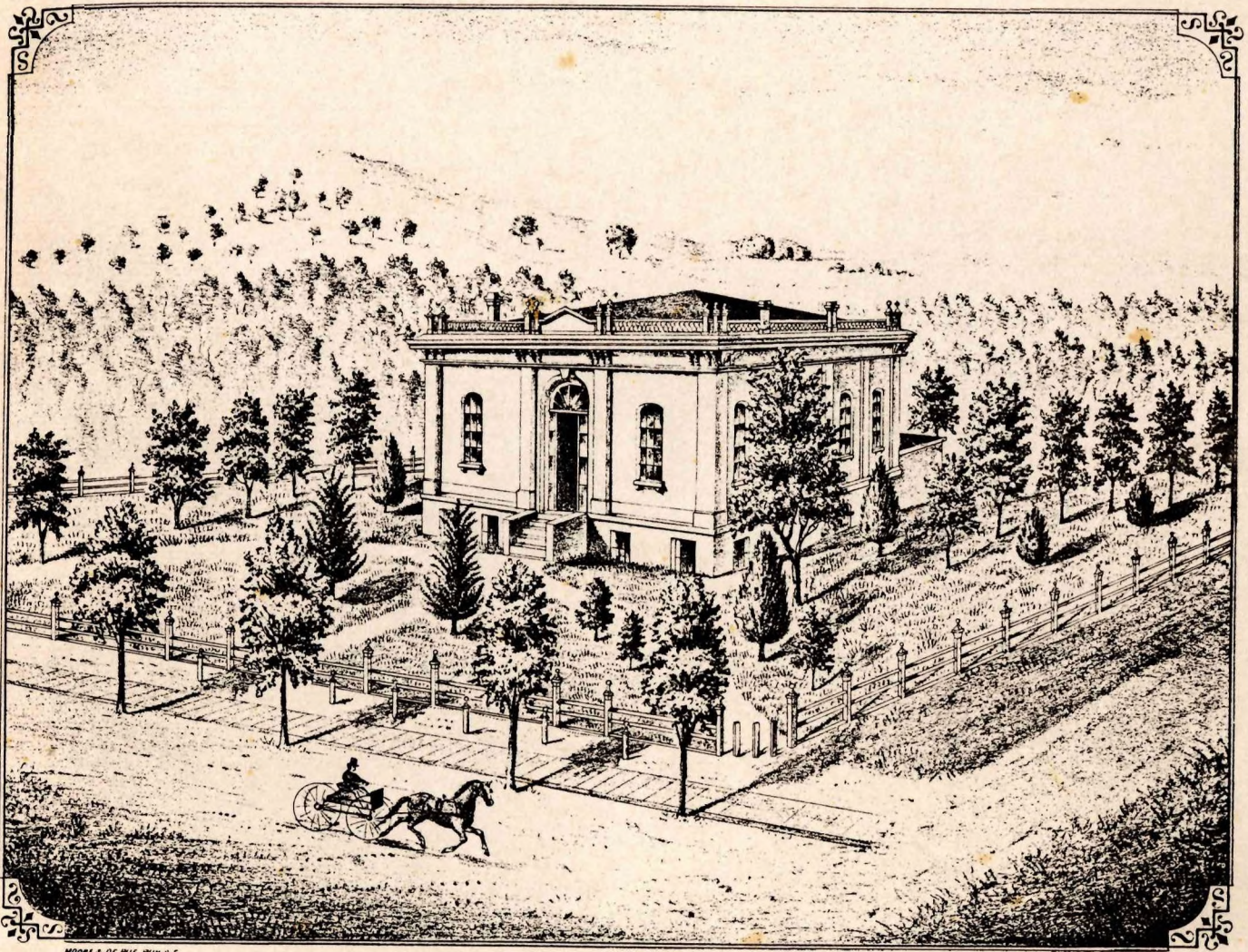


# San Mateo County



MOORE & DE PUE, PUBL. S. F.

BRITTON & REY, LITH. S. F.

COURT HOUSE, REDWOOD CITY, CAL.

## GRAND JURY REPORT 1987

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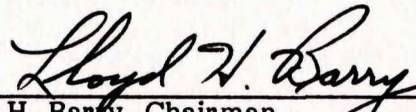
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## **SPECIAL DISTRICTS AND CITIES COMMITTEE SUMMARY**

The Special Districts and Cities Committee conducted interviews with department heads, mayors and/or city council members in the following cities: Atherton, Belmont, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Mateo and South San Francisco. The majority of the cities were well governed due to the high quality of personnel and their long range planning. The only exception was the City of East Palo Alto.

The City of East Palo Alto was incorporated in 1983 and most recently there has been considerable strife and tension among the city council members due to radically different viewpoints resulting in 3-to-2 split votes of the council. This city is having major financial problems, and the committee highly recommends that the 1988 Grand Jury continue to monitor its activities.

