



October 11, 2012

The Honorable Thomas J. Borris
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, California 92701

Re: City of La Palma Response to 2011-2012 Orange County Grand Jury Report "*Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?*"

Dear Judge Borris:

The City is in receipt of the 2011-2012 Orange County Grand Jury Report "*Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?*," which was made public on June 14, 2012. The City of La Palma is required by Penal Code §933 and §933.05 to provide a response to Findings F-2, F-3, F-4 and F-5 and Recommendations R-2, R-3, R-4, and R-5 of the report.

Finding F-2:

Finding F-2 states, "*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. . . 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.*"

City of La Palma Response to Finding F-2:

The City of La Palma partially disagrees with this finding from the Orange County Grand Jury. La Palma has for some time made all Memorandums of Understanding and Salary Schedules available to the public on its website and in August of 2010 launched a Transparency page providing easily accessible information to the public on labor agreements; City Manager, City Council, and Employee compensation; and other financial documents. In 2011, the City added a link to the State Controller website and their reports on La Palma compensation levels. In September 2011, the City made a commitment to the Orange County Grand Jury that it would modify or expand its Transparency page by May 31, 2012, to provide compensation data that includes all of the items in the model provided by the Grand Jury; however, we reserved the right to present the data in a different format. The update, which included compensation of elected officials and executives over \$100,000 in base salary, was done well before the May 31 commitment, and in fact was completed prior to both the preview and release of the Grand Jury's report. Had the update been considered by the Grand Jury, the City believes that it would have received Excellent ratings across the board. In fact, the Grand Jury report footnotes that the City's "2011 Compensation report appears to be quite complete." In reviewing the report, it

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appears that other cities efforts were also not included and had they been, the number of cities receiving excellent ratings would have been much higher.

Finding F-3:

Finding F-3 states, *“There is the most opportunity for more transparent reporting in the Content and Clarity of Employee Compensation Cost reporting on local government websites. . 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..”*

City of La Palma Response to Finding F-3:

The City of La Palma **partially disagrees** with this finding from the Orange County Grand Jury. La Palma has for some time made all Memorandums of Understanding and Salary Schedules available to the public on its website and in August of 2010 launched a Transparency page providing easily accessible information to the public on labor agreements; City Manager, City Council, and Employee compensation; and other financial documents. In 2011, the City added a link to the State Controller website and their reports on La Palma compensation levels. In September 2011, the City made a commitment to the Orange County Grand Jury that it would modify or expand its Transparency page by May 31, 2012, to provide compensation data that includes all of the items in the model provided by the Grand Jury; however, we reserved the right to present the data in a different format. The update, which included compensation data for all full time employees, was done well before the May 31 commitment, and in fact was completed prior to both the preview and release of the Grand Jury’s report. Had the update been considered by the Grand Jury, the City believes that it would have received Excellent ratings across the board. In fact, the Grand Jury report footnotes that the City’s “2011 Compensation report appears to be quite complete.” In reviewing the report, it appears that other cities efforts were also not included and had they been, the number of cities receiving excellent ratings would have been much higher.

Finding F-4:

Finding F-4 states, “Many Orange County local government websites do not generally post their employer pension annual contribution rates prominently to their websites as part of their compensation cost disclosure for public disclosure.”

City of La Palma Response to Finding F-4:

The City of La Palma **partially disagrees** with this finding from the Orange County Grand Jury. La Palma has for some time made all Memorandums of Understanding and Salary Schedules available to the public on its website and in August of 2010 launched a Transparency page providing easily accessible information to the public on labor agreements; City Manager, City Council, and Employee compensation; and other financial documents. In 2011, the City added a link to the State Controller website and their reports on La Palma compensation levels. In September 2011, the City made a commitment to the Orange County Grand Jury that it would modify or expand its Transparency page by May 31, 2012, to provide compensation data that includes all of the items in the model provided by the Grand Jury; however, we reserved the right to present the data in a different format. The update, which includes a table that details the exact dollar amount of the City’s pension cost by employee and a table of pension cost formulas paid by both the employer and the employee, was done well before the May 31 commitment, and in fact was completed prior to both the preview and release of the Grand Jury’s report. Had the update been considered by the Grand Jury, the City believes that it would have received Excellent ratings across the board. In fact, the Grand Jury report footnotes that the City’s “2011 Compensation report appears to be quite complete.” In reviewing the report, it appears that

other cities efforts were also not included and had they been, the number of cities receiving excellent ratings would have been much higher.

Finding F-5:

Finding F-5 states, *"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."*

City of La Palma Response to Finding F-5:

The City of La Palma **partially disagrees** with this finding from the Orange County Grand Jury. La Palma has for some time made all Memorandums of Understanding and Salary Schedules available to the public on its website and in August of 2010 launched a Transparency page providing easily accessible information to the public on labor agreements; City Manager, City Council, and Employee compensation; and other financial documents. In 2011, the City added a link to the State Controller website and their reports on La Palma compensation levels. In September 2011, the City made a commitment to the Orange County Grand Jury that it would modify or expand its Transparency page by May 31, 2012, to provide compensation data that includes all of the items in the model provided by the Grand Jury; however, we reserved the right to present the data in a different format. The update, which includes a table that details the exact dollar amount of Overtime Pay, Specialty Pay, and Other Pay (which includes on-call pay) by employee, was done well before the May 31 commitment, and in fact was completed prior to both the preview and release of the Grand Jury's report. Had the update been considered by the Grand Jury, the City believes that it would have received Excellent ratings across the board. In fact, the Grand Jury report footnotes that the City's "2011 Compensation report appears to be quite complete." In reviewing the report, it appears that other cities efforts were also not included and had they been, the number of cities receiving excellent ratings would have been much higher.

Recommendation R-2:

Recommendation R-2 states, *"Content and 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."*

City of La Palma Response to Recommendation R-2:

The recommendation has been implemented. An update to the City's website entitled Employee Compensation was made in early May 2012 prior to both the preview and release of the Grand Jury's report. The update included compensation of not only elected officials and executives over \$100,000 in base salary but all full time employees.

Recommendation R-3:

Recommendation R-2 states, *"Content and 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 their Content and Clarity for their Employee compensation costs pages upgrade their Employee pages."*

City of La Palma Response to Recommendation R-3:

The recommendation has been implemented. An update to the City's website entitled Employee Compensation was made in early May 2012 prior to both the preview and release of the Grand Jury's report. The update included compensation of all full time employees.

Recommendation R-4:

Recommendation R-4 states, *"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 websites."*

The recommendation has been implemented. An update to the City's website entitled Employee Compensation was made in early May 2012 prior to both the preview and release of the Grand Jury's report. The update included a table that details the exact dollar amount of the City's pension cost by employee and a table of pension cost formulas paid by both the employer and the employee.

Recommendation R-5:

Recommendation R-5 states, *"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 page."*

The recommendation has been implemented. An update to the City's website entitled Employee Compensation was made in early May 2012 prior to both the preview and release of the Grand Jury's report. The update includes a table that details the exact dollar amount of Overtime Pay, Specialty Pay, and Other Pay (which includes on-call pay) by employee.

The City would like to thank the Orange County Grand Jury for its efforts in researching these issues and for giving the City an opportunity to respond to its findings and recommendations. Should you have any questions regarding the City's responses, please contact Laurie Murray, Administrative Services Manager, at (714) 690-3338.

Sincerely,



G. Henry Charoen
Mayor

- c: City Council
- City Manager
- City Attorney
- Orange County Grand Jury