

Board of Directors
Empire Sanitary District
P.O. Box 294
Empire, CA 95319

September 8, 2010

Presiding Judge Jack M. Jacobson
Superior Court - Stanislaus County
P.O. Box 3488
Modesto, CA 95353

The Board of Directors of the Empire Sanitary District has reviewed the report of the Stanislaus County Civil Grand Jury dated June 25, 2010 on the operations of this District and submits the following response:

I. **FINDINGS.** The Board agrees with the Grand Jury's Findings 1, 2, 3, 5, 6 and 7. With respect to Finding 4 the Board agrees that the previous Board's practice of appointing relatives of current Board members as new Board members, and hiring relatives of Board members, appears unethical. The Board is considering the question of hiring relatives of District employees but is not convinced it is, or appears, unethical.

It should be noted that the Findings are based on the Grand Jury's investigation of events and practices prior to 2010. By the end of 2009 four of the District's five Board members and all employees except the Maintenance Supervisor had resigned. The attorney who had been representing the District had died and another attorney hired temporarily resigned. The Board now has four new members and a new office manager, none of whom contributed to the conditions supporting the Grand Jury's Findings. A new attorney for the District has been hired.

II. **RECOMMENDATIONS.** The Board agrees with all of the Grand Jury's recommendations as more fully noted below:

1. Board Member Residence: The Board has confirmed that all current Board members are residents of the District. The Board has directed the Office Manager to verify residence of future members before election or Board appointment.

2. Minutes: The Board has directed the District Secretary and office staff engaged in drafting minutes to seek approval of the District's attorney before dissemination or Board approval.

3. Audit: The Board has engaged the services of Charles Strand, CPA to complete an audit of the District's financial statements for the last five years.

4. Hiring Policy: Job descriptions have been drafted and will be considered by the Board for approval prior to the end of this year. The Board has directed staff to prepare for Board approval a policy regarding hiring of relatives of Board members or other employees.

5. Inventory: The recommended inventory has been performed. District staff has been directed to work with the City of Modesto concerning classification. This has already resulted in a substantial refund (by way of credit) from the City, which had been basing its charges to the District on erroneous numbers. NOTE: On July 14, 2010 the Board has set new rates for residential and commercial customers effective August 1, 2010 (following Proposition 218 procedures).

6. Collection of Service Fees: The Board has established as District policy that all service fees be paid direct to the City of Modesto. Concurrently, the District has obtained bonds for the Office Manager and Maintenance Supervisor, the only employees who might handle District funds.

7. Conduct of Business Affairs:

(a) The Board has directed its attorney to assemble and report to the Board on California statutes regarding special districts.

(b) The Board has directed that all Board members receive training and updated information regarding the Brown Act once a year, through attendance at a Brown Act review presented by the County Counsel, or if there is no County presentation then the District's attorney shall present such review. The Board has also directed staff to assure that new Board members receive a copy of the Brown Act and training as to its requirements promptly upon taking office.

(c) The Board has established as its policy that the District consistently retain legal counsel.

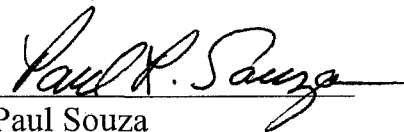
(d) The Board has directed the Office Manager to contact other similar districts for information regarding problem solving, billings and other matters common to them.

(e) The Board has directed staff to explore the possibility of grant monies for system upgrades through County, State and Federal agencies.

(f) The Board has established as its policy that any and all Board vacancies shall be promptly filled, either through appointment or election.

Respectfully submitted,

Board of Directors
Empire Sanitary District

By: 

Paul Souza
President of the Board

cc: Stanislaus County Civil Grand Jury
Stanislaus County Clerk