefighting equipment, or sanitation plants, for instance, on relatively small budgets. Districts lean on these funds during a prolonged crisis with long-term fiscal impacts to ensure the community is prepared for the next inevitable emergency, like an earthquake, flood, hurricane, or pandemic.

Independent vs. Dependent Special Districts

Special districts are separate and apart from any counties, cities, or other government agencies that may serve the area. However, an important governance distinction exists between what are known as independent special districts versus dependent special districts.

Independent special districts obtain their authority directly from the community they serve through a governing body that serves independently from other government agencies, providing the board members with a high degree of autonomy to fulfill the mission of the district. They are directly accountable to the community they serve. The vast majority of independent special districts are governed by a constituent-elected board of directors. In some cases, the district board may be appointed by one or more other local elected officials, so long as the board members serve fixed-terms and none of the board members serve in an ex-officio capacity.

On the other hand, dependent special districts are closely tied to another unit of local government. Typically, city council members, a county's elected executive board members, or their appointees, serve as the board of directors for a dependent special district and control their budget, management, and operation. Unlike independent special districts, appointees to the board of a dependent special district may serve in an ex-officio capacity and serve at the pleasure of the appointing body. In this respect, dependent special district governance is subject to the interests, influence, and authority of other governmental bodies.

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Basic Laws and Related Codes

Assembly Bill 8 (1979)

Revenue and Taxation Code §95

This state law allocates property tax revenues to local governments, to provide the long-term policy changes to the allocation system that Senate Bill 154 (1978) did not have. It was created in 1979 to provide fiscal relief to local governments suffering from Proposition 13. AB 8 created the Special District Augmentation Fund.

Assessments

California Constitution Article XIII D

A special district may finance the maintenance and operation of public systems that include, but are not limited to, drainage, flood control, and street lighting. Assessments are involuntary charges on property owners to pay for these public works when their properties benefit from the improvements through increased property values. Assessments include special, benefit, and maintenance assessments, and special assessment taxes. Assessments are subject to a weighted election.

Audits

Government Code §26909

Special districts are required to have annual, independent audits conducted by the county auditor or a certified public accountant. This information is filed with the State Controller's Office. The annual audit can be changed to a bi-annual audit if approved unanimously by the district board and the board of supervisors, under certain restrictions.

Benefit Assessment Act of 1982

Government Code §54703, et seq.

A district that provides services for public works projects that benefit property may impose assessments for the installation, improvement, and maintenance for these facilities. Since it is considered a benefit assessment, the Act is not subject to Proposition 13 limitations.

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California Environmental Quality Act (CEQA)

Public Resource Code §21000, et seq.

The Act requires state and local public agencies to consider the environmental impacts of proposed activities or projects. Agencies must determine if the impacts will be significant and identify alternatives and mitigation measures that will substantially reduce or eliminate significant impacts on the environment.

CEQA Guidelines

14 California Code Regulations §15000, et seq.

State regulations that are required by the California Environmental Quality Act.

Resources:

- For a complete list of guidelines consult Title 14. California Code of Regulations Chapter 3. Guidelines for Implementation of the California Environmental Quality Act

Closed sessions

Government Code §54945.5(a) to §54945.5(i)

Closed sessions are allowed in very select circumstances, and a legislative body should go into a closed session only when absolutely required. The public must be informed of the closed session, and a brief description of the items on the agenda must be given. A minute book may be kept but not required, but the results of action taken must be made public. A meeting is always considered “open” until it is declared “closed”.

Compensation

Code section varies

Compensation of special district board members, commissioners and trustees varies by principal act, as do any provisions related to increases in compensation. Check the district principal act for procedures for a specific district.

Compensation and ethics training

Government Code §53232, et seq. (on compensation)

Local elected officials and key appointed officials (and management staff like general managers) are required by law to take ethics training courses if the officials receive compensation or reimbursement.

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Conflict of interest

Government Code §1090, et seq. & §87100, et seq.

2 California Code Regulations §187100, et seq.

Public officials cannot make or influence a governmental decision in which they have a conflict of interest. An official will have a conflict of interest if the decision has a foreseeable financial effect on their economic interests. They may not exert influence on a decision in which they have a conflict of interest unless their participation is legally required, or the official can establish that the effect of the decision is indistinguishable from the effect on the general population.

Contracting and bidding

Public Contract Code §1100 to §9203 (generally applicable)

Public Contract Code §20100, et seq. (special districts-specific)

The Local Agency Public Construction Act lays out the bidding and contracting procedures for special districts. Each special district type or even, at times, a specific special district has its own contracting and bidding regulations. See the list that follows Section 20100.

Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000

Government Code §56000 to §57550

Cortese-Knox-Hertzberg is the latest iteration of the law that governs changes to boundaries and organization of cities and special districts. It updates the Cortese-Knox Local Government Reorganization Act of 1985 and is considered “the most important reform to the state’s local boundary laws in 40 years,” as Senator Tom Torlakson wrote in 2003. Changes to the 1985 law include making it easier for special districts to gain LAFCO representation, as well changes to spheres of influence evaluation and implemented municipal services reviews.

District Organization Law

Government Code §58000, et seq.

The District Organization Law establishes a guide for the organization, operation, and governance of certain special districts. This law applies only to particular districts or district types that refer to the District Organization Law in lieu of procedures of their own.

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elections, Advisory

Elections Code §9603

Local governments, including special districts, can have advisory elections to allow voters to voice their opinions on substantive issues, or to indicate to the local legislative body approval or disapproval of the ballot proposal.

elections, Consolidations of

Elections Code §10400

Local municipalities, including special districts, can consolidate their elections with statewide elections. The section pertaining specifically to special districts starts at §10404.

Ethics training

Government Code §53232, et seq. (on compensation)

Government Code §53234, et seq. (on ethics training)

Local elected officials and key appointed officials (and management staff like general managers) are required by law to take ethics training courses if the officials receive compensation or reimbursement. This applies even if they do not receive compensation or reimbursement, but the district's principal act allows the elected officials to receive them. By law, the affected local official must take an ethics training course once every two years, and the district has to establish a written policy on reimbursements. The bill that established this law also made updates to the principal acts of special districts that offer reimbursement or compensation to their board.

Fair Political Practices Commission (FPPC)

Government Code §81000, et seq. & § 83100, et seq.

The FPPC was created by the Political Reform Act of 1974, passed by voters as Proposition 9. The Commission has five members, including the chairman. No more than three members of the Commission may be members of the same political party. The FPPC regulates campaign financing and spending, financial conflicts of interest, lobbyist registration and reporting, post-governmental employment, and other provisions under the Political Reform Act. It investigates alleged violations of the Act and imposes penalties when appropriate.

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Fees

California Constitution Article XIII D

A fee is a charge to an individual or a business for a service provided directly to the individual or business. Non-property related fees are not subject to a vote, and water delivery, garbage service and sewer service are exempt from a voter requirement. If there is a vote requirement, the proposal is rejected if a majority of property owners present written protests. Fees can be subject to referenda and cannot exceed the cost of providing the service.

