

*District Mission:
Dedicated to Satisfying
our Community's
Water Needs*

October 9, 2012

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

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Subject: Response to the 2011-2012 Orange County Grand Jury Report,
"Transparency Breaking Up Compensation Fog - But Why Hide Pension
Costs?"

Honorable Judge Borris:

The following represents Mesa Consolidated Water District's (Mesa Water) response
to the Orange County Grand Jury findings and recommendations.

GRAND JURY FINDINGS:

F2 - Content & 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 2nd 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 1st year of ratings.

- Special Districts 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.**²⁶

F2 Response: Mesa Water agrees with this finding. Since the time that the Orange County Grand Jury researched information for this report, Mesa Water improved its online page for Executive Compensation Cost Content and Clarity information, now listed by position title on the District's website at www.MesaWater.org, to include full transparency regarding Executive Salary and Benefits. The compensation information now includes a column for total salary, total other pay— such as overtime,

on-call or standby/duty, deferred compensation, incentive pay, officer stipend, vehicle allowance, and/or pay in lieu of time off—total insurance premiums, and total pension costs, as well as total compensation for all Mesa Water employees, including executives.

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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 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**.

F3 Response: Mesa Water agrees with this finding. Please refer to the response to F2 above.

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.

F4 Response: Mesa Water agrees with this finding. Please refer to the response to F2 above.

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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.

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 the aware of that in the annual reporting.

F5 Response: Mesa Water agrees with this finding. Please refer to the response to F2 above.

GRAND JURY RECOMMENDATIONS:

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.

R2 Response: The recommendation has been implemented. Please refer to Mesa Water's response to F2 above.

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

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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.

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R3 Response: The recommendation has been implemented. Please refer to Mesa Water's response to F2 above.

JAMES R. FISLER
First Vice President
Division II

R4 - Transparency of Employer Pension Contribution Rates -

JAMES F. ATKINSON
Vice President
Division IV

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

SHAWN DEWANE
Vice President
Division V

TRUDY OHLIG-HALL
Vice President
Division III

R4 Response: The recommendation has been implemented. Please refer to Mesa Water's response to F2 above.

PAUL E. SHOENBERGER, P.E.
General Manager

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

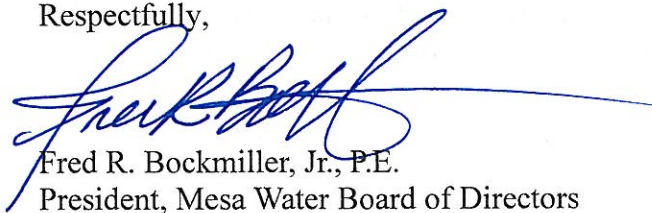
COLEEN L. MONTELEONE
District Secretary/
Treasurer

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.

**BOWIE, ARNESON,
WILES & GIANNONE**
Legal Counsel

R5 Response: The recommendation has been implemented. Please refer to Mesa Water's response to F2 above.

Respectfully,



Fred R. Bockmiller, Jr., P.E.
President, Mesa Water Board of Directors

c: Roy B. Baker III, Foreman, 2011-2012 Orange County Grand Jury
Mesa Water Board of Directors