



CITY OF RANCHO SANTA MARGARITA

Mayor

L. Anthony Beall

Mayor Pro Tem

Steven Baric

Council Members

Carol A. Gamble

Jerry Holloway

Jesse Petrilla

City Manager

Jennifer M. Cervantez

August 28, 2012

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

Dear Judge Borris:

The Rancho Santa Margarita City Council has and continues to fully support the Grand Jury's desire to ensure full public disclosure of all information related to public sector compensation. However, our City has concerns with the Grand Jury's lack of prior communication as to the form required by the Grand Jury for making such disclosures. We noticed our scores were reduced because of *how* we presented the information -- not because of a *lack* of accurate information. Pertaining to the presentation scores, our City was scored low because we did not comply with a preferred method adopted by the Grand Jury *during* its evaluation of the data and the subsequent report. We agree that compliance by cities is very important and will always gladly provide all requested information; however no city can reasonably be expected to comply with formatting requirements that were not conveyed in advance. As a result, we respectfully request that in the future, the Grand Jury's specific requirements relating to data presentation formatting be clearly communicated to our City staff in advance (as opposed to after the fact as occurred this year).

As noted above, this letter is in response to the 2011-2012 Orange County Grand Jury Report entitled "*Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs*". The City Council reviewed the content of the report and has requested that I submit their responses. Below are the City Council's responses to Findings 3, 4 and 5, and Recommendations 3, 4 and 5, as required by the Report.



RESPONSES TO FINDINGS:

Finding 3 (F3) - Content & Clarity for EMPLOYEE Compensation Cost Ratings: Twenty-nine of the thirty-four cities were rated good, average, poor and non-existent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent.

Response: The City partially disagrees with this finding due to being faced with new additional "de facto" compensation reporting criteria for measuring and disclosing compensation information. Those criteria, published by the 2011-2012 Grand Jury in Appendix D of its report *Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs*, ("Report"), were developed after the City had already posted compensation information on its website per requirements of the 2010-2011 Grand Jury. In developing City web site information dedicated to compensation, City Staff included information representative of the 2010-2011 Grand Jury's requirements; and additionally enhanced those disclosures to include all employees' applicable information, following receipt of the 2011-2012 Grand Jury's intended expansion of reporting requirements to include all employees. Furthermore, the City disclosed the same information format and content on its web site for both Executive and Employee compensation, but questions why the former disclosure was rated Excellent, while the latter was rated Poor.

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.

Response: The City agrees with this finding and will post employer pension annual contribution rates prominently to its web site.

Finding 5 (F5) - Inclusion of Overtime and On-Call Pay in Employee Compensation Costs: The Orange County "de facto" standard for Compensation Cost Transparency ("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.



Response: The City partially disagrees with this finding due to being faced with new additional “de facto” compensation reporting criteria for measuring and disclosing compensation information. Those criteria, published by the 2011-2012 Grand Jury in Appendix D of its report *Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs*, (“Report”), were developed after the City had already posted compensation information on its website per requirements of the 2010-2011 Grand Jury. In developing City web site information dedicated to compensation, City Staff included information representative of the 2010-2011 Grand Jury’s requirements; and additionally enhanced those disclosures to include all employees’ applicable information, following receipt of the 2011-2012 Grand Jury’s intended expansion of reporting requirements to include all employees. Furthermore, the City disclosed such information, as applicable in the “Other Pay” column of the 2010-2011 Grand Jury’s Compensation Disclosure Model.

RESPONSES TO RECOMMENDATIONS:

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.**

Response: Staff concurs with the recommendation and will post the recommended Model on the City’s website.

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 websites.**

Response: Staff concurs and will post employer pension annual contribution rates prominently to its website.

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.

Response: Staff concurs with the recommendation and will post the recommended Model on the City's website.

We would also like to note that, at the Rancho Santa Margarita City Council Regular Meeting on August 8, 2012, the City Council expressed concern about the process related to the Grand Jury's development of rating criteria. Specifically, the City Council recommends that future Grand Jury activity rating City disclosure models be communicated **prior** to the actual rating activities, and after allowing the City an appropriate compliance timeframe. It has been recent practice that the compliance and rating criteria are disclosed and clarified upon release of the report and after the Grand Jury has reviewed and rated each City.

Secondly, the City Council respectfully objects to Report terminology that characterizes agency staff receiving less than \$100,000 in compensation as **lower-level** staff members.

Thank you for the Grand Jury's vigilance in maintaining open and transparent government; we appreciate the opportunity to respond to this Report.

Sincerely,

L. Anthony Beall
Mayor