Property-related fees

Fees that are imposed “as an incident of property-ownership.” The definition is broad and is a point of contention. These fees are subject to a majority protest vote.

Fire Suppression assessments

Government Code § 50078, et seq.

Combined with Proposition 218, the government code gives authority to a special district that provides fire suppression services to determine and levy an assessment for fire suppression services with 2/3 voter approval. The assessment may be made for the purpose of obtaining, furnishing, operating, and maintaining fire suppression equipment or for the purpose of paying the salaries and benefits of firefighting personnel, or both.

Gift of public funds prohibited

California Constitution Article XVI, §6

Public officials cannot give, lend, nor authorize the making of any gift of public money to any person, association, or corporation.

Incompatibility of office doctrine

Government Code §1126, et seq.

Local officials cannot engage in any employment or activity which is in conflict with their duties as a local agency officer or with the duties, or responsibilities of the agency by which they are employed. An employee outside employment may be prohibited if it involves:

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- the use of the agency's resources for private advantage, or
- receiving money or other considerations from anyone other than their local agency for the work which they are expected to complete as part of their duties as a local agency employee, or
- the performance of work in other than his or her capacity as a local employee which later may be subject to control or inspection of any officer of their shared employment, or
- time demands that would interfere with the performance of their duties or make them a less efficient employee

Joint powers agency/agreement (JPA)

Government Code §6500, et seq.

The Joint Exercise of Powers Act allows public agencies, ranging from the federal government to the smallest special district, to enter into an agreement with each other to jointly exercise a common power. Council of governments (land-use and transportation) and risk management authorities (workers' compensation insurance) are considered JPAs.

Local Agency Formation Commission (LAFCO)

Government Code §56300, et seq.

A local agency formation commission (LAFCO) is an independent commission working within the boundaries of each county to help control the borders of cities and special districts, to discourage sprawl and encourage orderly government. The Knox-Nisbet Act of 1963 established LAFCOs in law. There is a list of 14 factors that LAFCOs consider when conducting any of the nine boundary changes. As part of this effort, LAFCOs conduct sphere of influence assessments and municipal service reviews.

Commission proceedings for special districts

Government Code §56821, et seq.

This portion of Cortese-Knox-Hertzberg refers to LAFCO's proceedings for change of organization or reorganization of special districts.

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Mailed ballot elections

Elections Code §4000

Local elections can be conducted wholly by mail given that all specified conditions apply. For a complete list of the conditions refer to the pertinent election code starting with Section 4000.

Marks-Roos Local Bond Pooling Act of 1985

Government Code §6584, et seq.

This law allows local governments, under a joint power's agreement or as a joint power's authority, to pool bonds to lower their overhead costs.

Mello-Roos Community Facilities Act

Government Code §53311, et seq.

This act allows for the creation of Mello-Roos districts, also known as community facilities districts. Local agencies can create Mello-Roos districts to pay for public works and some public services for a specific area, usually for rehabilitation or redevelopment of that area.

Meyers-Milias-Brown Act

Government Code §3500, et seq.

The Act seeks to open the channels of effective communication between public employers and their employees. It provides a reasonable method of resolving disputes regarding wages, hours, and other terms and conditions of employment between public employers and public employee organizations. It also recognizes the right of public employees to join organizations of their choice and protects their decision to be represented by those organizations in their employment relationships with public agencies.

Newspaper of general circulation

Government Code §6000, et seq.

Used for the purposes of fulfilling a legal requirement of a special district to publicize specific notices, or certain local news. A newspaper in general circulation must have an official subscription list of paying subscribers and must have been established and

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published at regular intervals of not less than weekly in the city, district, or judicial district in which it is seeking recognition.

Open meeting laws

(See the entry for “Ralph M. Brown Act”)

Political Reform Act of 1974

Government Code §81000 to §81003

Inhibits improper practices of state and local government officials in election campaigns and ensures that they serve the needs of all citizens equally and perform their duties free from bias caused by their own financial interests. The Act requires certain public officials to disclose their finances, assets, expenditures, and income. It also requires the regulation of lobbyist activities and prescribes laws and practices that establish elections that are conducted more fairly.

Principal act

Code section varies

The principal act of a special district is the law that enables a district of that type to form and gives it authority to operate. Each special district type (for example, flood control, public utilities, or community services districts) has its own principal act.

Proposition 1A (2004)

California Constitution Articles XI §15, XIII §25.5, and Article XIII B §6

Prop 1A limits the ability of the state government to shift tax revenue from local governments, as was done in 1992-93 and 1993-94. Prop 1A was a compromise between local governments and the state. It allows the state government a final shift (otherwise known as ERAF III) lasting two years, then puts in place strict limits for future shifts. CSDA was part of the coalition (LOCAL) working to pass Proposition 1A.

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Proposition 4 (1979)

*California State Constitution Article XIII B
Government Code §7900, et seq.*

This proposition established the appropriations limit, also called the Gann Limit, and requires the state to reimburse local governments for the cost of certain state mandates.

Proposition 13 (1978)

California Constitution Article XIII A

Proposition 13 is a landmark proposition whose reverberations are still being felt. Prop 13 limited the property tax rate to 1 percent and similarly placed limits on the amount the property tax rate can increase. With such a limited property tax base, local governments and school districts' resources were and have been strained. Many attributes many of California's current woes—failing schools, decrepit infrastructure, lack of local services, and sprawl—to Prop 13. Prop 13 started the domino effect of bills and proposition that has affected local governments since.

Proposition 62 (1986)

Government Code §53720, et seq.

Proposition 62, an initiative adopted by the voters in 1986, prohibits a local agency from imposing a tax for specific purposes (a “special tax”) unless it is approved by 2/3 of the voters, or a tax for general purposes (a “general tax”) unless it is approved by a majority of the voters.

Proposition 172

Description: On November 2, 1993, California voters enacted Proposition 172, which established a permanent statewide half-cent sales tax for support of local public safety functions in cities and counties.

Proposition 218 (1996)

California Constitution Articles XIII C and XIII D

Proposition 218 requires voter or property-owner approval for local taxes, assessments, and fees, except for property-related water, sewer and waste management fees, and sets up procedures to carry out these elections. Prop 218 was in

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response to local governments' reliance on fees and assessments as a result of Proposition 13.

Public utility district

California Public Utilities Code §15501, et seq.

This district type maintains the infrastructure for public service and provides electricity, natural gas, sewers, waste collection, wholesale telecommunications, water, etc., to the residents of that district.

Public Records Act

Government Code §6250, et seq.

The Public Record Act ensures public access to government records, with limited exceptions such as attorney-client privileges. The PRA can be considered to work hand-in-hand with the Ralph Brown Act to ensure open government and transparency.

Ralph M. Brown Act

Government Code §54950 to 54962

The Ralph Brown Act was adopted in 1953 to provide guidance to local governments on procedures for conducting open and public hearings (and, inversely, circumstances under which a government body can hold a closed session). Since its initial adoption, the Brown Act has been amended numerous times and continues to be.

Recall procedure

Election Code §11000, et seq.

