TRANSPARENCY BREAKING UP COMPENSATION FOG - *BUT WHY HIDE PENSION COSTS?*

Compensation Cost Transparency for Orange County
Cities, Districts, Joint Power Authority and County Government

> ***"This country prided itself on openness and yet, it wasn't open. It's still not open. And all we're trying to do is let people know how their money is being spent."***[1]
> Brian Lamb, C-SPAN Founder & CEO

SUMMARY

The 2010 City of Bell compensation revelations[2] stimulated the public's interest in local government compensation costs. The quest for more compensation transparency from local governments was intensified by the following factors:

- Financial and housing markets' extensive downturns impacted governmental tax bases and fanned public anxieties;
- Public services came under financial strain throughout Orange County;
- Public awareness and dialogue increased about the financial impacts of government guaranteed pensions;
- Size of unfunded public sector pension liabilities generated concerns among both workers and taxpayers.

In 2012, new upcoming Government Accounting Standards Board (GASB) standards may be issued. They will spotlight the amounts of unfunded pension liabilities officially on local governments' 2013 balance sheets. Press coverage will spark public dialogue about the ability to meet pension obligations to public sector employees.

Last year's Orange County Grand Jury, the Orange County Register, State Legislature and State Controller, among others, suggested guidelines and requirements for local government compensation transparency. The 2010-2011 Orange County Grand Jury issued specific guidelines in 2011 to local governments for reporting compensation costs.

The 2011-2012 Grand Jury decided to follow up on the implementation status of the 2010-2011's recommendations. The Grand Jury wanted to recognize the progress made in each Orange County city, special district, joint power authority and the County.

[1] **NPR Interview of Brian Lamb**, 3/21/2012, http://www.npr.org/2012/03/21/149080047/after-34-years-with-c-span-brian-lamb-steps-down
[2] Los Angeles Times, ***"High Salaries Stir Outrage in Bell"*** Spring 2010 series, http://www.latimes.com/news/local/bell/

The 2011-2012 Grand Jury assessed how well Orange County local governments reported compensation costs for all employee positions, in one easy-to-find, easy-to-read chart. Also reviewed was the top-level compensation cost chart for all elected officials and executives over $100,000 in base salary, as recommended in 2011.

This study found that ***compensation cost transparency is improving in Orange County*** local governments. That is ***a good trend, but much more improvement is needed.*** In addition, this study found that with a few notable exceptions, ***complete pension costs for employees are still hidden from public view.***

The 2011-2012 Grand Jury recommends that Orange County local governments ***should upgrade their websites to provide complete cost transparency of precise salary and benefits at all levels, in an easy to read table format.***

The 2011-2012 Grand Jury recommends that ***governmental costs for funding pensions for each employee should be brought out of the shadows and made transparent.*** These costs should be reported by each Orange County government on its website as part of employee compensation cost reporting. The governmental annual costs of funding pensions are important and significant. For Orange County local governments, their ***pension annual funding costs for employees on the current payroll range from:***

- ***9% to 28% of salary for a general employee;***
- ***20% to 48% of salary for a public safety employee.***

REASON FOR STUDY

Transparency is a hallmark of good government.

The United Nations defined transparency as one of the eight characteristics that the UN Economics and Social Commission use in its explanation of good governance.[3] Transparency "means that information is freely available and directly accessible . . . .
It also means that enough information is provided and that it is provided in easily understandable forms and media."[4]

Within a democracy, "Compensation Cost Transparency" (CCT) can provide the public with a check and balance mechanism for ensuring appropriate levels of government employee pay and benefits remuneration.

[3] The other 7 characteristics are 1) Participation, 2) Rule of Law 3) Responsiveness 4) Consensus oriented 5) Equity & Inclusiveness 6) Effectiveness & efficiency and 7) Accountability
[4] UN Economics and Social Commission, see page 3 of www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp

Peter Finn, the Washington Post grand prize winner of the RFK Journalism Award, stated it well, when he said: "*A basic tenet of a healthy democracy is open dialogue and transparency*."[5] In California, the top elected financial official, John Chiang, California State Controller stated: *"Holding public officials accountable for how they manage public dollars relies heavily on transparency."*[6]

Last year, the 2010-2011 Orange County Grand Jury reported:

1) On ". . . *a disturbing level of inconsistency in the degree of transparency pertaining to OC Cities' compensation information which was then provided to the public;"*[7]

2) "*That the degree of transparency then provided to the public by the County of Orange regarding compensation information was inadequate in its accessibility, content and clarity;"*[8] and

3) "*Wide variations among the water and sanitation districts studied in the ability of the general public to obtain compensation, financial and meeting information. As a result, the Grand Jury recommended minimum standards for information on water and sanitation district websites."*[9]

The 2010-2011 Orange County Grand Jury recommended a model for use in reporting municipal and county compensation costs. Such information was recommended to be made readily accessible on the Internet websites of all Orange County cities and the county respectively, as soon as practical.

The 2010-2011 Orange County Grand Jury recommended that the Orange County water and sanitation districts provide compensation data for the board of directors and general manager, as well as current budget and financial reports. The data was recommended to be in an easily accessible format on each district's website.

During that same fiscal year, and effective November 1, 2010, the California State Controller requested local governments to report salary and benefit information for all employees/positions. The content of the State Controller's website posting of cash compensation by employee has a different focus than that of the Orange County Grand Jury. Some major benefit amounts paid by the local government are not requested by the state and no salary and benefit total is rendered.

---

[5] Peter Finn, Washington Post, see http://www.brainyquote.com/quotes/keywords/transparency.html
[6] John Chiang, California State Controller, December 12, 2011, see http://www.sco.ca.gov/eo_pressrel_11227.html
[7] ***"Compensation Study of Orange County Cities,"*** 2010-2011 Orange County Grand Jury Final Report, Summary, p. 117, www.ocgrandjury.org/reports.asp
[8] ***"County of Orange Compensation Disclosure,"*** 2010-2011 Orange County Grand Jury Final Report, Summary, p. 107, www.ocgrandjury.org/reports.asp
[9] ***"Compensation of Orange County Water and Sanitation Districts,"*** 2010-2011 Orange County Grand Jury Final Report, Summary, p. 161, www.ocgrandjury.org/reports.asp

The 2010-2011 and 2011-2012 Grand Juries request disclosure of the government's costs of total compensation by employee/position. One example is the Grand Jury's inclusion of annual pension contributions by governments to honor future benefit promises to the employee, which the State currently excludes. In the future, Orange County local governments could be more efficient, if these two perspectives would merge to become one.

The 2011-2012 Orange County Grand Jury decided to do a follow-up study to recognize those Orange County governments that had embraced the full spirit of "Compensation Cost Transparency" (CCT) at the local level. The Grand Jury wanted to spotlight those who had not yet gone beyond the bare minimum requested by State Controller mandate. The compensation cost study should extend beyond just the water and sanitation districts to the Orange County joint power authorities and other Orange County special districts.

What is "Compensation Cost Transparency" (CCT)? It is instructive to compare "Compensation Cost Transparency" (CCT) to just "Compensation Transparency". CCT makes visible for all citizens and taxpayers the government's annual costs of an employee's salary and benefits. Compensation transparency focuses just on the current salaries and benefits received in the current year by the employee. The difference is often due to the government costs of funding future benefits, like pensions, or deferred compensation.

One example is the required funding of annual contributions to a pension investment pool. The government's contractual pension obligation is a future benefit for the employee. This compensation cost is not a current benefit for the employee. However, funding the future pension obligation is a current compensation cost for the government for employing that employee now. CCT provides a more complete view of the cost of employing an individual than does just compensation transparency. This report will use the acronym "CCT" to improve the readability of the text and flow of ideas for the reader.

METHODOLOGY

The 2011-2012 Orange County Grand Jury used the following process to assess CCT at the websites of Orange County cities, special districts, joint power authorities and county government. See Appendix E on the last 2 pages of this report for more detail.

- Reviewed:
    - Three 2010-11 Orange County Grand Jury compensation reports;
    - The 54 county, city and special districts responses.[10]

[10] 54 responses from 53 entities as 2 responses (a majority & minority response) were received from Laguna Hills.

- Discussed responses with selected local governments and followed up to obtain overdue responses;
- Expanded:
    - The study from 53 to 58 local governments, by including eight additional special districts and joint power authority and dropping three;
    - The study to include all employees;
    - The web assessment rating criteria to define objective and precise criteria.
- Corresponded with Orange County local governments to be studied;
- Reviewed, documented and assessed the transparency and the combined content and clarity of Orange County local governments' web site multiple times;
- Researched CalPERS and OCERS annual pension contribution rates required of Orange County local governments;
- Discussed with the California State Controller Office's Bureau of Local Government Policy & Reporting to understand their plans for issuing expanded local government compensation reporting requirements within the state;
- Compiled data, charts and assessments from documentation and web reviews;
- Analyzed the compiled facts and data to develop findings and recommendations to draft this study report.

