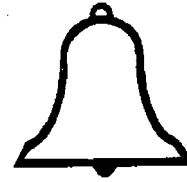


BOARD OF DIRECTORS:
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SAUNDRA F. JACOBS BILL LAWSON
ROGER FAUBEL JOHN J. SCHATZ
GENERAL MANAGER



Santa Margarita Water District

September 11, 2009

Water Districts report

The Honorable Kim Dunning
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, California 92701

Dear Judge Dunning:

The Santa Margarita Water District Board of Directors appreciates the Grand Jury's efforts with respect to researching and publishing the subject reports. The following responses have been reviewed and approved by the Santa Margarita Water District Board of Directors. The responses are lettered in accordance with the lettering of the Reports' Findings and Recommendations.

The construct of the reports' findings and recommendations in some cases is generic rather than specific to the District. The responses are directed to specific application to the District and do not speculate with respect to general circumstances or instances involving other water districts.

Sincerely,

Sandra F. Jacobs
President, Board of Directors
Santa Margarita Water District

JJS:bam

**Water Districts: A New Era In Public Involvement
Distributed June 15, 2009**

**Santa Margarita Water District Response
September 11, 2009**

Findings

F.1: The District wholly disagrees with this Finding. The District's "*Policy for the Selection of Professional Consultants*", adopted in 1993, clearly states the procedure for the selection of professional consultants, including for purposes of avoiding the perception of, or actual, bias.

F.2: The District wholly disagrees with this Finding. The District's "*Code of Conduct And Expense Reimbursement Policy*", originally adopted in 1993, incorporates ethics provisions pursuant to AB 1234, including but not limited to regular ethics training. There have been no allegations or instances of District Board members engaging in this type of conduct.

F.3: The District wholly disagrees with this Finding. The District's "*Code of Conduct And Expense Reimbursement Policy*", originally adopted in 1993, is very comprehensive and includes provisions exceeding the requirements of the Political Reform Act of 1974 and other laws and regulations governing conflicts of interest.

F.4: The District wholly disagrees with this Finding. The District conducts three Board meetings per month; two in the morning prior to typical business hours for members of the public who may wish to attend prior to beginning work, and one in the evening two hours after the typical business day ends.

F.5: The District wholly disagrees with this Finding. No basis or benchmark is provided for what constitutes "an unusually high percentage". In the 1990s, all of the District's Directors were originally elected.

F.6: The District wholly disagrees with this Finding. None of the District's Directors hold multiple elected positions.

F.7: The District agrees with this Finding. This response is limited to the District. No survey or study has been undertaken with respect to determining if any water district board in Orange County has imposed or is required by a local measure to limit the terms of directors.

Recommendations

R.1: This Recommendation has been implemented. The District's "*Code of Conduct And Expense Reimbursement Policy*" explicitly prohibits its public officials from entering into consulting work for consideration with any persons doing business with the District. The District does not have any "member agencies", so this recommendation appears to be directed to the Municipal Water District of Orange County and/or Orange County Water District. In 1993, the District adopted its "*Policy for the Selection of Professional Consultants*" which comprehensively addresses the selection of professional consultants.

R.2: This Recommendation has been implemented. The District's "*Code of Conduct And Expense Reimbursement Policy*" fully addresses ethics standards, includes regular ethics training pursuant to AB 1234 and enforcement monitoring.

R.3: This Recommendation has been implemented. See response for Finding F.4.

R.4: This Recommendation will not be implemented. Voters within the District have not expressed a desire or support for conducting special elections in the case of vacancies. In such event, to the extent the District is requested to adopt a policy requiring elections in most circumstances, it will evaluate the propriety of a policy, to include balancing public policy goals and costs to ratepayers.

R.5: This Recommendation will not be implemented. District Directors have not held other public offices and would voluntarily disclose any other public offices they may hold without the necessity of formal requirements. If Directors sought such other public offices, they may be precluded from holding multiple offices under incompatibility of public office laws.

R.5a: This Recommendation has been implemented. This would be the typical and required course of action in such event.

R.6: This Recommendation will not be implemented. District voters have not requested or proposed term limits. The unsubstantiated premise that periodically mandating new Directors is ipso facto beneficial to utility customers, rather than relying on voters to voluntarily make that determination based on the relative merit of candidates, is speculative at best.