Proponents of a recall must be registered voters of the electoral jurisdiction of the officer they seek to recall. Proceedings may be commenced for the recall of any elective officer, including any officer appointed to fill a vacancy, by filing and posting of a notice of intention to circulate a recall petition.

Referendum Procedure

Election Code §9340, et seq.

The voters of any local public district have the right to petition for referendum on legislative acts of the district. The processes refer to the same rules as are set for the counties' procedures, except that all computations and officers of the county should be

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construed to refer to comparable computations and officers of the district. It should be noted that Section 9147 does not apply to special districts as of 2007, but starting in 2008, it will.

Special act

Code sections varies, usually following the principal act of the district type

Special acts are laws that the Legislature passes to address the specific needs of a community and establishes a district to address those needs. These specific districts (rather than district types) are uniquely created by the Legislatures.

Special taxes

California Constitution Articles XIII A, §4 and XIII C, §2

Government Code §50075 et seq., §5372, et seq., and §53970, et seq.

A tax imposed for a specific purpose. A local government may impose, extend, or increase a special tax only if that proposal is submitted to the electorate and approved by a 2/3 vote. Special districts are limited to using only special taxes (versus general taxes) because districts are service specific and can only use funds for those services.

Special taxes oversight

Government Code §50075.1, §50075.3, and §50075.5

Local officials are required to issue annual reports on how they spend special tax revenues. The report includes the amount of funds collected and spent, and the status of projects for which the special tax was implemented.

Surplus land (sold by the state)

Government Code §11011.1

State departments that are selling surplus land (as defined) must first make that land available to local jurisdictions, including special districts, to purchase at fair market value. Only after no jurisdiction has purchased the land can it be sold on the market.

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Surplus property (special districts)

Government Code §50568, et seq. and 54220, et seq.

There are specific procedures for local governments, including special districts, to catalogue their property, including surplus property, and to sell off this property.

Urgency clause

California Constitution Article IV §8 (d)

An urgency clause allows a bill to take effect immediately upon the signature of the governor. Urgency bills are those that preserve public peace, health, or safety. An urgency bill may not create or abolish any office or change the salary, term, or duties of any office, or grant any franchise or special privilege, or create any vested right or interest. To pass the bill, each house will pass the section and the bill separately by a 2/3 vote.

Vacancies

Government Code §1780, et seq.

Unless otherwise noted in the principal act of the district, vacancies in special districts are filled as provided in this section. Check a district's principal act of special act first.

1982 Act (The Benefit Assessment Act of 1982)

Government Code §54703, et seq.

This act allows local governments to levy benefit assessments to pay for public works and public services.

Public Service Ethics Laws

California has a complex set of ethics laws to guide local officials in their service to their communities. There are four core principles to comply:

1. Public officials may not use their offices for personal financial gain.
2. Holding public office does not entitle one to personal advantages or perks.
3. Transparency promotes public trust and confidence.

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4. Merit-based decision-making based on fair processes produces the best result for the public.

There are three types of ethic laws:

1. **PROHIBITIONS** – Basically it forbids certain actions that would undermine the public's trust that decisions are being made to benefit the public's interest.
2. **TRANSPARENCY REQUIREMENTS** – Basically allows the public to judge whether a public official or group of public officials are acting in a trustworthy fashion.
3. **FAIRNESS** – This requires that public agency-making processes meet minimum standards of fairness.

The key laws to know:

1. **BROWN ACT** – Requires the governing bodies of local agencies to conduct open and public meetings, subject to limited exceptions, and to post meeting agendas beforehand.
2. **GOVERNMENT CODE SECTION 1090** – Prohibits public officials and employees from being financially interested in any contract made by them in their official capacity or by anybody or board of which they are members.
3. **POLITICAL REFORM ACT** – Governs campaign financing and prohibits local agency officials and employees from participating in governmental decisions affecting their financial interests.
4. **CALIFORNIA PUBLIC RECORDS ACT** – Subject to specified exemptions, requires public agencies to make writings created, used or possessed by the agency available to the public, upon request.

Laws as Minimum Standards:

Three-step analysis when facing ethical issues:

1. What, if anything, does the law say about a given course of action?
2. Is the given course of action consistent with one's own values and analysis of what would constitute "ethical" conduct?
3. What will the public's perception be of the conduct, given the information the public is likely to have available?

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Rosenburg's Rules of Order

What are Rules of Order? Why do governmental bodies utilize them?

Rules of Order are rules for parliamentary procedures. Rosenberg's Rules of Order are simplified rules that smaller bodies utilize, and the bodies have found them more practical, logical, simple, easy to learn and more user friendly than Robert's Rules of Order. The district uses Rosenberg's Rules of Order.

The foundation of the rules are four pillars:

1. Rules should establish order. The first purpose of the rules of parliamentary procedure is to establish a framework for the orderly conduct of meetings.
2. Rules should be clear. Simple rules lead to wider understanding and participation. Complex rules create two classes: those who understand and participate; and those who do not fully understand and do not fully participate.
3. Rules should be user friendly. That is, the rules must be simple enough that the public is invited into the body and feels that it has participated in the process.
4. Rules should enforce the will of the majority while protecting the rights of the minority. The ultimate purpose of rules of procedure is to encourage discussions and to facilitate decision making by the body. In a democracy, the majority rules. The rules must enable the majority to express itself and fashion a result, while permitting the minority to also express itself, but not dominate, while fully participating in the process.

The starting point for a meeting is the establishment of a quorum. A quorum is defined as the minimum number of members of the body who must be present at a meeting for business to be legally transacted.

While all members of the body should know and understand the rules of parliamentary procedure, it is the chair of the body who is charged with applying the rules of conduct of the meeting. The chair should be well versed in those rules. For all intents and purposes, the chair makes the final ruling on the rules every time the chair states an action. In fact, all decisions by the chair are final unless overruled by the body itself.

Since the chair runs the conduct of the meeting, it is usual courtesy of the chair to play a less active role in the debate and discussion than other members of the body. This does not mean that the chair should not participate in the debate or discussion.

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To the contrary, as a member of the body, the chair has the full right to participate in the debate, discussion, and decision-making of the body. What the chair should do, however, is strive to be the last to speak at the discussion and debate stage. The chair should not make or second a motion unless the chair is convinced that no other member of the body will do so at the point of time.

Formal meetings normally have a written, often published agenda. Informal meetings may have only an oral or understood agenda. Each agenda item can be handled by the chair in the basic format:

1. The chair should clearly announce the agenda item and subject
2. The chair should invite the appropriate person to report on the item
3. The chair should ask members of the body if they have any technical questions of clarification
4. The chair should invite public comments, the chair may limit the time of public speakers
5. The chair should invite a motion
6. The chair should determine if any member of the body wishes to second the motion
7. If the motion is made and seconded, the chair should make sure everyone understands the motion
8. The chair should now invite discussion, or after the discussion has ended, the chair should announce that the body will vote on the motion
9. The chair takes a vote
10. The chair should announce the results of the vote and what action (if any) the body has taken.

