

**COMPENSATION SURVEY OF ORANGE
COUNTY WATER AND SANITATION
DISTRICTS**



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SUMMARY

The 2010/11 Orange County Grand Jury has completed a review of compensation practices for the boards of directors and general managers of the eighteen water and sanitation districts in Orange County.

The districts studied are independent government agencies, run by an elected or appointed board of directors, and administer combined annual revenues of over \$1.3 billion. Yet for a variety of reasons, they receive little public interest or scrutiny. Given the recent excesses in local government, the potential for serious problems exist, thus the attention of the Grand Jury.

In general, despite a seeming lack of interest on the part of the public, it was found the districts went efficiently about their business, providing water, wastewater and solid waste collections services to the citizens of Orange County. However, there are several areas of concern.

While payments for meeting attendance by board directors are limited by State statute, there is no limitation of benefits paid to directors. Some districts have chosen to provide their directors with limited or no benefits, there are some instances of full time benefits being paid for part time work.

The Grand Jury found wide variation among the districts studied in the ability of the general public to obtain compensation, financial and meeting information. As a result, the Grand Jury has recommended minimum standards for information access on district websites.

REASON FOR STUDY

Water and sanitation districts within Orange County are not well understood by the general public, and given little attention. Yet these districts have tremendous power to levy fees and often possess substantial capital reserves. They also play a vital role in public health and safety.

Due to recent excesses in local government compensation and the mounting financial burden created by public pension obligations, there is justified concern on the part of the public towards local government and the way it conducts its affairs.

Given this heightened concern over local government operations, the Grand Jury determined it would be worthwhile to review and illuminate the compensation received by the boards of directors and general managers of the water and sanitation special districts within Orange County. Many have referred to this concept as “transparency.” Beyond just providing compensation data, the Grand Jury also felt an examination of how that information is conveyed to the public would be useful. It is hoped that by providing this information in a uniform context, public confidence can be increased for this sector of government.

METHODOLOGY

The Grand Jury made the decision at the study’s inception to review all special districts in Orange County dealing in water or wastewater, regardless of their size or function. This approach combines water retailers, water wholesalers, as well as wastewater treatment agencies. Water retailers provide water directly to individual users while water wholesalers provide water to water retailers, thus complexity of operations will differ.

Each district was sent a questionnaire soliciting compensation and benefits information for the board of directors and the general manager position. Other documents requested included annual reports, district by-laws, financial statements and budgets, organization charts, as well as any employment contract for the general manager. Follow up contacts were made to clarify data or seek additional information.

This data was analyzed to see if it was in compliance with the State of California Water Code (Water Districts) and the State of California Sanitation Code (Sanitation Districts). All districts appeared to be

following state guidelines in regards to number of monthly meetings and director compensation.

In addition to the direct information supplied by the districts, the Grand Jury also reviewed each district's individual website as well as the website of the State Controller of California. The individual district websites were surveyed to judge their ease of use, the value of the information provided to the public as well as to provide data for some of the statistical analysis contained in this report. The State Controller's website contains the annual "Local Government Compensation Report", which includes special districts such as water and sewer districts. The data presented on the Controller's website is for the calendar year of 2009 and thus may be at variance with values stated in this report.

Members of the Grand Jury attended various district board meetings to gauge the level of public interest and attendance and to see if district business was conducted in an open and detailed manner. On two occasions, members arrived at the scheduled time and place of the public meeting as shown on a district's website and found it to be cancelled, with notice posted only at the location of the meeting site.

This report is focused on total compensation, including value of benefits, to the individual general manager or board of directors member.

"Retirement benefits", as used in this study, do not include those amounts that the employer is normally required to pay as the employer's standard share of pension contributions. However, if the employer is paying all or some of the amount an employee would normally be expected to pay (the "employee's share"), then that amount was included as additional compensation to the employee in the calculations. In all cases retirement benefits included any type of defined benefit retirement plan, retirement health accounts or any other deferred compensation contributions the employer is making on the employee's behalf.

"Insurance" includes any combination of the following: medical, dental, vision, life and accidental death, short-term disability, long-term disability, and long term care insurance. These numbers include only the cost to the employer; they do not include any premiums paid by the employee. If an employee elected to take cash in lieu of insurance coverage that dollar amount was captured in the insurance calculations.

"Car allowance" may be either an actual cash payment to the employee or the imputed value of using a district supplied vehicle. If the general manager used a district "pool" vehicle for daily work it was not included as a car allowance.

Bonuses were noted, although it is recognized that they may be a one-time benefit and may not reappear in other years as compensation.

Focusing on the larger picture and major elements of compensation, it was elected to not quantify benefits for less expensive categories, such as cell phone allowances. Likewise, job-related reimbursables, such as conferences, travel, training, etc., were excluded.

Board of directors for these special districts do not receive a salary, rather they are compensated for attending meetings related to district business. These stipends are set by State of California government statute and contain inflation escalation clauses. The statute also limits the number of meetings a board member may collect fees for in any given month.

Quantifying compensation for a district's board of directors presented some challenges. First, the basic compensation for a director is dependent upon the number of meetings attended by a given director, and considerable variation was observed. Further, different insurance health packages (when offered) were selected by various directors leading to large spreads in insurance costs on individual boards.

The Grand Jury felt the fairest presentation of the compensation for a given board member was to use an averaging method. To accomplish this, the actual annual total district expenditures for board of directors' stipends, health insurance and retirement amounts were divided by the number of directors on the district's board, giving an "average compensation" for directors. Some directors were compensated above this average value and some less. While some precision is diminished, the Grand Jury feels it provides a valuable benchmark for comparison.