FACTS

Fact – The County of Orange is the sixth most populous county in the United States and third most populous in the state of California. A population of 3.1 million persons resides within an area of almost 800 square miles. The County of Orange government has a budget of $5.5 billion, of which only $686 million is for general purpose discretionary revenue. The government of the County of Orange had 17,655 authorized employee positions in 2010-2011. That number is in addition to the employees in the other 57 local governments within Orange County that were studied.[11]

Fact – The 34 incorporated cities in Orange County range in population from over 6 thousand in Villa Park to over 350 thousand each in Anaheim and Santa Ana.[12] All cities have elected city councils and an appointed city manager/CEO.

Fact – Seventeen water and/or sanitation districts are in Orange County, fifteen of which have web sites.[13] At the lower end of the range, their revenues range from more than $300 thousand for the Rossmoor/Los Alamitos Area Sewer District to more than $900 thousand for the Sunset Beach Sanitary District. In the upper range of revenues are the:

[11] The facts in this paragraph were sourced from ***2011 Facts & Figures",*** County of Orange, 2011.
[12] *"Ibid.*
[13] Sunset Beach Sanitary District does not have a web site and the Rossmoor/Los Alamitos Area Sewer District recently chose to discontinue their web site due to new State legislation requirements.

- Municipal Water District of Orange County (MWD of OC) with $135 million;
- Orange County Water District (OCWD) with more than $155 million;
- Irvine Ranch Water District (IRWD) with more than $205 million;
- Orange County Sanitation District (OCSD) with $600 million.

Fact – One Orange County transportation district included in this study has the following budget.

- Orange County Transit Authority (OCTA), with a budget of $1.1 billion.

Fact – One joint power authority in Orange County included in this study has the following budget.

- Orange County Fire Authority (OCFA), with a budget of $282 million (before the addition of Santa Ana);

Fact – Six non-enterprise special districts in Orange County with web sites were studied. Special districts are categorized as "enterprise districts" (those that sell products) or "non-enterprise districts" (those that only provide services).

The smallest, Silverado-Modjeska Recreation and Parks District, had revenues of $93 thousand, while the others have revenues in the millions. The other five are the:

- Rossmoor Community Service District, with revenue of $1.7 million;
- Buena Park Library District, with revenue of more than $2 million;
- Placentia Library District, with revenue of more than $2 million;
- Orange County Cemetery District, with revenue of $3.7 million;
- Orange County Vector Control District, with revenue of $10.3 million.

Fact - As of November 1, 2010, the California State Controller announced new requirements for California local government entities (city, county and independent special districts) to report their government salary and compensation data annually.

Results are at www.sco.ca/gov/compensation_search.html or http://lgcr.sco.ca.gov/.
The focus of the State mandated reporting system is on current compensation and is different from that recommended in this report or the 2010-2011 Orange County Jury compensation study reports. The latter focuses on the government's total cost of employee compensation, including funding future benefits, like pensions.

Fact – Most, but not all, of the Orange County government entities described above participate in either the California Public Retirement System (CalPERS) or the Orange County Employees

Retirement System (OCERS) for their employee's guaranteed pensions.[14] Guaranteed pensions are called defined benefit plans (DBPs). DBPs guarantee the employee a specific pension upon retirement, regardless of agency financial conditions at the time of retirement.

These guaranteed pensions are funded by the respective governments through investment contributions to CalPERS or OCERS. CalPERS and OCERS invest the monies. When investment returns fall short of the amount needed, the government entity often needs to increase pension funding investment contributions. In the case of the cities and counties, the pension obligation is backed up by the taxpayer, and is a direct taxpayer obligation.

ANALYSIS

The local governments of Orange County, cities, special districts and joint power authorities have established and used their Internet web sites as an easy, efficient and effective way of communicating with the public. These website postings have provided a communications foundation to build transparency in government.

The 2010-2011 Orange County Grand Jury recommended that all cities and the county government in Orange County report their compensation information to the public on the Internet in an easily accessible manner.

A Compensation Disclosure Model was included in the 2010-2011 Grand Jury reports. That model provided sample items to be included in determining total compensation. For the county, the positions to be reported included all elected officials, plus department heads. For cities, the positions required to be reported included all elected officials, plus all employees earning a base salary rate over $100,000 per year.

The county and a majority of the cities started displaying salaries and benefits for all positions on their web sites. However, the entire dollar salary and benefit information requested was not always displayed. Subsequently, the 2011-2012 Grand Jury concluded that the overtime and on-call pay items should be added to compensation reporting when extending the reporting to all employees (particularly for public safety employees).

A new "de facto" standard was established when most local Orange County cities' web sites began to show compensation in some fashion for all employee positions, not just the executive levels. This was done for full disclosure in light of the City of Bell compensation scandal, the Grand Jury recommendations and the California State Controller's new local government compensation reporting requirements.

[14] El Toro Water District, among others, does not offer a Defined Benefit Plan, and some plans are not affiliated with CalPERS or OCERS.

Likewise, the 2010-2011 Orange County Grand Jury recommended transparency guidelines to the water and sanitation districts. These districts were asked to provide data on compensation for the board of directors and general manager, as well as current budget and financial reports, in an easily accessible format on the district's website.

Special districts and joint power authority that had not been specifically studied by the Orange County Grand Jury had the opportunity to observe clearly what was evolving for local Orange County city governments. The State Controller's office was requiring compensation transparency, as well. Compensation cost transparency (CCT) for all employees was being recommended for Orange County local governments with displays on their websites.

The 2011-2012 Orange County Grand Jury assessed the CCT of Orange County local government websites in the following three categories for 2012:

1. **Accessibility** – Are transparent compensation costs readily identifiable from the home page, accessible without complex website search and layered navigations?

2. **Content & Clarity for Executive Compensation Page** – Are the components of both actual salary and all benefit costs presented? Are the components shown in detail, with a total compensation cost included in table form? Is the compensation information presented in a clear concise format that can be easily read and understood by the average viewer?

3. **Content & Clarity for Employee Compensation Page** – Are the components of both actual salary and all benefit costs presented? Are the components shown in detail, with a total compensation cost included in table form? Is the composition information presented in a clear, concise format that may be easily read and understood by the average viewer?

A summary assessment follows below and in detail on later pages in Table 1.

1. Compensation Cost Transparency (CCT) Accessibility

*To be rated **excellent** for CCT **accessibility** the primary link for compensation transparency needs to be easily found on the website's home page.*

Cities - The number of Orange County city web sites rated **excellent** for compensation transparency accessibility nearly doubled in number from thirteen cities in 2011 to twenty-five cities in 2012. The percentage of total Orange County cities rated excellent went from 38% in 2011 to 74% in 2012. Excellent commendable progress was achieved.

County - The county government web site is now rated **excellent** for CCT accessibility. This was a significant achievement for the more than 17,000 positions involved.

Water & Sanitation Districts - Eleven of the fifteen Water and Sanitation Districts (73%) are now rated **excellent** for CCT accessibility. Excellent progress was achieved overall.

Non-enterprise Special Districts, Transportation Special District & Joint Power Authority (JPA) – Five of these eight special districts and JPA (63%) were rated **excellent** for compensation accessibility.

2. Content & Clarity for the EXECUTIVE Compensation Cost Page

*To be rated **excellent** for CCT Content and Clarity on the **Executive** Compensation Page –Full total salary and benefits compensation cost disclosure is needed in table format, **including Defined Benefit Plan Pension Costs**.*

*To be rated **good** for CCT Content and Clarity on the **Executive** Compensation Page –Full total salary and benefits compensation cost disclosure is needed in table format, **but Defined Benefit Plan Pension Costs are not displayed.***

Cities – In 2011, no cities were rated **excellent** for Content and Clarity. In contrast, in 2012, 14 cities were rated **excellent** for Content and Clarity for their **Executive** Compensation Page (41%). This is a good start, since another three were rated **good,** bringing the combined total rated **excellent** and **good** up to 17 out of 34, for a total of 50%.

County – The County government web site **Executive** Compensation Page, which was **nonexistent** in 2010, is rated **excellent** for Content & Clarity in 2012.

Water & Sanitation Districts – Only one of the 15 water & sanitation districts (7%) was rated **excellent** for Content & Clarity on their **Executive** Compensation Page in 2012.[15] They were not rated at all last year. In 2011, they were just provided with broad recommendations and without a suggested chart format. Expectations are to see great improvement in this area over the next year. CCT is needed in these powerful and often overlooked districts.

