

Kenneth J. McLaughlin, President
R. M. "Cook" Barela, Vice President
Paul E. Hamrick, Director
James C. Huber, Director
Jack E. Smith, Director



July 26, 2007

Riverside County Grand Jury
P. O. Box 829
Riverside, CA 92501-0829

RE: RESPONSE TO GRAND JURY REPORT DATED JUNE 28, 2007

Dear Members Of The Grand Jury:

The Board of the Jurupa Community Services District (JCSD) is appreciative of the Riverside County Grand Jury's dedicated service to Riverside County. The Jurupa Community Services District shares the Grand Jury's commitment to effective governance in conformance with state law. The District welcomes any opportunity to improve the effectiveness of the organization and acknowledges that recent evaluations, both internal and external, have highlighted such areas.

Enclosed herewith is JCSD's Response to the 2006-07 Grand Jury Report. In the Response, the Grand Jury Report is reproduced on the left hand column and the JCSD response is on the right hand column under heading titled, JCSD Comment.

In November 2006, the Board of Directors embarked on a new era for the Jurupa Community Services District, beginning with the hiring of a new General Manager. The General Manager immediately initiated a review of all internal systems. While the review is ongoing, recommendations ranging from internal controls to staffing levels have been provided and acted upon by the Board.

Included in these actions are the creation of an executive level management staff to assist the General Manager in revitalizing the District by assuring the exchange of new ideas and implementation of sound business practices. Internal staff reviews were strengthened in 2006 to assure strict adherence to regulatory response protocols. Staff training and comprehensive review of procedural materials began in early 2007 with continuous improvement as an important part of the management philosophy. On April 23, 2007, the Board of Directors adopted District Policy No. 2006-01, which articulates the relationship between General Manager and Board. At the same meeting, the Board

approved District Policy No 2006-03, Authorized Expenses and Reimbursements, which changed existing policy.

In response to your report, the General Manager has assembled current policy statements into one manual and will, along with the management team evaluate each with particular attention to the Grand Jury recommendations. Regarding your specific recommendations, the JCSD Board of Directors will continue to require the following:

1. Notification of availability of surplus property in accordance with Government Code section 54222.
2. Appropriate discipline, up to and including termination, for any employee found to be in violation of District's purchasing policy including District credit cards.
3. Contracting for goods and services in accordance with Special District law and sound public policy.
4. Responsible and professional conduct between itself and General Manager and District staff in accordance with District Policy No 2006-01.
5. Adherence to the requirements of the Brown Act.
6. Compliance with State Department of Health Services potable water service requirements, including but not limited to sampling and routine and special notification requirements.

Due to the administratively and technically complex nature of the District's operation, we also find it necessary to point out the following:

1. Recommendation No. 1, which recommends the District turn over proceeds from the Limonite Property sale, does not recognize all the relevant facts at the time of acquisition or the events leading up to the ultimate sale of the property. These include the fact that the property was not ever found to be suitable for park use and the fact that it was not identified as park property by any of the parties, including LAFCO, when Jurupa Area Parks and Recreation Department was formed.
2. Finding No. 3, which states that "The public was not initially notified of potable water contamination." Implies that the water was at one time contaminated and that the District was, therefore, required to notify the public. These implications are factually inaccurate, damaging, and in need of correction. At no time did JCSD serve water, nor has it been alleged by DHS that JCSD served water, in excess of state health

standards. The Notices of Violation issued by DHS in 2006 were for sampling and reporting errors.

Since JCSD first responded in mid-2006 to DHS, JCSD has worked and is working to steadily improve training of staff, improve computer controls, improve computerized system monitoring, improve blending and is implementing additional water treatment. These improvements change the operation so that the type of complex sampling and reporting would be simplified and therefore, more accurate as well as timely in reporting.

This Board is committed to providing safe and reliable services in the most publicly responsible way for each and every community it serves. We take these responsibilities very seriously and demand an approach of continuous improvement by management and staff. It is in this spirit of good government and excellent service that we continue with our planned improvements.

Sincerely

A handwritten signature in cursive script, appearing to read "Ken McLaughlin", written in black ink.