FACTS

Fact: Combined total annual revenues for the 18 water and sanitation special districts in Orange County exceed \$1.3 billion.

Fact: California state law defines a special district as "any agency of the state for the local performance of governmental or proprietary functions within limited boundaries (Government Code Section 16271 (d)).

Fact: Compensation for the board of directors of water districts must be set in accordance with the California Water Code Section 20202 and for the board of directors of Sanitation Districts, in accordance with the Health and Safety Code, Section 6489.

Fact: Board of director meeting stipends for water and sanitation special districts are capped by the state. Other compensation packages for the board of directors and the general manager are set by the board of directors in each district.

Fact: Elected or appointed officers of a special district, commission or board elected or appointed after June 30, 1994 are prohibited from participating in the California Public Employees' Retirement System (CalPERS).

ANALYSIS

What are Special Districts?

The agencies reviewed by this report are commonly referred to as “special districts”. State law defines a special district as “any agency of the state for the local performance of governmental or proprietary functions within limited boundaries.” A special district is a separate local government that delivers a limited number of public services to a geographically limited area.

Inadequate revenue bases and competing demands for existing taxes make it hard for counties and cities to provide all of the services that their constituents want. When residents want new services or higher levels of existing services, they can form a district to pay for them. Special districts localize the costs and benefits of public services. Most special districts serve just a single purpose, such as districts for sewage treatment or water delivery, the focus of this report.

Sometimes county supervisors or city councils are special districts’ governing boards, as is the case of dependent special districts. Independent special districts operate under state laws as autonomous government entities with independent elected board of directors accountable to the local voters they serve. However, special districts must make certain reports to the State of California. For example, special districts must send their annual financial reports to the State Controller’s Office. Districts must also follow the state laws for special taxes, bonded debt, public hearings, public records, and elections.

Water districts were formed in Orange County as early as 1925 (Laguna Beach County Water District). Population growth, coupled with the drought beginning in 1987 and escalating in 1989-90, generated a new way of thinking for the water districts in Orange County. A renewed

focus began to be placed on conservation, groundwater management and water recycling.

Orange County has 14 water and 4 sanitation districts; all classified as independent districts, each having their own board of directors. Not all areas of Orange County use water district services. These communities (typically older cities) have their own water sources and are operated by either city governments or private water companies.

Originally, water districts were limited by state law to what services they could provide. But in 1963 the California Water District Act was amended allowing water districts to provide wastewater and water reclamation services. Of the 18 special districts studied in this report, 8 provide both water and wastewater services.

District descriptions and background

The following table contains demographic data describing each of the districts, with particular emphasis on various measures of size. It's important to note that these districts have an annual combined total revenue of approximately \$1.375 billion, yet very few taxpayers give the attention to the structure and management of these entities that they may give to their local city councils.

The data in the table was acquired from a number of sources, the majority from the districts themselves, their annual reports or their websites. "Annual Revenue (2009/10)" generally reflects the total income received from all sources by each district for the fiscal year of 2009/10. This can differ from a district's operating budget, which may exclude amounts for debt servicing or capital projects.

Special Districts Statistical Summary

District	Year Formed	Employees	Population Served	Annual Revenue (2009/ 10)
Costa Mesa Sanitary District	1944	18	116,700	\$10,452,000
East Orange County Water District	1961	10	104,000	\$6,307,708
El Toro Water District	1960	55	51,000	\$19,724,200
Irvine Ranch Water District	1961	315	330,000	\$205,500,000
Laguna Beach County Water District	1925	40	25,000	\$9,000,000
Mesa Consolidated Water District	1960	60	116,479	\$29,102,086
Midway City Sanitary District	1939	24	100,000	\$8,926,587
Moulton Niguel Water District	1960	98	166,964	\$77,195,000
Municipal Water District of O.C.	1951	30	2,300,000	\$154,963,970
Orange County Sanitation District	1946	648	2,600,000	\$594,700,000
Orange County Water District	1933	217	2,400,000	\$109,775,309
Rossmoor/ Los Alamitos Area Sewer Dist.	1952	0.5	24,204	\$384,608
Santa Margarita Water District	1964	128	150,000	\$79,053,240
Serrano Water District	1927	11	6,500	\$4,639,911
South Coast Water District	1932	73	40,000	\$31,900,685
Sunset Beach Sanitary District	1930	3	2,500	\$948,283
Trabuco Canyon Water District	1962	23	13,350	\$7,055,526
Yorba Linda Water District	1959	76	75,000	\$25,858,705
Total for all Districts:				\$ 1,375,487,818

The following section provides a brief overview of each of the 18 special districts included in this report. Any features or operations unique to each district are mentioned.

Costa Mesa Sanitary District *(Sewer and solid waste pickup)*

The District's boundaries encompass all of the City of Costa Mesa and portions of Newport Beach and unincorporated Orange County. In addition to providing sewer service to 116,000 residents, the District also provides curbside refuse and recycling collection services to over 21,000 households.

East Orange County Water District *(Water only)*

The District's wholesale operation encompasses an area of approximately 10,000 acres including the City of Tustin, a portion of the City of Orange and unincorporated territory bordering the eastern side of Santa Ana and Orange. In July 1985 the District entered retail water operations when it took over the operations of Orange County Water Works System #8.

El Toro Water District *(Water and sewer)*

The El Toro Water District's water and wastewater system serves over 5,000 acres including all of Laguna Woods and portions of the cities of Laguna Hills, Mission Viejo, Lake Forest and Aliso Viejo. Service connections are provided for residential, commercial, industrial and institutional use. In September 1983, the District purchased the assets of a privately owned utility to become a retail water and sewer provider.

