

# Coachella Valley Mosquito and Vector Control District

43-420 Trader Place • Indio, CA 92201 • (760) 342-8287 • Fax (760) 342-8110

• Toll Free 1-888-343-9399

E-mail: CVmosquito@cvmvcd.org • Website: www.cvmvcd.org

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June 11, 2009

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4050 Main Street  
Riverside, California 92501

Riverside County Grand Jury  
Post Office Box 829  
Riverside, California 92502

## *Re: Response to 2008-2009 Grand Jury Report, Coachella Valley Mosquito and Vector Control District*

Dear Judge Charaman and Members of the Grand Jury:

The Coachella Valley Mosquito and Vector Control District (the "District") Board of Trustees provides the following responses to the findings and recommendations of the 2008-2009 Grand Jury Report concerning the District's operations:

### Finding No. 1

Finding: For several years the District followed an annual budget preparation practice of minimizing expected revenue and maximizing expected expenses, thus providing a distorted picture of each year's anticipated results.

Grand Jury Recommendation: The District should budget anticipated revenue and expenses more realistically, within a five per cent margin, to present a more useful picture of the financial health of the organization.

### *District Response:*

*The District agrees with Finding No. 1 and has implemented the recommendation.*

*As depicted in Figure 1 below, the District's Fiscal Year 2008-2009 budget demonstrates that the District is heading towards the goal of being within five percent accuracy; the projected accuracy for the Fiscal Year 2009-10 Budget, as represented in the draft budget, is five percent.*

*The revenue forecast for Fiscal Year 2008-09 was set at \$9.8 million which is four percent more than the projected actual amount of \$9.5 million for Fiscal Year 2008-09. The reason for the four percent margin is due to the District's receipt of an unanticipated \$300,000 solar panel rebate from the Imperial Irrigation District. The expenditure forecast for Fiscal Year 2008-2009 was set at \$8.3 million which is ten percent less than the projected actual amount of \$9.2 million for Fiscal Year 2008-09. The ten percent difference is attributable to the District's decision during Fiscal Year 2008-09 to discontinue purchasing the control product Choice® due to concerns over the product's environmental impact and the status of the product's permit renewal by the Environmental Protection Agency. The cost of purchasing Choice® historically accounted for more than one-half of the District's control products budget, which in turn accounted for almost one quarter of the District's entire operating budget. In light of the foregoing, it is clear that the decision to discontinue purchasing Choice® and to replace it with less costly control products has amounted to a significant, but unanticipated, savings to the District for Fiscal Year 2008-09 which accounts for the ten percent margin.*