Kenneth McLaughlin
President, Board of Directors
Jurupa Community Services District

Cc: Riverside County Board Of Supervisors
Board of Directors
Eldon Horst, General Manager

**2006-2007 GRAND JURY REPORT
RESPONSE - JURUPA COMMUNITY SERVICES DISTRICT**

Grand Jury Report	JCSD Comment
Background	
<p>The Jurupa Community Service District (JCSD) was established in 1956 to provide sewage service to a 26-square mile area in the Jurupa Community. In 1960, JCSD hired its first general manager. The first sewage system and treatment plant was completed in 1961.</p> <p>The district has expanded and now encompasses some 48-square miles in the unincorporated areas of Riverside county known as Eastvale, Pedley, Glen Avon, Sunnyslope, and Mira Loma (See Exhibit 1). It has also incrementally expanded its function to include management of ground water, wastewater, lighting, parks in the Eastvale area, and graffiti removal.</p> <p>JCSD provides some 22,500 water connections to a population of about 72,000. The district has 17 wells, 7 booster stations, and 14 reservoirs with a capacity of 38 million gallons. JCSD also maintains one wastewater reclamation plant. The JCSD budget for fiscal year 2005-2006 shows total revenues of 24.8 million dollars with total expenses of 24.6 million dollars.</p> <p>JCSD is governed by an elected board of five directors, each of whom serves a 4-year term. The directors hire a general manager who serves at the pleasure of the board.</p>	
<ul style="list-style-type: none"> • 07/26/1976 Property located on Limonite Avenue, west of Etiwanda Avenue, (Assessor's Parcel Number (APN) 157-250-002) was deeded to JCSD in lieu of annexation fees. Documentation indicates that the 4.3-acre property was intended for use as a park and was also serving as a retention basin for flood control purposes. 	<p>Disagree. The primary purpose and only use of Limonite Property (property) during JCSD ownership was for retention basin. The property was deeded to JCSD by the developer of Sky Country in lieu of facility fees for use as a County-required storm water retention basin. At the time of acquisition, JCSD contemplated the possible use of the property as a park as well. Director Jim Huber, while he was director of Jurupa American Little League and prior to membership on JCSD Board, reports he explored the use of property as a</p>

Grand Jury Report	JCSD Comment
	baseball field and determined the property to not be suitable due to size requirements of fields, parking lot size limits and proximity to traffic on Limonite.
<ul style="list-style-type: none"> • 05/16/1984 The Jurupa Area Recreation and Parks District (JARPD) was formed with responsibility for recreation and parks in the JCSD geographic area east of Hamner Avenue. The Limonite Property fell within the JARPD geographic area. 	Agree
<ul style="list-style-type: none"> • 05/31/1985 JCSD transferred to JARPD all existing parks previously administered by JCSD within the newly formed JARPD geographic boundaries. JCSD did not transfer the Limonite Property to JARPD. 	Agree. The Limonite Property was not an existing park and has never been developed or used as a park. The West Riverside Memorial District, which became the JARPD and one of whose Board members became the first General Manager of JARPD, worked with JCSD to identify the JCSD park property to be conveyed to the JARPD, and did <u>not</u> identify the Limonite Property as park property to be conveyed. Furthermore, LAFCO did not include the Limonite Property in its order forming JARPD. Neither JCSD nor JARPD nor LAFCO considered the Limonite Property park property to be conveyed to JARPD.
FINDINGS	
1. Jurupa Community Services District (JCSD) managed the sale of the Limonite Property in the timeline as follows:	
<ul style="list-style-type: none"> • 08/27/2001 JARPD's letter formally expressed interest to JCSD in obtaining the Limonite Property for park use. 	Agree. Understanding of all parties was that acquisition by JARPD would be purchased at fair market value, not the conveyance which occurred in 1985 when JARPD was formed.
<ul style="list-style-type: none"> • 09/12/2001 JCSD's letter replied to JARPD to the effect that if and when the Limonite Property became available, such notification would be provided, as required by California Government Code (GC) §54222. 	Agree

<ul style="list-style-type: none"> • 11/24/2003 JCSD Board Minutes reveal a unanimous vote declaring the Limonite Property surplus to the district's needs. JARPD was not advised of this decision, as required by GC §25526, 25528, 25530 and 25531. JCSD did not comply with these provisions. 	<p>Disagree. Cited Government Code sections apply to County Boards of Supervisors, not the Board of Directors of JCSD. They apply to a County, not to a Community Services District.</p>
<ul style="list-style-type: none"> • 03/23/2004 JCSD received an appraisal valuing the Limonite Property at \$1,040,000. The appraisal stated, "It is the appraiser's estimation that both the marketing and exposure time for the Subject Properties would be 12 months or less if placed on the open market in today's market conditions at the concluded values." 	<p>Agree</p>
<ul style="list-style-type: none"> • The Riverside County Economic Development Agency provides expert assistance to agencies having surplus real estate to dispose of. The District did not utilize these services, instead employed a Ventura, California-based appraisal company. 	<p>Agree. The JCSD did not utilize the services of the EDA. However, there is no basis for inference that JCSD erred in not requesting County EDA services. JCSD is an independent special district, not a department of the County. JCSD is not aware of any other independent special district that uses the County EDA in the way suggested by Grand Jury.</p>
<ul style="list-style-type: none"> • 05/06/2005 an outside buyer tendered a written offer for the property for \$1,200,000. At no time, between the Limonite Property being declared surplus and receipt of the offer to purchase, was public notification made of the availability of the property, as required by GC §54222. 	<p>Agree that no documentation has been found regarding public notification. However, former General Manager has stated such written notification was provided to JARPD.</p> <p>See also JCSD comment to below point.</p>
<ul style="list-style-type: none"> • 05/09/2005 At the regularly scheduled JCSD Board Meeting, the minutes show no mention of the availability of the Limonite Property or of the offer to purchase it. 	<p>Agree. The Limonite Property was not discussed at the May 9, 2005 meeting. The May 9, 2005 Board meeting was a regularly scheduled meeting which requires the agenda to be posted 72 hours in advance. After the posting of that agenda, the Brown Act would have made it illegal to add that item to the agenda absent a finding by the Board that the matter came to the attention of the JCSD</p>