Irvine Ranch Water District *(Water and sewer)*

The District serves 181 square miles in central Orange County including the City of Irvine and portions of Tustin, Newport Beach, Costa Mesa, Orange, Lake Forest and unincorporated areas. It provides drinking water, reliable wastewater collection and treatment, recycled water and urban runoff treatment. Over the last ten plus years the District has consolidated with five water districts which resulted in greater efficiency and lower rates and charges to its customers.

Laguna Beach County Water District *(Water only)*

The District provides service within an 8.5 square mile area including portions of Laguna Beach, Crystal Cove State Park and supplies, under contract, water and services to the unincorporated community of Emerald Bay. Its 8,450 service connections service mostly residential water users. Within the District there are 21 water storage reservoirs providing approximately ten days of water to the community in the event of an emergency.

In November of 2000, the District became a subsidiary of the City of Laguna Beach. Through an operating agreement with the City, the District operates independently, retaining its assets, separate legal counsel, separate insurance and benefits and continues to operate under the State of California Water Code. The Laguna Beach City council members act as the Water District's ex-officio Board of Directors. They

draw no salary but their medical insurance benefits are paid by the water district and not by the City of Laguna Beach. Besides the Board, there is also a Commission that does the day to day decision making. The Commission members are appointed by the Board of Directors (Laguna Beach City Council) and serve 2 year terms. This report considers compensation of only the Commissioners.

Mesa Consolidated Water District *(Water only)*

The District was created through the merger of three districts and the City of Costa Mesa Water Department. This was the first California water agency to consolidate two or more water districts and assumed the debts and obligations. The District serves an 18 square mile area and includes the City of Costa Mesa, parts of Newport Beach, unincorporated areas and John Wayne Airport.

Midway City Sanitary District *(Sewer and solid waste pickup)*

The District maintains 174 miles of sewer mainlines transporting 13 million gallons a day to treatment facilities serving residents in Westminster and the unincorporated area known as Midway City. In addition, the District provides curbside refuse and recycling collection services to 20,600 residences and commercial and industrial properties within the District.

Moulton Niguel Water District *(Water and sewer)*

The District was formed in 1960 to provide a water supply to the Moulton Niguel Service. In 1964 the District began wastewater services previously provided by Orange County Sanitation District No. 12. The District encompasses approximately 36.5 square miles and includes the cities of Laguna Niguel, Aliso Viejo and portions of Laguna Hills, Mission Viejo and Dana Point. Water and sewer accounts are estimated at just over 54,000.

Municipal Water District of Orange County *(Water only)*

The District is a wholesale water management and planning agency that provides imported water to 28 water purveyors and two private water companies in a service area of over 600 square miles. These smaller entities then provide the water to residential and commercial customers. In 2001 the District consolidated with Coastal Municipal Water District of Southern California. It is the second largest member agency of the Metropolitan Water District of Southern California, the agency that supplies Southern California with the majority of its imported water. It coordinates countywide water/wastewater emergency preparedness and response efforts.

Orange County Sanitation District *(Sewer only)*

The District provides wastewater services for much of Orange County. Its boundaries cover 479 square miles, serving 21 cities and three special districts. The District has two operating facilities, one in Fountain Valley, the other in Huntington Beach, treating wastewater from residential, commercial and industrial sources in central and northwest Orange County. Each day approximately 230 million gallons of wastewater is treated, enough water to fill Angel Stadium three times a day.

The 25 members of the District's board of directors consist of elected representatives from each of the sewer agencies or cities within the Orange County Sanitation District. Thus the board members of the District are not elected directly, but are appointed by their respective agencies.

Orange County Water District *(Water only)*

Despite its name, the Orange County Water District is not a water provider in the usually understood sense. Its function is to manage the underground water in Orange County, called the aquifer. Agencies pumping water from the ground in Orange County are regulated and charged by this district. The Orange County Water District also operates the Groundwater Replenishment System, a state of the art plant in Fountain Valley that purifies wastewater and injects it back into the ground for reuse.

The board of directors for this district is a hybrid of elected and appointed officials. Of the 10 board members, 7 are elected from defined service areas within the district, and 3 are appointed representatives of the cities of Fullerton, Anaheim and Santa Ana.

Rossmoor/Los Alamitos Area Sewer District *(Sewer only)*

The District was created in 1952 by area citizens desiring an adequate sewer system to replace outdated septic tanks. Annexations in 1954 and 1960 added the Rossmoor residential development and the nearby Naval base. The District serves more than 8,000 sewer connections in Rossmoor, Los Alamitos, the College Park West area of Seal Beach and parts of Cypress.

This district has only one part time employee, serving essentially as general manager. All other district work is contracted out.

Santa Margarita Water District *(Water and sewer)*

The District is the second largest water district in Orange County serving residents and businesses in Mission Viejo, Rancho Santa Margarita, Coto de Caza, Las Flores, Ladera Ranch and Talega. The size of the district expanded from 41,400 acres to its present size of 62,674 acres through a series of annexations and several small land exchanges with Moulton Niguel Water District to better align boundaries. The District is one of five south Orange County water agencies that partnered to finance and construct the 244 million gallon Upper Chiquita Reservoir project.

Serrano Water District *(Water only)*

The District provides services to approximately 2,000 acres which includes Villa Park and a minor portion of the city of Orange with approximately 2,250 domestic meters in service. This was the smallest water district studied, with a population of about 6,500. The District's principal source of water is native water drawn from Santiago Reservoir, also known as Irvine Lake, which it also manages as a recreational facility.