Motions are the vehicles for decision making by a body. There are three basic motions. The basic motion is the one that puts forward a decision for the body's consideration. If a member wants to change a basic motion that is before the body, they would move to amend. If a member wants to completely do away with the basic motion that is before the body, and put a new motion before the body, they would move a substitute motion.

The basic rules of motions is that they are subject to discussion and debate. The rules of order are meant to create an atmosphere where the members of the body and the members of the public can attend to business efficiently, fairly and with full

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participation. At the same time, it is up to the chair and the members of the body to maintain common courtesy and decorum.

The chair should always ensure that debate and discussion of an agenda item focuses on the item and the policy in question, not the personalities of the members of the body. Debate on policy is healthy, debate on personalities is not. The chair has the right to cut off discussion that is too personal, is too loud, or is too crude.

Debate and discussion should be focused, but free and open. In the interest of time, the chair may, however, limit the time allotted to speakers, including members of the body.

State of California Special District Uniform Accounting and Procedures

California Government Code section 53891 requires the State Controller to prescribe uniform accounting procedures for Special Districts. In order to comply with this code section, the *Uniform System of Accounts for Special Districts* manual was issued in 1949. In 2014, the *Uniform System of Accounts for Special Districts* manual was renamed and is now referred to as the *Special District Uniform Accounting and Reporting Procedures* (SPD) manual.

The SPD manual provides uniform accounting and reporting procedures that conform to Generally Accepted Accounting Principles (GAAP) and is for general use. Guidance for specific accounts (e.g., account numbers, names, etc.) is left to the discretion of the individual special district as long as the district sufficiently meets the statutory reporting requirements (e.g., Financial Transactions Reports, Apportionments) of the State Controller's Office (SCO).

The SCO is the legal authority for providing guidance on accounting and reporting procedures for special districts. While the guidance and examples found in this manual may correlate with SCO Financial Transaction Reporting (FTR) instructions, the guidance is not all-inclusive.

The guidelines in the SPD manual are in accordance with governmental GAAP. The Governmental Accounting Standards Board (GASB), established as an arm of the Financial Accounting Foundation in April 1984, was created to promulgate standards of financial accounting and reporting on activities and transactions of California State and

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local governments and is the source of authoritative governmental GAAP (refer to Chapter 3.01, *What is GAAP*).

Governmental accounting and reporting standards are provided by the GASB through the issuance of GASB Pronouncements. These pronouncements have required numerous changes to the SPD manual.

While the SPD manual provides guidance on accounting and reporting procedures, there are times when legal provisions may be provided in this manual for reference purposes only. Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. The accounting system may be maintained on a legal compliance basis but should include sufficient additional records to permit GAAP-based reporting. In summary, where legal provisions conflict with GAAP, legal basis data is typically reflected in the accounts and are used as the starting point for deriving statements prepared in conformity with GAAP (refer to Chapter 3.02, *Conflicts between Legal Provisions and GAAP*).

This manual provides guidance on uniform charts of accounts, fund structures, functions, activities, and specific accounting procedures for specialized fields. The intent is:

1. To ensure conformance to generally accepted accounting principles (GAAP).
2. To promote transparency and consistency in financial reporting; and
3. To facilitate comparison and analysis of special districts financial reports on a statewide basis by minimizing differences between special districts' philosophies, methods, and terminologies.

The SPD manual serves as a guide to aid special districts in the installation of accounting and financial systems, to ensure that the systems that are developed will continue through changes in personnel, to answer questions on procedures, to aid in the audit process, and to assist in system evaluations.

What Financial Accounting System is the District Using

The district between 5 to 10 years ago, purchased and implemented the MIP Fund Accounting System. They purchased the Fundamental Modules which includes:

- General Ledger
- Accounts Receivable

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- Reports
- Budget Management
- Data Import/Export
- Forms Designer
- Account Payable
- Bank Reconciliation/Bank Feed
- Grant Administration

MIP was created more than 40 years ago and handles accounting for local and municipal governments, public agencies, tribes, and special districts, and is a comprehensive solution that tracks, reports, and manages finances to comply with GASB requirements, and integrates with billing and payment management, and work asset management.

Six Elements to Improve Trust in Government

Honesty: Ethical behavior is often taken for granted until there is a breach. Ethics training is something most people don't think they need. Promoting honesty must go beyond mere ethics training. It has to be built into a culture that won't tolerate even small lies or a little bit of cheating.

Efficiency: This is making sure that government delivers "value for money." Producing high-quality public goods and services should be done as inexpensively as possible. All the techniques of private industry should be used, best practices in all governments should be studied, and measurements of efficiency should be rigorous and comparative.

Transparency: If you are trying to gain people's trust, they have to be able to see what is going on for themselves. Perception is often reality, so showing the public what is really happening can inspire a more positive perception of what is occurring.

Accountability: This is simply telling people what you are going to do and then giving them an account of what you did.

Good policy choices: These start with good policy-development processes that translate public needs and conditions in the external environment into a coherent set of actionable strategies. Reasonable people will differ on what constitutes good policy,

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but the electorate knows it when they see it. Bringing transparency to policy development and even including the public in developing policies will lead to greater trust.

Positive outcomes: Implementation of policy choices honestly, efficiently, transparently, and accountably should produce positive outcomes. If it doesn't, the Board should rapidly evaluate why the expected outcomes weren't achieved and take corrective action.

Problems

Inequitable Taxation

Taxes are never popular with the people who have to pay them, but they are necessary if we are going to expect governmental agencies to provide services for the public good. To some extent what is equitable taxation is in the eye of the beholder. What is "equitable" or "fair" when it comes to taxes can always be debated. One common measure of whether a tax system is equitable is if the burden the tax imposes is proportionate to the wealth of the individual. In some cases, as in the case of special districts, there are legal limitations restricting types of taxes available.

When the voters approved Proposition 13 in 1978, it limited property tax assessment to 1% of the assessed value of the property down from the original collection of 2.67%. Legislators understood that this would severely limit local government budgets. Proposition 13 also specified that any local tax imposed must be a "Special Tax" and approved by voters by a 2/3's vote. Property taxes for a Special District are the foundation of their budget.

In 1996, Proposition 218 was passed. It shifted most of the power over taxation from locally elected governing boards (Boards of Supervisors) to residents and property owners. It restricts local government's (Special Districts) ability to impose assessments and property-related fees and requires election to approve.

Proposition 218 did identify six potential replacement revenue sources:

1. Redevelopment
2. Developer extraction

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3. General taxes (like hotels, entertainment)
4. Special taxes imposed on property
5. Intergovernmental transfers
6. Non-property related fees (Fire and police are not allowed)

Proposition 13 limits a fire district revenue to 1% property tax and under Proposition 218 the only source of increased revenues available is under option 4 from above, Special Taxes imposed on property.

The law requires within a “Special Tax” that a method of collection and accountability report be identified. In the adopted Ordinance under section 2023-01.050 and 2023-01.055 they are written within the measures. With the District’s past lack of transparency to the citizens, what was written in the measure does not provide enough oversight to the citizens.

The advantage of the Special Tax is to provide fire protection to its citizens. It protects Chester’s economic health by quickly responding to residents and businesses. During tourism season it also protects our non-citizens who keep our seasonal economics stable.