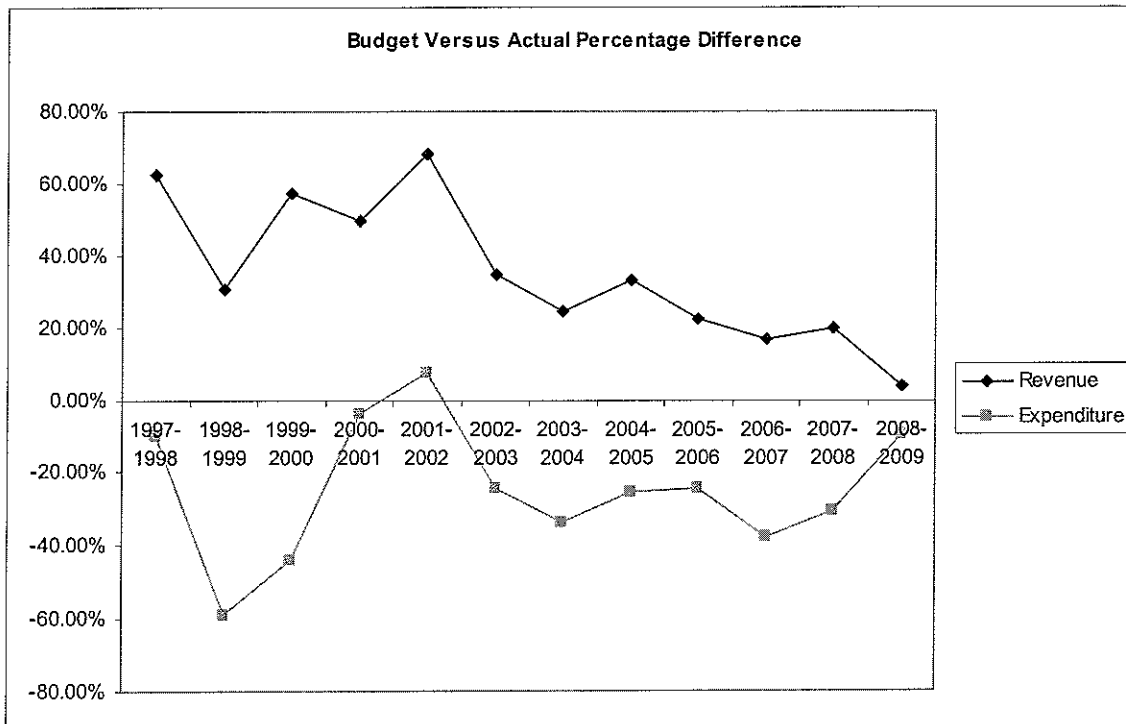


Figure 1

*The District has adopted a new budgeting procedure that is intended to establish a sound financial plan that simply incorporates performance standards in the form of objectives that are tied to specific goals. As the above analysis clearly demonstrates, this new procedure has resulted in a much more accurate means for developing a*

*realistic budget for the District. Consistent with the intent of the new budgeting procedure, the Fiscal Year 2008-09 Budget was adopted by the Board at a noticed public meeting only after it was: (a) thoroughly reviewed and carefully scrutinized by an ad hoc 2008-09 Budget Subcommittee and the Board's standing Finance Subcommittee with the assistance of various staff members of the District, and (b) the draft was reviewed and recommended for adoption by the Interim General Manager.*

*Lastly, within the last five years, no less than six different individuals have served as the District's Finance Manager. The District however is extremely confident that its current Finance Manager David P'Anson has a great future with the District. Mr. P'Anson has proven to be a tremendous asset to the District which has resulted in a renewed sense of continuity and stability within the Finance Department. Due primarily to David P'Anson's efforts and expertise, the District has gained statewide and international recognition for excellence in governmental accounting and financial reporting. For instance, the implementation of the new budget procedures resulted in the production of the District's first Comprehensive Annual Financial Report which earned the District a Certificate Award from the California Society of Municipal Finance Officers for Outstanding Financial Reporting for the Fiscal Year ending June 2008. In addition, with the guidance provided by Mr. P'Anson the District earned its first Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the Fiscal Year ending June 30, 2008 from the Government Finance Officers Association of the United States and Canada. This same organization also recognized Mr. P'Anson with an Award of Financial Reporting Achievement for his significant contribution toward producing annual financial reports for the District that represent the best in government financial reporting.*

## **Finding No. 2**

Finding: Excessive reserves were accumulated over several years. These reserves were beyond what most special districts would require to cover unanticipated expenditures. The District tried unsuccessfully to increase its assessment in 2007.

Grand Jury's Recommendation: Reserves, both restricted and unrestricted, should be reduced.

### **District Response:**

*The District agrees in part with the first sentence of Finding No. 2 in that the reserves accumulated by the District in the past may have been excessive since the methodology used during that time may not have been appropriate under the circumstances. The District is confident however that the methodology it currently utilizes provides a more accurate assessment of the reserves needed to cover the District's unanticipated*

*expenditures. The District's Preliminary Budget for FY2009-2010 provides an accounting of the various District reserve funds. The largest of those reserve funds, the General Reserve fund, the Emergency Service Reserve fund, and Reserve for Laboratory Facility, are described below. The District will implement the recommendation calling for a reduction in reserves by continuing to further analyze the need for such reserves during the annual review of the District's fiscal year budgets.*

*The majority of the District's funding comes from property taxes (52%) and benefit assessments (18%), both of which are collected by the County of Riverside. While the County provides the District with a 10 percent advance on property taxes by December of each year, the County does not release the remainder of the funds until January, six months after the start of the fiscal year in June. As a result, during the first six months of the fiscal year, the District must rely on its General Reserve Fund balance to meet its general operating expenses.*

*The District's Risk Response Plan assesses various levels of risk (normal, emergency, and epidemic) of mosquito-borne virus transmission to humans. The Risk Response Plan requires the District to set aside \$2,600,000 in its Emergency Service Reserve to adequately fund an effective response to an epidemic risk threat; this amount is expected to cover the cost of the necessary control products and the cost of three to ten aerial product applications over all the urban and rural areas situated within the Coachella Valley. The District's Risk Response Plan is based on the Risk Plan developed and utilized by the California Department of Public Health; as such, to set aside anything less than \$2,600,000 may pose an unacceptable risk to public safety in the context of an epidemic risk threat event occurring in the Coachella Valley.*