South Coast Water District *(Water and sewer)*

For decades the south coast area of Orange County was served by three water and sanitary agencies. As of January 1, 1999 these agencies consolidated to form the "expanded" South Coast Water District. Water and/or sewer services are provided to more than 17,000 customer accounts in Dana Point, Monarch Beach, Capistrano Beach, South Laguna and areas of north San Clemente and north San Juan Capistrano.

Sunset Beach Sanitary District *(Sewer only)*

The District was formed to provide wastewater services to an area of approximately 175 acres. This area includes the unincorporated community of Sunset Beach and Surfside Colony. The District collects both sewage and municipal solid waste. The District contracts with the Orange County Sanitation District for sewage treatment and effluent disposal and with the City of Huntington Beach for sewage conveyance.

This smallest district studied (population 2,500) lacks even a physical office and public meetings are held in a local women's club. Its boundaries are included in the pending annexation of Sunset Beach by the City of Huntington Beach, so its future is unclear.

Trabuco Canyon Water District *(Water and sewer)*

The District provides retail water service, wastewater treatment, reclamation and agricultural services to over 4,000 metered connections in a 9,000 acre area at the foothills of the Santa Ana Mountains. This area is comprised of numerous canyons and hills with varying elevations from 900 to 2,400 feet above sea level and includes the communities of Dove Canyon, Trabuco Canyon, Robinson Ranch and Portola Hills. Wastewater is collected and reclaimed at the Robinson Ranch Wastewater Treatment Plant built in 1984 and expanded in 1992. One hundred percent of the reclaimed water is then used for irrigation.

Yorba Linda Water District *(Water and sewer)*

The District was started in an unincorporated area. Through the 1950s the area was largely rural but rapidly transitioned to suburban land use. Annexations expanded the District from 4,710 acres in 1959 to over 14,000 acres today. The District serves most residents in the City of Yorba Linda and portions of Placentia, Brea and Anaheim. The District has nine active wells which provide 50 percent of the water produced, the rest derived from imported sources.

Board of Directors compensation

Total compensation among the districts varies based on their size and on decisions made by their boards concerning their benefits.

In the early 1990's the California Water Code Section 20201 put a ceiling of \$100 on the maximum amount water board members can receive for attendance at any one meeting of the board or directors. However, Section 20202 authorizes water district boards to increase the amount of compensation not to exceed 5% for each calendar year, although any such increase is at the board's discretion.

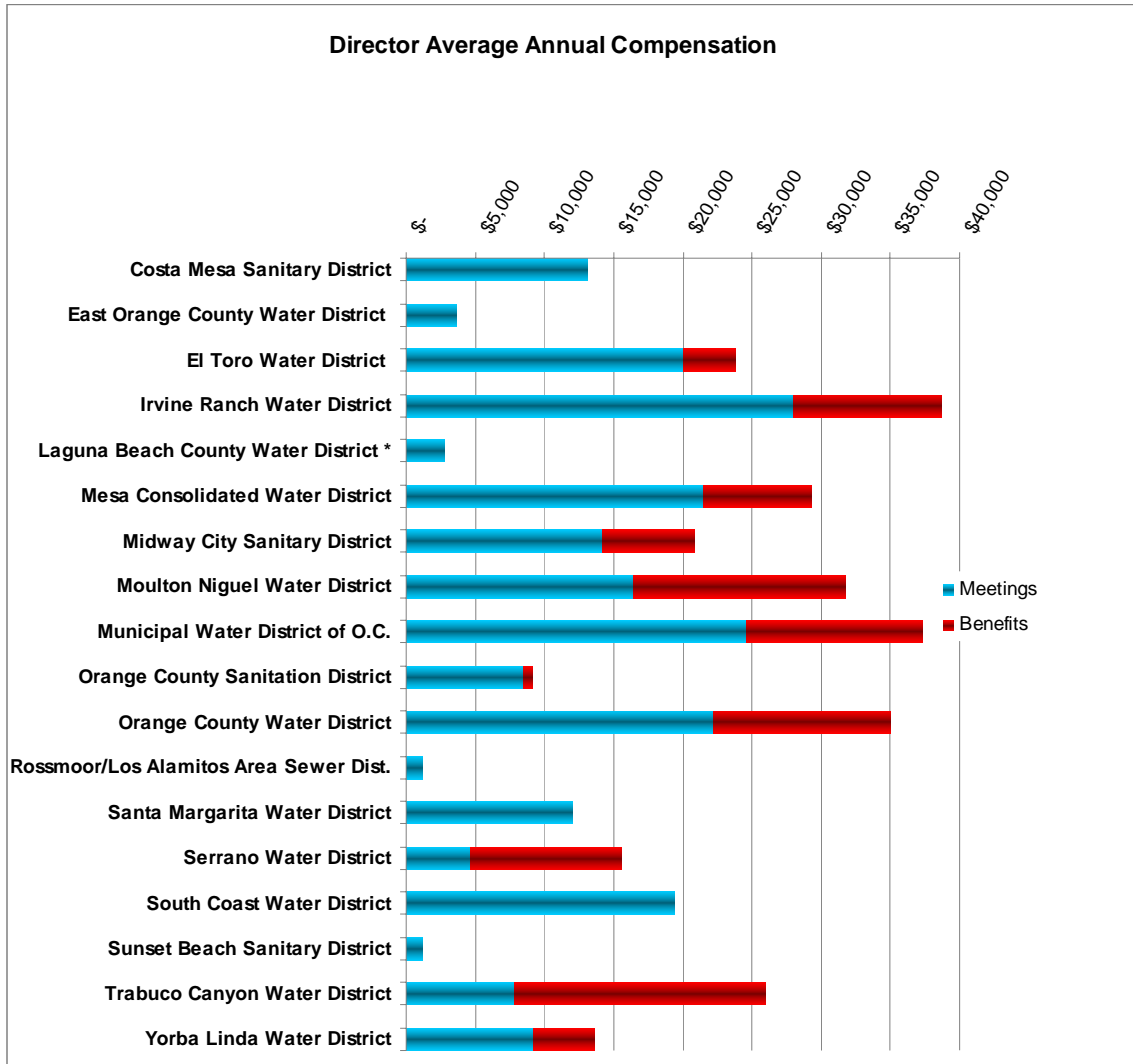
Some districts have chosen to increase the per meeting director stipend regularly while others have not. This has resulted in a disparity in meeting compensation between districts ranging from \$100 per meeting up to \$237 per meeting.

