



**Rancho
Water**

VIA FACSIMILE AND EXPRESS MAIL

September 24, 2013

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

**SUBJECT: RANCHO CALIFORNIA WATER DISTRICT RESPONSE
TO JULY 2013 RIVERSIDE GRAND JURY REPORT:
"RIVERSIDE COUNTY WATER AND SANITATION
DISTRICTS, COMPENSATION AND TRANSPARENCY"**

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Director of Operations &
Maintenance

Andrew L. Webster, P.E.
Chief Engineer

Kelli E. Garcia
District Secretary

James B. Gilpin
Best Best & Krieger LLP
General Counsel

Dear Mr. Rapp:

Rancho California Water District (RCWD/District) has received and reviewed the above referenced report. On behalf of the RCWD Board of Directors, this letter serves as the District's response, under the requirements California Penal Code §933.05.

Grand Jury Finding 1

"The Grand Jury, in its review of water and sanitation districts servicing Riverside County, found that 15 out of 29 districts provided benefit packages to some boards of directors. These packages may have included such medical benefits as dental, vision, and life insurance (See Table C); in some cases retirement benefits were paid for by the districts. Some of these insurance benefits were offered to the spouses and/or families of board members. It must be noted that these benefits given to the directors are voted on by the directors themselves. These are benefits that are generally given to full-time employees of the districts.

State law established the amount of stipend a director may receive for attending meetings; however, there are no regulations on the amount of benefits a director may receive. This has resulted in some districts having an average director total compensation in excess of \$40,000 (See Table C). The review of district financial data indicated these benefits were added to the district's direct operating cost and were ultimately passed on to the rate payer as "cost of doing business."

RCWD response to Finding 1: RCWD agrees with this finding.

Grand Jury Recommendation 1

“Before raising any water and/or sewer rates, water and sanitation districts providing insurance and/or retirement benefits to its directors shall reduce or eliminate these full-time benefit packages for part-time directors.”

RCWD response to Recommendation 1:

The recommendation will not be implemented. Please see further explanation below.

While elected Board of Directors for local public agencies are serving a civic duty, they are also committing a significant amount of their time to doing so, and are taking on a fiduciary responsibility to oversee the development and maintenance of hundreds of millions of dollars in capital assets. The job entails far more than showing up for Board meetings. Directors are expected to read and digest a vast amount of material prior to each Board or Committee meeting. They are responsible for setting policy, participate in strategic planning for the organization, review financials and disbursements, and participate in presentations to credit rating agencies. They engage the community and bring concerns or ideas back to the organization for consideration. They retain legal counsel, retain an auditor and conduct an annual audit of the District financials, meet with other local, state, and Federal officials to advance the District's objectives.

RCWD Board of Directors are currently provided with the following compensation and benefits:

- Compensation – The District compensates Directors for attendance at Board meetings or for each day's service as a Director rendered at the request of the District at the rate of \$175.00 per day, not to exceed 10 days per month. **It should be noted that this compensation amount has not been increased by the Board of Directors since 2001.**
- Health insurance – District provides single coverage and family coverage on the same cost-share basis as employees. **It should be noted that over the last three years, in an effort to address increasing health insurance costs, both staff and Directors have paid an increased share of the cost of family coverage.** As of July 1, 2013, employees and Directors pay 16 percent of the cost of difference between single and family coverage, if electing family coverage.



- Dental – Covered under Association of California Water Agencies (ACWA) Delta Dental Plan
- Vision – Covered under ACWA's Vision Service Plan
- Life Insurance/Accidental Death and Disability – Up to \$150,000 policy benefit
- A 457 deferred compensation plan with 7.5 percent District contribution. This was implemented in 2002 when new IRS guidelines caused many governmental bodies to classify board members as employees (W-2) rather than independent contractors (1099). Since RCWD does not participate in Social Security, and Directors are not covered under the District's CalPERS pension (which full-time employees receive), this alternative deferred compensation plan was developed. The contribution is comparable to the employer contribution under Social Security. This provides a reduced benefit when compared to full-time employees enrolled in the District's CalPERS pension.

The current value of compensation and benefits provided to RCWD Board of Directors is less than most RCWD full-time employees receive in compensation and benefits. Further, RCWD's Board has not increased the per diem compensation for Directors in 12 years and has increased the cost share required of Directors and employees who elect to have family coverage, under the District's medical insurance, over the last three years. For these reasons, RCWD will not implement Recommendation 1.