Non-Enterprise Special Districts, Transportation Special District & Joint Power Authority (JPA) – Only the two library special districts out of these eight special districts and JPA (25%) were rated **excellent** this year for Content & Clarity for their **Executive** Compensation Page. These special districts and JPAs were not studied for compensation transparency in 2011. Therefore, great improvement is expected next year.

3. Content & Clarity for the EMPLOYEE Compensation Cost Pages

The rating scale descriptions for CCT Content and Clarity for the EMPLOYEE Compensation Cost pages were as follows:

[15] The only one rated excellent was Midway City Sanitary District.

A - Excellent *– Full total salary & benefits compensation cost disclosure is needed in a single table format,* ***including Defined Benefit Plan Pension Costs****.*

B – Good *–Full total salary & benefits compensation cost disclosure is needed in a single table format,* ***but Defined Benefit Plan Pension Costs were excluded.***

C - Average *–****Full total salary disclosure is shown, but with just:***

1) general text Memorandum of Understanding (MOU) benefits; and/or
2) benefits scattered in multiple places; or
3) just benefit totals, and no details other than general text.

D - Poor - Salary is shown in Minimum and Maximum Ranges *by Position or by Classification & Step levels,* ***and with just:***

1) general Textual MOU Benefits; and/or
2) benefits scattered in multiple places; or
3) benefits not shown in absolute dollars for a position.

F - Nonexistent – Salary & benefit information could not be readily found

Cities – Last year in 2011, no cities were rated **excellent** for **Employee** Content and Clarity, as the focus for improvement was on the **Executive** Compensation Page. In contrast in 2012, only five cities (15%) took the initiative to obtain an **excellent** rating for Content and Clarity for their **Employee** Compensation Page. While only one city's **Employee** Compensation Cost page is **nonexistent**, twenty-one of the thirty-four cities (62%) were rated **poor** for their **Employee** Compensation Cost page.

County – While the County has an **excellent** **Executive** Compensation Page, the County's **Employee** Compensation Page was rated **average** in 2012 for its more than 17,000 positions.

Water & Sanitation Districts - Only one of the fifteen water & sanitation districts (7%) was rated **excellent** for Content & Clarity on their **Employee** Compensation Page in 2012.[16] They were not rated in 2011, but were provided with broad recommendations for their board's and general manager's CCT. However, taxpayers are starting to expect Orange County local governments to provide compensation information for all employees. Great improvement is expected in this area over the next year.

Non-enterprise Special Districts, Transportation Special Districts & Joint Power Authority (JPA) – Only three special districts out of these eight Special Districts and JPA (38%) were rated **excellent** this year for Content & Clarity for their **Employee** Compensation page. These special

[16] The only one rated excellent was Midway City Sanitary District.

districts and JPAs were not studied for Compensation Transparency last year and significant improvement is expected.

2012 Compensation Cost Transparency Assessment Ratings Chart

The 2012 Compensation Transparency Cost Assessment Ratings Chart for the County, and each individual Orange County city, water and sanitation district, non- enterprise special district and Joint Power Authority follows on the next pages as Table 1.

Each entity's web page has been graded on 3 Compensation Cost Transparency aspects, as defined earlier and shown below in column headings #2, 3 and 4. Table 1 columnar headings, most of which are self-explanatory or have been defined earlier, are as follows.

1. City/District/Joint Power Authority *(which also includes the County of Orange)*
2. Accessibility Grade *(for web site Access to CCT information)*
3. Executive Page Grade *(for content & clarity of CCT information)*
4. Employee Pages Grade *(for content & clarity of CCT information)*
5. Areas of Strength
6. Areas for Improvement
7. Web Update since March – *An opportunity for governmental entities who previewed this report in May, 2012 to present a summary of any CCT web site updates to the Grand Jury,made since the February/March of 2012 grades. Otherwise, the status of any updates can be described in the normal official response letters, after this report is issued.*

This year for 2012, the grading scale criteria were more objectively and precisely defined for clarity. These criteria are detailed on the first page of Table 1 that follows.

TABLE 1 – 2012 Compensation Cost Transparency Assessment Ratings Chart

Web Site Ratings Scale for **Compensation Cost Transparency** *Grades*

I. Accessibility Grades

A = EXCELLENT - ***Primary link for Compensation Transparency on Home Page***

B = GOOD - ***Secondary link on Human Resources/Finance Page***

C = AVERAGE - ***Only Data access is link to the off-site State Controller's Page***

D = POOR - ***Data buried in Budget or other Data***

F = NONEXISTENT - ***No Compensation Data, just Text and No link on Web Site***

II. Content & Clarity Grades

A = EXCELLENT - ***Full Disclosure, including Defined Benefit Plan Pension Costs***

B = GOOD - ***Full Disclosure, but without Defined Benefit Plan Pension Costs***
B+ for Full Disclosure, but with Defined Benefit Pension (DBP) Costs on separate pages or just the annual DBP funding percentage revealed with no amounts

C = AVERAGE - ***Full Salary Disclosure, with just General Textual MOU* Benefits and/or Benefits scattered in multiple places, or Benefit Totals, but no details other than General Text***

D = POOR - ***Salary Min/Max Ranges by Position or Classification & Step levels, with just General Textual MOU* Benefits, and/or with Benefits scattered in multiple places, or with Benefits not shown in absolute dollars for a position***

F = NONEXISTENT - ***No Salary or Benefit Data***

** MOU – Memorandum of Understanding*

TABLE 1 – 2012 Compensation Cost Transparency Assessment Ratings Chart

	City/District/ Joint Power Authority	Access-ibility Grade	Exec. Page Grade	Employee Pages Grade	Areas of Strengths	Areas for Improvement	Web Updates since March *per May Exit Interviews*
	County						
1	County of Orange	A	A	C	Excellent Executive Page & Excellent Accessibility	Employee Pages	**UPDATE Note 1 -** See end of table notes
	Cities						
1	Aliso Viejo	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
2	Anaheim	A	B	B	Excellent Accessibility	Employee Pages for Salaries and Benefits	
3	Brea	A	C	C	Excellent Accessibility		
4	Buena Park	A	A	A	Excellent in all ways		
5	Costa Mesa	A	A	A	Excellent in all ways		
6	Cypress	B	D	D		Both Executive and Employee Pages for Salaries and Benefits	
7	Dana Point	A	A	D	Excellent Executive Page	Employee Pages for Salaries and Benefits	
8	Fountain Valley	B	F	D		Both Executive and Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
9	Fullerton	B	A	D		Employee Pages for Salaries and Benefits	
10	Garden Grove	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	
11	Huntington Beach	B	F	B		Executive Page for Salaries and Benefits	
12	Irvine	A	A	D	Excellent Accessibility Excellent Exec. Page	Employee Pages for Salaries and Benefits	**UPDATE Note 2 -** See end of table notes
13	La Habra	A	A	F	Excellent Accessibility Excellent Exec. Page	Employee Pages needs Compensation Costs & Benefits	
14	La Palma	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	**UPDATE Note 3 -** See end of table notes
15	Laguna Beach	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	**UPDATE Note 4 -** See end of table notes
16	Laguna Hills	A	B+	D	Excellent Accessibility	Employee Pages for Salaries and Benefits Exec Page needs Pension Costs	
17	Laguna Niguel	B	D	D		Both Executive and Employee Pages for	*n/a - Did not attend May exit interview*

						Salaries and Benefits	
	City/District/ Joint Power Authority	**Access-ibility Grade**	**Exec. Page Grade**	**Employee Pages Grade**	**Areas of Strengths**	**Areas for Improvement**	**Web Updates since March *per May Exit Interviews***
18	Laguna Woods	A	A	A	Excellent in all ways		*n/a - Did not attend May exit interview*
19	Lake Forest	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	
20	Los Alamitos	B	C	D		Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
21	Mission Viejo	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
22	Newport Beach	A	C	C	Excellent Accessibility		
23	Orange	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
24	Placentia	A	A	A	Excellent in all ways		
25	Rancho Santa Margarita	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	
26	San Clemente	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	
27	San Juan Capistrano	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	**UPDATE Note 5** - See end of table notes
28	Santa Ana	B	B	D		Employee Pages for Salaries and Benefits	**UPDATE Note 6** - See end of table notes
29	Seal Beach	B	A	D	Excellent Executive Page	Employee Pages for Salaries and Benefits	
30	Stanton	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
31	Tustin	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	
32	Villa Park	A	C	C	Excellent Accessibility		*n/a - Did not attend May exit interview*
33	Westminster	B	F	D		Both Executive and Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
34	Yorba Linda	A	A	A	Excellent in all ways		