In addition to meeting compensation, State statutes also limit the maximum number of compensable meetings to 10 monthly for water districts and 6 monthly for sanitation districts. Some districts hold very few meetings per month, while others approach the maximum allowed, due to extensive subcommittee meetings or qualifying meetings with outside agencies. Thus annual director compensation for meetings alone has a wide range, from as little as \$1,200 (Sunset Beach Sanitary District) to \$28,000 (Irvine Ranch Water District).

While pay per meeting is set by statute, benefits such as medical insurance and retirement are not. Benefits paid to special district directors are set solely by the board of directors themselves. Four districts provide retirement benefits and ten districts provide insurance benefits to their directors.

It should be noted that board members elected since June 30, 1994 are prohibited from participating in the CalPERS retirement program. Four of the districts studied still have some sitting board members elected before the CalPERS prohibition was implemented 17 years ago. Because there are so few of these members and future board members cannot qualify for these funds, the Grand Jury elected to exclude these small amounts from the data reported here. There is no restriction against the participation of board members in other types of retirement programs, such as other defined benefit plans or deferred compensation plans.

The following graph shows the average annual fiscal year 2009/10 compensation received by board members of the special districts studied and analyzed as discussed in the “Methodology” section. After the graph follows a table showing a breakdown of director compensation in more detail. Note that in that table, and those following, the entry “-“ denotes a value of zero.



Director Average Annual Compensation

District	Meeting Compensation	Retirement	Insurance	Total Benefits	Total Compensation
Costa Mesa Sanitary District	\$ 13,083	\$ -	\$ -	\$ -	\$ 13,083
East Orange County Water District	3,600	-	-	-	3,600
El Toro Water District	20,000	-	3,796	3,796	23,796
Irvine Ranch Water District	28,000	-	10,730	10,730	38,730
Laguna Beach County Water District *	2,760	-	-	-	2,760
Mesa Consolidated Water District	21,404	-	7,906	7,906	29,310
Midway City Sanitary District	14,187	-	6,625	6,625	20,812
Moulton Niguel Water District	16,429	329	14,999	15,328	31,757
Municipal Water District of O.C.	24,505	3,168	9,613	12,781	37,286
Orange County Sanitation District	8,512	638	-	638	9,150
Orange County Water District	22,176	3,543	9,289	12,831	35,008
Rossmoor/Los Alamitos Area Sewer Dist.	1,200	-	-	-	1,200
Santa Margarita Water District	12,012	-	-	-	12,012
Serrano Water District	4,640	-	10,939	10,939	15,579
South Coast Water District	19,422	-	-	-	19,422
Sunset Beach Sanitary District	1,200	-	-	-	1,200
Trabuco Canyon Water District	7,850	-	18,077	18,077	25,927
Yorba Linda Water District	9,270	-	4,316	4,316	13,587

*Data shown is for Commissioners and based on monthly stipend

There is a significant variance in the benefits paid to boards of directors of the special districts studied. In some cases benefits constitute a significant portion of a director's total compensation. For example, in the case of the Trabuco Canyon Water District, the benefits make up approximately 70% of their directors' total compensation.

This level of benefits has opened many special districts up to criticism. Since board meetings are usually held only a few times per month (sometimes only once per month), they are effectively part-time jobs. Yet in many cases these part-time jobs come with full time benefits. There is no statutory prohibition against providing full-time benefits to board members for part-time duties.

The situation may have arisen due to the fact that in past years health benefits were much less expensive than today. As a result they were often provided as a standard benefit for many employees. As costs for these types of benefits have dramatically risen, districts may not have considered the appropriateness of their provision for what are essentially part time members.