Without a fire department, insurance rates for property owners and businesses will be at the highest premium the law allows, if you can get insurance at all.

A fire department is vital to the health and welfare of the community in conjunction with the hospital and ambulance services. The fire department is responsible for more than structure fires, it includes traffic collisions (including off the road), hazardous material responses, various rescues like (water), over 90% are medical response such as assisting ambulance, advanced first aid, life saving measures and performing extrication of victims using the “jaws of life”.

Recommendation

The committee recommends to the CPUD Board of Directors, that it initiate a campaign to educate citizens on the history and mechanics of Proposition 13 and 218.

To educate the public on this District’s only available source of income. Special Taxes are the process to attain revenue for an operational budget that does not include one-time funding sources.

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Lack of Written Strategic Methodology of Proposed Tax

Oversight is to ensure the efficiency, effectiveness, and accountability of the CPUD Board of Directors. This provides checks and balances on the role and power of the district and gives voice to the people it serves.

Both Measures are lacking in a written comprehensive financial plan of how the Special Tax will be utilized. Key points have not been identified, such as no official oversight committee, no comprehensive financial plan, no 20-year future thinking plan for the district addressing all three services and what the future projects are and how they benefit the district, no strategic plan to refer back to which helps with accountability.

If these strategies are not in place, it will make it very difficult for either measure to pass because the amount of the proposed tax is high along with the lack of trust within the community.

Recommendation

The Board to immediately establish a Chester Parcel Tax Oversight Committee to inform the public concerning the expenditures and uses of revenues from parcel tax measures. The Committee's charge is to review and report on the expenditure of parcel tax revenues and to ensure said revenue is expended in accordance with the stated purposes of each parcel tax measure. The Committee obligations be set forth through Board adopted Bylaws that conform with all laws that govern an Oversight Committee.

To immediately develop a comprehensive financial plan that would address options of how to:

- spend the money
- a structure of debt repayment
- a surplus plan
- a capital investment strategy
- when the board will reduce the amount of tax sought

CPUD Board should contract with an independent company that has expertise in revenue management, such as www.nbsgov.com. This would facilitate fiscal guidance for the Oversight Committee.

To develop a strategic plan that allows the community to see the vision of the district and to map out a 20-year plan that allows future Board members to bring to fruition.

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For the Board to recognize that Special Districts have limited flexibility to reduce programs to the public when revenues decline especially when they are subject to state and federal mandates and spending requirements.

Uncertainty of CPUD's Renewal for Insurance

Admitted insurance carriers are licensed and regulated by the California Department of Insurance.

Non-admitted insurance carriers have not been approved by the California Department of Insurance which means they are not obligated to follow state regulations.

The district received a notice of non-renewal in August of 2021 which was during the Dixie Fire evacuation. Staff spent August through November 2021 shopping around for a new insurance quote with no success. In November of 2021, the District's all-in-one insurance policy was not renewed due to claims history. The Fire Chief did not notify the Board through required parliamentary procedures of the non-renewal or the dire consequences of being removed from the pool of all-in-one policies carriers.

From November 2021 to March of 2022, CPUD's fire and ambulance services was operating within the community and among their fellow local agencies without general liability, property, and a few endorsements specific to first responders' coverage. They did have auto and workers compensation coverage.

Due to the resignation of the General Manager, CPUD did not have a General Manager to oversee the district's operations from December of 2021 through part of March 2022. After consultation with the California Special District Association, CPUD entered into a contract with a General Manager with a history and skillset of working within Special Districts. During the meet and greet staff meeting with the General Manager and all staff (Executive and Line) it was disclosed that the district has been operating their ambulance services without insurance coverage. The General Manager immediately called Prentice Long, their counsel's office, and informed them of this dire situation and requested next action steps. The counsel's advice was to immediately stop ambulance services and was advised the district has violated the NorCal EMS contract.

The General Manager immediately began shopping around for new quotes. Because of the past claims' history, the district had to settle for a non-admitted carrier along with purchasing individual coverage plans. Under the previous all-in-one plan, the

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deductibles were \$0 to \$500, with the non-admitted carrier, the district's deductibles are now \$25,000.

In April of 2024, the general liability policy needs to be renewed. Within the last one-year policy period, there have been three claims filed by three fire department employees (now no longer employed). One claim has been settled and the other two are still pending. The district's general liability policy has been renewed with the same deductible of \$25,000, but the premium amount has not been decided upon. The premium in this budget cycle is \$102,000 compared to the all-in-one premium of \$24,000. The carrier is also assisting the district with loss control to help mitigate any further claims from previous employees.

Recommendation

To continue working with the carrier in loss control. To continue to implement checks and balances on coverage renewal dates. To implement stringent policy, procedures, and oversight of all employees.

Debt Owed to the Sanitation Fund

Government accounting is complex and difficult for citizens to follow or even understand. Municipalities, depending on their source of funding, are required to adhere to specific and specialized accounting and standards. Districts are required by law to follow what are called Generally Accepted Accounting Principles or (GAAP). GAAP is the structure by which financial transactions are recorded and reported, resulting in financial statements that provide comparability between governmental entities, consistency between accounting periods, and reliability for internal and external users of financial statements. The agency that provides oversight to GAAP is the California State Controller's Office.

Before we get into the details of the debt owed, the reader needs context of some definitions. Below are these definitions.

A special district is a separate local government that delivers specific public services to a geographically limited area.

Special districts have four distinguishing characteristics.

- They are a form of government.

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- They have governing boards.
- They provide services and facilities.
- They have defined boundaries.

Special districts deliver diverse services including water, electricity, and transit. Most special districts provide a single service, such as sewage treatment. Other special districts perform a wide range of activities, for example, Government Code section 61100 et seq., outlines the various types of services community services districts may provide.

Special districts generally have most of the same basic powers as counties and cities. They can sign contracts, employ workers, and acquire real property through purchase or eminent domain. Following constitutional limits, they can also issue bonds, impose special taxes, levy benefits assessments, and charge service fees. Like other governments, special districts can sue and be sued, as they are separate legal entities.

Special districts have corporate powers and tax powers, but rarely police power. Corporate power is the ability to perform tangible work, such as public works projects to build and maintain parks and sewers. Tax power is the authority to raise money to pay for these projects and services. Police power is the authority to regulate private behavior to accomplish a public goal.

Multi-Function Special Districts

Multi-function special districts are districts whose functions cover a various range of services, from safety and recreation services to water, sewage, and street lighting services. An example of a multi-function district would be a fire protection district that is primarily formed to prevent and suppress fires but is also authorized to provide ambulance service.

Special districts that engage in more than one activity should maintain separate revenue and expenditure accounts for each activity. Doing so will aid in the preparation of financial statements, as well as assisting with providing the necessary reports required by the State Controller's Office.

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Special District Funding

Special districts are classified as either enterprise or nonenterprise, depending on the source of their funding. Regardless of their general designations, any special district may require accounting for both enterprise and nonenterprise funds.