	City/District/ Joint Power Authority	Access-ibility Grade	Exec. Page Grade	Employee Pages Grade	Areas of Strengths	Areas for Improvement	Web Updates since March *per May Exit Interviews*
	Special Districts - Water and Sanitation						
1	Costa Mesa Sanitary	A	B+	B+	Excellent Accessibility	Exact pensions are on separate list. Add exact pensions to chart and total	
2	East OC Water	A	C	C	Excellent Accessibility	Need chart w/ other pay, insurance, exact pension cost & total	*n/a - Did not attend May exit interview*
3	El Toro Water	A	C	F	Excellent Accessibility	Employee Page Chart needed for Salaries & Benefits	**UPDATE Note 7 -** See end of table notes
4	Irvine Ranch Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
5	Mesa Consolidated Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	**UPDATE Note 8 -** See end of table notes
6	Midway City Sanitary	A	A	A	Excellent in all ways		
7	Moulton Niguel Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
8	Municipal Water Dist. of OC	D	D	D	Have listing on home page, but does not list information in an accessible format.	Both Executive and Employee Pages for Salaries and Benefits	
9	Orange County Sanitation	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	**UPDATE Note 9 -** See end of table notes
10	Orange County Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	**UPDATE Note 10** See end of table notes
11	Santa Margarita Water	C	F	F		Both Executive and Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
12	Serrano Water	A	B	B	Excellent Accessibility		
13	South Coast Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
14	Trabuco Canyon Water	C	D	D		Both Executive and Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
15	Yorba Linda Water	B	D	D		Both Executive and Employee Pages for Salaries and Benefits	

	City/District/ Joint Power Authority	Access-ibility Grade	Exec. Page Grade	Employee Pages Grade	Areas of Strengths	Areas for Improvement	Web Updates since March *per May Exit Interviews*
	Special Districts - Non Enterprise						
1	Buena Park Library	A	A	A	Excellent in all ways		
2	Orange County Cemetery	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	**UPDATE Note 11** See end of table notes
3	Orange Co. Vector Control	F	F	F		Accessibility, plus Both Executive and Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
4	Placentia Library	A	A	A	Excellent in all ways		
5	Rossmoor Community Service	D	F	F		Accessibility, plus Both Executive and Employee Pages for Salaries and Benefits	*n/a - Did not attend May exit interview*
6	Silverado-Modjeska Recreation & Parks	A	N/A*	A	Excellent in all ways		*n/a - Did not attend May exit interview*
	Special District - Transport						
1	**OCTA** - Orange County Transpor-tation Authority	A	B	B	Excellent Accessibility	Need to report Retirement Plan contribution amounts as a stand-alone item for full transparency, not bundled	
	Joint Power Authority						
1	**OCFA** - Orange County Fire Authority	B	D	D		Both Executive and Employee Pages for Salaries and Benefits	

Legend: * N/A = Not Applicable

Table 1 WEB UPDATE NOTES from May, 2012 Exit Interviews on web changes since March, 2012:

1- **The County of Orange** subsequently submitted a spreadsheet of salary and benefit information for over 17,000 employees for 2011 that they prepared for a Public Records Act response to a request submitted by the Bay Area News Group, an organization of Northern California newspapers. The OC Register requested to receive the same information once it was released to the original requestor. It appears quite complete and the County of Orange will post this compensation information on the County's web site as their Employee Compensation Cost pages for the public to see as well. It appears be quite complete.

2- **The City of Irvine** reported that their Employee page was subsequently posted on their City Compensation Page, using the Orange County Grand Jury suggested format. It appears to be quite complete.

3. **The City of La Palma** reported that their website was updated in early May to reflect the Grand Jury's requests. They submitted a copy of the City of La Palma 2011 Compensation Report and it appears to be quite complete.

4. **The City of Laguna Beach** reported that they have added a table to the compensation pages to include Defined Benefit Plan Pension Costs and a Total Salary and Benefits column for all employees. It appears to be quite complete.

5. **The City of San Juan Capistrano** reported that they have added employee compensation pages to their website. It appears quite complete.

6. **The City of Santa Ana** reported that data has been compiled for their Employee pages and will be posted on their website in May, 2012.

7. **The El Toro Water District** reported that it has updated its website to include all compensation, including pension for the GM, in table form. They report that they do not offer a defined benefit plan, so there are no pension costs to disclose.

8. **The Mesa Consolidated Water District** reported that Executive Compensation is on the website, as are Employee Salary Ranges and Title. May, 2012 report recommendations are being implemented.

9. **The Orange County Sanitation District** reported that their Compensation Cost website had been updated.

10. The **Orange County Water District** reports that additional information has been added to their website. The information that was on the website in March under "Human Resources" and is now under "Transparency."

11. **The Orange County Cemetery District** reported an upgrade to their Salary and Benefit Summary that they brought in for review. It appears quite complete.

Recognition of Excellence in Compensation Cost Transparency (CCT) –

To recognize achievement of excellence in Compensation Cost Transparency, **Appendix A** contains the 2012 **Gold, Silver** and **Bronze** Honor Rolls. Listed are Orange County cities, special districts/JPAs and the County of Orange. **Appendix A** also has the 2012 list of **Most Potential for Improvement**. These four lists are described below.

1. **Gold Honor Roll** is for cities & special districts providing **outstanding overall CCT access, content & clarity** in government for their citizens. Straight "A" (excellent) ratings in **all three CCT categories of Accessibility, Executive Content & Clarity and Employee Content & Clarity** for 2012 were achieved by all listed**.**

2. **Silver Honor Roll** is for cities & special districts providing **excellent executive CCT** in government for their citizens. "A" (excellent) ratings in the **two categories of Accessibility & Executive Content & Clarity** for 2012 were achieved by all listed**.**

3. **Bronze Honor Roll** is for cities & special districts providing **excellent CCT accessibility** in government for their citizens. "A" (excellent) rating in the **one category** of **Accessibility** for 2012 were achieved by all listed**.**

4. **Most Potential for Improvement List** for the cities & special districts in CCT. This potential for improvement was demonstrated by receiving one 2012 "F" (nonexistent) rating in at least **one of the three CCT categories** of **Accessibility, Executive Content & Clarity or Employee Content & Clarity.**

Non-Transparent Compensation Costs Funding Guaranteed Pensions

Current fiscal pressures accentuate the need for more pension cost information. Public demand is building for transparent reporting of unfunded pension liabilities in more detail.

The Government Accounting Standards Board (GASB) is addressing the unfunded pension liability issue at the macro level.[17] GASB would mandate the movement of the unfunded pension liability from an informational footnote to a liability on the balance sheet as early as 2013. Private industry Financial Accounting Standards Board (FASB) has mandated this practice for years and upgraded their balance sheet pension liability reporting with FASB Statement 158 in 2006.[18]

A real lack of transparency of reporting the annual government dollar costs to fund guaranteed pensions appears at the employee/position pension level. Why?

[17] **GASB Postemployment Benefit Accounting and Financial Reporting Project**, scheduled for statement release June, 2012. www.gasb.org
[18] **"FASB adopts New Pension Std.,"** 10/3/2006, http://accounting.smartpros.com/x55007.xml & http://www.fasb.org/summary/stsum158.shtml

Last year, the 2010-2011 Grand Jury asked for pension costs (i.e., the amounts that the city pays for contributions to a pension plan, such as PERS and Social Security) to be reported in their annual compensation cost disclosures. The county and some cities did, and many did not. The ones who did were:

- The County of Orange reported pension costs on their Executive page.
- The city governments that provided excellent executive pension cost transparency by apparently reporting pension costs on their Executive pages were:
    - Dana Point
    - Fullerton
    - Irvine
    - La Habra
    - Rancho Santa Margarita
    - San Clemente
    - San Juan Capistrano
    - Stanton.
- The cities who apparently went a step further and reported pension costs for all their employees and executives, to provide excellent maximum transparency for their citizens were:
    - Buena Park
    - Costa Mesa
    - Laguna Woods
    - Placentia
    - Yorba Linda.

The current focus of the California State Controller website does not yet reflect pension compensation costs. So pension costs for defined benefit plans (DBPs) currently go unreported on the state's local government's compensation site. The formula for the DBPs pension benefits is shown instead.

The state site reports the shorthand formula for the DBP pension benefit. However the formula is cryptic and the formula is not translated to the government's cost of funding it. A citizen can view the benefit formula shorthand notation that shows at what age the employee can collect what percentage of their last year's pay for every year of service.

The pension benefit formula is often not understood by the average citizen unless they are already familiar with the formula shorthand notation. An explanation is offered here with an example below.

