

Orange County Vector Control District – Out of Control?

1. Summary

How are Orange County residents protected from disease carrying organisms such as mosquitoes, flies, rodents, midges, fleas, and ticks, as well as red imported fire ants? The Orange County Vector Control District (OCVCD) controls these vectors, covering all of the county's land area and population. OCVCD is the only public agency with this responsibility.

OCVCD has about 50 full-time employees and is one of the largest vector control agencies in the state. It has long been considered a leader in the vector control industry and features a scientific/technical capability that sets the standard in the state. County residents have a favorable view of OCVCD as confirmed in a recent survey showing a 92% approval rating. One dissonant note is the adverse publicity it has received recently over allegations of mismanagement – particularly the large benefit assessment increase passed by the voters in 2004 and how that money was used.

The 2005-2006 Orange County Grand Jury conducted an investigation into the governance of the OCVCD and concluded that:

- 1.1** The public interest was not served by the OCVCD Board of Trustees (Board) carrying over the 2004-2005 special property levy (benefit assessment) into 2005-2006. The Grand Jury estimates that this cost will be approximately \$2.1 million lower in 2005-2006, yet the assessment was reduced by only \$100,000.
- 1.2** The public interest was not served by the OCVCD granting of sizable employee compensation increases in 2004-2005. OCVCD employees have high salary maximums ("caps") as compared with employees of other large vector control agencies serving California urban populations.
- 1.3** Despite the large compensation increases, employee morale has been negatively impacted by management actions including questionable uses of public funds and alleged interference with union activities.
- 1.4** The Board initially voted for a large pension increase in its October, 2005 meeting and then at the November, 2005 meeting, voted against the pension increase, based on incomplete information regarding the financial implications.

Some Acronyms in this Report

CalPERS	California Public Employees' Retirement System
MVCAC	Mosquito and Vector Control Association of California
OCERS	Orange County Employees' Retirement System
OCVCD	Orange County Vector Control District

2. Introduction and Purpose of the Study

The OCVCD is one of about 2,200 independent special districts in California. Each of these districts is led by a board of trustees or equivalent body. The boards typically consist of three to seven members who serve on a part-time basis. The OCVCD Board is atypical in that it consists of 35 Trustees. Some questions about the effectiveness of OCVCD's governance process have been raised. The purpose of this Grand Jury study is to assess the effects of the process and to see whether there is a need for changes.

3. Method of Study

The study methodology includes:

- Examining OCVCD's management plans and results
- Reviewing external auditor reports and other financial records
- Interviewing past and present OCVCD employees and Board trustees, and people whose work relates to OCVCD
- Conducting research on OCVCD's specialization areas and relevant laws and regulations

4. Background

4.1 Vector Control in California

4.1.1 Statutory Basis

Section 2000, et. al, of the California Health and Safety Code sets forth the statutory basis for vector control districts. This Chapter is also known as the Mosquito Abatement and Vector Control District Law. In enacting this law, the Legislature's intent was "...to create and continue a broad statutory authority for a class of special districts with the power to conduct effective programs for the surveillance, prevention, abatement, and control of mosquitoes and other vectors."

Section 2020 of this Chapter provides for the governance of every vector control district as follows:

"A legislative body of at least five members known as the board of trustees shall govern every district. The board of trustees shall establish policies for the operation of the district. The board of trustees shall provide for the faithful implementation of those policies which is the responsibility of the employees of the district."

Section 2021 includes a provision that each board of trustees consists of one person appointed by the county board of supervisors and one person appointed by the city council of each city within the district. Alternately, as specified in Section 25842.5 of the Government Code, "The board of supervisors may provide the same services

and exercise the powers of ... vector control districts..." provided that the consent of the city councils is first obtained.

Section 2022 further describes trustees' responsibilities to include representing "...the interests of the public as a whole and not solely the interests of the board of supervisors or the city council that appointed them".

4.1.2 History of Vector Control

A vector is an organism that carries and transmits disease-causing pathogens or parasites from one host to another. Mosquitoes, fleas, ticks, mites, lice, flies, mice and rats are common vectors. Organisms, such as the fire ant, that cause direct harm to humans and animals can also be referred to as vectors.

The first organized mosquito control efforts in California began in the San Francisco area after malaria claimed the lives of 112 people in 1909. Mosquitoes were so thick that commuters wore head nets while waiting for the ferry to take them across the bay. As mosquito abatement received more attention from the public, officials began experimenting with mosquito control. Anti-malaria programs in the Central Valley received widespread press and produced positive results.

