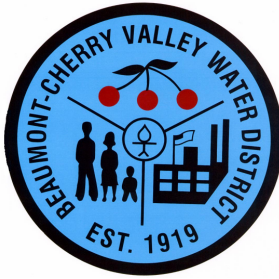


PRESS RELEASE



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General Manager's PRESS RELEASE response to the 2007-08 Riverside Grand Jury Beaumont Cherry Valley Water District Report

This is the immediate response of Beaumont Cherry Valley Water District General Manager Chuck Butcher to the 2007-08 Riverside Grand Jury (GJ) Findings and Recommendations Report issued to the public at the close of business on June, 25, 2008.

The BCVWD General Manager and the Board of Directors will fully respond to the Grand Jury Findings and Recommendations within the 90-day response period that ends 9/23/08 AS REQUIRED BY Government Code 933.

Audits: The Grand Jury's unqualified statement, "the District has not submitted audited financial statements for years 2004, 2005, and 2006," is erroneous as the District audits were completed and accepted by the board on April 2, 2008. The completed 2004-06 financial audits indicate no gross errors in the handling of the district's finances according to the Standard Accounting Practices of the United States. The Grand Jury also elected to ignore the fact that during the last three years the audits weren't completed the district's assets grew from \$27.3 million to \$103 million. The 2007 audit is currently in progress.

In summary the Grand Jury, in its attempt to establish blame for the audit delays, did not explain its reason for including the unusable computer software problem that was handed down to the current administration by the previous administration. They also neglected to discuss the involvement of the two board members on the Finance and Audit Committee. These two directors, which are allied to a local political action group that the Grand Jury seems to be following, failed during their six-year committee tenure to call for audits or request updates on the computer software issue. All they reported to the full board was that questions were asked on district monthly financial records by them and that those questions were answered to their satisfaction.

The most important point that the GJ neglected to discuss is the fact that the audits have been completed and show no mishandling of funds. Their report suggests that the district "must immediately eliminate obstacles and comply with Government Code 26909 requiring annual audits" however they chose to leave out the fact that the audits are now complete.

Unpaid Invoices: The GJ failed in its investigation of “unpaid invoices” that are actually submittals. The submittals labeled as “unpaid invoices” are merely unapproved submittals submitted outside of a signed contract with a contractor/engineering firm. The district performs due diligence to review all invoices received on a daily basis. All invoices must be approved for payment or disapproved by experienced staff. Currently the material labeled as unpaid invoices are not approved for payment. A contractor submitted invoices for extra work beyond the contract agreement, with no change orders or approval for the extra work by the district. The submittals/unpaid invoices were sometimes submitted as long as a year after the contract was paid and the project contracted for was completed.

At the request of the contractor the submittals are being reviewed and discussed by the contractor and the district to resolve the issue. These submittals were not a part of the audits because they hadn’t been approved for payment or a part of the original contract. The Grand Jury’s error in judgment was believing that the submittals were “unpaid invoices.”

Brown Act: The GM salary has never increased by 97 percent in any two-year period as mistakenly stated in the Grand Jury report. From 2004 to 2008 the GM’s salary increased 64 percent. Prior year raises were much smaller COLA allowances that amount to 24 percent over the past eight years. Even with the raises for 2004-08 the BCVWD GM is in the low end of the salary scale when compared to other like-sized water districts.

Purported Brown Act violations contained in the GJ report also include the board reorganization that occurred in 2007. The Brown Act requires that agendas be posted 72 hours in advance of a public meeting. As Secretary to the board I received request from several board members to place the board reorganization on the Oct. 10, 2007 agenda. Pursuant to the request I placed the item on the agenda for consideration and possible action.

The GJ makes the assumption that there was a secret meeting because of the amount of public comment that was received, which suggests that there was a secret meeting by some directors actually defies all logic. The mere fact that the board reorganization agenda was properly posted 72 hours before the meeting suggests that one or more directors wanted to discuss making changes in the district officers.