Grand Jury Finding 2

"The California Public Records Act (CPRA) was passed in 1968, requiring inspection and/or disclosure of governmental records to the public upon request, unless exempted by law. The CPRA is currently codified as California Government Codes §6250 through §6276.48. The legislature enacted CPRA, and §6250 expressly declared that "access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in this state" and emphasized that maximum disclosure of the conduct of governmental operations [is] to be promoted by the act." By promoting prompt public access to government records, the CPRA is "intended to safeguard the accountability of government to the public." (CBS v. Block, 42 Cal. 3d 646n.5, 230 Dai.Rptr.362, 725 P.2d370 (1986). This "prompt public" accessibility to water and sanitation district public documents is achieved through district websites.

Of the 29 water and sanitation districts studied, 6 districts had no website available to their ratepayers:

- Cabazon County Water District (CCWD)



- Fern Valley Water District (FVWD)
- Chiriaco Summit Water District (CSWD)
- Edgemont Community Services District (ECSD)
- Home Gardens County Water District (HGCWD)
- Home Gardens Sanitary District (HGSD)

Those districts which had websites available provided varying amounts of public documents as guided by the California Public Records Act.

While some districts had created and maintained websites, not all websites remained current to reflect public meeting changes, updated minutes and agendas, and updated financial reports and audits.

During the investigation, the Grand Jury utilized a number of sources to acquire data. One very important source of public documents was the best practice of providing websites which are operated by the 23 districts themselves. There was a wide disparity in the availability of data, its ease of finding, and the timeliness of the information. This did not necessarily correlate with the size of the district. Some large, sophisticated districts had limited online access to compensation and financial data, while some smaller districts excelled. A keystone of improving public confidence in local government operation is to make operating information easily available and demonstrate nothing is hidden.

District websites were reviewed for inclusion of the following items of transparency:

- Clearly labeled link or links on the website's home page to all financial and compensation information.
- Compensation data for the board of directors and general manager listing all types of compensation (salary and other benefits) in a clear, understandable manner.
- If the general manager had a contract, then a copy of the current contract should be posted on the district's website.
- The current and previous fiscal year budgets, Comprehensive Annual Financial Reports, and latest County audits.
- Public meeting information, including dates, times, locations, agendas, and minutes.
- Rate structure and rate history of water and sanitation services.
- Other public documents, including water quality reports.”



RCWD response to Finding 2: RCWD agrees with this finding.

Grand Jury Recommendation 2

“Each water and sanitary district shall provide a district website to provide access to public documents including financial, contractual, budgetary, and compensation information for board of directors and general managers. These documents shall include the benefits paid by the district on behalf of the board members and general managers, and include the general manager’s contract. The districts shall maintain an update agendas, minutes and financial reports issued.”

RCWD response to Recommendation 2:

The recommendation has been largely implemented, and will be fully implemented prior to December 31, 2013. Please see further explanation below.

As part of RCWD’s Strategic Business Plan objectives adopted by the Board, the District recently undertook a major revamp of its website. One of the additions to the website at that time was a clearly identified “Transparency” page, where various documents of interest to the public could be placed for easy access.

Most of the information identified in Recommendation 2 is already provided on the District’s web page.

- The District has a Transparency page where information of interest to the public can be posted and easily found. This page currently includes:
 - Administrative Code
 - Link to Finance Department page
 - Compensation filings made to the State Controller for most recent three years of filings (2009, 2010, 2011)
 - Board approved Salary Schedules for 2013-14
 - General Manager’s contract and amendments
 - District Organization Chart
 - Link to Board of Directors Page
 - Copy of Ordinance No, 2001-6-1, which establishes per diem compensation
 - Copies of current labor agreements



- Ethics section including Conflict of Interest Policy and Ethics Training Policy
 - Board of Directors Ethics Training Certificates
 - Link to District's Public Records Policy
 - Public Records Request Form
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- Some information is available in other locations on the RCWD web page, such as year to date Director-compensation, reported quarterly (as year-to-date each quarter) which can be found in the Planning and Administration Committee packets as an information item. Staff is working to make the report more visible by adding it to the Transparency page.
 - There is currently not a specific report on the current benefits received by the general manager and the Board of Directors; however, this will be developed and added to the Transparency page.
 - We already maintain Board agendas and minutes in an easy to locate, clearly identified section of the webpage which can be reached with one click.
 - We also post our Comprehensive Annual Financial Report, Budget, and Annual Audit documents in the Finance section, but these will also be added to the Transparency Page so they require less effort to locate.

The District has also embarked on the process to secure the "District Transparency Certificate of Excellence," through the Special District Leadership Foundation. The process will include review of District transparency practices.

RCWD appreciates the opportunity to review and respond to the Grand Jury's report.

Sincerely,

RANCHO CALIFORNIA WATER DISTRICT


Matthew G. Stone
General Manager