The legislature passed the first Mosquito Abatement Act in 1915. This Act was the basis for the creation of regional abatement organizations as independent vector control special districts.

Over time, research demonstrated that implementing formal mosquito control methods could reduce the spread of mosquito-borne illness and disease. Some districts also took on responsibility for other vectors that could be similarly controlled.

4.1.3 Vector Control Agencies

The Mosquito and Vector Control Association of California (MVCAC) has 57 member agencies. These agencies', whose 2005 budgets totaled approximately \$110 million, provide services to about 90% of Californians spread out over 46% of the state's land area.

Some agencies serve small populations — less than 5,000 people. Others serve populations in the millions. They cover as few as three square miles (June Lake) to as many as 16,000 square miles (San Bernardino County) and are largely funded through property taxes and/or benefit assessments.

Agencies also vary in the number of different vectors with which they deal. All agencies control mosquitoes. Some "full service" agencies, including OCVCD, provide services to control a number of other vectors such as flies, rodents, midges, fleas, and ticks and also regularly test poultry and other birds to detect West Nile virus and other potentially harmful diseases.

Almost all vector control agencies are special districts. Riverside County and a few cities such as Long Beach and Moorpark have chosen to make vector control a responsibility of their local governments.

4.2 Vector Control in Orange County

4.2.1 Orange County Vector Control District (OCVCD)

OCVCD is the only vector control agency in Orange County. It covers all of the County's land area and population and provides comprehensive vector control and disease surveillance services. It was created in 1947 as an independent special district.

Current services include:

- Mosquito control and inspections
- Control of other vectors such as flies, rodents, midges, fleas, ticks, and red imported fire ants
- Surveillance of vector-borne diseases, including West Nile virus
- Responses to property owner and resident service requests (approximately 14,000/year)
- Distribution of "mosquitofish" for backyard fishponds and other appropriate habitats
- Presentations to schools and civic groups, public outreach, and educational programs

OCVCD has about 50 full-time employees and a sizable number of temporary seasonal employees. It is one of the largest vector control agencies in the state and has long been considered a leader and features a scientific/technical capability that sets the standard in the state. County residents also have a favorable view of OCVCD as confirmed in a recent survey showing a 92% approval rating.

One dissonant note is the adverse publicity it has received recently over allegations of mismanagement.

4.2.2 OCVCD Board of Trustees

As a special district, OCVCD is governed by a Board consisting of 35 trustees, one from each of the 34 cities and one representing county government. Elected officials (city councilpersons) make up about half of the current Board. The rest are trustees appointed by their respective city councils or by the Orange County Board of Supervisors.

As noted in the OCVCD Board of Trustees Manual, the Board:

- "sets policy;
- "hires the District Manager;
- "establishes the budget and approves expenditures; and

- “retains legal counsel.”

The Board is led by a president, vice president and secretary. The Board’s standing committees cover Finance, Policy and Personnel, Building, Property and Equipment, and Operations.

The Board as a whole meets once a month for about two hours. Board standing committees meet on an as-needed basis, generally in the hour preceding the Board meeting. Individual trustees also meet with OCVCD management as needs dictate.

In lieu of expenses, trustees receive an allowance not to exceed \$100 per month.

4.2.3 OCVCD Management

The OCVCD District Manager is appointed by and serves at the pleasure of the Board of Trustees. The District Manager’s duties as specified in the Board of Trustees Manual include:

- “Carrying out the policies of the Board of Trustees;
- “Managing the daily operations of the vector control programs;
- “Recommending policy to the Board of Trustees;
- “Recommending the annual budget to the Board of Trustees; ...
- “Keeping the Board of Trustees apprised of the financial condition of the District; and
- “Hiring, promoting, disciplining, and terminating all District employees.”

5. Observations and Discussion

In this section, the Grand Jury discusses three major topics that emerged from its investigation: the benefit assessment approved by Orange County property owners in 2004, the proposed employee pension increase, and management actions. In addition, this section addresses governance as a whole.

5.1 Benefit Assessment

5.1.1 Assessment Request

OCVCD management requested an additional benefit assessment to deal with an anticipated budget shortfall caused principally by the emergence of the West Nile virus threat, the loss of state funding for the Red Imported Fire Ant Program, and the state transfer of 48% of District property tax to the Education Revenue Augmentation Fund. A consulting firm study, as documented in “Final Engineer’s Report; Fiscal Year 2004-2005”, recommended that OCVCD ask for an initial assessment of \$4,347,693. As shown in the table below, this recommendation was based on the estimated budgetary shortfall calculated as the difference between total budgetary cost (\$9,030,765) and revenues from existing sources (\$4,683,072).