The pension formula for Officer Jane Doe, a public safety employee, is shown as "3%@50". The "3%@50" means that Officer Jane Doe can retire when 50 years old and collect 3% of her last year's pay, which is multiplied by each year of her public service. More specifically, that would mean when she obtained 50 years of age and if she had 30 years of public service, that Officer Jane Doe could collect 90% of her last year's pay for the rest of her life (30 yrs. x 3%). If her annual pay from her last year(s) or highest year was $100,000, then her pension annual payment would be $90,000 for the rest of her life, plus cost of living allowances, if applicable.

The annual cost by the government of building up the funds for this pension is not shown on the California State Controller's web site for this employee's position level. The state site does not currently focus on the government's compensation costs of the guaranteed pension, but just on the benefit formula of the employee's guaranteed pension. This may change in the future, as described in the "Future Potential for California's Local Government Pension Cost Reporting" section.

Significance of Local Government's Cost of Funding Guaranteed Pension Benefits

Taxpayer and ratepayer dollars fund public pensions. In many local governments, but not all, taxpayers are obligated to pay government workers' guaranteed pension benefits as promised through collective bargaining agreements. What is the range of the compensation costs of defined benefit plans?

The range of pension fund investment annual payments that Orange County local governments make for their General employees (officially classified as "miscellaneous" in pension plans) is from **9% to 28%** of salaries.

For Public Safety employees, that include fire, police, probation and lifeguards, the range is from **20% to 48%** of salaries. **Appendices B and C** list these percentage amounts owed to CalPERS or OCERS annually by each local government entity.

Are these government current compensation costs for a future benefit significant? Should pension funding amounts by employee positions be reported to the public, even though they are not current taxable compensation to the employee? Since local governmental annual investment payments range from 9% to 48% of salary, they are significant for taxpayer citizens to know. Taxpayer and ratepayer dollars fund these dollar amounts now to cover future pension obligations for employees, and are real and significant costs of government employment.

Future Potential for California's Local Government Pension Cost Reporting

The government's portion of guaranteed pension annual costs currently go unreported on the California State Controller's local government compensation reporting site. That has been due to different objectives. We understand this may change in the near future.

To reduce the workload and simplify different reporting requirements for Orange County local governments, the 2011-2012 Grand Jury has had a continuing dialogue with the State Controller's office about the inclusion of pension costs.

Specifically, the discussions were with the California State Controller's Bureau of Local Government Policy and Reporting. This unit of the State Controller's office is embarking on the requirements phase for new database software to replace the annual influx of approximately 5,000 Excel spreadsheets.

The State Controller's office has considered the potential inclusion of requesting local governments to report Pension Costs for Defined Benefit Plans (DBPs) in their future minimum requirements. Informally, they have relayed to the 2011-2012 Grand Jury that they plan to include pension costs of DBPs in their reporting requirements for local government reporting in 2013, as part of the "burden cost of compensation." The new software implementation is initially planned to include pension cost data in the second phase. They stated that they would formally document their intentions to the Grand Jury in the near term.

Orange County citizens would benefit from being able to access DBP pension annual funding costs by employee/position on local web sites as soon as possible in the spirit of full transparency. Why wait? This information would appear to be too significant to ignore. Why just provide only the bare minimum in compensation cost transparency reporting, as required by the State Controller, when full transparency would benefit Orange County citizens now?

Need for Local Government Website Reporting of Compensation Cost Reporting

Compensation cost reporting is preferably shown on the local government website for ease of citizen use and because the data will be the latest available. At the State Controller's level, the local government reporting information can be from one to two years late due to the multiple fiscal years that the State has to address for the approximately 5,000 local governments.

Taxpaying citizens deserve to see the costs of funding guaranteed pensions clearly displayed at the employee position level now. The exceptional and commendable Orange County cities and districts that appear to include pension cost amounts in their Executive and Employee compensation costs in 2012 are:

- Buena Park
- Costa Mesa
- Laguna Woods
- Placentia
- Yorba Linda
- Midway Sanitary District

- Buena Park Library District
- Placentia Library District.

Costa Mesa was recognized by the national Sunshine Review, a nonprofit organization dedicated to government transparency. They were awarded a national 2012 Sunny Award for doing an exemplary job at proactively disclosing information to taxpayers.[19] They were the only government in California to receive an "A+" grade from the Sunshine Review. They set a good transparency example. Costa Mesa solicits their citizens to send in additional ideas about how they can improve their transparency at www.ci.costa-mesa.ca/transparency/.

The exceptional and commendable Orange County governments that appear to include these pension costs on their Executive Compensation cost page in 2012 are the County of Orange[20] and the cities of:

- Dana Point
- Fullerton
- Irvine
- La Habra
- Rancho Santa Margarita
- San Clemente
- San Juan Capistrano
- Stanton

[19] For award information, see http://sunshinereview.org/index.php/2012_Sunny_Awards .
[20] The salaries and benefits for the County of Orange 12 top elected officials are shown on Sunshine Review's national website at http://sunshinereview.org/index.php/Orange_County_employee_salaries with reference to the 34 OC employees who make over $150,000 in total compensation of salaries and benefits (including pension costs). The reporting is excerpted from the County's elected and executive compensation web page, as recommended by last year's 2010-2011 OC Grand Jury, providing a good leadership example for OC cities & special districts to follow.

Signs of the Public's Need to see Pension Costs at the Employee Position Level

Recent signs of the public's increasing need to have pension costs reported at the Employee Pension level include the following examples.

- Orange County Register's March 20, 2012 article on *"Public pensions evolving at local level*" which had to rely on survey data, not actual local governmental Pension Cost data, stated the following:

  "Specifically, the recent League of California Cities survey that showed that 48% of California cities have reduced pension benefits for new hires."[21]

  The building block for this Pension Cost information would naturally be at the Employee Position level, like transparent Salary and other Benefits are, but alas it is not yet generally available nor yet reported at that level.

  The survey covered only the California cities that contract with CalPERS. As a result, only 321 of California's 482 cities responded. Reporting Pension Costs per employee position on a regular basis is topical and needed for transparent local government.

- USA Today's March 12, 2012 article on *"In Too many places, public pensions remain private"* which stated the following:

  "Even in states (California Florida, New Jersey and New York) where pension data are public, they're often tough to find. If a newspaper or a public interest group hasn't put the information online, people must file written requests to obtain it. All states could take a cue from New Jersey where pension data are posted and easily searchable online."[22]

  The USA Today article concluded:

  "Taxpayers have a right to know how their money is being spent. But when it comes to public pensions, it's going to take a big push for transparency before that happens everywhere."[23]

- The California-based Little Hoover Commission issued a comprehensive report in February, 2011 on *"Public Pensions for Retirement Security"* that recommended:

[21] ***"Public pensions evolving at local level,"*** Orange County Register, March 20, 2012, Local, OC Watchdog, p.1
[22] ***"In too many place, public pensions remain private,"*** USA Today, March 12, 2012, p.8A
[23] Ibid.

"To improve transparency and accountability, more information about pension costs must be provided regularly to the public."[24]

Specifically recommended was that *"The Legislature must require pension fund administrators to improve procedures for detecting and alerting the public about unusually high salary increases of government officials that will push pension costs upward."* [25]

A more expedient local method of educating the Orange County public would be to include Pension Costs at the Employee Position level on the Orange County local government websites today in transparent compensation cost reporting.

This would let Orange County local governments potentially lead in pension cost transparency, as the County of Orange has done. One third of Orange County cities have already stepped out front and done so, and others are expected to do so as well. Financial pressures are starting to force local governments to make hard choices. Good clear transparent information reporting is needed to make informed choices. Informed citizens can then understand and support future actions.

FINDINGS/CONCLUSIONS

In accordance with California Penal Code Sections 933 and 933.05, the 2011-2012 Grand Jury requires responses from each city, special district, joint power authority, as well as the County of Orange and OCERS, affected and named by the findings presented in this section. The responses should address the specific situation of the governmental entity responding. The responses are to be submitted to the Presiding Judge of the Superior Court, with a copy to the Orange County Grand Jury.

A list of which governments are required to respond to which of the findings are summarized in Tables 2 and 3. These tables can be found in a later section entitled REQUIREMENTS AND INSTRUCTIONS.

Based upon the assessment of 58 websites of the County of Orange, 34 OC cities, 15 OC water and sanitation districts, 6 OC non-enterprise special districts, 1 transportation special district and 1 OC Joint Power Authority, the 2011-2012 Orange County Grand Jury has five principal findings.

[24] ***"Public Pensions for Retirement Security,"*** Little Hoover Commission, State of California, February, 2011, Executive Summary, http://www.lhc.ca.gov/
[25] Ibid.

