



# Costa Mesa Sanitary District

... an Independent Special District

September 13, 2012

## Board of Directors

Robert Ooten  
James Ferryman  
Mike Scheafer  
James Fitzpatrick  
Arthur Perry

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

## RE: 2011-12 ORANGE COUNTY GRAND JURY REPORT

## Staff

Scott C. Carroll  
General Manager

Dear Judge Borris:

Joan Revak  
Office Manager  
Clerk of the District

In compliance with *Penal Code* §933.05(a) and (b), the following is Costa Mesa Sanitary District's response to the Orange County Grand Jury's report titled, "**Transparency Breaking Up Compensation FOG – But Why Hide Pension Costs.**"

Robin B. Hamers  
District Engineer  
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## FINDINGS

Alan R. Burns  
Legal Counsel

**F2.** "Content & Clarity Ratings for EXECUTIVE Compensation Cost"  
Only three of twenty-three special districts/JPA (13%) were rated excellent for Executive Compensation Cost Content. Nineteen of twenty-three special districts/JPA who received ratings of good, average, poor and nonexistent for Executive Compensation Cost can improve to achieve an excellent rating."

Marcus D. Davis  
Treasurer

**Response:** The Costa Mesa Sanitary District (CMSD) received a very good rating (Grade B+) from the 2011-12 Grand Jury. The total salary and benefit compensation for the general manager position was available in a table format and can be found on the "Transparency" link of CMSD's website. The pension cost for the general manager was also available on the "Transparency" link, but this information was not included in the table, but instead on a different page. The reason why pension costs was not displayed on the table is because we believe pension cost should not be considered compensation. Pension costs are not subject to taxes from the federal IRS or from the California Franchise Tax Board because they do not consider it as income. In other words, it's not money in our pockets. CMSD agree that pension costs should be disclosed to the public, which it was on CMSD's website, but disagree that it should be calculated as part of an employee's compensation.

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In the 2010-11 Grand Jury report called, "**Compensation Survey of Orange County Water and Sanitation Districts**", the Grand Jury recommended that "*if the general manager operates under a contract, then a copy of the current contract should be posted on the district's website.*" (See Page 22 of the 2010-11 report). The 2011-12 Grand Jury did not mention in their report if any of the special districts complied with this recommendation. CMSD did however, comply with the 2010-11 Grand Jury recommendation in which the general manager's contract, along with all of his amendments, are available to view on the "Transparency" link of CMSD's website.

**F3. "Content & Clarity for EMPLOYEE Compensation Cost Ratings**

*Only four of twenty-three special districts and joint power authority (17%) were rated excellent for Employee Compensation Cost Content and Clarity. Nineteen of the twenty-three special districts/JPA were rated good, average, poor and nonexistent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent."*

**Response:** The Costa Mesa Sanitary District (CMSD) received a very good rating (Grade B+) from the 2011-12 Grand Jury. As mentioned above, CMSD agrees that pension costs should be disclosed to the public, which it was available on CMSD's website, but disagree that it should be calculated as part of an employee's compensation.

**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 Costa Mesa Sanitary District (CMSD) agrees with the Grand Jury that employer pension annual contribution rates should be disclosed to the public on local government websites. CMSD disclosed its employer and employee pension annual contribution rates on the "Transparency" link of CMSD's website.

**F5. "Inclusion of Overtime and On-Call Pay in Employee Compensation Costs**

*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. They have become important as the new "de facto" compensation cost reporting standard which now includes all employees."*

**Response:** The Costa Mesa Sanitary District (CMSD) agrees with the Grand Jury that overtime and on-call pay should be included in the compensation cost reporting. In fact, CMSD included all taxable income in the compensation cost report that included standby pay, overtime, car allowance, cell phone allowance, tuition reimbursement, vacation buy out, and the cafeteria plan balance. This information was made available on the "Transparency" link of CMSD's website well before the 2010-11 Grand Jury began its compensation survey on Orange County water and sanitation districts.

**R2.** "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 upgrade their Executive Compensation page. See Appendix D for a suggested full disclosure model which is the same as 2011 with expanded descriptions, but with particular emphasis on pension costs."*

**Response:** Complete. On the "Transparency" link of the Costa Mesa Sanitary District's (CMSD) website is the FY 2011-12 Actual Compensation Disclosure Report that includes the total compensation plus benefits for the general manager and the board of directors. The report includes two new columns that disclose the employers' and employees' share of pension costs paid by CMSD.

**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. See Appendix D for a suggested full disclosure model which is the same as 2011 with the addition of overtime pay, on call pay, and expanded descriptions with particular emphasis on pension costs."*

**Response:** Complete. On the "Transparency" link of the Costa Mesa Sanitary District's (CMSD) website is the FY 2011-12 Actual Compensation Disclosure Report that includes the total compensation plus benefits for each employee at CMSD. The report includes all taxable income such as standby pay, overtime, car allowance, cell phone allowance, tuition reimbursement, vacation buy out and the cafeteria plan balance. In addition, two new columns that disclose the employers' and employees' share of pension costs paid by CMSD.

**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. Current and recent rates would be instructive and informative. It is recognized that some already do.”*

**Response:** The Costa Mesa Sanitary District (CMSD) is one of the local government agencies referenced by the report that had posted its employer as well as employee pension annual contribution rates before the 2010-11 and 2011-12 Grand Juries began assessing compensation and transparency of Orange County local governments. The current pension contribution rates for both employer and employee is disclosed on the “Transparency” link of CMSD’s website.

**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:** Complete. See R3.

In conclusion, the Costa Mesa Sanitary District believes it has one of the most comprehensive and transparent web page for employee compensation and benefits in Orange County and possibly in California. In fact, the 2010-11 Grand Jury made the following statement in their compensation survey report of Orange County water and sanitation districts:

*“As an example of what the Grand Jury would consider best practices in this area, reference is made to the website of the Costa Mesa Sanitary District. Through the “Transparency” link on their home page, access is provided to an extensive variety of compensation and benefit information. Additional links to “Agenda & Minutes” and “Finances” round out what is a superior website in terms of information accessibility.”*

We are proud to be recognized by the Grand Jury for our openness and for establishing a system of transparency that will help build public trust in their local government. Our unofficial motto is that “we have nothing to hide” and we will continue to promote an openness that will result in a government that is accountable, efficient and effective to providing the public good.

The Honorable Thomas J. Borris  
Presiding Judge of Orange County Superior Court  
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Sincerely,



Robert J. Ooten  
President

C: CMSD Board of Directors