	FY 2004-2005 Budget
Vector & Disease Control Services and Improvement	\$7,479,525
Fixed Assets and Equipment	751,240
Incidental Expenses	800,000
District Contribution	<u>(4,683,072)</u>
Net Amount to Assessment	\$4,347,693

Most of the Incidental Expenses of \$800,000 were the estimated one-time costs of the election required to get property owner approval for the additional benefit assessment. Incidental Expenses also include on-going costs for county collection, levy administration, and other incidentals. For FY 2005-2006, these were estimated at \$95,000; therefore, the one-time cost for the election is approximately \$700,000.

5.1.2 Board Approval

The minutes of the April 15, 2004 meeting show that the Board directed staff to "...proceed with the preparation of the appropriate resolutions to conduct a mailed ballot election on adjusting the benefit assessment tax to include operation of the Red Imported Fire Ant Program".

The minutes also state that "The report showed that the District will have a \$1,334,495 deficit in its basic operations (flies, rats, mosquitoes and West Nile Virus Program) in fiscal year 2004-2005. ...The [engineer's] report also included the cost of implementing a Fire Ant Program at a cost of \$2,742,816 the first year of operation." Finally the minutes show the estimated additional assessment rates for "Single Family Equivalents" to be:

Basic Operations and Election Cost	\$2.37 (43.7%)
Fire Ant Program	<u>3.05 (56.3%)</u>
Total Recommended Adjustment	\$5.42 (100%)

The above numbers appear to be inconsistent. For example, taking 56.3% of the total adjustment of \$4,347,693 yields \$2,446,580 for the Fire Ant Program, and not the \$2,742,816 shown in the minutes. For the purposes of this study, the Grand Jury elected to use approximately \$2.5 million for the Fire Ant Program.

At its July 22, 2004 meeting, the Board approved the Final Engineer's Report and directed the mailing of notices and ballots to property owners.

5.1.3 Voter Approval

The "Official Notice and Ballot Information Guide" sent to voters with the Official Assessment Ballot explained the need for the additional funding and the \$5.42 cost for a typical homeowner. It contained none of the details provided to the Board so voters were not aware of the fact that the proposed increase included a one-time charge of about \$700,000 for the election itself. In fact, an OCVCD Q&A mailer

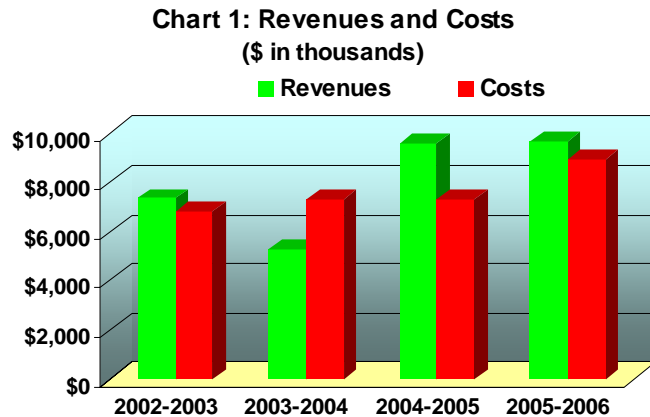
stated that, aside from the charge for the Fire Ant Program, “...almost half of this assessment is for continuing general vector control”. Given the low cost per typical homeowner, 66.2% of the voters were in favor of the proposed assessment, which went into effect in FY 2004-2005.

5.1.4 Revenues and Costs

Revenues and costs taken from external audit reports for FY 2002-2003 through FY 2004-2005 and management projections for the current fiscal year are shown in this section.

Revenue and Cost Aggregates

The new assessment resulted in significant increases in OCVCD revenues and costs as shown in Chart 1. Revenues dipped in FY 2003-2004, then increased significantly in the last two years, rising to a level well above that of FY 2002-2003. Costs rose modestly until FY 2005-2006 when they increased by 22%. The deficit in FY 2003-2004 was a consequence of the curtailment and eventual elimination of funding for the Fire Ant Program.