The Grand Jury believes the housing agreements reviewed in 2004 and 2006 were Brown Act violations, which I don’t believe was necessarily a violation. The 1998 policy gives the GM the authority to install employees in the district houses. With the ambiguity in the policy it follows the GM has the authority to make small changes in the agreements. The employee housing agreements were revisited by the Board of Directors during an open public meeting Feb. 13, 2008, amended and passed by the board 3-2.

In 2000 the board, without the current GM present, went into a closed session to discuss a lawsuit of Butcher vs. BCVWD. The district legal counsel approached Butcher and his attorney with an offer to settle the suit, which included an employment contract with a housing agreement attached. Butcher accepted the offer and the lawsuit was subsequently dropped. This settlement was never recorded in the board minutes because it was in closed session.

Alleged misuse of public funds: Again, the GJ makes flawed findings in relation to both examples cited that they falsely represent as a misuse of public funds. The Grand Jury states that the district’s current education contract with an employee is invalid, and therefore a misuse of public funds. The GJ also misinterprets the MOU which gives the district the right to establish which courses of study are approved. They have also taken the flawed position as it relates to legal counsel’s interpretation that the MOU wording is the baseline and the district board can enter into contracts for education of an employee just like numerous other public agencies do throughout Riverside County.

The GJ correctly states that the MOU covers reimbursement for courses taken by employees. One BCVWD employee is working toward an engineering degree. The board approved his first education contract by a 5-0 vote in April 12, 2006 as evidenced by the approved minutes of the district. The directors reviewed the contract again in Jan. 2008 and made amendments to the education contract, it was approved by a 3-2 vote. The Memorandum of Understanding that covers education contracts is the minimum standard for any such contract. The board can establish education agreements on a case by case basis. In my opinion, the GJ made its mistake by not understanding job related courses.

The education contract subject arose in 2007 when the board vice president unethically circulated a petition against the very contract he had voted to approve a year earlier.

BCVWD already has highly qualified Engineer Joe Reichenberger in its employ. He was hired in 2006 from Parsons Engineering and has been under contract to the district since the early 1980s. He has over 44 years of professional engineering experience, the bulk of which is in the water and wastewater industry. The District Engineer has been a registered professional engineer (PE) since 1968 and is also licensed in four other states. He is also a Grade T5 (the highest grade) water treatment plant operator in Calif. Reichenberger is a professor of civil engineering and environmental science at Loyola Marymount University, Los Angeles and teaches undergraduate and graduate courses in water supply and treatment. He is president of the Board of Directors of the San Gabriel Valley Municipal Water District, a State Water Contractor, and a commissioner on the San Gabriel Basin Water Quality Authority. He is a life member of the American Society of Civil Engineers and the American Water Works Association. The District Engineer has also been published in numerous publications and produced many public presentations. Reichenberger's expertise is well recognized and well respected in the water industry. The District Engineer supervises an engineering technician along with all his other duties and responsibilities.

Other public agencies provide education assistance to their employees because it is a good business practice that helps secure the agencies future with educated personnel at a reduced cost to the residents of the district.

Travel and Training: This issue is currently being discussed by the appointed board committee that will submit its findings to the directors for approval.

In the past the general manager has always had the authority to send employees to seminars and water related associations meetings. For example, in 2004 a director made a request to send a clerk staff member along as a traveling companion, which I approved. It is important for the public and the GJ to understand that some particular events are attended by 20,000 to 25,000 water professionals from throughout North America.

In a district that is growing at the rate the BCVWD has, it is important that the young staff members be introduced to the values of the different associations the district is a part of. Those same young people will one day be the leaders in the water field, in our area.

District Housing: The findings of the Grand Jury appear somewhat subjective, as it seems that they lack the full knowledge of why the district personnel reside in the district residences. The GJ definitely misses the fact that the district manages and protects 2,800 acres of watershed land that is of far higher value than the potential income from rent, maintenance and utility expenses in the old housing units that date back to 1917.

