



**Rolling Hills Water
2018-2019
Madera County Grand Jury
Final Report 1819-07**

Published on: June 28, 2019

MADERA COUNTY REPORT RE: CSA 19

SUMMARY

In 2017, a private owner and resident of Rolling Hills Estates, known to the County of Madera as County Service Area 19 (CSA 19), filed a complaint to the Madera County Grand Jury (MCGJ) to investigate and provide accountability of the County of Madera's actions regarding the following issues:

Water well and water system expenses and expenditure; road maintenance and expenditures; lack of water supply requiring Rolling Hills to be under water restriction; lack of production from wells drilled subsequent to the 2008 CSA 19 agreement with the County of Madera; high levels of arsenic as production declines; and accounting irregularities in public documents from expenses listed for CSA 19.

Based on the complaint, the MCGJ undertook the responsibility to provide the residents of CSA 19 with an understanding of the financing and expenses related to water wells and other County-provided services between 2005-2016.

During the time the MCGJ was investigating these issues, the residents of Rolling Hills voted to change the water system provider from the County of Madera to Bakman Water. The conversion to Bakman was consummated on March 1, 2019.

BACKGROUND

The property owners and residents of the Rolling Hills Estates (CSA 19) have, in the past few years, experienced a County of Madera imposed water restriction. That is not what the property owners expected for their typical ¾-acre lots. Subsequent to the original 1976 beginnings of Rolling Hills Estates, water has become scarcer, wells have failed, and production has dropped. As a result, the residents entered into an agreement with the County of Madera in 2008 for roughly \$3,410,677, to drill new wells, add a storage tank, and other items to improve their water system availability and condition. The majority of property owners believe the County of Madera has failed to accomplish what was promised in good faith.

METHODOLOGY:

The Madera County Grand Jury:

- Interviewed the individual who had filed the complaint regarding the County of Madera's handling of water, and water-well issues, which have resulted in a charge of mismanagement by this complainant.
- Interviewed County of Madera officials, directors and staff managers, with past and present knowledge of the County of Madera activity with CSA 19.
- Reviewed and studied the County of Madera audited budget and expenditure documents for 2005-2017.

- Interviewed local owners and residents of the CSA 19 district.
- Reviewed information regarding the formation of legal agreements between the County of Madera and the subdivision identified as Rolling Hills/CSA 19.
- Reviewed well logs and test results from active wells.
- Reviewed and examined Aegis Groundwater Consulting reports dated April 29, 2016 and June 20, 2016.
- Visited the neighborhood in question to assess complainant's description of conditions.

DISCUSSION

In the 1970's, property owners of Rolling Hills entered into an agreement with the County of Madera to form County Service Area (CSA 19) for the purpose of operating and managing the water wells, water distribution system, and road maintenance.

Currently, the homeowners of Rolling Hills Estates are represented by a Board consisting of five board members elected by the property owners in that area. The Rolling Hills Board is responsible for informing its residents of the inter-actions with the County of Madera regarding the special district. During the years in question, from 2006 to 2019, the CSA 19 Board changed members, and had periods of time with less than five members.

The District 1 Supervisor, whose district includes CSA 19, along with County staff, held several meetings with Rolling Hills residents locally and primarily at Children's Hospital Conference Room. These meetings have taken place at least annually since 2008.

These meetings were held to give the County of Madera and the Rolling Hills Property Owners Association (RHPOA), and the residents an opportunity to share concerns and plans for the water system. Much of the concerns dealt with water availability, usage restrictions and finances related to water. At these meetings, typically the communication between these parties was contentious and hostile. As a result, the residents stated they lost trust in County of Madera's competency to properly manage the water system. The residents interviewed complained the communications with the County of Madera were insufficient and unsatisfactory.

The MCGJ began studying the finances, and expenses of CSA 19 water wells and other county provided services between 2005 and 2016, in an effort to answer the questions raised in the complaint. During this process, the MCGJ learned the County of Madera, Public Works Department (PWD), is responsible for the management of all of the County of Madera County Special Areas (CSAs) and Special Districts (SDs).

To answer the salient questions in the complaint, the MCGJ interviewed numerous individuals in the PWD. The MCGJ learned two significant facts.

First, in the past, money paid by the residents of CSA 19 to the County of Madera, in the form of assessments and water fees, was exceeded by the expenses for these named services. By 2012, expenses had accrued to \$83,493.28 in excess of the revenue.

Currently, the accounting system handles this condition for the special district losses as a "Cash Flow Loan," which must be paid back at some point. A cash flow loan from the General Fund

was used to supplement the shortfall of revenues received from CSA 19. It is important to note that Special Districts must stand alone financially and separate from Madera County as a whole.

Second, during that time and until 2016 these expenses were tracked in a “side-book spread sheet” as a method to track the debt accruing to CSA 19. This Excel spreadsheet was used until a more modern accounting system was implemented to track expenses integral with the CSA 19 financial records.

Additionally, the complaint raised the issue of audits of the accounting of CSA 19. The bookkeeping maintenance and accounting service performed by the County of Madera, tracking all expenses and paying invoices for CSA 19, are recorded on a month-by-month basis and charged as expenses to CSA 19. Since 2015, a full outside vendor audit was done. Prior to that time, only a certified audit was completed as needed. Every year the County of Madera has reviewed the accounts within the Auditing Department, but only since 2015 have outside-certified audits been added routinely to each CSA.

Reviewing the financial records for CSA 19, the MCGJ found no improprieties, nor any accounting anomalies in the records. All of these financial records are available to the public to view at the PWD. There are individuals in the PWD who are available to meet with the public and/or individuals to discuss these issues.

The MCGJ also learned substantial information related to the processes and maintenance of the existing wells in Rolling Hills. This information includes equipment purchased, vendor expenses, problems encountered with well #2 and well #3, and expenses associated with necessary remedial work done by the County and contractors. All of this information is public information and is available for the public to view at the PWD offices.

FINDINGS

- F1. The MCGJ’s examination of the County accounts and reports failed to disclose any malfeasance or negligence by the County of Madera.
- F2. The MCGJ found a lack of good communication between County of Madera and the residents of Rolling Hills, which resulted in misunderstanding and frustration on both sides.

RECOMMENDATIONS

- R.1 The MCGJ recommends that the County of Madera continue to use appropriate accounting practices and policies consistent with national accounting standards for all County Service Areas managed by the County.
- R.2 The MCGJ recommends the County of Madera communicate in writing or meeting in person with County Service Areas and Special Districts to provide the financial health of those entities to them on an annual basis.

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the grand jury requests responses as follows:
From the following elected and appointed county officials within 60 days:

Supervisor District 1
County of Madera
200 W. 4th St., Madera, CA 93637

Chief Administrative Officer,
County of Madera
200 W. 4th St., Madera, CA93637

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.
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DISCLAIMER

This report was issued by the Grand Jury with the exception of two jurors who had current knowledge of the residential area in this report. These Grand Jurors were excluded from all parts of the investigation, including interviews, deliberations, and the writing and approval of this report.