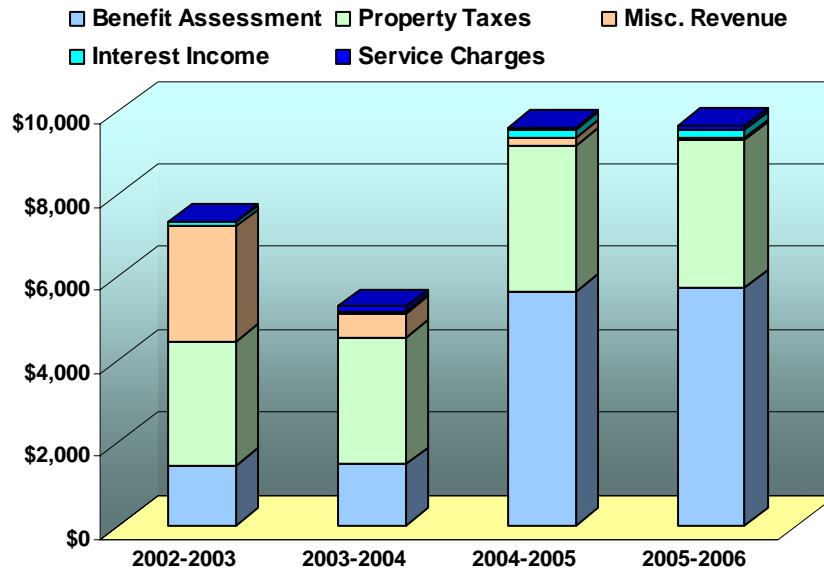


Note: Section 8.1 contains tables showing the data depicted in Charts 1-5.

Revenues

A more detailed look at revenues in Chart 2 shows that most of the changes are a consequence of the loss of state funding for the Fire Ant Program (shown in the Miscellaneous Revenue category) in FY 2003-2004 and the introduction of the additional benefit assessment charge in FY 2004-2005. Note that the Benefit Assessment category increased slightly from FY 2004-2005 to FY 2005-2006 despite a reduction in the rate from \$5.42 to \$5.30.

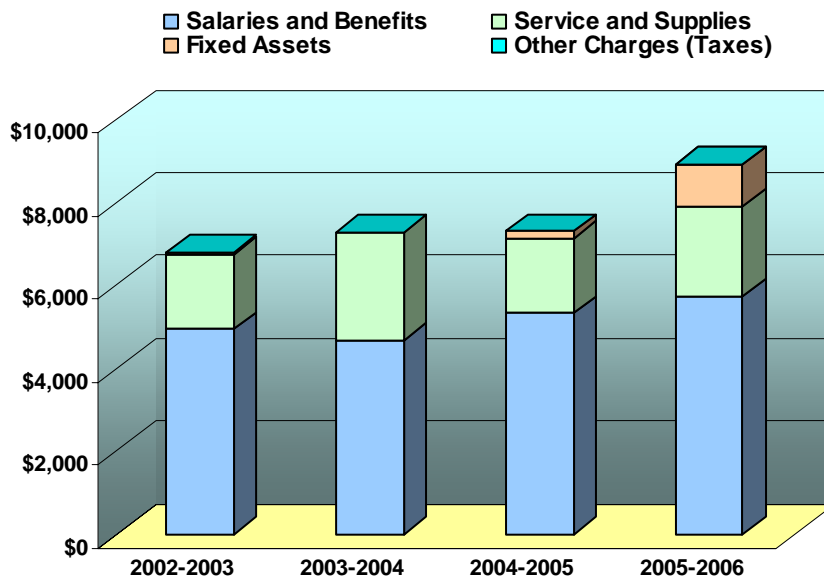
Chart 2: Revenue Sources
(\$ in thousands)



Costs

As shown in Chart 3, costs are dominated by the Salaries and Benefits category which increased by 22% from FY 2003-2004 to FY 2005-2006. Fixed Assets zoomed in FY 2005-2006, principally because of the purchase of new vehicles to replace older vehicles, some of which were purchased in the early 1990's.

Chart 3: Cost Categories
(\$ in thousands)



