



**Mayor**  
Kathryn McCullough

**Mayor Pro Tem**  
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**Council Members**  
Peter Herzog  
Marcia Rudolph  
Mark Tettermer

**City Manager**  
Robert C. Dunek

September 12, 2012

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

RE: Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?

Dear Judge Borris:

Upon reviewing the findings and recommendations of the Orange County Grand Jury report entitled “Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?” the City of Lake Forest offers the following responses:

Findings:

F.2: Public disclosure of executive compensation cost, content, and clarity for 20 of 34 cities were rated good, average, poor, and nonexistent, and can be improved to an excellent level.

Response: The City has no knowledge of the ability or desire of the 20 cities referenced in F2 to meet the Grand Jury’s definition of an “excellent level.” Without such a foundation from which to offer an informed opinion, the City respectfully disagrees with the finding.

F.3: There is more opportunity for transparent reporting in the content and clarity of employee compensation costs reporting on local government websites.

Response: The City has not reviewed the manner in which the 29 Orange County cities rated good, average, poor and nonexistent, disclose employee compensation costs on websites or through other means. Without such a foundation from which to offer an informed opinion regarding the content and clarity of said information, the City respectfully disagrees with this finding.



- F.4: Employer pension annual contribution rates are not prominently posted on cities' websites as part of their compensation cost disclosure for public disclosure.

Response: The City has not independently reviewed the websites of all 34 Orange County cities to verify this finding. Without such a foundation from which to offer an informed opinion, the City respectfully disagrees with this finding.

- F.5: Inclusion of overtime and on-call pay in employee compensation costs for employees, executives, and elected officials are missing from compensation cost reporting.

Response: Without reviewing the websites of all 34 Orange County cities, the City cannot verify the existence of a "de facto" standard for compensation reporting throughout Orange County. It is unclear from the Orange County Grand Jury's finding whether data for overtime pay and on-call pay should be reported as projected pay for the year based upon budgets, or actual pay, which would need to be calculated retroactively. Without such a foundation from which to offer an informed opinion, the City respectfully disagrees with this finding.

#### Recommendations:

- R.2: Content & Clarity of Executive Compensation Costs – The Grand Jury recommends that each of the 34 Orange County cities that were rated less than excellent for their Content and Clarity for the Executive and Elected Officials compensation costs page upgrade their Executive Compensation page.

Response: The City makes no recommendations on what other cities should do. As for Lake Forest, the City currently reports Executive and Elected Officials' compensation information to the public in an easily accessible manner.

Maintaining a website that provides up-to-date content in an easy to navigate format has long been a key part of the City's commitment to keeping our residents and businesses informed of current issues and the information they care about. Lake Forest engages an independent research firm to perform a statistically significant survey of City residents and businesses to collect feedback on City services and facilities. According to the 2010 survey findings, 86% of residents and 91% of businesses are satisfied with the resources and content available on the

City's websites. This survey will be repeated in 2012, and the subsequent findings will guide the scope and design of content offered on the City's website.

Executives and Elected Officials' compensation information is currently accessible in a variety of places on the City's website, including:

- *Job Descriptions/Salaries* page (<http://lakeforestca.gov/salaries>)
- *City Compensation* page (<http://lakeforestca.gov/compensation>)
- *City Council Compensation* page (<http://lakeforestca.gov/CCCompensation>)
- Link to Controller's Database of Government Compensation in California (<http://www.lakeforestca.gov/depts/ms/hr/default.asp>)

In addition, the employee salary schedule and City Manager's Employment Agreement are adopted by the City Council at a publicly noticed meeting. The public may find and review these public records online by using the key word search feature on the *Current Agendas* web page. Whether information is "easily accessible" on a website is highly subjective and varies from person to person. The City's goal is to post information to the City's website that is clear and helps alleviate any potential confusion.

At this time, the City will not be implementing the Grand Jury's recommended reporting methodology. While the Grand Jury's efforts to provide leadership in the area of compensation reporting are notable, the City will continue to provide a web link to the State Controller's Database of Government Compensation in California as a consistent standard. We believe the State Controller's database enables a member of the public to compare compensation between agencies statewide through a common reporting method, reducing potential confusion generating from differing compensation "disclosure models."

Lake Forest will continue to maintain its current web postings and its commitment to post compensation information for Executives and Elected Officials in as clear and straightforward a manner as possible. The City will also continue to refine our communications related to compensation issues while monitoring for emerging best practices.

R.3: Content & Clarity of Employee Compensation Costs – The Grand Jury recommends that all Orange County cities that were rated less than excellent for Content and Clarity for their Employee compensation costs pages upgrade their Employee pages.

Response: The City makes no recommendations on what other cities should do. As for the City of Lake Forest, we currently report employee compensation information to the public in an easily accessible manner, as discussed in our response to R.2.

At this time, the City will not be implementing the Grand Jury's recommended reporting methodology. As referenced above, while the Grand Jury's efforts to provide leadership in the area of compensation reporting are notable, the City will continue to provide a web link to the State Controller's Database of Government Compensation in California as a consistent standard. We believe the State Controller's database enables a member of the public to compare compensation between agencies statewide through a common reporting method, reducing potential confusion generating from differing compensation "disclosure models."

Lake Forest will continue to maintain its current web postings and its commitment to post compensation information in as clear and straightforward a manner as possible. The City will also continue to refine our communications related to compensation issues while monitoring for emerging best practices.

R.4: Transparency of Employer Pension Contribution Rates – The Grand Jury recommends that all Orange County cities post their employer pension annual contribution rates prominently and transparently on their websites.

Response: The City makes no recommendations on what other cities should do. Further, whether information is displayed "prominently and transparently" on a website is highly subjective and varies from person to person. The City recognizes that there is always room for growth and improvement, and to this end the City regularly reviews and updates the content and design of the City's web pages. The City's employer pension contribution rate is disclosed in the Annual Operating Budget, which is posted on the City's website. However, during the next review period, the City will consider posting the City's employer pension annual contribution rate in additional locations on the webpage.

R.5: Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting – The Grand Jury recommends that all Orange County cities include overtime pay and on-call pay in compensation cost reporting on their employees' compensation pages.

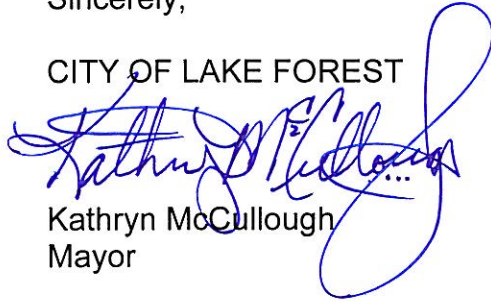
Response: The recommendation as written by the Orange County Grand Jury is unclear as to how "overtime pay" is defined. Overtime pay can be

reported proactively as budgeted, based upon projections for a fiscal year, or retroactively, based upon actual usage. In any given fiscal year, the discrepancy between the proactive and retroactive data points has the potential to be extreme. Nevertheless, the City will not take action to implement this recommendation at this time unless this information is requested by the State Controller as part of its Database of Government Compensation in California.

Thank you for the opportunity to respond to the recommendations prepared by the 2011-12 Orange County Grand Jury in their report entitled "Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?" Should you have any questions, please contact Debra Rose, Deputy City Manager/Director of Management Services, at (949) 461-3414.

Sincerely,

CITY OF LAKE FOREST



Kathryn McCullough  
Mayor

c: Robert C. Dunek, City Manager  
Scott C. Smith, City Attorney  
City Council