



September 6, 2012

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

RE: CITY OF LAGUNA BEACH RESPONSE TO THE JUNE 14, 2012 REPORTING
OF THE 2011-12 ORANGE COUNTY GRAND JURY REPORT:
"TRANSPARENCY BREAKING UP COMPENSATION FOG – BUT WHY HIDE
PENSION COSTS"

Dear Judge Borris:

The City Council has authorized me to submit the City of Laguna Beach response to the June 14, 2012 Report of the Orange County Grand Jury titled "Transparency Breaking Up Compensation Fog – *But Why Hide Pension Costs?*" In accordance with California Penal Code Sections 933 and 933.05, the City's response addresses the Orange County Grand Jury Report's findings and recommendations pertaining to the City of Laguna Beach. The Grand Jury did not require the City of Laguna Beach to respond to finding F.1 or recommendation R.1 regarding the *accessibility* of compensation cost information because the City received a finding of "excellent" in that category.

Response¹ to Findings F.2 and F.3:

Finding F.2: ***Content and Clarity Ratings for Executive Compensation Cost:***
The Grand Jury's finding noted, "*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.*"

Finding F.3: ***Content & Clarity for Employee Compensation Cost Rating:***
The Grand Jury's finding noted, "*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.*"

Response: The City of Laguna Beach agrees with the findings. The Grand Jury noted that to be rated "excellent" for content and clarity, a full total for employee salary and benefits compensation cost disclosure is needed in a single table format that includes defined benefit plan pension costs. While most, if not all, of the requested compensation cost information was available on the City's website during

¹ The City of Laguna Beach compensation cost report consists of all City employees, including the executive employees. The City's response to findings F.2 and F.3 is identical; therefore, shown only once.

the Grand Jury's review, the City's website did not include the recommended disclosures in a single table report format. The City has already taken the necessary steps to remedy this finding. As noted in Table 1 of the Grand Jury's report:

"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."

Response to Findings F.4 and F.5

Finding F.4: Transparency of Employer Pension Contribution Rates:

The Grand Jury's finding noted, *"Many Orange County local government web sites do not generally post their employer pension annual contributions rates prominently to their web sites as part of their compensation cost disclosure for public disclosure."*

Response: The City agrees with the finding. During the Grand Jury's review, the City's website did not include a webpage, web link, or table displaying the City's annual CalPERS retirement contribution rates. This finding has since been remedied.

Finding F.5: Inclusion of Overtime and On-Call Pay in Employee Compensation Costs: The Grand Jury's finding noted, *"Two key categories are missing from compensation cost reporting. They are overtime pay and on-call pay."*

Response: The City partially disagrees with the finding. During the Grand Jury's review, a link to the State Controllers searchable database of Government Compensation in California was available on the City website. The State Controller's report includes a compensation figure that originates from Box 5 of an employee's W-2. That figure, for employees of the City of Laguna Beach, includes compensation for overtime and on-call pay. However, the City does agree that overtime costs were not displayed in a separate column within that database as recommended by the Grand Jury.

Response² to Recommendations R.2 and R.3:

Recommendation R.2: 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 upgrades their Executive Compensation page.

Recommendation R.3: 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.***

City Response: The recommendation has been implemented. The City's website now displays an updated compensation cost report that includes a column for defined benefit plan pension costs, and a column disclosing, in total, the City's annual costs of salaries and benefits for all employees. As noted in Table 1 of the Grand Jury's report:

“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.”

Response to Recommendations R.4 and R.5

Recommendation R.4: 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.

City Response: The recommendation has been implemented. A link to the CalPERS web page for the City of Laguna Beach annual actuarial valuations and three year history of pension annual contribution rates is available on the City website. To view the most up-to-date information available from CalPERS visitors to the City's website just need to click the “Salaries and Benefits” icon on the home page then click the link “City of Laguna Beach CalPERS Actuarial Reports” or “City of Laguna Beach CalPERS Contribution Rates.”

² The City of Laguna Beach compensation cost report consists of all City employees, including the executive employees. The City's response to findings R.2 and R.3 is identical; therefore, shown only once.

Recommendation R.5: 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 costs reporting.*

City Response: - The recommendation will be implemented by October 31, 2012. The City's compensation cost report will add a column for overtime pay and include a footnote mentioning that on-call pay is included in the full total for employee salary and benefits compensation figure. This update to the City's compensation cost report will coincide with the release of City compensation information to the State Controller, scheduled for September 30, 2012.

The City of Laguna Beach would like to thank the Grand Jury for their time in preparing the report and for the opportunity to respond.

Sincerely,



John Pietig
City Manager

cc: City Council