Enterprise Special Districts

Enterprise special districts are primarily financed by user fees that are set at a level to cover costs. Airports, harbors, hospitals, and water and sewer utilities are examples of districts that operate as enterprise special districts.

Nonenterprise Special Districts

Nonenterprise special districts usually rely heavily on property tax revenues or parcel taxes as their major sources of revenue to pay for their operational expenses. Types of nonenterprise special districts include—but are not limited to—fire and police protection, cemeteries, libraries, and mosquito abatement programs, because the services they provide benefit the entire community, and not just individual residents.

Statutorily Required Reporting

Special districts are primarily accountable to the voters who elect their governing body and the customers who use their services. The State of California also provides critical oversight to special district operations. Pursuant to Government Code section 53891, special districts must submit annual financial reports to the State Controller and must follow California State laws pertaining to public meetings, bonded debt, record keeping, and elections. While special districts may maintain accounts best suited to their operations—they must keep records that correlate to the requirements needed to prepare the special districts financial transactions report. When special districts fail to file financial reports, actions can be taken to enforce compliance. Refer to Government Code sections 12464, and 53890 et

Accounting Principles

The following are basic principles of accounting and reporting that are applicable for special districts when choosing to apply fund-based accounting as integrated into the GASB Codification of Governmental Accounting and Financial Reporting Standards.

- Accounting and Reporting Capabilities
- Fund Types
- Fund Accounting Systems
- Number of Funds

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- Reporting Capital Assets
- Valuation of Capital Assets
- Depreciation of Capital Assets
- Reporting Long-Term Liabilities
- Measurement Focus and Basis of Accounting
- Budgeting, Budgetary Control, and Budgetary Reporting
- Transfer, Revenue, and Expenditure Account Classification
- Common Terminology and Classification
- Interim and Annual Financial Reports
- Contingency Appropriation
- Interfund Activities (Transactions)

Fund Accounting Systems

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that record cash and other financial resources, together with all related liabilities and transfers or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Categories

Governmental funds primarily are used to account for the sources, uses, and balances of current financial resources and often have a budgetary orientation. Current financial resources are those assets that are expendable during a budgetary period, and they are often segregated into a specific governmental fund based on restrictions imposed by outside authorities or parties, or strategies established by internal management. Liabilities of a governmental fund are matured obligations paid from the current period resources held by that particular fund.

Proprietary funds are used to account for special district activities similar to those that may be performed by commercial enterprise-type organizations. Proprietary funds use the accrual basis of accounting and economic resources measurement focus.

Fiduciary funds are used to account for assets held by a special district for other parties (either as a trustee or as an agent) and that cannot be used to finance the special district's own operating programs.

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Interfund Activities

Activity that takes place between funds or blended component units within the same district—such as transfers and their associated due to and due from, and revenues and expenses/expenditures with their associated receivable and payable—is called interfund activity.

So, let's get started. Let's start with the revenue for the fire department. In the 23/24 Final Budget it reflects \$195,000 collected in Property Taxes. \$135,000 was collected from a 2004 Chester Measure A Special Tax. The tax was \$95 per parcel, and it was under a partially paid and volunteer fire department. \$34,000 for wildfire work, \$35,000 for Facilities – various rents for the old fire station and its apartment, and storage rents at the main facility, \$300,000 for ambulance reimbursement. Total fire operating revenue is \$699,000. With the different revenue sources, the fire department has a mixture of enterprise and nonenterprise funds. Which means depending on the source of the funds, it requires expenditures to comply with certain laws and regulations.

The revenue from sanitation is \$905,000 and they are comprised of enterprise funds along with grant funds.

The revenue from water is \$663,650 and these are enterprise funds.

The total operating revenue budget for the district is \$2,267,650 with three funds within one budget. Interfund activities are a normal and lawful accounting activity.

The past revenue practices of CPUD's Board of Directors and/or General Manager have created the financial distress the district is currently experiencing. By that we mean, the Incident Management Team (IMT) program started in 2007 under federal contract. The district collected a 10% administrative fee along with the reimbursement for personnel and equipment sent on campaign fires. When the districts merged in 2009, the federal contracts followed the merger.

California Fire Assistance Program (CFAA) was created under Cal OES to provide a mechanism of establishing reimbursement within federal and state agencies to local agencies. The district had 75 IMT members generating revenue under this agreement for the district. For example, in 2017 the district collected \$6 million dollars in administrative and reimbursement fees. The Board had established a history of using these one-time funds when creating their annual budgets and the district became dependent on these unpredictable revenue funds. When there are no fires, there are

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no IMT funds to use. Typically, one-time fund sources are used as capital investments to invest in the district.

It is the district's common practice when there were no IMT funds to use interfund activities from the sanitation fund to "float" funds to the fire fund to cover operating expenses, mostly salaries. In 18/19 fiscal year, the United States Forest Service (USFS) flagged the district's request for reimbursement, along with many other agencies. After the review, they determined that most of the members from the district did not qualify for full reimbursement. Within the CFAA agreement there is a Reimbursement Dispute Resolution process which the district followed without any positive resolution. The USFS determined which invoices to not fully reimburse along with the Fire Chief no longer sending the IMT staff out to USFS fires which stopped any further revenue from accruing. The amount of revenue lost from non-payment was \$900,000 and the district had already expended salaries. This left a running deficit owed from the fire fund to the sanitation fund.

Additionally, the district's revenues were decreased with the Affordable Health Care Act in 2010, which limited the ambulance reimbursement from Medicare and MediCal to only 25%.

While the question of consolidation keeps being discussed, there are some key contributing factors as to why this is not a viable option for the district. If the fire department was to be dissolved, the debt owed from fire to sanitation still exists along with the 2004 Special Tax of \$95. The tax will still be collected and will continue until the debt is resolved. If LAFCO was to allow a consolidation of departments, their condition for approval would be paying off the debt under the newly consolidated department along with assuming the PERS and OPED debt.

Unfortunately, under the current laws, the only way the debt can be repaid, or the survival of a fire department, is through revenue collected through a Special Tax.

Recommendations

To educate the public to understand district accounting. To investigate if the current financial accounting platform is the best one available to the district.

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Past Board's failure to fulfill their elected fiduciary duty to citizens is cause for concern the patterns will repeat

If the public does not trust their government, it is more difficult to gain their cooperation that is necessary for the well-being of the people. Each and every one of you in public office or public service has a fundamental responsibility: to operate in the public interest. The public will not tolerate a culture that sees political and public sector leaders immune from consequences for behavior that is clearly unacceptable to the public. Integrity consists of more than just obeying the letter of the law: it includes a commitment to acting in the public interest at all times.

A board in a dysfunctional state shows a lack of confidentiality, conflicting agendas, lack of order, lack of respect for others, promotes a hostile environment, creates secret meetings, fosters personal agendas, has a lack of trust, and creates an environment of dominating members plus nonparticipating members.

Here are just a few symptoms of individual dysfunction on the board:

Director apathy. Spotty attendance, lack of preparation, and poor participation can be signals that a director can't be bothered to contribute their fair share.

Destructive conflict. A certain amount of conflict on the board is not only inevitable, but desirable. Effective boards are comfortable with the tension that goes along with genuine differences of opinion. But acrimonious disputes, personal attacks, and escalating disagreements can become destructive.

