

DIRECTORS

CLAUDIA C. ALVAREZ, ESQ.  
PHILIP L. ANTHONY  
DON BANKHEAD  
KATHRYN L. BARR  
DENIS R. BILODEAU, P.E.  
SHAWN DEWANE  
CATHY GREEN  
STEPHEN R. SHELDON  
HARRY S. SIDHU, P.E.  
ROGER C. YOH, P.E.



**ORANGE COUNTY WATER DISTRICT**

ORANGE COUNTY'S GROUNDWATER AUTHORITY

OFFICERS

President  
CLAUDIA C. ALVAREZ, ESQ.  
  
First Vice President  
PHILIP L. ANTHONY  
  
Second Vice President  
DON BANKHEAD  
  
General Manager  
MICHAEL R. MARKUS, P.E., D.WRE

August 17, 2012

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

And

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

SUBJECT: JUNE 7, 2012 GRAND JURY REPORT "TRANSPARENCY BREAKING UP COMPENSATION FOG – BUT WHY HIDE PENSION COSTS?"

Dear Judge Borris:

As required by the June 7, 2012 Grand Jury letter the Orange County Water District (District) has reviewed the report title "Transparency Breaking Up Compensation Fog – But Why Hide the Pension Cost?"

The District was required to respond to Findings 2-5 and Recommendations 2-5. The original Findings and Recommendations are provided below along with the District's response.

**FINDINGS**

Finding 2 (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.

- o Special Districts and Joint Power Authority (JPA):  
Only three of 23 special districts/JPA (13%) were rated excellent for Executive Compensation Cost Content and Clarity.
  - 19 of 23 special districts/JPA who received ratings of good, average, poor and nonexistent for Executive Compensation Cost and improve to achieve an excellent rating.<sup>26</sup>

***The District concurs with the overall goal of the Grand Jury to improve upon executive compensation transparency. The District has worked over the past several months to improve the clarity and content of executive staff compensation and welcomes another review by the Grand Jury of our website.***

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.

- o Special Districts and Joint Power Authority (JPA):  
Only four of 23 special districts and joint power authority (17%) were rated excellent for Employee Compensation Cost Content and Clarity.
  - 19 of the 23 special districts/JPA were rated good, average, poor and nonexistent for Employee Compensation Cost Content and Clarity, all of whom could improve to excellent.

***The District concurs and has also worked over the past several months to improve the clarity and content of employee compensation and welcomes another review by the Grand Jury of our website.***

Finding 4 (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 government funding rates. Thus, there is limited transparency for the public of these governmental pension contribution rates.

***The District concurs but does not belong to CalPERS or OCERS and has a defined contribution retirement plan which is included in our employee and executive staff compensation tables.***

Finding 5 (F5) – Inclusion of Overtime & 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.

***The District concurs - Overtime and On-Call Pay is a relatively minimal amount at the District and has been included in the overall compensation tables.***

**RECOMMENDATIONS**

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

The Grand Jury recommends that each of the 41 of the 57 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 2011with expanded descriptions, but with particular emphasis on pension costs.

***The District concurs and has upgraded the compensation tables on our website, WWW.OCWD.com. The model suggested by the Grand Jury is the basis for the new OCWD compensation tables that are organized by overall compensation from highest to lowest. The Executive Compensation will presumably be listed first, thus eliminating the need for a separate Executive Compensation table.***

Recommendation 3 (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 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.

***The District concurs and has upgraded the compensation tables on our website, [www.OCWD.com](http://www.OCWD.com).***

Recommendation 4 (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 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."

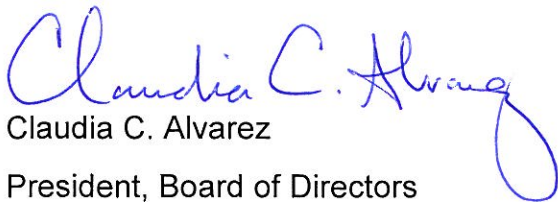
***The District concurs but does not belong to CalPERS or OCERS and has a defined contribution retirement plan that is included in its employee and executive staff compensation tables.***

Recommendation 5 (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 Appendix D for a suggested full disclosure model for these new compensation cost reporting categories.

***The District concurs - Overtime and On-Call Pay is relatively nominal at the District and has been included in the overall compensation tables.***

Sincerely,

  
Claudia C. Alvarez  
President, Board of Directors