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September 18, 2013

Mr. Don Rapp, Foreperson
2012-13 Riverside County Grand Jury
P.O. Box 829
Riverside, CA 92502

Dear Mr. Rapp:

**Subject: Response to 2012-13 Riverside County Grand Jury Report:
Riverside County Water and Sanitation Districts,
Compensation and Transparency**

Eastern Municipal Water District (EMWD) has received the subject report and in accordance with the requirements of California Penal Code Section 933.05 and the instructions contained in the subject report, respectfully submits the following responses to the findings and recommendations:

Response to Finding One and Finding Two: Agree

These findings are summary statements of the publically available information gathered by the Grand Jury.

Response to Finding Three: Partially Disagree

The Grand Jury's finding that meetings held during the day rather than in the evening prevent "...working rate payers..." from attending does not recognize that a substantial portion of the current workforce, including residents and customers of EMWD, either work non-traditional hours or flex-time, telecommute, or may work weekend days with days off during the week. As such, EMWD disagrees with the generalized nature of this portion of the finding.

Response to Recommendation One: The recommendation will not be implemented because EMWD believes compensation provided to Directors is commensurate with the value received by the ratepayers.

EMWD compensates its Directors consistent with provisions of State law. Specifically, Director's compensation is set forth in the District's Administrative Code, which provides: *"Each director shall be paid \$206.00 for each day's attendance at meetings of the Board, and for each day's service rendered as director by request of the Board, not exceeding a total of ten (10) days in any calendar month. A director shall be compensated for no more than one authorized meeting per day even if more than one meeting is attended in one day."* Under the District's policies, Directors may also receive health benefits for medical, dental and vision, but do not receive any retirement benefits either through the California Public Employees' Retirement System nor by any contributions made by the District to any other retirement accounts on behalf of the Directors.

EMWD Directors are expected to not only participate in District Board and Committee meetings, they also represent the District at the Metropolitan Water District of Southern California and in Ad Hoc committees with other water and wastewater agencies with common facilities and interests, and participate in educational and advocacy efforts through regional, state and national groups. Most of the Directors devote at least ten days per month in such activities in furtherance of the District's interests and the interests of our ratepayers. They are responsible for the approval and oversight of the District's budget and all significant expenditures, including a 5-year capital improvement plan totaling nearly \$400 million.

The Grand Jury Report notes that EMWD's average compensation (noted in the report as "Stipends") for its Directors was \$21,424 per year, and its average benefits per Director was \$8,344 per year. By contrast, private sector boards of small cap companies have median total annual meeting compensation of \$118,000 per year¹; those board members have in many respects less day-to-day responsibility as EMWD's public sector Board, at nearly four times the cost. While those private sector boards have responsibility to shareholders, EMWD's public sector board has its responsibility to the ratepayers and the public good.

Put into a broader context, the District's Budget for FY 2013-14 is \$370.3 million, so the benefits roughly account for one one-hundredth of a percent (0.01%) of the annual budget for the District. To further establish the context for the minimal impact of the cost of the benefits, the impact to the average ratepayer is less than two cents (\$0.02) per month.

EMWD receives value for the services of its elected Board and believes the compensation and benefits provided to those Board members is appropriate for, and consistent with, the value of the service provided to the ratepayers.

¹ "2012 Director Compensation Report on Non-Employee Director Compensation Across Industries and Size", by Frederick W. Cook & Co., Inc., October 2012. Frederick W. Cook & Co., Inc. is a leading independent consulting firm specializing in executive and director compensation and related corporate governance matters.

Response to Recommendation Two: This recommendation was not made to EMWD.
No response required.

Response to Recommendation Three: This recommendation is not factually supported and requires further study, as discussed below.

There is no specific research or evidence offered in the Grand Jury Report or elsewhere that there is inadequate opportunity for public participation in meetings of the Board of Directors or that scheduling meetings after 6 pm would increase public attendance. In fact, scheduling Board meetings in the evening results in increased costs for extended (overtime) hours of operation and based upon research conducted by the District, has not been shown to materially increase public participation.

The EMWD Board of Directors currently holds four standing committee meetings and two Board of Directors meetings per month. Each Board and Committee meeting is duly noticed in accordance with state law, and all action items considered by the Board include comprehensive memoranda reports with supporting documentation that is made available to the public in advance. The District posts a comprehensive advanced calendar for all its Board and Committee meetings on its website: emwd.org. The website provides not only the agendas but electronic links to the memoranda reports and supporting documentation for each agenda item. In addition, the website provides the ability for the public to leave questions, comments or requests for additional information on any posted agenda item. Written or electronic comments or questions submitted by the public are provided to the Board of Directors in advance of action being taken on any item.

In addition to electronic posting, paper versions of all agendas are posted in public areas and hard copies of agenda materials including memoranda reports and supporting documentation are made available to any member of the public upon request. A key Board-directed strategic objective of the District is to provide all agendas for Board actions and related materials in a multi-media format to maximize public accessibility. The District has excelled in this area and in fact, was recently awarded the California Special District Association (CSDA) Transparency Certificate of Excellence. EMWD is one of ten special districts statewide to earn this certification which is based upon stringent requirements related to open governance, transparency policies and website content including the availability of Board materials.

EMWD currently holds its Board meetings on the first and third Wednesday of each month at 9:00 am. Typically, average attendance at Board meetings by at-large members of the public ranges from zero to four individuals; with additional periodic attendance from contractors, consultants or members of the business community on specific items under consideration by the Board. When members of the public do attend EMWD meetings, the Board of Directors takes public testimony in a timely manner for items of concern to be accommodating and respectful of the attending public's time.

To help determine if holding regular Board meetings in evening hours would materially affect public participation or result in increased attendance, the District recently conducted a survey of 27 water and wastewater agencies on this issue. Fourteen agencies responded to the survey and follow-up calls were placed to two other agencies that currently hold evening meetings. In total, eight of the agencies either currently conduct evening meetings (after 5 pm) or have done

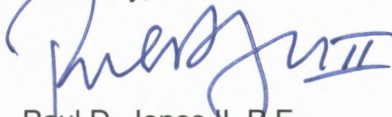
so in the past. All the agencies that hold or have held evening meetings reported public attendance levels substantially similar (zero to four individuals) to those holding meetings during the day, including EMWD. Some agencies reported marginally higher attendance for intermittently held public "workshops" on controversial items. Those agencies that had held evening meetings and had switched back to daytime meetings had done so because of the lack of increased public attendance, and the additional staff overtime and associated costs being incurred for no discernible public benefit.

Based upon the survey results, there is no evidence to support the Grand Jury's conclusion that scheduling Board meetings in the evening would increase public attendance or that the opportunities for the public to interface with the Board of Directors are inadequate in any way. As noted above, EMWD has taken extraordinary steps to ensure Board agendas and supporting materials are easily available to the public in a variety of formats.

EMWD has and will continue to survey its customers on means and methods to more effectively provide information and to serve the public's needs for interaction with the Board of Directors through public meetings, multi-media venues and other opportunities. A customer survey will be implemented by EMWD in Fall of 2013, which will include question(s) regarding the adequacy of opportunities for public participation at Board meetings. This survey information will be used by the General Manager and Board to assess and the need for enhanced opportunities for public participation and to inform the development of such enhancements, if deemed necessary.

If you have any questions regarding EMWD's responses to the findings and recommendations of the subject Grand Jury study, please do not hesitate to contact me at 951-928-6130, or at jonesp@emwd.org.

Sincerely,



Paul D. Jones II, P.E.
General Manager

c: EMWD Board of Directors