	<p>after the posting of the agenda and that there was an urgent need to act on the matter. After that offer was received, there was insufficient time to read the offer, understand its terms and then include it on the agenda for the May 9, 2005 regular Board meeting. Thus the Board set the matter for consideration at a special meeting on May 16, 2005, to allow time for posting of the agenda in the manner required by the Brown Act. The agenda was posted on May 9, 2005. This appears to be a decision to comply with the Brown Act, not to violate it, and any implication to the contrary would be unfounded.</p>
<ul style="list-style-type: none"> • 05/13/2005 JCSD posted notification of a Special Board Meeting to be held the following Monday, May 16, 2005, for the purpose of considering an offer to purchase the Limonite Property. No explanation was given for calling a Special Meeting over the weekend, as opposed to considering the matter at the next regular meeting, one week later. Witnesses testifying concerning the Special Meeting claimed not to remember the reason for the urgency of the meeting. 	<p>Agree. Special Board Meeting was posted in the manner required by the Brown Act. Disagree that this meeting was called over the weekend. The Grand Jury appears to take issue that the item did not rise to the level of being urgent, and therefore placed on the May 9, 2005 agenda, and then suspicious of it being urgent days later. The only delay appears to be the 72 hour Brown Act requirement and the time necessary for staff to review the offer.</p> <p>See also JCSD comment to above point.</p>
<ul style="list-style-type: none"> • 05/16/2005 Minutes of the Special Board Meeting reflect the attendance of four of the five directors. Minutes also reflect the absence of the District's Legal Counsel. <p>A motion to accept the offer of purchase the Limonite Property passes unanimously. The meeting was concluded in about 15 minutes.</p>	<p>Agree</p>
<ul style="list-style-type: none"> • 05/15/2006 The land sale transaction culminated with the filing of the Grant Deed transferring title to the new owners. 	<p>Agree</p>

2. JCSD does not have a Policy and Procedures Manual. Our investigation revealed the following:

Agree. JCSD does have a number of written policies which could be consolidated into a single manual, and the Board may wish to consider doing that. However, the Board and the public should not be made to believe that the JCSD has failed to satisfy a legal requirement by having several administrative policies covering separate JCSD subject matters, instead of having them all consolidated into a single manual.

Grand Jury requested and received JCSD Purchasing Policy. In addition, JCSD Policy No. 2006-01, "The Work of the Board of Directors" which addresses much of the Grand Jury's criticism under this item was approved by Board on April 23, 2007.

a. Evidence was received concerning personal use of JCSD credit cards, by District management personnel, in the purchase of clothing and meals.

Agree. Such purchases were authorized by JCSD policy and were always reimbursed. Evidence of such reimbursement was provided to Grand Jury. JCSD Personnel Manual Section 6.11 provided for such purchase and reimbursement. This policy has been changed by Policy No 2006-03, Authorized Expenses and Reimbursements, on April 23, 2007, making such purchases unacceptable

b. Contracts were written with a firm owned by a relative of a district official for billing and printing. The contracts were awarded without competitive bidding, as required by California Public Contract Code §22030-22045.

Agree. JCSD has contracted for printing services with a relative of a district official. However, the contracts in question did not violate the conflict of interest laws in California which are very strict. Nonetheless, the JCSD is concerned about perceptions and will be examining these types of purchases.

Disagree. The JCSD did not fail to comply with the stated competitive bidding requirements set forth in California Public Contract Code §22030 – 22045 in entering into contracts for billing and printing. Those provisions of the Public Contract Code do not apply to contracts for billing and printing. They apply only to contracts for public work, not contracts for services.

