



August 31, 2012

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

**SUBJECT: EOCWD RESPONSE TO 2011-12 GRAND JURY REPORT:  
"Transparency Breaking Up Compensation Fog – But Why  
Hide Pension Costs?"**

DIRECTORS

Richard E. Barrett  
Richard B. Bell  
Douglas M. Chapman  
John Dulebohn  
William Vanderwerff

Lisa Ohlund  
General Manager

Dear Judge Borris:

Thank you for this opportunity to respond to the subject Grand Jury Report. The District carefully reviewed this report and takes seriously its obligation to provide clear and accurate information to the public, in a readily accessible manner. To that end, we provide the following comments:

## **Response to Findings**

The Grand Jury has requested that the District respond to Findings/ Conclusions F-2, F-3, F-4, F-5 and Recommendations R-2, R-3, R-4, R-5. In accordance with Penal Code Sections 933 and 933.05, the following are the District's responses.

### **F2. Content and Clarity Ratings for EXECUTIVE Compensation Costs**

Content and Clarity for the OC cities elected officials and executives over \$100,000 in base salary is improving in this 2<sup>nd</sup> year of ratings. Special Districts and Joint Powers Authority (JPA) - Only three of the twenty-three special districts.JPA (13%) were rated excellent for Executive Compensation Cost Content and Clarity.

**Response: We partially disagree, we believe that we should have been included in the "excellent" category. Though none of our elected officials and executives are paid over \$100,000 in base salary, beginning in September 2011, the District created a dedicated webpage - called "Compensation Information" - on our website to report all employee compensation, including elected official and executive compensation. This was rated excellent ("A") for accessibility in the Report.**

**The Compensation Information webpage includes both a link to an Excel spreadsheet that shows detailed salary and benefits information as well as a table (shown on the webpage itself) that shows a summary of wages and benefits in two separate columns and then added together to show total compensation. Unfortunately, a webpage link to the spreadsheet was not functional when the Grand Jury visited our site, so we received a "C" (average) rating. We received a call from a Grand Jury Member asking if this information was available and fixed the problem later that same day; we advised the Grand Jury of this, but no credit was given.**

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**F3. Content & Clarity Ratings for EMPLOYEE COMPENSATION Cost Ratings**

There is the most opportunity for more transparent reporting in the Content and Clarity of Employee Compensation Cost reporting on local government websites. Special Districts and Joint Powers Authority (JPA) – Only four of the twenty-three special districts and joint powers authority (17%) were rated excellent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent.

**Response: We partially disagree, we believe we should have been included in the “excellent” category. As we noted in our response to F2, our Compensation Information webpage on our website includes detailed and summary information regarding wages, benefits and total compensation for all employees, and while the link to this information was non-operational at the time of the Grand Jury’s visit, it was quickly repaired (within ½ hour). The fact that it existed at the time of the Grand Jury’s visit and that it was quickly repaired, should have at least been noted in the Grand Jury’s report. Additionally, it should be noted that our information includes not only the District’s pension formula (2% at 60), but also includes FY 2011 salary information even though we are not yet required to report it to the State Controller’s Office.**

**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.

Specifically, these employer contribution percentages refer to the annual percentages of employee salary that CalPERS (California Public Employees Retirement System) or OCERS (Orange County Employee Retirement System) requires of Orange County local governments to fund their employee guaranteed pension plans.

OCERS has the employer pension contribution rates buried in detailed actuarial reports and presentations on the OCERS website or requires member passwords to access these annual governmental funding rates. Thus, there is limited transparency for the public of these governmental pension contribution rates.

**Response: We agree. The District included the employer contribution percentages on the “Compensation Information” webpage beginning on August 30, 2012. This information is included under the heading entitled “Employee Compensation.”**

For FY 2012/13 the employer (District) rate is 7.846% and the employee rate is 7.0% for a total of 14.846%; the District currently pays both the employer and employee portion of this cost.

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

The Orange County “de facto” standard for CCR 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.

These two cost categories can be significant for public safety employees. However, it is recognized that these cost categories generally do not apply to elected officials. On the other hand, if overtime does not occur for various employee positions, it is important for citizens to be aware of that in the annual reporting.

**Response: We agree. We have included them previously in the compensation cost reporting, however they have been lumped in with regular compensation. Beginning September 10, 2012, we will list the overtime and stand-by pay (on-call pay) received by employees in separate columns on the report.**

**Response to Recommendations R2, R3, R4, R5**

**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: The recommendation has been implemented and was implemented at the time of the drafting of the Grand Jury’s Report.**

**R3. Content & Clarity of EMPLOYEE Compensation Costs**

The Grand Jury recommends that the County of Orange and all Orange County cities, districts and joint powers 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: The recommendation has been partially implemented and will be completely implemented (inclusive of overtime and stand-by pay information) by September 10, 2012.**



**R4. Transparency of Employer Pension Contribution Rates**

The Grand Jury recommends that all Orange County cities, districts and joint powers authority, as well as the County of Orange, post their employer pension annual contribution rates prominently and transparently on their web sites. Current and recent rates would be instructive and informative. It is recognized that some already do.

The Grand Jury recommends that OCERS display their member organizations annual contribution rates in a transparent way to the general public without password access on their web site. For a suggested model, see <http://calpers.ca.gov> and enter "public agency employer contribution search."

**Response: The District implemented this recommendation on August 30, 2012.**

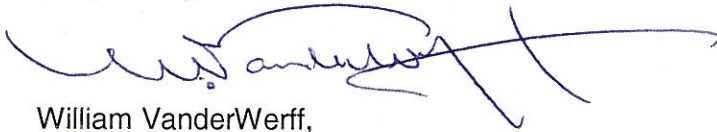
**R5 Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting**

The Grand Jury recommends that all Orange County cities, districts and joint powers 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: As noted in the response to R3, the District will implement this recommendation by September 10, 2012.**

Please contact me or our General Manager, Lisa Ohlund at 714-538-5815 should you have any questions or concerns.

Respectfully Submitted,



William VanderWerff,  
President East Orange County Water District

Copies to: Joan Arneson, EOCWD Board Secretary  
Lisa Ohlund, General Manager