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The Honorable Thomas J. Borris, Presiding Judge
Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

RE: Grand Jury Report "Let There Be Light – Dragging Special Districts from the Shadows"

Dear Judge Borris:

Thank you for giving the Orange County Vector Control District the opportunity to comment on the Grand Jury Report "Let There Be Light – Dragging Special Districts from the Shadows." The following are the responses addressing the Grand Jury findings/conclusions and recommendations pertaining to the Orange County Vector Control District.

GRAND JURY FINDINGS/CONCLUSIONS:

FI. Most Orange County special districts, with or without the assistance of the Local Agency Formation Commission (LAFCO), have been incapable or unwilling to consolidate, absorb, or eliminate these outmoded and/or redundant agencies. LAFCO typically addresses larger issues such as merging of cities and elimination of "islands" within the county. The special districts themselves have not worked seriously toward their consolidation or demise. In this regard, the enterprise special districts and the non-enterprise special districts require independent evaluation and handling.

RESPONSE: OCVCD disagrees wholly. OCVCD is not "outmoded and/or redundant" and maintains its position of serving the entire County of Orange. The District has expanded its mission to include emerging and re-emerging vectors and vector-borne disease. OCVCD is the only special district in Orange County charged with protecting the public from vectors and vector-borne disease. The mission of OCVCD is very different from all other County agencies and this makes it difficult to participate in joint projects. The District continues to explore areas of collaboration with any agency where the sharing of information and resources might be beneficial.

"An Independent Special District Serving Orange County Since 1947"

The mission of the Orange County Vector Control District is to provide the citizens of Orange County with the highest level of protection from vectors and vector-borne diseases.

F2. Special districts have made very little progress in complying with the recommendations made by various governmental agencies. To ensure recommendations are followed, more coordination and cooperation is needed from the city and county agencies.

RESPONSE: OCVCD disagrees wholly. OCVCD has made a conscious effort to comply with known recommendations made by other governmental agencies when appropriate. The District works closely with all cities and county agencies.

F3. Most non-enterprise special districts in Orange County have outlived their purpose and usefulness. Services that were once only available through the special district are now being provided by the surrounding cities and the expanding county.

RESPONSE: OCVCD disagrees wholly. The District has kept pace with the public health needs of Orange County and is in fact controlling emerging threats that did not exist before. As the only agency providing these services, the District remains a critical component to the public health of Orange County residents.

F4. The eleven non-enterprise special districts of Orange County founded before 1965 have not reflected the growth of the cities and county. The services that were unavailable from cities or the county have long since been made available as both the cities and county grew. Some of these special districts could be removed from the county tax rolls, and their services funded and absorbed by the county, surrounding cities or homeowners associations wherein they abide.

RESPONSE: OCVCD disagrees partially. While some special districts could be consolidated or absorbed, as the only vector control agency in the County, OCVCD could not feasibly be absorbed. The day-to-day operations of OCVCD are so unlike those of any other agency in the County, consolidation would be a wasted effort. Due to the fact that vectors are mobile, regional treatment would ensure the entire County receives the same level of protection. It is virtually impossible to effectively manage vectors and vector-borne disease at the city or community level. Compliance with ever changing regulations is also best done on a regional basis. Perhaps most importantly, the OCVCD has its own funding source that might be lost if the District was merged or otherwise taken over. Another government entity might not provide vector control the same priority as this District, and its funding sources may be lost over time.

F7. The unrestricted reserves of the special districts are available to the governing boards to spend as they please. Local citizens are not openly informed of this wealth when agencies ask for fee increases, special assessments, or bond measures. Most of the special districts do not appear to have specific criteria for amassing these reserves nor do they have published long-range plans for their constructive use.

RESPONSE: OCVCD disagrees wholly. OCVCD is primarily funded through benefit assessments and property taxes which are collected and distributed in April and December of each year. Much of the District's reserve is to fund operations between these distributions. Other monies are committed to District liabilities, such as equipment and vehicle replacement and facilities improvement. There are also funds committed to regulatory compliance and emergency response to public health issues.