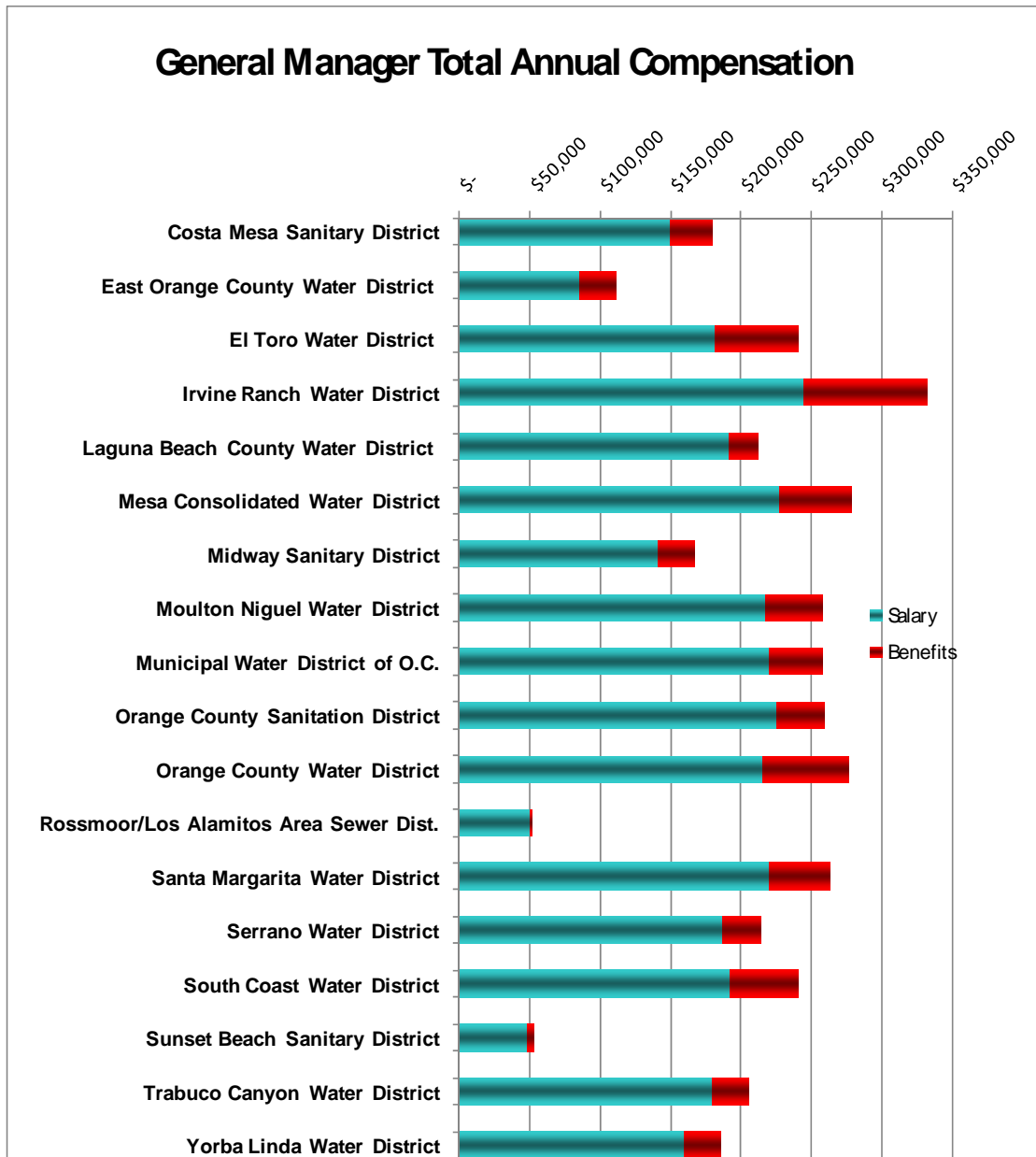
Some of the smaller districts studied are models of frugality. The Sunset Beach Sanitary District and the Rossmoor/Los Alamitos Sanitary District seldom meet more than once a month, even though permitted to do so. Further, their directors receive no benefits beyond their modest meeting stipends.

In the case of the small East Orange Water District, it is their policy that board members rarely go to outside meetings and collect their meeting stipend. Instead, the General Manager attends outside agency meetings and reports back to the directors as a cost savings measure.

The Laguna Beach County Water District has a somewhat different compensation model than most. As previously described, there is a panel of “commissioners” who manage normal matters of the district. The commissioners each draw a monthly stipend of \$230, regardless of the number of meetings, and receive no benefits.

General Manager compensation

All of the special districts studied were directed by general managers (for one district the position is called “Superintendent”). The board of directors sets general policy for each district and approves budgets and expenditures, while the general manager runs the day to day operations and manages the staff of a district. For the districts studied, most of the general managers’ compensation fell in a relatively uniform range. There were a few exceptions, both on the low end and the high end. The following graph summarizes the general manager’s compensation for fiscal year 2009/10 and the subsequent table breaks it down in more detail.



General Manager Total Annual Compensation

District	Salary	Bonus	Retirement	Insurance	Car Allowance	Total Non-salary	Total Compensation
Costa Mesa Sanitary District	\$ 150,000	\$ 3,000	\$ 11,500	\$ 9,588	\$ 4,800	\$ 28,888	\$ 178,888
East Orange County Water District	85,540	-	5,988	16,265	4,200	26,453	111,993
El Toro Water District	181,064	-	36,667	15,896	6,600	59,163	240,227
Irvine Ranch Water District	244,992	25,479	39,688	13,569	7,992	86,728	331,720
Laguna Beach County Water District	191,324	-	13,393	7,432	-	20,825	212,149
Mesa Consolidated Water District	227,800	-	30,946	13,678	6,000	50,624	278,424
Midway Sanitary District	141,450	-	24,180	1,332	-	25,512	166,962
Moulton Niguel Water District	217,464	-	18,049	21,960	-	40,009	257,473
Municipal Water District of O.C.	219,902	-	15,393	14,052	9,000	38,445	258,347
Orange County Sanitation District	225,000	-	20,500	13,258	-	33,758	258,758
Orange County Water District	215,000	-	39,193	13,727	8,400	61,320	276,320
Rossmoor/Los Alamitos Area Sewer Dist.	50,000	-	-	-	780	780	50,780
Santa Margarita Water District	220,000	-	27,840	15,828	-	43,668	263,668
Serrano Water District	187,000	-	5,610	21,108	-	26,718	213,718
South Coast Water District	192,000	-	28,415	20,004	-	48,419	240,419
Sunset Beach Sanitary District	47,646	-	-	-	4,800	4,800	52,446
Trabuco Canyon Water District	179,500	-	14,360	11,994	-	26,354	205,854
Yorba Linda Water District	160,140	-	11,210	14,986	-	26,196	186,336

Two districts were notable for not providing retirement or insurance benefits for their general managers: Rossmoor/Los Alamitos Sanitation and Sunset Beach Sanitary Districts. This is possibly the result of the positions being part time, and also the districts being small and fiscally responsible. All other districts studied provided retirement and insurance benefits.

