



RESOLUTION NO. 2012-09-01

RESOLUTION OF THE BOARD OF DIRECTORS OF SANTA MARGARITA WATER DISTRICT, ORANGE COUNTY, CALIFORNIA, ADOPTING RESPONSE TO GRAND JURY REPORT "*TRANSPARENCY BREAKING UP COMPENSATION FOG – BUT WHY HIDE PENSION COSTS*"

WHEREAS, the County of Orange Grand Jury issued the report "Transparency Breaking Up Compensation Costs – But Why Hide Pension Costs" (Report) on June 14, 2012; and

WHEREAS, the Report contains specific Findings and Recommendations by the Grand Jury concerning Special Districts within Orange County; and


WHEREAS, the District has reviewed the Report, Findings and Recommendations and has prepared the attached response.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Board of Directors of the Santa Margarita Water District does hereby approve and adopt the Santa Margarita Water District's response to the Grand Jury "*Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs*" Report and directs the General Manager to forward said response to the Grand Jury.

ADOPTED, SIGNED AND APPROVED this 14<sup>th</sup> day of SEPT 2012.

  
\_\_\_\_\_  
President of the Board of Directors  
Santa Margarita Water District


ATTEST:

  
\_\_\_\_\_  
Secretary of the Board of Directors  
of Santa Margarita Water District

STATE OF CALIFORNIA    )  
  )ss.  
COUNTY OF ORANGE    )

I, ELIZABETH WAGNER HULL, Secretary of the Board of Directors of the Santa Margarita Water District, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors of said District at a regular meeting held on the 14th day of September, 2012 and that it was so adopted by the following vote:

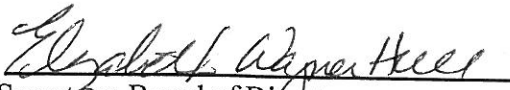
AYES: DIRECTORS:	LAWSON, FAUBEL, WILSON, OLSON, JACOBS
NOES: DIRECTORS:	NONE
ABSENT: DIRECTORS:	NONE
ABSTAIN: DIRECTORS:	NONE

  
Secretary, Board of Directors  
Santa Margarita Water District

I, ELIZABETH WAGNER HULL, Secretary of the Board of Directors of the Santa Margarita Water District, do hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 2012-09-01 of said Board, and that the same has not been amended or repealed.

DATED:       September 14, 2012

(Seal)

  
Secretary, Board of Directors  
Santa Margarita Water District

Response to Grand Jury Report:

TRANSPARENCY BREAKING UP COMPENSATION FOG  
- BUT WHY HIDE PENSION COSTS?

**FINDINGS**

***Finding 1 (F1) - Accessibility Ratings for Cities, Special Districts and JPAs***

*Accessibility to Compensation Costs for Orange County cities web-sites experienced 92% improvement this year, but there is still room for improvement at some cities. Accessibility to Compensation Costs on Orange County websites for districts and joint power authority (JPA) has room for improvement, even though 70% were rated Excellent.*

**Response:** SMWD has not independently verified the results put forth in this finding; however, SMWD continues to internally review its website and incorporate changes to further improve accessibility and transparency. In the past year, SMWD consulted with Bill Mitchell, a government transparency expert (formerly with Orange County Common Cause) and updated its website to assist the public in easily obtaining information about the District, including:

- 1) Added "Quick Links" on its website homepage to information about "Compensation" and "Budgets and Finance"
- 2) Posted the following information:
  - a. Compensation for the Board of Directors, General Manager and District employees
  - b. Last twelve months of Board meeting agendas, minutes and reports
  - c. Monthly operating budget, financial statement and investment portfolio information;
  - d. Capital improvements budget;
  - e. SMWD Code of Conduct and Expense Reimbursement Policy;
  - f. Employee benefits.

***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.*

**Response:** SMWD has not independently verified the results put forth in this finding; however, SMWD continues to internally review its website and, if needed, incorporate changes to further improve accessibility and transparency. In addition, SMWD is fully compliant with the compensation reporting standards set forth by the California State Controller's Office. SMWD posts the salary range for all positions, including those in executive management and who exceed \$100,000 base salary per year.

***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.*

**Response:** SMWD has not independently verified the results put forth in this finding; however, SMWD continues to internally review its website and, if needed, incorporate changes to further improve accessibility and transparency. In addition, SMWD is compliant with the compensation reporting standards set forth by the California State Controller’s Office.

***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 governmental funding rates. Thus, there is limited transparency for the public of these governmental pension contribution rates.*

**Response:** SMWD has not independently verified the results put forth in this finding; however, SMWD provides a prominent link labeled “Compensation Information” on its website homepage with specific information on benefits provided to employees. In addition, SMWD is compliant with the compensation reporting standards set forth by the California State Controller’s Office.

***Finding 5 (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 that in the annual reporting.*

**Response:** SMWD has not independently verified the results put forth in this finding; however, overtime and on-call pay earned by SMWD employees is included in the total compensation reported on its website under “Compensation Information” as reported to the California State Controller’s Office under “Total Wages Subject to Medicare (Box 5 of W-2).”

**RECOMMENDATIONS**

***Recommendation 1 (R1) - Access for Compensation Costs Transparency -***

*The Grand Jury recommends that each of the sixteen Orange County cities, districts and joint power authority that were rated less than Excellent for Accessibility upgrade their access to compensation costs. The access should be intuitive, readily identifiable on the web site home page and provide easy navigation within one or very few "clicks."*

**Response:** SMWD agrees with this recommendation. Under SMWD's "Quick Links" column on its homepage, a direct link is available to both "Compensation Information" and "Budgets and Finance" that is easily accessible and readily identifiable to the public. With one click, the public can access these pages.

***Recommendation 2 (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.*

**Response:** SMWD agrees with this recommendation; however, to remain consistent with statewide public employee compensation reporting standards as set forth by the California State Controller's Office, SMWD reports Elected Official and Executive compensation on its website consistent with the information reported on the State Controller's website. SMWD will continue to follow this statewide process on compensation reporting pursuant to the California State Controller's standards.

***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.*

**Response:** SMWD agrees with this recommendation; however, to remain consistent with statewide public employee compensation reporting standards as set forth by the California State Controller's Office, SMWD reports Employee compensation on its website consistent with the information reported on the State Controller's website. SMWD will continue to follow this statewide process on compensation reporting pursuant to the California State Controller's standards.

***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."*

**Response:** SMWD agrees with this recommendation and has posted the current employer pension annual contribution rate and it is included on SMWD's website under "Compensation Information" in the section titled "Employee Benefits."

***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.*

**Response:** SMWD agrees with this recommendation and includes overtime pay and on-call pay in compensation reporting. Such pay is included in the total compensation reported on SMWD's website under "Compensation Information" as reported to the California State Controller's Office under "Total Wages Subject to Medicare (Box 5 of W-2)."