5.1.5 Salary and Benefit Increases in 2004-2006

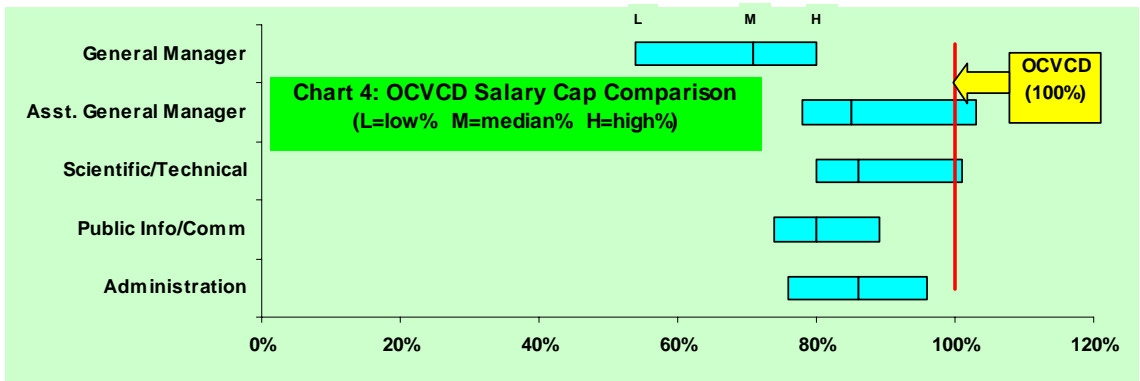
Using salary and benefit data provided by OCVCD, a detailed analysis was performed of the 31 employees who were on the payroll full time from July 1, 2003 to the present. This analysis showed that salaries and benefits increased significantly after the benefit assessment increase in FY 2004-2005:

- The average hourly salary rate increase from July 1, 2003 to July 1, 2004 was 1.4%. From July 1, 2004 to July 1, 2005, it was 9.4%.
- Total compensation (salary plus benefits) increased from FY 2003-2004 to FY 2005-2006 by 22%.

The salary and benefit data also showed that the “average hourly salary rate” for the four Directors reporting directly to the District Manager increased by 16.4% in FY 2005-2006.

A possible explanation for the large increases in compensation that followed the levying of the additional 2004 benefit assessment is that the OCVCD was simply catching up to prevailing salaries in its industry. If that were the case, one would expect the OCVCD salary caps (high ends of annual salary ranges) shown in the Mosquito and Vector Control Association of California’s 2005 Salary and Benefits Survey to be somewhere below the middle (median) of the salary range when compared with salary caps of the seven largest urban vector control agencies (excluding OCVCD) in California.

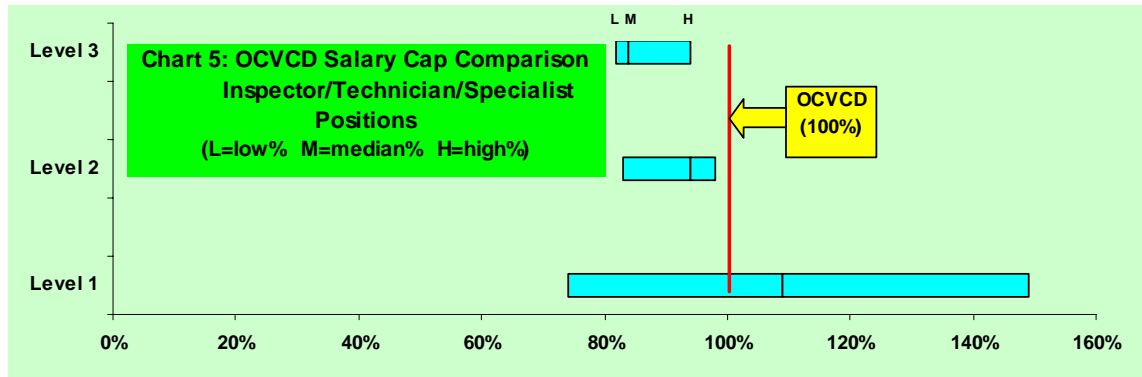
The numbers for the highest management positions within these agencies, however, show that OCVCD salary caps exceed or are near the top for every



position. In Chart 4, the OCVCD salary cap is assumed to be 100% and all other caps are shown as a percentage of the OCVCD cap. Since the position titles were not standardized, the comparison is based on using the salary cap for the position that appears to be closest to the OCVCD positions. For example, the Director, Communications, Public Information Officer, and Public Affairs Manager positions are assumed to be comparable so long as they have the highest caps within the agency in their area of specialization. The largest differences are seen in the

General Manager position. The median is only 71% of the OCVCD Manager’s salary cap and the highest other agency manager’s cap is only 80%.

As shown in Chart 5, much the same situation exists with technical positions. Comparisons of the Levels One, Two, and Three Inspector/Technician/Specialist positions show OCVCD to be at the high end with the exception of Level One; however, OCVCD has no employees currently at Level One.



The Grand Jury concludes that there is no clear justification for the significant salary and benefit increases granted after the benefit assessment increase. Interestingly, most of the trustees interviewed in this study didn’t know the magnitude of the salary increases or believed that they were in the 3% to 5% range. The prevailing view of both trustees and employees is that OCVCD employees are compensated somewhere between the median and high points when compared with other agencies.

