



Stanislaus Consolidated Fire Protection District
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Modesto, CA 95357
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08/11/2005

The Honorable Marie Sovey Silveira
Presiding Judge
Stanislaus County Grand Jury
P.O. Box 3387
Modesto, CA 95353

Judge Silveira,

First, let me express my appreciation to you and the rest of the 04/05 Grand Jury for your work on these issues.

I would like to clarify a comment made in the summary, then answer your findings in the order they were submitted. This is followed by a response to the recommendations.

Paragraph three of the summary makes the comment the district borrowed money from the county via a "stop-gap" loan. This is incorrect. The district, like other districts in this county, annually takes a cash advance on our taxes to be collected in December of every year. This is known as "dry period" funding, the time between the start of the fiscal year and the time revenues are collected, and is an accepted practice with the county and special districts. The cash advance is used for the districts daily operations and payroll. The district did borrow money; however this was a 1 million dollar loan through Bank of America, which the district has since repaid.

While I believe there is plenty of responsibility to be shared within the district and the county, as to the financial shortcomings of the district. I think continuing to move forward and applying a remedy to insure another crisis doesn't occur, instead of looking for persons to blame, is in everyone's best interest.

Finding #1 LAFCO's Role in District Formation

Response: Agree

The district has no authority with respect to LAFCO. Obviously, the district would like to see LAFCO work closely with the fire service to insure success in future endeavors.

Finding #2 District Board Selection Criteria

Response: Agree

The district is very interested in having board members with the essential skills to perform well in their positions. While the district is always attempting to locate interested parties to become part of our board, the fact remains recruiting continues to be problematic. Not many citizens are interested in getting involved with government boards, primarily due to the time commitment, and the fact that becoming a board member opens up a civil and criminal liability issue. Those that are interested may or may not have the skills needed, and the other unknown is whether they come to sit on the board without prejudice and/or a hidden agenda which may not be considerate of what's best for the citizens of the district.

In the past the district will usually only have one applicant for a board position, rarely are there more than one to choose from. There are times the district will not have a complete board sitting for months. Upon screening, some interested candidates have been turned down if the county and/or the district makes the determination they don't have the skills needed. However, even though a candidate may look good on their resume, many times it's hard to determine just how successful board members are until they are already appointed.

The district has already been more focused on trying to recruit qualified board members, and working with the county, will be more critical of potential board members expertise. The district is also looking at possibly moving to an elected board. While this would take some time to complete, and is another way to fill a district board, the district would still face the dilemma of finding qualified candidates to run for the board positions.

Finding#3 Accounting and Auditing Proficiency

Response: Agree

The district has had some difficulties in the past with tracking its finances and has taken some steps to improve our area of expertise and efficiency within the finance division.

The district has contracted with a part-time accountant in house, and hired a full time finance accountant position, in addition to utilizing our independent auditor. The district is also in the process of changing our budget to be more comprehensive and detailed. This should make it easier to track expenditures and revenues.

In compliance with the GASB 34, the district has started tracking capitol assets, and will do so yearly.

Finding #4 Budgeting and Multi Year Planning

Response: Agree

With a new finance division team in place, the staff has started by assuring we have a workable budget in place for this fiscal year. As mentioned in Finding #3, staff is already making changes to the way we track our finances, breaking out the county contract services, and changing our line item budget to be more comprehensive. Our goal this year is to have a financial plan in place that encompasses the long range goals and objectives of the district. This plan will include future operational needs, as well as a plan to pay down the districts debt.

Finding #5 County Responsibility

Response: Agree, in part.

As mentioned previously the county didn't approve loans to keep the district afloat. An Ad Hoc Team was appointed to assist with getting the district through a critical period financially while the district board made adjustments to staff to keep the agency operating.

All assistance from the county was greatly appreciated, and I believe the county has a moral obligation to ensure that all residents and taxpayers living in the county receive basic services to live safely; this includes fire and life safety. While financial obligations may be debated, I feel working together with county staff in the future will ensure situations such as what just transpired with the district will not happen again.

Recommendations Item #1

District has been working with the Ad Hoc Team, and will continue to do so as the need arises. The district also continues to work with the County Fire Wardens Office, County Executive and Financial Staff, and is participating in the development of the new Regional Fire Authority Board. The district will develop financial and operational manuals with district staff and assistance from those agencies/departments listed above.

The district has already started developing financial audits to ensure financial accountability. The district will work to establish service level audits to qualify and quantify level of service delivery.

Recommendations Item #2

Interim chief and finance staff will work with county auditor to establish an effective procedure.

Recommendations Item #3

District will attempt to work with district board, fire chief, management staff, labor union, fire warden, city managers and councils to get input which will allow the district to develop a multi year business plan.

Recommendations Item #4

The district already prepares an annual audit. The district plans on establishing a web site which will have our annual audit, yearly budget, monthly budgets, meetings, annual events, and district highlights available for all to access. The district is looking forward to getting and providing feedback to the district taxpayers, and re-establishing public confidence in the district.

Our board is interested in the following; these may come from the county, the regional fire authority, or alternate sources.

- Liability insurance for board members.
- Responsibility for district management and penalties for non-performance.
- Training for board members to include classes offered by CSDA for president and vice-president positions. And potential funding for travel to attend if need be.

Classes to include:

- Governance Foundations
- Setting Directions and Community Leadership
- Board's Role in Finance and Fiscal Accountability
- Boards Role in Human Resources

Sincerely,

Stephen Mayotte,
Interim Fire Chief