



AFFILIATED AGENCIES

Orange County  
Transit District

Local Transportation  
Authority

Service Authority for  
Freeway Emergencies

Consolidated Transportation  
Service Agency

Congestion Management  
Agency

Service Authority for  
Abandoned Vehicles

September 10, 2012

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

Dear Judge Borris:

The Orange County Transportation Authority (OCTA) is pleased to respond to the findings and recommendations of the June 14, 2012, report issued by the Orange County Grand Jury entitled, "Transparency Breaking Up Compensation Fog – But Why Hide the Pension Costs?"

OCTA takes very seriously our responsibility to Orange County taxpayers in all that we do to develop and deliver transportation solutions that enhance the quality of life and keep Orange County moving. Similarly, we appreciate the Orange County Grand Jury's civil, or "watchdog," responsibilities that include the examination of all aspects of county government, including special districts, to ensure the county is being governed honestly and efficiently and public funds are being handled appropriately. OCTA believes that any thoughtful review of how to handle the public's business can only provide for a better outcome.

In regards to this report, OCTA was among the very first of any Orange County agency to post employee compensation information on its website. While OCTA received high marks in general in the report, there are some areas brought to our attention where we can improve in terms of how we are displaying employee compensation. Our responses to the findings and recommendations will outline these areas. Per the direction of the Orange County Grand Jury, OCTA is required to respond to Findings 2-5 and Recommendations 2-5 only, which are attached.

Thank you again for the opportunity to respond to this report. If you have any questions, please feel free to contact me at (714) 560-5584.

Sincerely,

Will Kempton  
Chief Executive Officer

WK:ds  
Enclosure

**Orange County Transportation Authority (OCTA)  
Responses to Findings and Recommendations  
to the June 14, 2012, Orange County Grand Jury Report**

**“Transparency Breaking Up Compensation Fog – But Why Hide the Pension Costs?”**

**Finding 2 (F2) – Content and Clarity Ratings for Executive Compensation Costs: Only 13 percent of Special districts/Joint Powers Authority (JPA) were rated excellent.**

OCTA disagrees with this finding. The Orange County Grand Jury gave OCTA a “B” in this category citing that OCTA needs to report retirement plan contribution amounts as a standalone item for full transparency, and not bundle the information. We believe that by the Grand Jury’s own criteria, OCTA should have received an “A.”

The actual criteria for an “A” grade, listed on page nine of the report, says that “Full total salary and benefits compensation cost disclosure is needed in table format, including Defined Benefit Plan Pension Costs.” That information is provided on OCTA’s website, including retirement costs, in a table format. OCTA was ostensibly marked down because pension benefits are grouped on the web page with other benefits such as health insurance, life insurance, and disability insurance. The stated criterion does not say that retirement costs need to be shown separately.

OCTA staff that attended a pre-release briefing on this report had discussions on this issue with a Grand Juror at the meeting and noted this concern in writing, yet the grade was not changed. While OCTA does not agree with this finding, we will use the template provided by the Grand Jury in appendix D of their report as noted in our response to Recommendation 2 (on the next page) which addresses this issue.

**Finding 3 (F3) – Content and Clarity for Employee Compensation Cost Ratings: Only 17 percent of Special District and JPAs were rated excellent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent.**

OCTA agrees with this finding and our response to Recommendation 3 expands on this matter.

**Finding 4 (F4) – Transparency of Employer Pension Contribution Rates: Many Orange County government websites do not post their employer contribution rates prominently to their websites as part of their compensation cost disclosure to the public.**

OCTA agrees with this finding and our response to Recommendation 4 expands on this matter.

**Finding 5 (F5) – Inclusion of Overtime and On-Call Pay in Employee Compensation Costs:** Two key categories are missing from compensation cost reporting. They are overtime and on-call pay.

OCTA agrees with this finding. While OCTA executive staff and many administrative employees are not eligible for overtime pay (OCTA does not have on-call pay for any employees), OCTA coach operators and some administrative employees are eligible for overtime. OCTA currently reports total employee compensation which includes overtime compensation to the State Controller's office per their reporting requirements.

## **RECOMMENDATIONS**

**Recommendation 2 (R2) -- Content and Clarity Ratings for Executive Compensation Costs:** The Grand Jury recommends that for those agencies rated less than excellent for their content and clarity for their executive compensation costs page upgrade their websites along the lines of their suggested format, Appendix D, included in their report.

This recommendation has been implemented by OCTA. While OCTA maintains that the Grand Jury's own methodology was not followed and that it was an error for OCTA to receive less than an "A" in this category based on the Grand Jury's criteria, OCTA has updated its website page to reflect executive compensation using the template format provided in appendix D of the report. Specifically, pension compensation costs have been listed separately for OCTA's executives.

**Recommendation 3 (R3) -- Content and Clarity for Employee Compensation Cost Ratings:** The Grand Jury recommends that Special Districts rated less than excellent for content and clarity for their employee compensation costs pages upgrade their websites along the lines of their suggested format, Appendix D, included in their report.

This recommendation has not yet been implemented by OCTA. The OCTA is fully compliant with the State Controller's reporting requirements on employee compensation. As the Grand Jury's report notes, potential changes in reporting employee compensation to the State Controller's office may be forthcoming, and OCTA will adjust reporting accordingly should such changes occur. Given the number of OCTA administrative employees and operators, combined with constant changes in our workforce, OCTA believes the maintenance required to keep current data outweighs the public benefit suggested.

**Recommendation 4 (R4) -- Transparency of Employer Pension Contribution Rates: The Grand Jury recommends that all Orange County public agencies reviewed post their employee pension annual contribution rates prominently and transparently on their websites.**

OCTA has implemented this recommendation. The following was added to the content discussing employee compensation on OCTA's website after receiving the Grand Jury's report:

“OCTA participates in the 1.667% @ 57 1/2 retirement plan offered by the Orange County Employees Retirement System (OCERS). The employee share of retirement benefit costs are based on age of entry into the retirement system as a percentage of salary. The cost of the employer share of retirement benefits is based on 20.96% of each employee's salary. OCTA pays both the employer and employee share of the retirement costs for administrative employees, similar to many public agencies in Orange County.”

**Recommendation 5 (R5) -- Transparency of Overtime and On-Call Pay in Employee Compensation Cost Reporting: The Grand Jury recommends that all Orange County Special Districts include overtime pay and on-call pay in compensation cost reporting on their employee compensation pages.**

This recommendation has not yet been implemented. While OCTA currently reports total employee compensation, which includes overtime compensation to the State Controller's office, it does not break out separately employee overtime compensation. OCTA will continue to follow the reporting requirements of the State Controller's office. Should new requirements on employee compensation reporting be developed, OCTA will remain compliant with the State Controller's office. As with our response to Recommendation 3 above, given the number of OCTA administrative employees and operators, combined with constant changes in our workforce, OCTA believes the maintenance required to keep current data outweighs the public benefit suggested.