There are several hundred special districts in San Mateo County and it would be impossible to visit with all of them. Considerable time was spent with the Westborough Sanitation District in South San Francisco, and a detailed report is included. The Bayshore and East Palo Alto Sanitation Districts were studied intensively by the 1986 Grand Jury and by an ad hoc committee of this year's grand jury. Please refer to those reports.



Lloyd H. Barry, Chairman  
Special Districts and Cities Committee

## CITY OF EAST PALO ALTO

The City of East Palo Alto was incorporated July 1, 1983 having been governed by the County of San Mateo before that time. The city offices are in a building now leased from the County of San Mateo, but possibly in the future they will be in the former Ravenswood High School buildings. Work had been in progress to convert the old school buildings into a civic center, including space for the police department and a corporate yard, but this has been stopped for financial reasons per Mr. Tessaye Tsadik, City Attorney. Also, a suit has been filed to halt the conversion, alleging that an environmental impact report had not been filed. In October 1987 the Superior Court denied a request for a preliminary injunction to halt the conversion.

Since incorporation, there has been considerable tension and stress in the management of the city. The city council has been divided 3-to-2 most of the time, and the grand jury is of the opinion that the two factions are vehemently opposed to the ideas or proposals of the other.

In the near future the city plans to take over the East Palo Alto Sanitation District, the Park Mutual Water District (a private district serving 600 residents from a series of wells located in the area), and the Pacific Gas and Electric street lighting system.

**RECOMMENDATION 20: That the city should take over the management of the East Palo Alto Sanitation District, the Park Mutual Water District, and the P. G. & E. street lighting system to make East Palo Alto a full service city.**

A letter has been received by the grand jury from Concerned Citizens of East Palo Alto alleging many irregularities in the management of their city. The major allegations are the violation of the Brown Act by the city council; the overpayment to former Acting City Manager James E. White; the costs of a private lawsuit by former Mayor Barbara Mouton being paid by the City of East Palo Alto; and the fact that the police department was not under the supervision or jurisdiction of the city manager.

The city has evidently overspent its budget and has been currently trying to borrow \$600,000 from the County of San Mateo against expected property tax collections this December of approximately \$750,000.

We quote from an editorial in the Times Tribune of Palo Alto on December 22, 1986:

"Fred Howell, the young city's first manager, showed in 2-1/2 years that he could handle day-to-day matters reasonably and professionally. He had visions of making improvements that may have seemed unrealistic considering the community's generally poor financial state, but he succeeded in areas where local leaders had been frustrated in the past, such as parks and recreation and police service improvements. Howell appeared to have won the respect of his fellow city employees, which goes a long way toward creating the enthusiasm necessary to solve East Palo Alto's various problems, but he failed to win over Mayor Barbara Mouton and Councilmen Ruben Abrica and James Blakey, who caused the 3-to-2 vote last week for a "buyout" offered in exchange for Howell's resignation. It is troubling to hear that Howell's biggest problem was not his alleged failure to successfully promote community development, but his personality clash with Mouton and her council allies. Such a clash, however, cannot justify the cost of jettisoning Howell. The \$45,000 severance pay and retirement benefits paid to Howell, along with the \$45,000 or so the city likely will have to pay to his successor, is a high price for a city that needs every dollar it can find to deal with crime, blight, business development and other difficult problems."

Since Mr. Howell's departure, James E. White became acting city manager, and following his termination in July of this year, the new city manager is Stanley H. Hall.

The grand jury has been told by the County of San Mateo District Attorney's Office that there is an ongoing investigation into the possible overpayment of monies to James

E. White; of the alleged misuse of city funds to pay the costs of Barbara Mouton's lawsuit; and that the office is investigating the charges of possible Brown Act violations.

All city departments are now under the jurisdiction of the new City Manager Stanley H. Hall, with the exception of the city attorney. The police department during Mr. White's city management administration was under the jurisdiction only of the city council.

The grand jury was informed that Mr. Hall told the County of San Mateo that the main purpose in wanting to borrow \$600,000 from the county was to invest the money, use the investment interest for "income" and to pay a small interest on the amount borrowed, enabling the City of East Palo Alto to make a substantial profit. The loan was denied by the County of San Mateo.

Despite protestations from the mayor, the assistant mayor and the city manager that they "know what they are doing," it is the opinion of this grand jury committee that the city management is not budget or cost wise, and that spending has exceeded projected revenues. The expense of running the city is too great for the low tax base. There are few, if any, large manufacturing companies, and most of the homes are in middle class or poor neighborhoods.

