



## City of Riverbank

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August 31, 2006

The Honorable Marie Sovey Silveira  
Presiding Judge  
Superior Court – Stanislaus County  
Post Office Box 3488  
Modesto, California 95353

Subject: Response to 2005-2006 Stanislaus County Grand Jury Final Report.  
Grand Jury Case #06-06

Dear Honorable Judge Silveira:

In accordance with Section 933(c) of the California Penal Code, the City of Riverbank respectfully submits the following responses to the Stanislaus County Grand Jury recommendations:

1. The City does not implement its external auditors' recommendations consistently and/or in a timely manner.

- Most of the implementation issues occurred prior to the year 2000. From 2001 to 2003, the City received "unqualified audits" by the external auditors. These findings indicate there were no material deviations from generally accepted accounting procedures and principles.

The City does however; concur with the Grand Jury's findings that the City develops an action plan with regard to the external auditors' exception report. The City will establish a timeline to rectify any deficiencies and will implement auditors' recommendations when it is financially or technologically feasible.

2. The City increased water and sewer rates without notification to property owners as required by Proposition 218.

- After conversations with Tom Hallinan, City Attorney, the City respectfully disagrees with the Grand Jury's findings. The sewer assessment in 2000 was done according to 218 regulations in which a

protest vote was utilized and the City held a Public Hearing. In essence, if the majority of the property owners (50% + 1) had opposed the increase, we could not have implemented it. Out of 4,335 ballots, we received less than 100 ballots opposed to the increase in rates.

- As to the 2001 water adjustment, several court decisions suggested that a 218 process was not necessary. For example, the Howard Jarvis Taxpayers Association v. City of Los Angeles (2000) 85 CAL. APP 4<sup>th</sup> 79 case in the District Court of Appeal held that consumption-based water rates were not property-related. This has been a contentious issue until on July 24, 2006 (after the Grand Jury's findings) the California Supreme Court Decision in Big Horn – Desert View Water Agency v. Verjil, Kelley ruled that water service rates are subject to Proposition 218. Its reasoning would likely apply to sewer rates and government provided refuse collection rates. This was the first time the Supreme Court had ruled on this issue. The City, of course, will abide by this ruling.
- The City will post any "CPI Index Rate" adjustments on the City website for public viewing.

3. The City is lax in its credit card policy – "has no receipts and no real records".

- The City has implemented procedures to eliminate flaws in credit card record-keeping. If a staff member is unable to produce a receipt they are responsible for reimbursing the City for the item or service that was purchased with a City credit card. Checks and balance are now in place to insure the cardholder and reviewer both sign the credit card invoice. Finally in accordance with Assembly Bill 1234 on April 10, 2006 the City adopted mandated compensation and reimbursement requirements which specifically addressed business luncheons and other meals. Beyond this, the City policy specifically requires the clear explanation of the meals' purpose.

4. The City did not properly bid nor obtain approval for the purchase of a truck-mounted hydraulic crane.

- The City agrees that at the time the crane was purchased the City did not have a change order policy. On March 27, 2006 the City Council approved Resolution No. 2006-030 and on April 10, 2006, Ordinance No. 2006-006 in which the City elected to become subject to the bidding procedures set forth in the Public Contract Code. In Public Contract Code Section 20142, change order procedures are set forth. "...When so authorized, any change or addition in the work shall be ordered by the City Engineer, or other designated officer and the extra cost to the City

for any change or addition shall not exceed five thousand dollars (\$5,000.00) when the total amount of the original contract does not exceed fifty thousand dollars (\$50,000.00), or 10% of the amount of any original contract that exceeds fifty thousand dollars (\$50,000.00), but does not exceed two hundred fifty thousand dollars (\$250,000.00). For contracts whose original cost exceeds two hundred fifty thousand dollars (\$250,000.00) the extra cost for any change or addition to the work so ordered shall not exceed twenty-five thousand dollars (\$25,000.00), plus 5% of the amount of the original contract cost in excess of two hundred fifty thousand (\$250,000.00). In no event shall any such change or alteration exceed one hundred fifty thousand dollars (\$150,000.00).

5. The City accounting system did not charge employee retirement benefits to the correct accounts for the City Attorney.

- The City concurs with the Civil Grand Jury's findings.

6. Monies to pay for projects were charged to the wrong accounts.

- The City concurs with the Civil Grand Jury's findings.

7. The City claims that "growth will pay its way" yet it plans to reimburse a developer for installing infrastructure improvements using 40% of the sales tax revenues from a store in the development.

- The City concurs with the Civil Grand Jury's findings.

The City of Riverbank appreciates the opportunity to respond to the Stanislaus County Grand Jury recommendations and welcomes any comments you may have with regard to our responses.

Respectfully submitted,



Christopher Crifasi, Mayor  
City of Riverbank

CC/lb

Cc: Riverbank City Council  
Cheryl Merritt, Foreperson 2005-2006 Civil Grand Jury  
Richard P. Holmer, City Manager, City of Riverbank