F8. The twenty-seven special districts in Orange County have amassed unrestricted reserves of over \$866,000,000. That is enough money to fund all of these special districts for more than a year without taxes, fees, interest, or other sources of revenue. The boards of directors have the sole discretion to spend these unrestricted reserves.

RESPONSE: OCVCD disagrees partially. While the District cannot comment about other special districts, OCVCD maintains appropriate reserves for our operation. The reserves are required to fund operations during the year and must be sufficient to cover expenses between tax distributions. The operating fund is far smaller just prior to the December funding distribution than at any other time.

F15. Only one of the special districts, The South Coast Water District, has had recent performance audits. The lack of performance audits for the remaining special districts leaves the potential for inefficiencies, poor practices, outmoded operations, etc. hidden from the governing boards and the communities they serve. The lack of published performance audits has contributed to the public's ignorance of these districts.

RESPONSE: OCVCD disagrees wholly. Through the District's committee system there are continual audits of performance, especially in the area of financial management. One of the advantages of having many elected officials is that the District has many accountants, investment professionals, and attorneys on the Board to offer additional oversight to District staff. Committees exist for financial, property, and personnel issues. The committee chair reports to the full Board. In addition, of course, the District undergoes an outside audit as all special districts must. OCVCD will examine the cost and benefits of a performance audit within the next six months. If determined to be cost effective, a performance audit may be proposed in the next fiscal year's budget, 2012-2013.

GRAND JURY RECOMMENDATIONS

R1. All special districts (except the Vector Control District and the County Cemetery District) should be eliminated from the county tax rolls and should rely solely on fees or the services of surrounding governments. (See F2, F3, F4, F5, & F6)

RESPONSE: The recommendation will not be implemented. No action is required of OCVCD. The District supports the Grand Jury's effort to improve transparency; this could be accomplished by an itemized apportionment on the tax bill or the County tax collector's website.

R6. Special districts should adopt "board of director's practices" for all their reserves, restricted and unrestricted. All reserves should be classified in their 2013-2014 budgets according to GASB Standard No.54. LAFCO should work with the special districts to prepare standard criteria for accumulating reserves according to the new classifications by December 15, 2012. These standards should be used in preparing the 2013-2014 budgets. (See F7 & F9)

RESPONSE: The recommendation has been implemented. The various points contained in the recommendation are currently in place.

R7. Excessive unrestricted reserves should be used to reduce existing debts. Future revenues should be reduced to avoid the accumulation of unallocated revenue that does not meet the adopted new standards. (See F7 & F8)

RESPONSE: The recommendation has been implemented. OCVCD has made it a practice to identify and reduce or eliminate any unfunded liabilities.

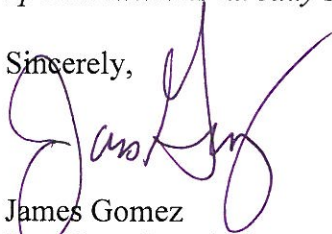
R8. Each special district should have an independent performance audit at least every three years. The executive summary of the performance audit should be distributed to all the taxpayers of each special district. Each of the special districts that has not had a performance audit within the last five years should contract with an independent outside consultant to conduct such an audit during 2012. These audits should be repeated at least every three years. (See F15)

RESPONSE: The recommendation has not been implemented but will be implemented within the next six months. OCVCD agrees and will evaluate the cost and benefits of a performance audit. The District does not directly bill property owners, so results would be posted on the District's website.

R9. Each special district should contribute 1% of its unrestricted reserve fund to LAFCO to help finance preparing and directing the consolidation, absorption, or elimination, and the setting of standards for reserves for the special districts. These funds should be included in LAFCO's future programs and budgets until the consolidation, absorption or elimination of each special district is achieved. With these additional funds, LAFCO should begin meeting with each special district before the 2014 fiscal year is budgeted for consolidation, absorption and/or elimination of these districts. (See F1, F2, F3, F4, F5, & F6)

RESPONSE: The recommendation will not be implemented. The 1 percent figure is arbitrary. Special districts already support LAFCO through membership dues.

Sincerely,



James Gomez
President, Board of Trustees
Orange County Vector Control District

JG/MGH/vb