**RECOMMENDATION 21: That the East Palo Alto City Council request the League of California Cities to appoint one of their "Range Riders" to temporarily assist the city in establishing the city administration.**

Many problems, at the time of this writing, have not been resolved by the City of East Palo Alto, and it is the intention of this grand jury to meet with several council members who are in "opposition" to the majority on the city council and to get their points of view on city administration.

**RECOMMENDATION 22: That an ad hoc committee or the Cities and Special Districts Committee of the 1988 Grand Jury continue the investigation of the City of East Palo Alto because of the unresolved problems and the lack of final determination by the District Attorney's Office at this time.**

## EAST PALO ALTO SANITARY DISTRICT

The East Palo Alto Sanitary District, which was investigated last year by the 1986 Grand Jury, continued to be plagued with personnel difficulties and troublesome law suits for the better part of the year. Manager Vulindlela I. Wobogo's contract was terminated on April 15, 1987, and Mr. Ross Dandridge was hired at the eleventh hour as interim manager and performed quite well. Mr. Lee Hawkins was hired as the new manager in October 1987.

During Mr. Wobogo's tenure as manager, the directors were displeased with his performance and opted to settle his contract. His termination pay amounted to \$16,492 which included accrued personal leave, contributions to a retirement account and consulting fees for the period April 19, 1987, to July 19, 1987. The committee finds this payment excessive although legal per the terms and conditions of Mr. Wobogo's employment contract.

In addition, a member of the board saw fit to buy a sports jacket and slacks as a farewell gift for Mr. Wobogo. \$132.68 was charged on the district's credit card at Sears without the authorization of the board.

After Sears threatened litigation for non-payment, the board paid the outstanding bill rather than having another lawsuit filed against them. As of this date, the district has not pursued reimbursement from the person responsible for this expenditure.

The committee is also troubled by warrants issued on May 8, 1987, for \$698.92 and on June 30, 1987, for \$579.50 to American Express. These expenditures were incurred by Mr. Wobogo on the district's credit card for travel expenses. No supporting documentation was available, nor board approval.

In addition, numerous meal expenses were charged by Mr. Wobogo, and detailed documentation was wanting. The board members must be responsible for all fiduciary expenses of the district with defined guidelines for expenditures.



**RECOMMENDATION 50:** That the district pursue payment for an unauthorized credit card purchase of \$132.68 by the responsible person.

**RECOMMENDATION 51:** That the credit cards be used for district expenses only and that those expenses be reasonable and fully documented.

**RECOMMENDATION 52:** That the district establish proper criteria for all expenses.

Based on documented warrants in our possession, this committee suspects that past and present directors and managers have been overly compensated for California Association of Sanitary Agencies conventions. In light of the findings contained in the Bayshore Sanitary report (page 59, paragraph 2), this committee recommends that the grand jury investigate and audit the district expenses from 1980 to 1987, especially those relating to the directors and past manager.

**RECOMMENDATION 53:** That the District Attorney's Office investigate for possible misappropriation of district funds.

The district seems to be up and down in its quest for a clean start. We are assured it is the district's desire to mend its old ways.

A financial audit has recently been concluded, and it indicates that the district's general ledger accounting practices have improved and that the district is reconciling with the county records on a quarterly basis. A concerted effort is being made, for which we commend them.

The district accounting records do not reflect any depreciation for the sub-surface pipelines, and it is necessary if a true future financial position is to be drawn and future service rates to be set. The sub-surface pipes have a lifetime of 15 years, and no money is being put aside for replacement. Management must develop an estimate of the approximate date in which the lines were first put into operation and program the cost of their replacement accordingly in a reserve fund.

**RECOMMENDATION 54:** That the district hire a consultant to determine cost of replacement pipelines and incorporate findings into a long range replacement and financial plan.

The auditors also found that significant improvement was made in the filing system, but it still is not perfect. We do not accept the rationale that documents which were unable to be located were those generated during times of heavy staff depletion and/or reorganization. Files must be a major priority in the running of any district and should always be maintained.

The committee has studied the auditor's last two reports. It was strongly recommended that all procedures as they pertain to cash handling, payroll processing and computer operations be reduced to writing and compiled in a comprehensive operations manual. This has not been done to date. Hopefully Mr. Hawkins will not only write but implement the manual for the district.

During the course of the committee's investigation, it was discovered that over six months of minutes of the board meetings had not been approved and, in some cases, not transcribed.

After threat of subpoena by the grand jury, unapproved drafts of the minutes were finally delivered to the grand jury. The failure of the board and the staff to maintain and approve public records in a timely manner, such as minutes to public meetings, is intolerable for a public agency.

**RECOMMENDATION 55: That the district approve the minutes of their meetings in a timely fashion.**

**RECOMMENDATION 56: That the 1988 Grand Jury continue to monitor this special district.**