Finding 1 (F1) - **Accessibility Ratings for Cities, Special Districts and JPAs**

Accessibility to Compensation Costs for Orange County **cities** web-sites experienced 92% improvement this year, but there is still room for improvement at some cities. Accessibility to Compensation Costs on Orange County websites for districts and joint power authority (JPA) has room for improvement, even though 70% were rated excellent.

- Cities:
  There was a 92% improvement in CCT Accessibility from the thirteen cities rated **excellent** in 2011 compared to twenty-five cities were rated **excellent** in 2012.

  - **Yet there is still room for improvement for the remaining nine of thirty-four Orange County cities who received a rating of good in 2012 to achieve excellence in CCT Accessibility.**

- Special Districts and Joint Power Authority (JPA):
  Sixteen of the twenty-three special districts/joint power authority (70%) were rated **excellent** in 2012 for CCT Accessibility. This was a very good showing in their first year of being rated.

  - **However, seven of the twenty-three special districts/joint power authority were rated good, average, poor and nonexistent for CCT Accessibility, all of whom could improve to excellent.**

Finding 2 (F2) – **Content & Clarity Ratings for EXECUTIVE Compensation Cost**

Content and Clarity for the OC cities elected officials and executives over $100,000 in base salary is improving in this 2nd year of ratings. On the other hand, there is understandably even more potential improvement possible for the Special Districts and joint power authority, which are in their 1st year of ratings.

- County:
  The County of Orange went from a **nonexistent** Executive Compensation Page in 2011 to one rated **excellent** in 2012 for Content and Clarity.

- Cities:
  This year in 2012, fourteen of thirty-four cities (41%) were rated **excellent** for Executive CCT Content and Clarity, while none were rated **excellent** in 2011.

  - **However, twenty of the thirty-four cities were rated good, average, poor and nonexistent for Executive Compensation Cost Content and Clarity, all of**

whom could improve to excellent.

- Special Districts and Joint Power Authority (JPA):
  Only three of twenty-three special districts/JPA (13%) were rated **excellent** for **Executive Compensation Cost Content and Clarity**.

  - **Nineteen of twenty-three special districts/JPA who received ratings of good, average, poor and nonexistent for Executive Compensation Cost can improve to achieve an excellent rating.**[26]

Finding 3 (F3) - **Content & Clarity for EMPLOYEE Compensation Cost Ratings**

There is the most opportunity for more transparent reporting in the Content and Clarity of Employee Compensation Cost reporting on local government websites.

- County:
  The County of Orange was rated **excellent** above for their Executive Compensation Page Content and Clarity.

  - **However, the County of Orange was only rated average for Employee Compensation Cost Content and Clarity and could improve to achieve an excellent rating.**

- Cities:
  Only five of thirty-four cities (15%) were rated **excellent** for Employee Compensation Cost Content and Clarity.

  - **Twenty-nine of the thirty-four cities were rated good, average, poor and nonexistent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent.**

- Special Districts and Joint Power Authority (JPA)
  Only four of twenty-three special districts and joint power authority (17%) were rated **excellent** for Employee Compensation Cost Content and Clarity.

  - **Nineteen of the twenty-three special districts/JPA were rated good, average, poor and nonexistent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent.**

[26] One of the 23 special districts/JPAs was rated "Not Applicable" due to their volunteer executive board and no paid executives. (3+19+1=23).

Finding 4 (F4) **– Transparency of Employer Pension Contribution Rates**

Many Orange County local government web sites do not generally post their employer pension annual contribution rates prominently to their web sites as part of their compensation cost disclosure for public disclosure.

Specifically, these employer contribution percentages refer to the annual percentages of employee salary that CalPERS (California Public Employees Retirement System) or OCERS (Orange County Employee Retirement System) requires of Orange County local governments to fund their employee guaranteed pension plans.

OCERS has the employer pension contribution rates buried in detailed actuarial reports and presentations on the OCERS website or requires member passwords to access these annual governmental funding rates. Thus, there is limited transparency for the public of these governmental pension contribution rates.

Finding 5 (F5) **–Inclusion of Overtime and On-Call Pay in Employee Compensation Costs**

The Orange County "de facto" standard for CCT in the county, cities, districts and JPA now contains all employees, including a page for executives and all elected officials. **Two key categories are missing from compensation cost reporting. They are overtime pay and on-call pay.** They have become important as the new "de facto" compensation cost reporting standard which now includes all employees.

These two cost categories can be significant for public safety employees. However, it is recognized that these cost categories generally do not apply to elected officials. On the other hand, if overtime does not occur for various employee positions, it is important for citizens to be aware of the aware of that in the annual reporting.

RECOMMENDATIONS

In accordance with California Penal Code Sections 933 and 933.05, the 2011-2012 Grand Jury requires responses from each city, special district, joint power authority, as well as County of Orange and OCERS, affected and listed in Tables 2 and 3 that follows. The responses are to be submitted to the Presiding Judge of the Superior Court, with a copy to the Orange County Grand Jury.

Based upon the assessment of 58 websites of the County of Orange, 34 OC cities, 15 OC Water and Sanitation Districts, 6 OC Non-Enterprise Special Districts, 1 transportation special district and 1 OC joint power authority, the 2011-2012 Orange County Grand Jury has five principal recommendations.

Recommendation 1 (R1) **- Access for Compensation Costs Transparency -**

The Grand Jury recommends that **each of the sixteen Orange County cities, districts and joint power authority that were rated less than excellent for Accessibility *upgrade their access* to compensation costs.** The access should be intuitive, readily identifiable on the web site home page and provide easy navigation within one or very few "clicks."

Recommendation 2 (R2) **- Content & Clarity of EXECUTIVE Compensation Costs -**

The Grand Jury recommends that **each of the forty-one of the fifty-seven Orange County cities, districts and joint power authority that were rated less than excellent for their Content and Clarity for their Executive and Elected Officials compensation costs page *upgrade their Executive Compensation page*.** See Appendix D for a suggested full disclosure model which is the same as 2011with expanded descriptions, but with particular emphasis on pension costs.

Recommendation 3 (R3) **- Content & Clarity of EMPLOYEE Compensation Costs -**

The Grand Jury recommends that **the County of Orange and all Orange County cities, districts and joint power authority that were rated less than Excellent for Content and Clarity for their Employee compensation costs pages *upgrade their Employee pages***. See Appendix D for a suggested full disclosure model which is the same as 2011 with the addition of overtime pay, on-call pay and expanded descriptions, with particular emphasis on pension costs.

Recommendation 4 (R4) **- Transparency of Employer Pension Contribution Rates -**

The Grand Jury recommends that **all Orange County cities, districts and joint power authority, as well as the County of Orange, *post their employer pension annual contribution rates* prominently and transparently on their web sites.** Current and recent rates would be instructive and informative. It is recognized that some already do.

The Grand Jury recommends that **OCERS display their member organizations annual contribution rates in a transparent way to the general public without password access on their web site.** For a suggested model, see http://calpers.ca.gov and enter "public agency employer contribution search."

Recommendation 5 (R5) **- Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting –**

The Grand Jury recommends that **all Orange County cities, districts and joint power authority, as well as the County of Orange, *include overtime pay and on-call pay in compensation cost reporting* on their employees' compensation pages.** See Appendix D for a suggested full disclosure model for these new compensation cost reporting categories.

REQUIREMENTS AND INSTRUCTIONS

The California Penal Code Section 933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section 933.05(a), (b), (c), details, as follows, the manner in which such comment(s) is to be made:

1. As to each grand jury finding, the responding person or entity shall indicate one of the following:

    a. The respondent agrees with the finding.

    b. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

2. As to each grand jury recommendation, the responding person or entity shall report one of the following actions:

    a. The recommendation has been implemented, with a summary regarding the implemented action.

    b. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

    c. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.

    d. The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

3. However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by

> the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code section 933.05 are requested from the County of Orange Executive Office, Human Resources and required from each city council of the cities set forth in Table 2 and Board of Directors of each legislative, special assessing and joint power agency in Table 3, with a copy to the Orange County Grand Jury.

