



Board of Directors

Margie L. Rice
Joy L. Neugebauer
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General Manager
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August 28, 2012

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

Re: Response of Midway City Sanitary District to the Grand Jury Report: Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?”

Dear Judge Borris:

The Midway City Sanitary District Board of Directors reviewed in its entirety at a publicly held meeting the Grand Jury Report entitled “Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?” (“Report”) and submits the following comments on the findings and recommendations contained in the Report in conformity with California Penal Code Sections 933, subdivision (c), and 933.05. The comments provided below address the findings and recommendations requiring a response from Midway City Sanitary District (“MCSD” or “District”).

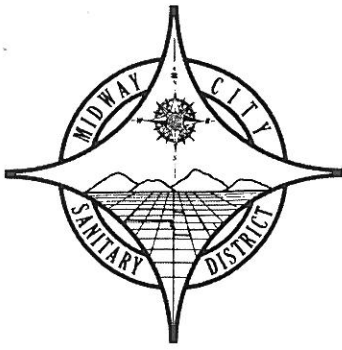
Response to Findings

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 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 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.



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To the extent Finding 4 is applicable to MCSD; MCSD partially disagrees with this Finding only to the extent that the Finding implies that MCSD does not make annual pension contribution information available on its website. The District has provided annual pension costs in actual dollars on its website.

MCSD operates with a high degree of transparency and is held accountable to the public. As a direct result, the Midway City Sanitary District has received an “AAA” rating for compensation cost transparency in the Grand Jury Report. MCSD was the only one of fifteen water & sanitation districts in Orange County to receive such a distinction for its excellence for accessibility, content and clarity in providing compensation cost transparency.

MCSD was also only one of three special districts in Orange County to be placed on the OC Grand Jury’s 2012 Gold Honor Roll for supplying the best “Compensation Cost Transparency” in government for citizens of the District for accessibility, content and clarity for elected/executive and employee compensation.

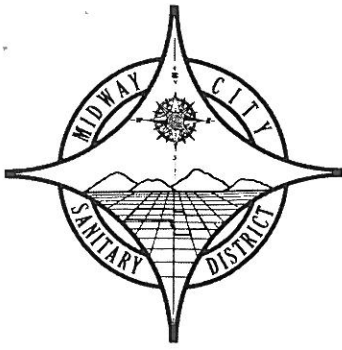
The District notes, that on its website, it has provided the annual pension costs in actual employer dollars and has now added the employer and employee contribution percentages. MCSD believes that this format provides a more transparent and easy to understand format of the actual cost for the retirement benefit. The actual dollar cost information was available on the District’s website prior to the Grand Jury’s review of the District’s website and issuing its report. MCSD will continue to report pension costs in a transparent manner.

The MCSD Board of Directors and staff continually look for ways to provide easy access and easy to understand information about the District and to improve its operations and the valuable cost effective services and programs it provides.

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.



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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.

To the extent Finding 5 is applicable to MCSD; MCSD partially disagrees with this Finding only to the extent that the Finding implies that MCSD does not make overtime and on-call pay available on its website.

Prior to the release of the Grand Jury's report, MCSD already provided the 2011 total cost of employee overtime, on-call and other pay in an easily accessible format on the District's website. The District has since separately identified overtime pay and on-call pay on its website.

MCSD believes that this information is necessary in order to provide clear, concise, and easy to understand information to its customers.

Response to Recommendations

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.

This recommendation has been implemented.

The actual cost of pension contributions was available on the District's website prior to the Grand Jury's review of the District's website and issuance of its report. MCSD will continue to look for ways to provide easy access and easy to understand information about the District the community it serves.

Please see response to F4.

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



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Appendix D for a suggested full disclosure model for these new compensation cost reporting agencies.

This recommendation has been implemented.

MCSD provided this information in an easy to read format for its customers posted on its website prior to the Grand Jury's review of the District's website and issuance of its Report. MCSD has further modified the information on the website as suggested by the Grand Jury.

Please see response to F5.

In conclusion, the Midway City Sanitary District Board of Directors thanks you for the opportunity to review and comment on the Grand Jury's Report.

Sincerely,

Margie L. Rice
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Midway City Sanitary District

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