*Also, in last two fiscal years, the District has allocated reserves of \$2,300,000 in its Reserve for Laboratory Facility for the development of a new laboratory that complies with current pathogen safety standards and operates at a higher level of safety. The target completion date for the laboratory is Fiscal Year 2011-12.*

*Another of the District's reserve accounts is for Other Post Employment Benefits (OPEB), a liability that is over \$1 million. The District adheres to the accounting standards developed by the Governmental Accounting Standards Board (GASB). GASB Statement 45 on Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions provides that liability for OPEB must be reported on the balance sheet; the Statement also encourages governments to prefund this liability. For Fiscal Year 2009-2010, the District intends to follow the GASB pronouncement and prefund this liability in an irrevocable trust by either: (a) prefunding the full liability which will in turn reduce the General Fund balance by that amount, or (b) funding the annual required contribution.*

*The District disagrees with the third sentence of Finding No. 2 to the extent the sentence mischaracterizes the Board of Trustees' decision not to approve a proposed increase in the 2007 assessments as an "unsuccessful bid" to increase the assessments.*

*The District is unable to respond to the second sentence of Finding No. 2 as the District lacks sufficient information regarding the reserves required by most special districts to cover unanticipated expenditures.*

### **Finding No. 3**

Finding: In spite of repeated recommendations from outside auditors, the District has failed to complete a financial policies and procedures manual.

Grand Jury's Recommendation: A financial policies and procedures manual should be completed, providing guidance on accounting practices, purchasing, credit card usage, travel, expense accounts, banking, and other financial matters.

#### **District Response:**

*The District agrees with Finding No. 3 and has commenced implementation of the recommendation; the District anticipates completion by December 2009.*

*To date, the District's Board has approved the following financial policies: Purchasing Policy and Guidelines, District Investment Policy, Capitalization Policy, Records Retention Policy and Conflict of Interest Policy. The following additional policies are currently in draft form and are being reviewed by the Finance Committee: Updated Purchasing Procedure (Work Plan 2008-15), Capital Improvement Plan Policy and Procedures (Work Plan 2008-20), Operating Budget Policy (Work Plan 2008-08), and Fund Balance Policy (Work Plan 2009-04).*

*Additionally, these other procedural policies have been approved: Credit Card Procedures, Budget Procedures, Computer Purchase or Replacement Request, and New Vehicle Needs Request. Other procedures such as Payroll, Accounts Payable and Receivable have also been incorporated in a manual. Adopted general policies include policies for Tuition Reimbursement, Supplemental Procedures Relating to District Travel, Conference and Meeting, and Vehicle use.*

### **Finding No. 4**

Finding: The 1997 personnel policies and procedures manual is incomplete and outdated. It does not reflect current labor laws, regulations, and District personnel administration.

Grand Jury's Recommendation: District personnel policies and procedures should be documented and updated, at the earliest possible time. These revisions should be communicated regularly to employees and updated periodically.

***District Response:***

***The District lacks sufficient information at this time to agree or disagree with Finding No. 4 but the District has commenced implementation of the recommendation.***

***On February 10, 2009, the District's Board appointed an ad hoc Board subcommittee to expedite the update of the District's personnel policies and procedures manual. The subcommittee is currently working with staff to update the manual.***

***The District's "Work Plan" was created in June 2008 and represents a guide for short and long term objectives within the specified timeframes, which includes revision of the 1997 Personal Policy and Procedures Manual. The revision of manual is a priority for the newly appointed General Manager and staff and has a projected completion date of December 2009. The manual will be complementary to two Collective Bargaining Agreements (Chapter 2001 California School Employee Association and Teamsters Local 911) that provide the language for the majority of personnel policies.***

**Finding No. 5**

Finding: Investigation and sworn testimony from trustees and employees revealed that the prior general manager and legal counsel together had managed the organization in a heavy-handed and dictatorial manner, thus contributing to the dysfunctionality of the District. The District has been without a permanent general manager since May 2008, and the search for a replacement has taken at least ten months. Investigation revealed that this delay has caused much uncertainty and turmoil among the employees.

Grand Jury's Recommendation: The search for a permanent general manager should be expedited.