Pet projects. It's common for a director to have a special interest in certain aspects of the organization, and less so in others. That's fine, but if they advocate for their pet projects and downplay others that compete for resources, it can disrupt the board's priority-setting.

Tolerating misbehavior. Sometimes a director engages in unprofessional or unethical conduct like berating staff, sharing confidential information, or not acting in the organization's best interests. If the board turns a blind eye, it normalizes misbehavior and makes it more likely to recur.

In the cultural domain, a healthy board is like a high-functioning team. The signs include thoughtful deliberation of issues, balanced discussions, sound decisions, buy-in to the board's decisions, director engagement, and mutual trust.

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Most boards exhibit some degree of cultural dysfunction. That's just human nature at work. But when it becomes rampant, there's cause for concern.

The history of some of the earlier district boards, general managers and/or fire chiefs before consolidation and after has a proven record of full disfunction, unethical, illegal activities and incompetence. It became very obvious the citizens of Chester had had enough of this disfunction and wrote to the Plumas Grand Jury asking for their investigation into a multitude of issues. The Grand Jury decided there was enough to warrant and investigation for the 12/13 year. The approach of their investigation was to ***"After reviewing finances and procedures and interviewing employees and contractors of the District, it became apparent the District funds and equipment were possibly being used inappropriately and even illegally. Given this possibility, the Grand Jury chose to focus on the effectiveness of the Board of Directors and subsequently handed off any and all issues relating to possible criminal activities to the Plumas County District Attorney."*** You can read the full report at <https://www.plumascounty.us/Archive.aspx?AMID=37>

The Grand Jury concluded their investigation with 6 findings against the district. They were:

- 1. The CPUD Board of Directors, due to the lack of training and/or orientation, does not understand its governance role***
- 2. The CPUD Board of Directors does not demonstrate effective oversight of management***
- 3. The CPUD Board exhibits a meticulous lack of transparency contrary to regulation***
- 4. The CPUD Board engages in verbal battles with the public during Board meetings***
- 5. The CPUD Board is neither aware of nor familiar with regulations which apply to the District, specifically regulations regarding Board responsibility***

The Grand Jury had 6 ***"Recommendations"*** to implement. They were as follows:

- 1. The 2012 /2013 Plumas County Civil Grand Jury recommends, above all else, that the CPUD arranges for governance and Brown Act training for all of the current Directors of the District and for the Clerk of the Board, and that the District creates an in-depth orientation program for every new Director coming on board.***

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2. *The Grand Jury recommends that the CPUD Board of Directors reviews all District financial processes in order to create and implement, to the extent possible, appropriate fiscal procedures per Generally Accepted Accounting Principles.*
3. *To help ensure transparency, the Grand Jury recommends the following:*
 - *The Board requires a brief financial summary to be presented by the District Manager aloud at each public board meeting.*
 - *The CPUD posts meeting agenda, at a minimum at the Chester Post Office as well as at the District office.*
 - *The District develops a District website and that it includes upcoming and past meeting agenda, minutes, and any information which would be useful to the public. The website should include contact information for each member of the Board Directors and District management.*
 - *The Board publishes board packets including agenda, draft minutes and the draft financial report for the public to be handed out at the beginning of each meeting.*
4. *The Grand Jury recommends that the Board Chairperson and any other Director or staff member responding to questions from the public ensures that they remain respectful in their manner of response. It is certainly appropriate for the Chairman of the Board to refrain from debating with someone during the public comment period, to simply thank the speaker for their input and, if the Board is unable to give a brief, accurate response, commit to responding in writing before the next scheduled Board meeting.*
5. *The Grand Jury recommends that the Board establish By-laws which among other things, define the role of management and the role of the Board as well as those requirements of the California Government Code (Ralph M. Brown Act), §54954. This can appropriately be accomplished by investigating best practices for Special Districts.*
6. *The Grand Jury recommends that the Board routinely networks with other districts to share best practices regarding appropriate by-laws, policies, procedures and issues affecting production and distribution of water, sewer and street lighting services and the provision of fire protection.*

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Pursuant to Penal code section 933.05, a response from the District to the Grand Jury is required. The district did do a Response to the Grand Jury and for unknown reasons it is not on the Plumas County Archive with the rest of the responses.

The 12/13 district response is below:

Grand Jury Recommendation 1

The 2012/2013 Plumas County Civil Grand Jury recommends, above all else, that the CPUD arranges for governance and Brown Act training for all of the current directors of the district and for the clerk of the board and that the district creates an in-depth orientation program for every new director coming on the Board.

Response:

The CPUD Board of Directors agrees with this recommendation and has taken the following steps:

The Board and the clerk of the board have received Brown Act trainings via an on-line webinar, PowerPoint presentations and by reading copies of the current Brown Act through self-study.

A regular training schedule has been implemented and board members have received training in Governance, AB 54, Ethics, and the Brown Act. Future courses to be delivered prior to Dec. 31st 2013 include Fiscal responsibilities and Budgeting, Finance, Emergency Response Planning, Rate Setting, Capitol Improvement Plans and the Safe Water Act. Our goal is to have all board members current in required trainings by December 31st of 2013 (the sources for these trainings taken so far have been the California Small Districts Association (CSDA), Rural Community Assistance Corporation (RCAC), and research and study of various law sections that apply to the operations of CPUD.)

The Board recognizes the need for an orientation program for new board members as 3 of the 5 members are new and have had to pursue orientation

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with staff and performed research on their own. An orientation program is one of the objectives that the board intends to accomplish. By the signing of this response the board agrees that all members of the board will have completed all of the aforementioned trainings within six months and that newly elected/appointed board members will have six months to complete this orientation program.

Grand Jury Recommendation 2:

The Grand Jury recommends that the CPUD board of directors review all District Financial processes in order to create and implement, to the extent possible, appropriate fiscal procedures per Generally Accepted Accounting Principles (GAAP).

Response:

The Board agrees with the Grand Jury recommendation and has implemented controls and accountability with fiscal processes to provide clarity and responsible fiscal management. This is a result of existing board members identifying the fiscal problems exasperated by previous management lack of oversight. The board publicly reviews and inquires about purchasing and income statements to monitor the effectiveness of existing processes.

Better oversight has been enacted to provide accountability with timekeeping and adherence to Statute and District policies and procedures. We have publicly presented our recent audit of fiscal year 2012-13 and were encouraged to find that many of the controls and changes in process that we have implemented thus far were in concert with the changes recommended by the audit.

The District employs the services of an outside accountant for payroll, income and disbursement accounting and for the preparation of fiscal statements. The accountant's resultant tasks have been audited by a third party GAAP certified accounting/auditing firm and found to be in compliance.

As we move forward and hire a General Manager the board will be working closely with that individual to ensure that we will have appropriate checks and balances in place and that the financial workings of the District are transparent.