Two districts paid their general managers bonuses within the year studied, Costa Mesa Sanitary and Irvine Ranch Water Districts. The payment of a \$25,479 bonus to the general manager of Irvine Ranch Water District resulted in that position having the highest compensation of all general manager positions studied (Although as previously noted, bonuses may be one-time events.)

Car allowances were not uncommon, but were not a benefit restricted to only the larger, well funded districts. Several smaller districts provided their general managers with car allowances, yet a number of larger districts did not. However often larger districts maintain a fleet of district vehicles, which a general manager may use. In these cases, the use of a district vehicle did not show up as compensation.

There are two reasons for the largest variation in the “Total Non-salary” category which are both related to the retirement category. First, agencies with defined benefit programs sometime pay part of what would normally be the responsibility of employee to pay (the “employee’s share”) as a benefit. These districts feel it makes their job positions more attractive and improves hiring ability in a competitive market.

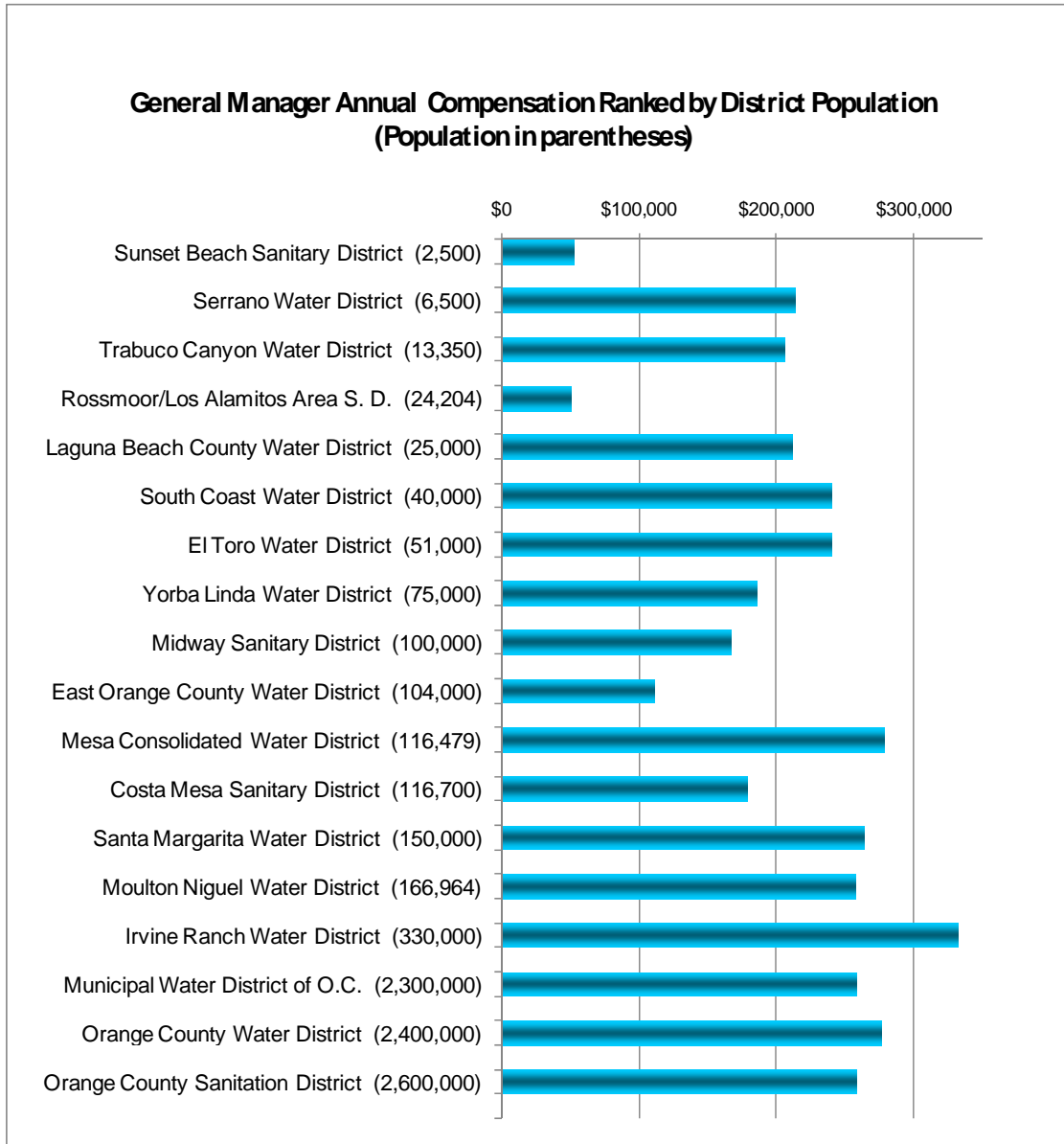
The second reason for wide retirement benefit variability has to do with deferred compensation. A number of districts provide deferred compensation programs whereby money is deposited into an employee’s account for use upon their retirement. Some districts require an employee match with the employee’s own funds, but in other cases the district deposits money whether an employee does or not.