TABLE 2 – County & Cities Responses Required for Findings (F) & Recommendations (R)

	F1	F2	F3	F4	F5		R1	R2	R3	R4	R5
County											
County of Orange			X	X	X				X	X	X
Cities											
Aliso Viejo		X	X	X	X			X	X	X	X
Anaheim		X	X	X	X			X	X	X	X
Brea		X	X	X	X			X	X	X	X
Buena Park				X	X					X	X
Costa Mesa				X	X					X	X
Cypress	X	X	X	X	X		X	X	X	X	X
Dana Point			X	X	X				X	X	X
Fountain Valley	X	X	X	X	X		X	X	X	X	X
Fullerton	X		X	X	X		X		X	X	X
Garden Grove		X	X	X	X			X	X	X	X
Huntington Beach	X	X	X	X	X		X	X	X	X	X
Irvine			X	X	X				X	X	X
La Habra			X	X	X				X	X	X
La Palma		X	X	X	X			X	X	X	X
Laguna Beach		X	X	X	X			X	X	X	X
Laguna Hills		X	X	X	X			X	X	X	X
Laguna Niguel	X	X	X	X	X		X	X	X	X	X
Laguna Woods				X	X					X	X
Lake Forest		X	X	X	X			X	X	X	X
Los Alamitos	X	X	X	X	X		X	X	X	X	X
Mission Viejo		X	X	X	X			X	X	X	X
Newport Beach		X	X	X	X			X	X	X	X
Orange		X	X	X	X			X	X	X	X
Placentia				X	X					X	X
Rancho Santa Margarita			X	X	X				X	X	X
San Clemente			X	X	X				X	X	X
San Juan Capistrano			X	X	X				X	X	X
Santa Ana	X	X	X	X	X		X	X	X	X	X
Seal Beach	X		X	X	X		X		X	X	X
Stanton			X	X	X				X	X	X
Tustin		X	X	X	X			X	X	X	X
Villa Park		X	X	X	X			X	X	X	X
Westminster	X	X	X	X	X		X	X	X	X	X
Yorba Linda				X	X					X	X

TABLE 3 – Special Districts/JPAs/OCERS Responses Required for Findings (F) & Recommendations (R)

	F1	F2	F3	F4	F5		R1	R2	R3	R4	R5
Special Districts - ***Water and Sanitation***											
Costa Mesa Sanitary		X	X	X	X			X	X	X	X
East Orange County Water		X	X	X	X			X	X	X	X
El Toro Water		X	X	X	X			X	X	X	X
Irvine Ranch Water		X	X	X	X			X	X	X	X
Mesa Consolidated Water		X	X	X	X			X	X	X	X
Midway City Sanitary				X	X					X	X
Moulton Niguel Water		X	X	X	X			X	X	X	X
Municipal Water District of OC	X	X	X	X	X		X	X	X	X	X
Orange County Sanitation		X	X	X	X			X	X	X	X
Orange County Water		X	X	X	X			X	X	X	X
Santa Margarita Water	X	X	X	X	X		X	X	X	X	X
Serrano Water		X	X	X	X			X	X	X	X
South Coast Water		X	X	X	X			X	X	X	X
Trabuco Canyon Water	X	X	X	X	X		X	X	X	X	X
Yorba Linda Water	X	X	X	X	X		X	X	X	X	X
Special Districts ***- Non Enterprise***											
Buena Park Library				X	X					X	X
Orange County Cemetery		X	X	X	X			X	X	X	X
Orange County Vector Control	X	X	X	X	X		X	X	X	X	X
Placentia Library				X	X					X	X
Rossmoor Community Service	X	X	X	X	X		X	X	X	X	X
Silverado-Modjeska Recreation & Parks					X						X
Special District ***- Transportation***											
OCTA - Orange County Transportation Authority		X	X	X	X			X	X	X	X
Joint Power Authorities											
OCFA - Orange County Fire Authority	X	X	X	X	X		X	X	X	X	X
Legislative District											
OCERS - Orange County Employees Retirement System				X						X	

APPENDICES

APPENDIX A – Compensation Cost Transparency Honor Rolls - Page 1 of 3

The 2012 **Gold Honor Roll** for supplying the best CCT in government for their citizens applies to the following cities and special districts. They all received **straight "A" ratings in all 3 categories** of Accessibility, Content & Clarity for Elected/ Executive and Employee compensation.

Cities-

- **Buena Park**
- **Costa Mesa**
- **Laguna Woods**
- **Placentia**
- **Yorba Linda**

Special Districts -

- **Buena Park Library District**
- **Midway Sanitary District**
- **Placentia Library District**

The 2012 **Silver Honor Roll** for supplying excellent CCT in government for their citizens applies to the following county, cities and special districts at the Executive & Elected official level. The county and cities below all received **"A" ratings in 2 categories** of Executive Accessibility and Content & Clarity. The special district below received an **"A" rating in the 2 categories** of Employee Accessibility and Content & Clarity, as they have no Executive page:

County

- **County of Orange**

Cities -

- **Dana Point**
- **Irvine**
- **La Habra**
- **Rancho Santa Margarita**
- **San Clemente**
- **San Juan Capistrano**
- **Stanton**

Special Districts -

- **Silverado-Modjeska Recreation & Parks District**

APPENDIX A – Compensation Cost Transparency Honor Rolls - Page 2 of 3

The 2012 **Bronze Honor Roll** for supplying excellent CCT accessibility in government for their citizens applies to the following cities, special districts and joint power authorities. They all received **"A" ratings in Accessibility**.

Cities -

- **Aliso Viejo**
- **Anaheim**
- **Brea**
- **Garden Grove**
- **La Palma**
- **Laguna Beach**
- **Laguna Hills**
- **Lake Forest**
- **Mission Viejo**
- **Newport Beach**
- **Orange**
- **Tustin**
- **Villa Park**

Special Districts -

- **Costa Mesa Sanitary District**
- **East Orange County Water District**
- **El Toro Water District**
- **Irvine Ranch Water District**
- **Mesa Consolidated Water District**
- **Moulton Niguel Water District**
- **Orange County Cemetery District**
- **Orange County Sanitation District**
- **Orange County Transportation Authority**
- **Orange County Water District**
- **Serrano Water District**
- **South Coast Water District**

APPENDIX A – Compensation Cost Transparency Honor Rolls - Page 3 of 3

The 2012 **Most Potential for Improvement List** in local government compensation cost transparency applies to the following cities and special districts. They received at least one "F" in one or more of the three categories.

Cities -

- **Fountain Valley**
- **Huntington Beach**
- **La Habra**
- **Westminster**

Special Districts -

- **El Toro Water District**
- **Orange County Vector Control District**
- **Rossmoor Community Service District**
- **Santa Margarita Water District**

APPENDIX B: CalPERS (California Public Employees' Retirement System) Employer Contribution 2011 Rates[27]

% of Current Employee Payroll that the Employer must contribute to CalPERS in 2011

Cities	General	Safety	Safety-Fire	Safety-Police
Aliso Viejo	9.539%			
Anaheim	20.389%		29.228%	30.623%
Brea	11.219%	30.347%		
Buena Park	14.700%	25.821%*		
Costa Mesa	16.583%		32.404%	29.063%
Cypress	12.222%	32.407%*		
Dana Point	10.059%			
Fountain Valley	17.800% - 1st Tier<	28.859% - 1st Tier<		
Fullerton	11.119%	30.2%		
Garden Grove	17.854%	33.178%		
Huntington Beach	15.311%	34.196%		
Irvine	21.733%			32.678%
La Habra	11.752%	31.962%		
La Palma	14.762%	25.821%*		
Laguna Beach	15.258%	21.252% - Lifeguard	24.112%^	24.112%^
Laguna Hills	11.271%			
Laguna Niguel	10.539%			
Laguna Woods	10.896%			
Lake Forest	12.170%			
Los Alamitos	10.748%	25.21%*		
Mission Viejo	16.361%			
Newport Beach	12.208%	35.028%>		
Orange	18.646%	29.613%		
Placentia	9.548%	44.581%*		
Rancho Santa Margarita	16.497% - 1st Tier<			
San Clemente	#	32.546% - Lifeguard		
Santa Ana	18.373%	28.848%		
Seal Beach	9.313%	25.821%*		
Stanton	13.523%			
Tustin	9.943%	32.17%*		
Villa Park	20.046%			
Westminster	14.494%	25.821%*		
Yorba Linda	13.996%			

[27] CalPERS - http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/contrib-rates/rates/home.xml

Appendix B Notes Legend:

* OCFA notes that these *rates of OCFA serviced cities apply only to non-fire safety employees

< Second Tier Levels in effect currently -

Second Tier level for Fountain Valley General Employees is 8.902% & 20.308% for Police
Second Tier level for Rancho Santa Margarita General Employees is 8.704%

> A Future Second Tier Level was approved in May, 2012 by Newport Beach for Firefighters that will go into effect in 2014 that will have Newport Beach "*paying 80% of pension costs annually instead of the 94% annually they are currently contributing. ... It will take 18 months for the new contribution percentages to take effect."*[28]

^ Laguna Beach has subsequently implemented a second tier for public safety officers

Administered by Great-West Retirement Services for San Clemente non-safety employees

[28] *"Newport Beach firefighters to pay more of pensions",* Orange County Register, May 25, 2012, Local, Government, p. 9.