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Grand Jury Recommendation 3

To help ensure transparency, the Grand Jury recommends the following:

- ***The Board requires a brief financial summary to be presented by the District Manager aloud at each public board meeting.***

Response:

The CPUD Board of Directors currently is acting in lieu of the District Manager. At each meeting (all “meetings” of the board as defined by the Brown Act must be public by definition) a fiscal accounting report is delivered verbally and in written format is made available to the public in the form of a “packet”. Changes in reporting have been implemented to provide a “snapshot” of the District’s up to date financials as of the date of the Board meeting. This has enabled the board to more intelligently assess the fiscal health of the District and to make better decisions for the future of the district.

- ***The CPUD posts meeting agenda, at a minimum at the Chester Post Office as well as the District Office***

Response:

The recommended additional postings were implemented prior to the release of the Grand Jury’s report. All agendas are posted at the District Office, Chester Post Office, faxed to the local media, and are available by request to the public following the procedures contained within the Brown Act. With the completion of a District website the agendas will also be available on-line.

- ***The District develops a District website and that it includes upcoming and past meeting agenda, minutes and any information which would be useful to the public. The website should include contact information for each member of the Board of Directors and District management.***

Response:

The CPUD Board of Directors acknowledges this recommendation and agrees with its intent. It is therefore the intent of the Board to implement the following actions:

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- *During the Board of Directors meeting of August 13, 2013 the CPUD Board of Directors voted unanimously to develop a Request For Proposal (RFP) in order to hire a web-master who will then create a website for a consolidated district presence on the internet. Currently Chester Fire maintains a website and this would be incorporated with the rest of the District web-presence.*
- *The Board is also working with a credit card vendor to establish a process where-by the public will be able to pay their water and sewer bills on line. Once the District has its webpage up and running the vendor will attach a link to our webpage to facilitate this process.*
- *As per the Grand Jury recommendation the District website will include past and current agendas, minutes, financials and contact information for Board members as well as District managers and relevant staff in order to assist the public.*
- ***The Board publishes board packets including agenda, draft minutes and the draft financial report for the public to be handed out at the beginning of each meeting.***

Response:

The board agrees with this recommendation and has for the last 6 months been providing “Board Packets” to the public at each meeting. These packets include (but are not limited to) draft-meeting minutes, the current meeting agenda and the monthly financial “snap-shot” report.

Grand Jury Recommendation 4

The Grand Jury recommends that the Board Chairperson and any other Director or staff member responding to questions from the public ensures that they remain respectful in their manner of response. It is certainly appropriate for the Chairman of the Board to refrain from debating with someone during the public comment period, to simply thank the speaker for their input and if the Board is unable to give a brief, accurate response, commit to responding in writing before the next scheduled Board meeting.

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Response:

The newly assembled Board is committed to maintain a professional demeanor during all of its meetings. As an example we have acquired both State and US Flags and begin each meeting with the Pledge of Allegiance.

Our Board packet outlines when it is appropriate for the public to address the Board but we (the Board) are willing to answer any questions that we can even if they are asked when the public comment period has passed. The Board is committed not to be drawn down the path of past practices and will strive to remain professional and respectful in all of it's dealings with our constituents, the public.

Grand Jury Recommendation 5

The Grand Jury recommends that the Board establish By-laws, which among other things define the role of management and the role of the Board as well as those requirements of The California Government Code (Ralph M. Brown Act), 54954. This can appropriately be accomplished by investigating best practices for Special Districts.

Response:

*The CPUD Board of Directors concurs with Grand Jury recommendation #5 and will begin to draft and adopt appropriate by-laws which will make it clear what everyone's role is within the District. In an effort to accomplish this task CPUD has received an example of Special District by-laws from the Special District Risk Management Authority (S.D.R.M.A.). Using this example as a template the District will strive to construct a series of policies, procedures and by-laws appropriate for our District. Once this task has been completed it is anticipated that this document will guide the direction of the District in the future. **It should be noted that many of the hard copy policies and digital versions are missing due to removal and destruction by past management.***

Grand Jury Recommendation 6

The Grand Jury recommends that the Board routinely networks with other districts to share best practices regarding by-laws, policies, procedures and

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issues affecting production and distribution of water, sewer and street lighting services and the provision of fire protection.

Response:

The Board agrees with this recommendation and as has been outlined in many of the responses outlined above we (the Board) stand committed to learn and practice best practices in every function that the District oversees.

*This can be demonstrated in the training that we have received and have committed to complete as well as **networking** with other districts in **order to share administrative and operational processes**. develop new by-laws and policies and procedures. This will be an on-going process and our success will be measured by future performance of the District as a whole. The Board chairman has also attended LAFCO meetings and established better relationships with the County Board of Supervisors and local media.*

END DISTRICT'S RESPONSE

The past board's implementation of the 12/13 Grand Jury recommendations was a vital first step towards ensuring appropriate oversight of their fiduciary and legislative duties. Unfortunately, succeeding boards did not utilize the work from the past board nor has their actions been enough to secure the trust of the public.

If this board and/or future boards want to gain and keep the public trust, it is this committee's belief that self-reflection and commitment to additional training in "what, how and why" of special district governance needs to occur. The attitude of I didn't know, is not acceptable at any level.

Recommendations

This committee recognizes that the past cannot be undone, but as you move forward raise your focus on what your district could achieve. Refrain from making emotional decisions based on what has happened in the past and strive to become a model district for the entire basin.

This will not be an easy task to achieve, and it requires a commitment from each of you or any future board members. Understand the legal responsibility you took when you took your oath of office. Invest in yourselves by utilizing experts that are available to you. Find a specialized trainer in dysfunctional boards, have them come to you with

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specialized board training because you are past the point of online training being effective. Offer this training to all district boards in the basin so the cost is minimized, and you'll be achieving best practices with other districts.

- Earn your Certificate in Special District Governance by enrolling in the California Special District Association (CSDA) Leadership Academy <https://www.csda.net/sdlf/programs/sdlf-programs>, offer the opportunity to all basin districts which would minimize the cost of 20 people to \$225 per member.
- Ensure every General and/or District Manager is a certified special district manager through the CSDA program.
- Ensure all staff have earned their Essential Leadership Skills certificate through CSDA.
- Work towards the highest achievement of fiscal oversight by participating in the District of Distinction Accreditation program. This accreditation is designed as a way for districts to highlight their prudent fiscal practices along with other areas important to effectively operate and govern a special district. Districts will be recognized for three full years.
- Gain your District Transparency Certificate of Excellence through CSDA by showcasing the many steps your district took to show it is available and transparent to the constituents and customers you serve.
- Ensure your By-Laws, Rules of Order and Board Policy and Procedure manual is up to date, and clear to the public.
- Ensure you have in-depth training and knowledge of Public Service Ethics Laws, "the Brown Act" and how to follow the Rosenberg's Rules of Order through the Institute for Local Government. <https://www.ca-ilg.org/>

Conclusion

The hope of this committee is that the reader is left with a clear understanding of the governing process, how special district revenue is generated, how it can be fiscally used and why.

We have tried to address the concerns we have heard from the public in a factual non-biased inquiry.

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It is imperative the community understands why one or both of these pending tax measures must pass and what the consequences will be to the community and the individual if the measures do not pass.