The districts with the second and third highest retirement values listed, Orange County Water and El Toro Water Districts, deserve special mention. Of all the districts studied with employee retirement plans, these two are the only districts whose plans are not defined benefit plans. They are instead defined contribution plans. The districts and employees each contribute minimum required amounts to a deferred compensation plan. Either party may contribute more than the minimum, depending upon financial conditions.

A defined benefit plan, such as offered through CalPERS or the Orange County Employees Retirement System (OCERS) is the stereotypical government pension plan. It defines the benefit to the employee upon retirement, regardless of financial conditions at that time. This type of plan has generated much controversy in the current economic times.

A defined contribution plan instead specifies how much an employee and employer will contribute into a tax-deferred compensation plan, with no guarantee as to what the ultimate payout to the employee will be. The defined contribution plan reduces financial risk to the employer and is being held by many as a more responsible retirement plan for public employees.

The following shows the total general manager compensation for each district, ranked by the population data obtained from each district. The smallest district, Sunset Beach Sanitary District, is at the top, and the most populous district, Orange County Sanitation District, is at the bottom.



Generally, it appears district population bears no significant relationship to salary and benefits paid to the general manager. However, two of the relatively small water districts, Serrano Water District and Trabuco Canyon Water District offer their general managers compensation on par with much larger organizations.

Serrano Water District is noteworthy. With a population of only about 6,500, Serrano Water District compensates its general manager more than the general manager of Costa Mesa Sanitary District, which is almost eighteen times larger in terms of population. However the Serrano Water District does have the additional responsibility of managing recreational activities at Irvine Lake.

From the data presented, the compensation received by the general manager of the Irvine Ranch Water District is the highest of all districts studied. However if the \$25,479 bonus is set aside, it is not far removed from general manager compensation of other large districts. Considering the size both in population and geography of that district, and the fact it operates the second largest budget of all districts studied, perhaps the level of compensation is not surprising.

If it could be said that there is a standout among these districts, then perhaps it would be the East Orange County Water District. The frugality previously displayed in their board of directors compensation continues with their general manager. The general manager's compensation is significantly less than seven other, smaller-populated districts, and greater than only the two districts with part-time general managers.

Information accessibility

During the investigative process for this report, the Grand Jury utilized a number of sources to acquire data. One very important source was the websites operated by the districts themselves. There is 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.

Websites maintained by special districts should provide at least these minimum features.

- A clearly labeled link or links on the website's home page to all financial and compensation information.
- Compensation data should be provided 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 operates under a contract, then a copy of the current contract should be posted on the district's website.
- The current and previous fiscal year budgets should be posted. If available, the district's Comprehensive Annual Financial Report (CAFR) should be included.
- Public meeting information, including dates, times, location, agendas and minutes should be listed and rigorously updated.

As an example of what the Grand Jury would consider best practices in this area, reference is made to the website of the Costa Mesa Sanitary District. Through the "Transparency" link on their home page, access is provided to an extensive variety of compensation and benefit information. Additional links to "Agenda & Minutes" and "Finances" round out what is a superior website in terms of information accessibility.

Grand Jury members attended scheduled public meetings of many of the districts in this report. Typically, the only members of the public present at the meetings were those of the Grand Jury. Citizens of those districts, for whom significant financial decisions are being made, simply choose not to attend.

The only sure prevention for government abuse and excess is citizen participation. The Grand Jury did not observe this participation to be occurring to any significant level in the case of special districts. Public apathy towards these districts, unless corrected, is a recipe for disaster. While current management is honest and focused on the good of the people, lax public oversight could result in a very different situation.

FINDINGS

In accordance with California Penal Code Sections 933 and 933.05, the 2010-2011 Grand Jury requires responses from the agencies affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based upon its Compensation Survey of Orange County Water and Sanitation Districts, the 2010-2011 Orange County Grand Jury has arrived at two principal findings, as follows:

- F.1:*** District websites often do not provide easy public access to compensation and financial data of the district, if available at all.
- F.2:*** District websites were sometimes not updated to reflect public meeting changes or cancellations.

RECOMMENDATIONS:

In accordance with California Penal Code Sections 933 and 933.05, the 2010-2011 Grand Jury requires responses from the agencies affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based upon its Compensation Survey of Orange County Water and Sanitation Districts, the 2010-2011 Orange County Grand Jury makes the following two recommendations:

- R.1:*** **Provide in an easily accessible format on the district's website, data on compensation for the board of directors and general manager, as well as current budget and financial reports.**
- R.2:*** **Maintain and update agendas, minutes, meeting schedules and location on the district's website.**

REQUIREMENTS AND INSTRUCTIONS:

The California Penal Code Section 933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section 933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

- (a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
 - (1) The respondent agrees with the finding
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
- (b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
 - (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.
- (c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision

making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code Section 933.05 are required from the Boards of Directors of the following agencies:

<u>Responding Agency</u>	<u>Findings</u>	<u>Recommendations</u>
Costa Mesa Sanitary District East Orange County Water Dist. El Toro Water District Irvine Ranch Water District Laguna Beach County Water Dist. Mesa Consolidated Water District Midway Sanitary District Moulton Niguel Water District Municipal Water District of O.C. Orange County Sanitation District Orange County Water District Rossmoor/Los Alamitos Area S.D. Santa Margarita Water District Serrano Water District South Coast Water District Sunset Beach Sanitary District Trabuco Canyon Water District Yorba Linda Water District	F.1 and F.2	R.1 and R.2