<p>Construction contracts were awarded without competitive bidding. This was corrected after another contractor brought the matter to public attention.</p>	<p>Agree. It has always been the JCSD's policy to require competitive bidding of construction contracts. The error was corrected upon discovery.</p>
<p>c. Board members testified that hired management recommendations for action were generally accepted without question.</p>	<p>Disagree. JCSD management typically briefs the Board extensively on matters presented to the Board for decision.</p>
<p>3. California State Department of Health And Services (DHS) sent JCSD a Notice of Violation on February 10, 2006, stating that its weekly nitrate sampling requirements had not been met. On April 28, 2006, JCSD received another Notice of Violation from DHS citing the sampling deficiency and ordered Well #17 to be shut down. The public was not initially notified of potable water contamination.</p>	<p>Disagree. Last sentence, "... public was not initially notified of potable water contamination." Is erroneous and unjustly undermines the public trust. JCSD has not nor was it alleged by DHS to have served contaminated water. The NOV's issued by DHS were for sampling and reporting errors that were corrected. At no time did JCSD serve water nor has it been alleged by DHS to have served water that violated state health standards.</p> <p>Therefore the public was not initially or eventually notified of potable water contamination, as it did not exist.</p>
<p>Recommendations</p>	
<p>1. JCSD comply with GC §54222 by making public notification of the availability of surplus property.</p>	<p>Implemented. This always has been and will continue to be JCSD practice for sale of surplus property. The previous General Manager has stated that such notice was provided for sale of the Limonite Property, per standard JCSD practice.</p>
<p>The JCSD Board of Directors turn over to JARPD the monies received from the Limonite Property sale (\$1,200,000), less the costs of the sale.</p>	<p>Not being implemented. The Limonite Property was not park property to be conveyed to JARPD when it was formed (see previous comments). The notice required by Government Code Section 54222 would only provide JARPD the opportunity to purchase the property, not receive it for free.</p> <p>Prior to April 21, 2000, the property was encumbered with a retention basin obligation. The obligation for use of the property as a flood</p>

	retention basin ended per April 21, 2000 letter from Riverside County Flood Control District. The property became the sole asset of JCSD from that point forward. There were no subsequent obligations to convey the property to JARPD. Furthermore, when JARPD was formed, no claim was made by JARPD for JCSD-owned lands that would/should be subsequently transferred.
The JCSD Board of Directors adopt and enforce specific policies requiring that any future sale of district realty utilize the services of the County Economic Development Agency in obtaining appraisal and other real estate services.	Not being implemented. The report does not indicate any basis for the recommendation. JCSD is required to make surplus property available for purchase by certain governmental agencies, such as the County. This would put the County in position of conflict as a separate governmental agency that might want to purchase the property from JCSD. Moreover, JCSD is not a department of the County which has access to the County EDA.
2. JCSD prepare and publish a policy and procedure manual. This manual should include provisions for:	Implemented. JCSD has assembled administrative policies into one manual. Furthermore, JCSD management is undertaking a thorough review of JCSD administrative policies and procedures for possible improvement. There are separate operations and maintenance procedures which will remain separate from administrative policies and procedures.
a. Termination of employment and reference to the District Attorney for prosecution for misuse of District Credit Cards.	Implemented. However, there was no misuse of credit cards as reported. Uses were authorized by JCSD policy in effect at the time. On April 23, 2007, the Board approved District Policy No 2006-03, Authorized Expenses and Reimbursements, which changed this policy. Theft of JCSD property is an offense subject to termination per current disciplinary policy. It has long been the practice to refer to local law enforcement the theft or vandalism of JCSD property.
b. Adherence to California Public Contract Code §22030-22045 in contracting for goods and services.	Not being implemented. Code sections do not apply to the purchase of goods and services. However, JCSD management is reviewing purchasing practices for possible improvement.

<p>c. Clear definition of Board supervisory authority in relation to hired management.</p>	<p>Implemented. Policy No. 2006-01, The Work of the Board of Directors, adopted April 23, 2007, among other provisions, specifies the relationship between General Manager and Board</p>
<p>d. Define and require adherence to the Brown Act as, it applies to JCSD.</p>	<p>Implemented. JCSD has always complied with the Brown Act. Nothing in the Grand Jury Report indicates otherwise. Furthermore, the JCSD encourages continued training and welcomes the opportunity refresh training on Brown Act requirements for Board and staff.</p>
<p>3. JCSD Directors investigate and immediately notify the public of all potable water sampling deficiencies.</p>	<p>Implemented. Board will review in upcoming workshop the distribution system sampling protocol.</p>