***District Response:***

***The District is not in a position to agree or disagree with that portion of Finding No. 5 that characterizes the District's former general manager and legal counsel as "heavy-handed" and "dictatorial" since those terms are very subjective; however, the District wholly disagrees that the portion of the finding that implies that the District is "dysfunctional" since it has recently hired a new General Manager and retained new General Counsel. Both have read the Grand Jury Report and are aware of the Grand Jury's finding that both their predecessors together have "managed the organization in***

*a heavy-handed and dictatorial manner” which the Grand Jury believes contributed “to the dysfunctionality of the District.”*

*The District agrees with the last two sentences of Finding No. 5 and implemented the recommendation on April 14, 2009 by appointing Branka B. Lothrop, PhD as the District's General Manager. Dr. Lothrop, who took office on May 1, 2009, has been with the District since 1995, and has more than 25 years experience in vector surveillance and control. She was formerly the District's Scientific Operations Manager. The District utilized the professional services of Bob Murray and Associates to conduct a nationwide search to fill the General Manager position and it was decided that Dr. Lothrop was the most capable and qualified of all interested candidates to serve the District as General Manager.*

#### **Finding No. 6**

Finding: An October 2007 study by the Riverside Local Agency Formation Commission (LAFCO) recommended that the District assume vector control responsibility for the eastern portion of Riverside County, from the Coachella Valley to the California-Arizona state line, including the city of Blythe.

Grand Jury's Recommendation: A LAFCO recommendation regarding expansion of the District should be deferred until remedial action by the District on these recommendations is considered and completed.

#### ***District Response:***

*The District agrees with Finding No. 6 and declines to respond to the recommendation since it is directed towards LAFCO over which the District has no authority. At their November 13, 2007 meeting, the District's Board acknowledged the outcome of the October 25, 2007 LAFCO report regarding the change in sphere of influence for vector control districts in Riverside County, and further acknowledged that the District does not intend to take any action to annex any new areas, finding that the ruling by LAFCO only provides the opportunity for potential growth if the right conditions arise.*

#### **Finding No. 7**

Finding: Control products used in mosquito and vector suppression activities are a large share of the District's operating budget. These products are budgeted at \$2,141,000 in the 2008-2009 budget, and include expenditures for *Choice*, a product under investigation by the Environmental Protection Agency. Both trustees and management have questioned the use of *Choice*.

Grand Jury's Recommendation: Use of the suppression chemical called *Choice* should be discontinued once the present supply is exhausted.

***District Response:***

***The District agrees with the first two sentences of this Finding. As to the third sentence, the District acknowledges that the use of Choice has been the topic of discussion by the Board and Management, but is unaware that trustees and management have specifically "questioned" the use of Choice outside the context of any testimony that may have been provided to the Grand Jury. The District actively followed the issue with Choice®, including its permit renewal by the U.S. Environmental Protection Agency, and opted not to purchase the budgeted amount of Choice in Fiscal Year 2008-09. The same decision not to purchase Choice had been maintained in the draft Fiscal Year 2009-10 Budget. The District has instead opted to use other available products that yield a control level of 71% to 95% for red imported fire ants (RIFA) and continue maintenance of the RIFA population in the Coachella Valley at an acceptable level.***

**Finding No. 8**

Finding: (a) In all of the interviews conducted, lack of communication was a constant theme. This lack of effective communication among trustees, appointing bodies and the Riverside County nine cities, management, employees, and the community was evident. This reflects a recurring problem contributing to the dysfunctionality of the District. (b) Sworn testimony revealed that on a regular basis, aside from an annual outside audit, the District failed to consider viewpoints from similar organizations, valley opinion leaders, and the community, thus resulting in insularity of management. (c) Sworn testimony revealed that former management discouraged any outside consultation. As a result, the District has not utilized the services of outside consultants on organizational structure, trustees policies, and procedures, update personal policies, appropriate financial documentation and reporting, and management practices.

Grand Jury's Recommendation:

The District should consider retention of outside consultation on organizational development, including but not limited to: trustee recruitment and training; trustee policies and procedures; management structure, systems and procedures; and most importantly, communication among trustees, senior management, employees, and communities in the valley. Further, appointing authorities (Riverside County and the nine cities) should develop criteria for trustee qualification and apply more intense vetting of potential trustees prior to appointment, thereby improving the quality of appointments to the District Board of Trustees.