APPENDIX C: OCERS (Orange County Employees Retirement System) Employer Contribution 2012-2013 Rates[29]

% of Current Employee Payroll that Employer must contribute to OCERS in Fiscal Year 2013

Representative OCERS Examples and not a Comprehensive listing

City		General	Safety
San Juan Capistrano	(2.7%@55) – Rate Group #2	28.39%	
	(2.0%@57) – Rate Group #2	27.49%	
County Special Districts			
Orange County Cemetery District			
	(2.0%@55) Rate Group #11	17.76%	
Orange County Sanitation District – OCSD			
	(1.664%@57) Rate Group #3	26.69%	
	(2.5%@55) Rate Group #3	27.47%	
Orange County Transportation Authority – OCTA			
	Rate Group #5	20.96%	
Joint Power Authority			
Orange County Fire Authority – OCFA			
	(2.7%@55) Rate Groups #10	27.99%	
	(2.0%@55) Rate Group #10	27.25%	
	(3.0%@50) Rate Group #8		45.46%
	(3.0%@55) Rate Group #8		42.22%
County of Orange			
General – Rate Group #1		16.85%	
General (1.62%@65) Rate Group #2		21.94%	
General (2.7%@55) Rate Group #2		28.39%	
Law Enforcement	(3.0%@50) Rate Group #7		47.45%
	(3.0%@55) Rate Group #7		46.78%
Probation (3.0%@50) Rate Group #6			36.29%

[29] ***"OCERS 2010 Actuarial Valuation and Review"*** by The Segal Group, Inc.
http://www.ocers.org/pdf/finance/actuarial/valuation/2010actuarialvaluation.pdf

APPENDIX D - Compensation Cost Disclosure Model - Page 1 of 2

POSITION	SALARY	OVER-TIME	OTHER PAY*	INSURANCE PREMIUMS	PENSION COSTS	TOTAL COMP. COSTS

* **Other Pay** Includes **Fees, Deferred Compensation, Incentive Bonus, Auto Allowance, Pay in Lieu of Time Off and On-Call Pay.** (**RED** signifies new in 2012)

APPENDIX D - Compensation Cost Disclosure Model - Page 2 of 2

In the interest of consistency and clarity in the disclosure of compensation cost data for local government officials and employees, the 2010-2011 Orange County Grand Jury developed a model table on the previous page, which could be posted onto the Internet websites of local governments in Orange County. The 2011-2012 Orange County Grand Jury has enhanced and expanded the applicability of the model for clarity, emphasis and scope, as local websites have evolved. The fundamental elements of the model on the websites would provide the following.

• **Accessibility** – The link from the home page to the compensation cost web page be a permanent feature, which is prominently displayed on the home page, as both self-descriptive and intuitive, requiring very minimal keystrokes for access.

• **Positions Reported** – All elected officials and those executive positions earning a base salary rate in excess of $100,000 per year should be reported on an **Executive Compensation Page**. Elected officials should be listed first, followed by employees in descending order of salary.

The salaries and benefits for all employee positions should be posted in a standard table on a separate on the **Employee Compensation Pages**.
Note: The listing of names is not recommended on the compensation cost listings of employee position salaries and benefits, but is preferable for elected officials.

• **Salary Reporting** – The actual or annualized base rate of salary for the position should be shown, rather than minimum & maximum ranges or the employee's W-2 form Box 5 amount.

. Overtime Pay – Actual overtime pay by employee position

• **Other Pay**
- **Fees** – Fees earned from reporting agency-sponsored boards, committees or commissions
- **Deferred Compensation**
- **Bonus** – Any form of management, incentive or performance improvement bonuses.
- **Pay in Lieu of Time Off**
- **Automobile Allowance**
- **On-Call Pay**

• **Insurance Premiums** - Annualized amounts that the reporting agency pays on the employee's behalf for medical, dental, vision, disability and life insurance.

• **Pension Costs** – Annual amounts that the reporting agency pays for contributions to a pension plan (such as CalPERS or OCERS) and/or Social Security. ***This is the government's share of the Employer Pension Annual Contribution to CalPERS, OCERS & Social Security, in addition to the Employer payment of any share of the Employees obligated contribution percentage.*** See Appendices B and C.

• **Total Compensation** – Salary and benefit amounts should be totaled for the calendar year.

*** RED** denotes new reporting requirement in 2012.

APPENDIX E: Methodology Details – Page 1 of 2

- Reviewed the three 2010-2011 Orange County Grand Jury reports on:
  - Compensation Study of Orange County Cities;
  - County of Orange Compensation Disclosure;
  - Compensation Survey of Orange County Water and Sanitation Districts.
- Reviewed 54 city, water & sanitation districts and county government response letters[30] to the findings and recommendations of the three previous 2010-2011 Orange County Grand Jury reports.
- The 53 entities in the 2010-2011 studies were the 34 Cities of Orange County, one County government and 18 Water & Sanitation Special Districts.
- The 34 cities included Aliso Viejo, Anaheim, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, Irvine, La Habra, La Palma, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Los Alamitos, Mission Viejo, Newport Beach, Orange, Placentia, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Tustin, Villa Park, Westminster and Yorba Linda.
- The 18 Water and Sanitation Special Districts were Costa Mesa Sanitation District, East Orange County Water District, El Toro Water District, Irvine Ranch Water District, Laguna Beach County Water District, Mesa Consolidated Water District, Midway City Sanitary District, Moulton Niguel Water District, Municipal Water District of OC, Orange County Sanitation District, Orange County Water District, Rossmoor/Los Alamitos Area Sewer District, Santa Margarita Water District, Serrano Water District, South Coast Water District, Sunset Beach Sanitary District, Trabuco Canyon Water District and Yorba Linda Water District.
- Discussed in conversations, both in person and by phone, with selected Orange County cities and county governments about their 2010-2011 responses.
- Expanded the 2012 study to include 7 additional special districts, 1 joint power authorities (JPAs), and eliminated 3 water and sewer district to make a total of 58 governmental web sites to be reviewed.
  - The 8 additions are the:
    - Joint power authority of the Orange County Fire Authority;
    - 6 Special (non-water and sanitation) Districts of Buena Park Library District, Orange County Cemetery District, Orange County Vector Control, Placentia Library District,

[30] 54 letters were received from 53 entities (34 cities, 18 water & sanitation districts and 1 county government) since the city of Laguna Hills sent a separate minority and majority response. All response letters to the 2010-2011 Orange County Grand Jury reports can be found at www.ocgrandjury/org/reports.asp .

APPENDIX E: Methodology Details – Page 2 of 2

Rossmoor Community Services District and Silverado/Modjeska Recreation & Parks District.

- 1 Special (transportation) District, which is the Orange County Transportation Authority.

- The 3 eliminations are Rossmoor/Los Alamitos Sewer District (no longer has a web site), Sunset Beach Sanitary District (which doesn't have a web site) and Laguna Beach County Water District, (now a part of the City of Laguna Beach).

- Corresponded with the OC local governments to be studied –
  - Re: the establishment of this study to examine the local government web sites for the level of CCT, in terms of accessibility and content & clarity – by letters
    - Dated January 9 & 10, 2012 to 34 cities & 23 special districts/joint power authorities
    - Dated January 24, 2012 to Orange County CEO
  - Re: the frequently asked questions (FAQ's) concerning the Compensation Cost Transparency study – by letters
    - Dated February 23, 2012 to 34 cities & 23 special districts/JPAs
    - Dated March 8, 2012 to Orange County CEO
- Expanded the web assessment rating criteria to be more precise and objectively defined to build upon the previously more subjective rating criteria.
- Researched on the CalPERS web to obtain the OC cities' and special districts' individual public employer contribution annual percentage rate of employee salary that CalPERS requires the OC cities & special districts to contribute for their employee members' pensions.
- Solicited OCERS and obtained the OC individual public employer contribution annual percentage rate of employer salary that OCERS requires the county agencies, county JPAs and some city & special districts to contribute for their employee members' pensions.
- Reviewed, documented and assessed the transparency & content & clarity of each OC local government web site multiple times.
- Initiated explanatory phone conversations in March, 2012 with several special districts/joint power authorities, selected cities and County CEO office.
- Initiated February & March, 2012 phone conversations with the California State Controller Office's Bureau of Local Government Policy and Reporting to understand the state's local government compensation reporting requirements and future plans.
- Compiled data, charts & assessments from documentation & web reviews.
- Drafted and published study background, facts, analysis/findings & recommendations.