



# El Toro Water District

*"A District of Distinction"*

Serving the Public - Respecting the Environment

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Robert R. Hill

October 1, 2012

Orange County Grand Jury  
700 Civic Center Drive West  
Santa Ana, CA 92701

Attention: Mr. Roy B. Baker III, Grand Jury Foreman

Subject: El Toro Water District Response to the "Transparency Breaking Up  
Compensation FOG – But Why Hide Pension Costs" Report Findings and  
Recommendations

Dear Mr. Baker:

The El Toro Water District respects the good work of grand juries throughout the State and respectfully submits our formal response to the aforementioned report findings and recommendations. If you should have any questions or require further information do not hesitate to contact me at (949) 837-7050, Ext. 219 or by email at [bhill@etwd.com](mailto:bhill@etwd.com).

Sincerely,

EL TORO WATER DISTRICT



Robert R. Hill, General Manager

Cc: Grand Jury File

## **FINDINGS:**

### **Finding 2 (F2) – Content and Clarity Ratings for EXECUTIVE Compensation Cost**

*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. On the other hand, there is understandably even more potential improvement possible for the Special Districts and joint power authority, which are in their 1<sup>st</sup> year of ratings.*

#### **Special District and Joint Power Authority (JPA):**

*Only three of twenty-three special districts/JPA (13%) were rated excellent for Executive Compensation Cost Content and Clarity.*

- *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.*

**Response:** ETWD has not independently verified the results put forth in this finding; however, ETWD agrees that special districts can achieve an excellent rating using various presentation formats.

### **Finding 3 (F3) – Content & Clarity 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 Power Authority (JPA):**

*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:** ETWD has not independently verified the results put forth in this finding; however, ETWD agrees that special districts can achieve an excellent rating using various presentation formats.

### **Finding 4 (F4) – Transparency of Employer Pension Contribution Rates**

*Many OC local government websites do not generally post their employer pension annual contribution rates prominently to their websites 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 OC local governments to fund their employee guaranteed pension plans.*

*OCERS has the employer pension contribution rates buried in detailed actuarial reports and presentation 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:** ETWD has not independently verified the results put forth in this finding; however, ETWD agrees that special districts can highlight Pension Contribution Rates on their respective websites using various presentation formats.

**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.*

*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:** ETWD has not independently verified the results put forth in this finding; however, ETWD agrees that special districts can incorporate and/or highlight overtime pay and on-call pay on their respective websites using various presentation formats.

**RECOMMENDATIONS:**

**Recommendation 2 (R2) – Content and Clarity of EXECUTIVE Compensation Costs**

*The Grand Jury recommends that each of the forty-one of the fifty-seven OC 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:** ETWD agrees with this recommendation. To remain consistent with statewide public employee compensation reporting standards as set forth by the California State Controller's Office, ETWD will report Elected Official and Executive compensation on its website consistent with the information reported to the State Controller's website. ETWD will continue to follow this statewide process on compensation reporting pursuant to the California State Controller's standards. This reporting will commence with calendar year 2012 which will be posted in the first quarter of 2013.

**Recommendation 3 (R3) – Content and Clarity of EMPLOYEE Compensation Costs**

*The Grand Jury recommends that the County of Orange and all OC 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:** ETWD agrees with this recommendation. To remain consistent with statewide public employee compensation reporting standards as set forth by the California State Controller's Office, ETWD will report Employee compensation on its website consistent with the information reported to the State Controller's website. ETWD will continue to follow this statewide process on compensation reporting pursuant to the California State Controller's standards. This reporting will commence with calendar year 2012 which will be posted in the first quarter of 2013.

**Recommendation 4 (R4) – Transparency of Employer Pension Contribution Rates**

*The Grand Jury recommends that all OC 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.*

*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 website. For a suggested model, see <http://calpers.ca.gov> and enter "public agency employer contribution search."*

**Response:** ETWD agrees with this recommendation. To remain consistent with statewide public employee compensation reporting standards as set forth by the California State Controller's Office, ETWD will report compensation related information on its website consistent with the information reported to the State Controller's website including Employer Pension Contribution Rates. ETWD will continue to follow this statewide process on compensation reporting pursuant to the California State Controller's standards. This reporting will commence with calendar year 2012 which will be posted in the first quarter of 2013.

**Recommendation 5 (R5) – Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting**

*The Grand Jury recommends that all OC 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:** ETWD agrees with this recommendation. To remain consistent with statewide public employee compensation reporting standards as set forth by the California State Controller's Office, ETWD will report Overtime pay and On-call pay compensation on its website consistent with the information reported to the State Controller's website. ETWD will continue to follow this statewide process on compensation reporting pursuant to the California State Controller's standards. This reporting will commence with calendar year 2012 which will be posted in the first quarter of 2013.