The district housing of four employees that is a condition of their employment is not a fringe benefit under IRS publication 15-B.

Housing Danger: The Grand Jury fails miserably to comprehend the issues related to the housing and seem content to follow the public input by a political action group and its allied directors. The GJ condemns, without even touring the district facilities that the employees and

their families are living in as a “dangerous fire and flood prone area.” The district has a very proactive weed and brush abatement program that includes removing all brush and weeds from all district facilities, including the homes in Edgar Canyon. The employees are in a canyon that is adjacent to other homes in the area. Employees in the district residences are required and instructed to assess the danger of any situation that may arise and evacuate as needed.

Delinquent Customers: The district disagrees with the Grand Jury findings of delinquent accounts. It appears that the Grand Jury didn’t fully investigate the issue of the Beaumont Cherry Valley Recreation and Park District bill. This was not a special favor for an employee’s or director’s family member as implied by the GJ. It was simply one public agency manager helping another public agency. The idea that family relationships were involved seems to be more rhetoric supplied the Grand Jury for political reasons.

Actually what transpired that was left out of the Grand Jury “investigation” was the real reason for my becoming involved with the park district. Due to a well failure, the park was being irrigated through a district fire hydrant that was using a fire hose to connect to its leaky sprinkler system. To help correct the problem the District installed a proper irrigation service. Once installed the irrigation meter more accurately registered the water used at the park. The water bill went up significantly. I agreed to hold the water bill until they could make repairs and pay the water bill over time.

The two districts are currently working on a lease to allow the water district to establish a well in the park along with allowing the water district to locate additional recharge basins as needed in the unused northern portion of the park. The land and well lease agreement keeps the important park district in service and allows it to pay down its water bill.

The report submitted to the GJ on outstanding accounts shows bills that are more than 30 days old. It does not illustrate account delinquency. The report highlights the Grand Jury’s lack of understanding of the district billing system. Actually, the report the GJ relies on in its findings shows 450 customers that are late on their water bill, some are 30 days late, while others are 45 days late, which includes the park district bill. The late bill total shown was only correct on March 13 as the report requested and provided is a daily spot report. On June 24 for example there were only 175 customers with a late or delinquent status for a total of \$201,024. With the district serving approximately 14,000 customers, less than 1 percent of customers are considered delinquent, placing the district well below the national average reported by Black and Veatch.

It is important to note the Grand Jury to understand that water users are paying everyday, in person, by mail and online, this is a continuously updating document updated on a daily basis. It is a snapshot of a date and time and therefore should not be considered accurate outside of the business day it represents. The fact that the Grand Jury used it for their finding clearly illustrates their lack of understanding and experience.

Credit Cards: The BCVWD credit card-use policy is being reviewed and updated by the board of directors at this time. The credit cards are used for district related business including staff meetings and during meetings with other public agencies and contractors.

During the height of the recent Beaumont building boom district staff would meet at 6 a.m. with contractors and staff for breakfast meeting to coordinate the week’s busy construction schedule.

The GJ never requested to see copies of district credit card receipts. Both the independent auditors and the county auditors viewed multiple receipts. While there may be a deficiency in the way these receipts are kept or recorded, had a request been forthcoming from the GJ, copies could have been made of district credit card receipts for its review.

Contracts: I find the Grand Jury’s findings flawed and disagree with its recommendation in relation to the awarding of contracts. Their statement that the District must follow the Code “in

word and in spirit” is correct however they again appear to have failed in their review of the Code Sections 20560 through 20562 that apply to “Irrigation Districts” specifically 20561 which defines the parameters that the District must follow. In short the District is only required to bid projects that are funded with Bonds or Assessments otherwise the district is not required to go to public bid. This however does not preclude the District from using Requests for Proposals as a method for completing projects. In the cases of the new headquarters and the landscape work at the recharge site both projects were design build using temporary labor and leased or rented equipment.

