



CITY OF NEWPORT BEACH

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October 10, 2012

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

RE: Report of the Orange County Grand Jury – *“Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?”*

Dear Judge Borris:

The attached is the City of Newport Beach’s formal response to the above-noted Grand Jury Report.

If you or any members of the Grand Jury have questions about our response, please do not hesitate to contact City Manager Dave Kiff at dkiff@newportbeachca.gov or 949-644-3001.

Sincerely,

NANCY GARDNER
Mayor of Newport Beach



CITY OF NEWPORT BEACH

MEMORANDUM

FROM: City of Newport Beach, California
DATE: October 9, 2012
RE: Response to a Report of the Orange County Grand Jury titled
"Transparency Breaking Up Compensation Fog – But Why Hide Pension
Costs?"

The Grand Jury's recent report, "*Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?*" obligates the City of Newport Beach (City) to respond no later than October 12, 2012 to:

- Findings 2, 3, 4, and 5; and
- Recommendations 2, 3, 4, and 5.

City Manager Dave Kiff was instructed to respond to the report on the City's behalf. His comments follow.

FINDINGS

Finding 2 – *Content and Clarity Ratings for EXECUTIVE Compensation Cost. 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.*

Response: We **agree** that we can improve the provision of this information.

Finding 3 – *Content and Clarity Ratings for EMPLOYEE Compensation Cost Ratings. 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: We **agree** that we can improve the provision of this information.

Finding 4 – *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.*

Response: We agree that this information is not easy to find on our website, and that can be improved fairly easily.

Finding 5 – *Two key categories are missing from compensation cost reporting. They are overtime pay and on-call pay.*

Response: We **agree** that this information is not easy to determine, but it also varies significantly person to person and year to year. It might be easier to post a year in arrears rather than in the current year.

RECOMMENDATIONS

Recommendation #2 – *The City should upgrade its executive compensation page, with a particular emphasis on pension costs.*

Response: This recommendation has not been implemented, but will be implemented in the future, within roughly six months.

Recommendation #3 – *The City should upgrade its employee compensation cost pages, with a particular emphasis on pension costs, overtime pay, on-call pay, and expanded descriptions."*

Response: This recommendation has not been implemented, but portions of it will be implemented in approximately six months. It may be challenging to include overtime pay and on-call pay by specific individual, given that these numbers change frequently, and can vary year to year. The City will examine ways to provide this information.

Recommendation #4 – *The City should post its employer pension annual contribution rates prominently and transparently on their websites.*

Response: This recommendation has not been implemented, but will be implemented in the future, within roughly six months.

Recommendation #5 – *The City should include overtime pay and on-call pay in compensation cost reporting on their employees' compensation pages.*

Response: As noted in our response to Recommendation #3, the City will examine ways to provide this information in a relevant and timely way. As of the date of this response, this recommendation requires further analysis to examine whether current year or past year information is regularly reportable, and whether the City's current software system could effectively provide it. The analysis will be completed within six months.

If the Grand Jury has any questions or concerns about this response, please contact City Manager Dave Kiff at 949-644-3001 or dkiff@newportbeachca.gov