5.1.6 Estimated Fire Ant Expenditures in 2005-2006

The estimated cost of the Fire Ant Program provided as part of the justification for the benefit assessment increase in fiscal 2004-2005 was about \$2.7 million (per the minutes of the April 15, 2004 meeting). Since the OCVCD does not manage its financials by vector program, there is no direct way to determine the cost of the Fire Ant Program. The Grand Jury estimates the cost of the Fire Ant Program in FY 2005-2006 based on vector service times provided by OCVCD. Since total employee compensation (an outcome of service time) is about 80% of total operations costs, these latter costs are allocated to the individual vector programs based on their share of service time. Similarly, since the agency’s indirect costs benefit all programs, they are also allocated to the programs based on their share of service time. Based on this method and total budgeted operations (\$4,030,000) and total agency costs (\$8,940,000), the Fire Ant Program share of the total OCVCD budget is about \$1.3 million. This amount is much less than the fire ant estimate of \$2.7 million presented to the Board in April, 2004. See the table below for the estimated Program and Total Costs.

Vector Program	Service Time %	Program Cost	Total Cost
Rats	25.9%	\$1,044	\$2,315
Mosquitoes	58.2%	2,346	5,203
Midges	0.6%	24	54
Flies	0.0%	0	0
Fish/Fish Pickup	0.6%	24	54
Fire Ants	14.6%	588	1,305
Other	0.1%	4	9
Totals	100.0%	\$4,030	\$8,940

Note: Table cost figures are in thousands of dollars.

5.1.7 Rate Reduction in FY 2005-2006

The FY 2004-2005 benefit assessment rate of \$5.42 was reduced to \$5.30 in FY 2005-2006. On a base of \$4.2 million, this amounts to about \$100,000. The rate reduction was apparently offset by an increase in the number of parcels assessed. So the net effect, based on Orange County Auditor-Controller estimates, is that the total dollars remained level at about \$4.2 million. The OCVCD numbers project a decrease of about \$100,000 (based on estimated revenues for FY 2004-2005 that were somewhat overstated). For purposes of the following discussion, a decrease of \$100,000 will be used, which is equivalent to a **\$0.12 assessment reduction**.

The total reductions in cost for incidental expenses and the Fire Ant Program are estimated at \$700,000 (section 5.1.3) and \$1.4 million (section 5.1.6) for a total reduction of about \$2.1 million, which is equivalent to a **\$2.71 assessment reduction**.

Although the Grand Jury calculations were based on the assumption that Program and Total Costs could be determined from Service Time percentages, they are believed to be reasonably accurate and certainly not off by anything close to the \$2 million difference between the total \$2.1 million estimated cost reduction and the \$100,000 assessment reduction.

The Grand Jury believes the public interest was not served by the Board’s retention of a high benefit assessment rate in FY 2005-2006 and the Board’s approving the sizable employee compensation increases in FY 2004-2005.

5.2 Pension Increase

At their Board meeting of October 20, 2005, the trustees voted (18 ayes, 11 nays) for a resolution of intention to approve an increase in the employee pension plan to 2.7%@55 while concurrently switching plan administration from Orange County Employees’ Retirement System (OCERS) to the California Public Employees’ Retirement System

(CalPERS). 2.7%@55 means an employee may elect to retire at age 55 and receive a pension equal to the product of 2.7% times the number of years worked times the employee's annual earnings. Annual earnings are calculated in different ways depending on the specifics of the plan. The trustees were told by OCVCD management that, in 2006, the new CalPERS plan would be less expensive than the OCERS plan and would provide a much higher pension for the employees.

At their next Board meeting on November 17, 2005, the trustees voted (14 ayes, 16 nays) against a resolution authorizing the pension increase and switch to CalPERS. Most of the interviewed trustees believed that the vote change was a consequence of political pressure put on appointed trustees by their city council members. A possibly related factor is that the four trustees who missed the first meeting and attended the second all voted "nay".

The underlying reasons for the rejection of the pension increase proposal were that the majority of the trustees felt the pension level was too rich and some did not believe the management assertion that the CalPERS plan could provide the higher pension level while also saving money.

A potential factor that came out after the fact is that OCVCD would have to pay the OCERS unfunded pension liability if they were to switch to CalPERS. Management was aware of the unfunded liability; however, the amount of the liability was not known at that time and was not included in the financial analysis presented at the October meeting. In April 2006, OCERS said the liability is over \$2 million and would have to be paid off over 15 years at \$235,000 per year.