In the case of the landscape work that was undertaken, the district entered into a contract with a local landscape contractor to provide the district with temporary labor and equipment in order to develop drought-tolerant demonstration gardens at the recharge project. Staff reviewed other similar projects of demonstration gardens that cost \$250,000 to \$300,000 per acre. The district costs are correctly stated in the GJ report at \$162,732 per acre.

It’s important for the Grand Jury and the public to not overlook facts such as the headquarters (HQ) remodel that was found to not be practical after the interior walls were removed and an unsafe foundation was revealed.

The architect made numerous reports to the board, giving architectural direction for a new floor plan. What the GJ investigation didn’t comprehend in its review of the HQ investigation is that with the development of the new HQ floor plan the original remodel estimate was no longer accurate. Included in the overall cost of the building were the demolition, move-out, move-in, site prep and fill and compact for the temporary office, retaining walls, and earth work.

Investments: The Grand Jury states ... “the board does not review the existing investments on a regular basis.” This is an erroneous statement. The board does receive monthly financial statements prior to April 2008. The board, by suggestion of the chairman, decided to review district investments at every other meeting in an effort to move other board business along in a more timely fashion.

Staff believes the GJ didn’t thoroughly investigate the impact of the downturn in the economy, which has limited income for new development projects already under construction that needed to be completed to ensure the proper operation of the district water system. The projects were necessary to complete due to the rapid increase in water service connections, which have more than doubled since 1999.

Infrastructure and two new wells were needed to supply redundant water capacity in the system in case of well failure or a natural disaster. The new offices were a necessity because of the unsafe foundation of the old structure and it also gives the district the ability to provide better customer service to its customers.

Nepotism: The Grand Jury should understand that the district serves a small town and that its pool of potential employees to draw from is relatively small and at times includes relatives of employees and directors. When an employee is selected during the search process it is because that applicant is the best qualified for the job opening.

The engineering technician is not supervised by his father, but the district engineer.

Conflict of Duties and Errors: The Grand Jury recommendation on agendas and the State Code 5495 Brown Act are misguided. They must understand how an agenda is developed. If individual directors were given “carte blanche” to insert items on each agenda, the district would have to conduct public meetings daily to get through one agenda. This, among other issues, makes it necessary for the board to develop a board-member hand book that will establish policy for existing and new board members on how to place items on agendas.

At the BCVWD one particular director has a tendency toward regurgitating agenda items, meeting after meeting, which have been fully discussed and voted on by the board. It is a tremendous waste of the board, staff and public's time when he does this. Case in point, the new headquarters was discussed after a presentation by the architect on April 30 and a month later this director requested this same item be placed on the agenda again for additional comment, even though he indicated he had no more comments at the April 30 public meeting. This action was requested without any stated reason to reopen the issue.

Staff disagrees with the findings of the GJ, as it is normal for a small water district to have its GM serve in many different capacities for the district. Having a secretary and treasurer that is not an employee of the district is not in the best interest of the district or the public it serves.

Policy and Procedure Manual: The board recently unanimously requested legal counsel to update the Policy and Procedure Manual that would be approved by the board. A board committee of two was assigned by the chairman to review policy and board actions and staff procedure, which when complete would be presented to the board. The two appointed directors failed to meet, discuss and draft the new policy manual causing the chairman to appoint two other directors to complete the policy manual.

Board/Employee Training: As previously stated, the board is looking to legal counsel to help the Board and staff form a policy that includes how to handle the complaints from employee to employee and board member to employee. The Grand Jury did not thoroughly research the harassment complaint by a female staff member against one of the directors.

The complaint was first discussed in a closed session, where the director in question apologized to the staff member and agreed to end his bullying behavior. Just days after the closed session, the director was once again badgering the staff member with unfair demands, just as before. The harassment complaint was then placed on the next board agenda at the request of the employee filing the complaint because the obstinate director failed to change his behavior.

Butcher will be on the road to Sacramento beginning June 25. To contact him please call 951-757-7945.

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