***District Response:***

***With respect to Finding 8(a), the District cannot respond to the Grand Jury's finding that there is a lack of effective communication among trustees, appointing bodies and the Riverside County nine cities, management, employees, and the community since the District is not aware of what may have reported to the Grand Jury as to why there may be or may have been any actual or perceived lack of effective communication. Notwithstanding, the Board of Trustees plans to conduct one or more strategic planning sessions in the Fall of 2009 to address the District's overall priorities which will include discussion on how to effectively interact with other public entities and organizations that have a direct stake in the District's goals and objectives associated with protecting the public health. Moreover, the District currently has no policies in place which preclude or prohibit any District employee or trustee from communicating with anyone about the business of the District, provided that such communications do not violate the confidentiality provisions of the Ralph M. Brown Act or any other applicable state or federal laws. In regards to the implication that the District is "dysfunctional," the District wholly disagrees with this finding since it firmly believes that all of the current trustees are responsible public officials looking out for the best interests of the District's taxpayers and doing what they can in their capacities as trustees to protect the public health. Moreover, it should be noted that since the Grand Jury initiated its investigation, a new General Manager has been hired and a new General Counsel has been retained by the District, both of whom have read the Grand Jury Report and are aware of the Grand Jury's finding that both their predecessors together have "managed the organization in a heavy-handed and dictatorial manner" which the Grand Jury believes contributed "to the dysfunctionality of the District."***

***With respect to Finding 8(b) regarding the "sworn testimony" revealing that the District failed on a regular basis to consider viewpoints from similar organizations, valley opinion leaders, and the community, the District is not in a position to agree or disagree with this finding since the District is unaware of the substance of the sworn testimony provided to the Grand Jury in this regard. Notwithstanding, the Board of Trustees plans to conduct one or more strategic planning sessions in the fall of 2009 to address the District's overall priorities which will include discussion on how to effectively interact with other public entities and organizations that have a direct stake in the District's goals and objectives associated with protecting the public health.***

***With respect to Finding 8(c) regarding the "sworn testimony" revealing that former management discouraged any outside consultation which resulted in the District not utilizing the services of outside consultants on organizational structure, trustees policies, and procedures, update personal policies, appropriate financial documentation and reporting, and management practices," the District is not in a position to agree or disagree with this finding since the District is unaware of the substance of the sworn testimony provided to the Grand Jury in this regard. However,***

*in response to the finding that the “[the District should consider retention of outside consultation on organizational development, including but not limited to: trustee recruitment and training; trustee policies and procedures; management structure, systems and procedures; and most importantly, communication among trustees, senior management, employees, and communities in the valley,” the Board of Trustees plans to conduct one or more strategic planning sessions in the fall of 2009 to address the District’s overall priorities which will include discussion on how to effectively interact with other public entities and organizations that have a direct stake in the District’s goals and objectives associated with protecting the public health. In addition, in mid-2008, the District retained the financial audit services of Mayer Hoffman McCann P. to assess whether the District’s financial statements for the fiscal year that ended June 2008 are free of material misstatements. Finally, the District recently retained new general legal counsel who has provided the trustees with several documents pertaining to their duties and responsibilities as trustees. Those documents include up-to-date information pertaining to State’s complex conflicts of interests and ethics regulations, the State’s open meetings law (Ralph M. Brown Act) and the scope of authority of Mosquito Control and Vector Control Districts.*

*Finally, as for the recommendation regarding the development of trustee qualifications, the District believes the appointing agencies have complete control of this matter. The District is aware that Health and Safety Code section 2033(d) provides that persons appointed to the Board should have “experience, training, and education in fields that will assist them in the governance” of the District. However, the District believes that such criteria can be broadly interpreted to include those who have demonstrated to their respective communities that he or she is committed to public service, has experience working as an appointed public official, serves as an elected public official, is or has been employed in a professional capacity in any variety of fields, has successfully run a small business, has served as a CEO for a large corporation, etc. In other words, the District does not believe it has any authority to dictate to any of the appointing bodies what specific criteria they should adopt or how narrowly they should interpret the Health and Safety Code when selecting an individual from their community to serve as a trustee on behalf of their respective agency. Notwithstanding, the District is aware that the cities and the County have all implemented various policies and procedures for appointing their representative trustees to the Board, which include but are not limited to: the submittal of an application, residency requirements, interviews and the approval by the City Council/County Board of Supervisors at a noticed public meeting where the public has a right to comment on the prospective appointee. In light of the foregoing, the District does not believe it has the authority to implement the Grand Jury’s recommendation, but it is confident that the appointment policies and procedures utilized by the member agencies are sufficient.*

Regards,



Dr. Bruce Underwood, President  
Board of Trustees

cc: Board of Trustees  
Branka B. Lothrop PhD, General Manager  
Steven B. Quintanilla, General Counsel  
Roy Wilson, Supervisor, Riverside County  
Marion Ashley, Supervisor, Riverside County  
Kathleen De Rosa, Mayor, Cathedral City  
Eduardo Garcia, Mayor, Coachella  
Yvonne Parks, Mayor, Desert Hot Springs  
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