According to one trustee, there was little discussion of the financials so, for example, the trustees were not aware of the differing actuarial assumptions made by the two pension funds, the largest of which is the investment return rate – CalPERS assumes a higher rate of return than does OCERS. Actuarial assumptions do not change amounts paid out but do affect the amounts employers and employees pay into the funds – the higher the assumed rate of return, the less employers and employees pay in the short term. Over the long term, of course, payments into the fund must be sufficient to cover amounts paid out so the net effect of a higher assumed rate of return is paying less now and paying more later.

The Grand Jury concludes that the Board voted both for and against the pension increase without full knowledge of the financial implications. The Grand Jury also believes the public interest is not served by benefit increases in the government sector in the face of benefit reductions in the private sector.

5.3 Management Actions

Based on interviews with past and present employees, the Grand Jury believes that there is turmoil in the ranks despite a virtual consensus among employees that they are satisfied with their compensation. This turmoil appears to be a consequence of alleged or actual management actions, examples of which are described below:

5.3.1 Alleged Illegal Interference with Union Activities

Two separate actions by the California School Employees Association (CSEA) deal with alleged illegal interference with union activities and related actions.

- In a letter to the OCVCD Board, the CSEA alleges that the District staff has been retaliated against and their attempts to engage in union activities have been illegally interfered with by the OCVCD. It asks for withdrawal of a directive for staff to declare support for representation by management.

OCVCD denies the allegation but also agrees to withdraw the directive.

- On March 8, 2006, OCVCD received a document from the State of California Public Employment Relations Board describing an Unfair Practice Charge filed by the CSEA. It included seven specific charges of interference with and retaliation against employees engaging in union-related activities.

On April 4, 2006, attorneys for the OCVCD filed a Position Statement denying all the charges.

5.3.2 Timesheet Falsification

OCVCD management granted vacation time to a recently hired employee and approved a timesheet that showed the time as time worked. Misrepresentation of time on the timesheet can be viewed as a questionable practice and a potential gift of public funds. The explanation given by management is that the employee had planned the vacation prior to joining OCVCD, management agreed to allow the vacation provided that the employee made up the time, and the employee made up the time.

5.3.3 Questionable Uses of Public Funds

As noted in an Institute for Local Self Government publication, The California Constitution, Article XVI, Section 6, specifically prohibits gifts of public resources. This prohibition applies to agencies making gifts to its officials and employees. The Institute suggests the use of the question “How does this particular expenditure benefit the public’s interest as opposed to my own personal interests?” as a test for determining whether an expenditure is appropriate.

Several changes in the use of public funds for the benefit of OCVCD employees and their families were instituted beginning in 2004. They included the use of public funds for:

- Holiday parties and picnics for employees, their families, and Board members – in previous years, employees raised funds for holiday parties by recycling. These costs are now borne by the District. These costs are not inconsequential – allegedly in the thousands of dollars annually.

- Coffee supplies for employees
- Flowers for sick employees

Based on the California law and the Institute's test question, the Grand Jury believes these uses of public funds are inappropriate.

5.3.4 Impact on Employees

According to employees interviewed, the morale within the OCVCD is low. Causes of the low morale include the management actions described in this section. With one exception, the trustees interviewed either thought morale was not an issue or had no opinion.

5.4 Governance

Boards of the 2,200 independent special districts in California typically consist of three to seven members who serve on a part-time basis. The OCVCD Board is atypical in that it consists of 35 trustees representing the county and its 34 cities. The trustees are part-time, generally working less than four hours/month. OCVCD itself consists of about 50 full-time employees and a like number of seasonal employees.

Some alternatives to the current Board structure are to merge the District with one of the County departments or to reduce the size of the Board. Perhaps not surprisingly, none of the trustees interviewed were in favor of dissolving the District and its governance by the Board. A minority favored a reduction in the size of the Board.

AB 991 (Devore) was a legislative effort to reduce the size of the OCVCD Board. It required that the Board consist of 11 members. The bill was introduced into the Assembly Committee on Local Government last year but did not make it out of committee.

According to an MVCAC official, special districts are more agile and can respond to emergencies more quickly because of their small size, fewer layers of management, and independent source of funding. Vector control agencies that are part of county government benefit from economies of scale and the county's potentially greater resources.

The Grand Jury sees the issue of county versus special district organization as a complex and problematic issue and chose not to address it within the scope of this study.

6. Findings

In accordance with California Penal Code §933 and §933.05, each finding will be responded to by the government entity to which it is addressed. The responses are to be submitted to the Presiding Judge of the Superior Court. The 2005-2006 Orange County Grand Jury has arrived at the following findings:

- 6.1 Benefit assessment:** The OCVCD justified the additional \$4.2 million benefit assessment in FY 2004-2005 in part by an estimated cost of \$3.4 million to pay for the assessment election and the Red Imported Fire Ant Program. The Grand Jury estimates that this cost will be approximately \$2.1 million lower in FY 2005-2006, yet the assessment was reduced by only \$100,000.
- 6.2 Compensation:** Total compensation (salary plus benefits) increased by an average of 22% in the two years following the benefit assessment increase for the 31 full-time employees who were on payroll during that time. Compared with employees of other large vector control agencies serving urban populations, OCVCD employees' salary caps exceed or are near the top for every position.
- 6.3 Employee morale:** Despite the large compensation increases, employee morale has been negatively impacted by management actions including questionable uses of public funds and alleged interference with union activities.
- 6.4 Pension increase:** The Board first voted for and then against a large pension increase in its October and November, 2005 meetings based on incomplete information on the financial implications.

Responses to Findings 6.1 through 6.4 are required from the Orange County Vector Control District Board of Trustees.

7. Recommendations

In accordance with California Penal Code §933 and §933.05, each recommendation will be responded to by the government entity to which it is addressed. The responses are to be submitted to the Presiding Judge of the Superior Court. Based on the findings, the 2005-2006 Orange County Grand Jury makes the following recommendations:

- 7.1 Serving the public interest:** To meet its responsibility to serve the public interest, the Board of Trustees should consider (1) determining why the budget process for 2005-2006 resulted in a continuation of the high benefit assessment, (2) taking remedial action to significantly reduce the benefit assessment, and (3) sharply curtailing further increases in employee compensation (See Findings 6.1, 6.2 and 6.4.)
- 7.2 Questionable use of public funds:** In keeping with Article XVI of the California Constitution which prohibits gifts of public resources, the Board of Trustees should consider reviewing questionable uses of public funds and direct management to make necessary changes in its procedures regarding the acceptance of gifts. (See Finding 6.3.)

- 7.3** *Low employee morale:* The Board should consider investigating causes of low morale and take any necessary actions to improve morale. (See Finding 6.3.)
- 7.4** *Governance structure:* The Board should consider changes to its governance structure, including a reduction in the size of the Board from its current 35 to a number more in line with other special districts or a merger of the OCVCD with a county agency such as the Department of Health or the Resource Development and Management Department. (See Findings 6.1 through 6.4.)

Responses to Recommendations 7.1 through 7.4 are required from the Orange County Vector Control District Board of Trustees.

8. Appendix

8.1 Tables

8.1.1 Table 1: Revenues and Costs (Chart 1)

	2002-2003	2003-2004	2004-2005	2005-2006
Revenues	\$7,360	\$5,292	\$9,605	\$9,656
Costs	\$6,798	\$7,293	\$7,323	\$8,940

8.1.2 Table 2: Revenue Sources (Chart 2)

Revenue Sources	2002-2003	2003-2004	2004-2005	2005-2006
Benefit Assessment	\$1,465	\$1,479	\$5,667	\$5,755
Property Tax	2,992	3,069	3,518	3,585
Interest Income	104	72	167	172
Charges for Services	38	115	49	105
Miscellaneous Revenue	2,761	557	203	40
Totals	\$7,360	\$5,292	\$9,604	\$9,657

Note: Table values are in thousands of dollars.

8.1.3 Table 3: Cost Categories (Chart 3)

Cost Categories	2002-2003	2003-2004	2004-2005	2005-2006
Salaries and Benefits	\$4,949	\$4,675	\$5,341	\$5,754
Service and Supplies	1,804	2,603	1,803	2,154
Fixed Assets	37	6	174	1,032
Other Charges (Taxes)	8	10	5	0
Total	\$6,798	\$7,294	\$7,323	\$8,940

Note: Table values are in thousands of dollars.

8.1.4 Table 4: Management Salary Caps (Chart 4)

Equivalent Position	OCVCD %	High %	Median %	Low %
General Manager	100%	80%	71%	54%
Assistant General Manager	100%	103%	85%	78%
Scientific/Technical	100%	101%	86%	80%
Public Information/ Communications	100%	89%	80%	74%
Administration	100%	96%	86%	76%

8.1.5 Table 5: Inspector/Technician/Specialist Salary Caps (Chart 5)

Equivalent Position	OCVCD %	High %	Median %	Low %
Level 1	100%	149%	109%	74%
Level 2	100%	98%	94%	83%
Level 3	100%	94%	84%	82%

8.2 References

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