

**SERRANO WATER DISTRICT  
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**Directors**

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August 14, 2012

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

Re: Response of Serrano Water District to Orange County Grand Jury Report  
"Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?"

Dear Judge Borris:

Pursuant to California Penal Code Sections 933(c) and 933.05, the Board of Directors of the Serrano Water District ("SWD") which is the governing board of SWD, has approved this letter responding to the Findings and Recommendations in the Orange County Grand Jury's June 7, 2012 report entitled "*Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?*" (the "Report"). The Report requests that SWD respond to its Findings F2, F3, F4 and F5, and Recommendations R2, R3, R4 and R5.

SWD responds as follows to the Findings and Recommendations of the Report:

**Grand Jury Finding F2:** "Content and clarity for the OC cities elected officials and executives over \$100,000 in base salary is improving in this 2<sup>nd</sup> year of ratings. On the other hand, there is understandably more potential improvement possible for the Special Districts and join power authority, which are in their first year of ratings."

**Response to Finding F2:** SWD agrees with Finding F2. SWD notes that it received a "B," or "Good," rating for Executive and Elected Officials compensation cost reporting by the Grand Jury.

**Grand Jury Finding F3:** “There is the most opportunity for more transparent reporting in the Content and Clarity of Employee Compensation Cost reporting on local government websites.”

**Response to Finding F3:** SWD agrees with Finding F3. SWD notes that it received a “B,” or “Good,” rating for Employee compensation cost reporting by the Grand Jury.

**Grand Jury Finding F4:** “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.”

**Response to Finding F4:** Based on the information set forth in the Grand Jury Report (and without independently investigating the matter), SWD agrees with Finding F4.

**Grand Jury Finding F5:** 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 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.”

**Response to Finding F5:** Based on the information set forth in the Grand Jury Report (and without independently investigating the matter), SWD agrees with Finding F5.

**Grand Jury Recommendation R2:** “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.”

**Response to Recommendation R2:** The recommendation requires further analysis to determine in what way the SWD website should be upgraded for increased content and clarity with respect to executive and elected official compensation cost reporting. SWD notes that it received a “B,” or “Good,” rating for Executive and Elected Officials compensation cost reporting by the Grand Jury. SWD intends to conduct an analysis and present a recommendation for consideration by the SWD Board of Directors implement this recommendation by December 14, 2012.

**Grand Jury Recommendation R3:** “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 Page upgrade their Employee Pages.”

**Response to Recommendation R3:** The recommendation requires further analysis to determine in what way the SWD website could be upgraded for greater content and clarity regarding employee compensation cost reporting. SWD notes that it received a “B,” or “Good,” rating for Employee compensation cost reporting by the Grand Jury. SWD intends to conduct an

analysis and present a recommendation for consideration by the SWD Board of Directors whether to implement this recommendation by December 14, 2012.

**Grand Jury Recommendation R4:** “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.”

**Response to Recommendation R4:** The recommendation requires further analysis, to better understand how the posting of employer pension annual contribution rates would enhance and not detract from the transparency and clarity of information already being provided by SWD. SWD intends to study Recommendation R4 further, and present the results of that study and a recommendation to the SWD Board of Directors by December 14, 2012.

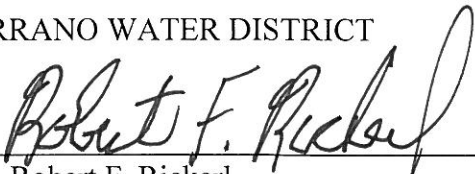
**Grand Jury Recommendation R5:** “The Grand Jury recommends that all Orange County cities, districts and joint power authority, as well as the County of Orange, include overtime pay and on-call pay in compensation cost reporting on their employees’ compensation pages.”

**Response to Recommendation R5:** The recommendation has been implemented. The employees’ compensation costs reported by SWD include overtime and on-call pay.

Please feel free to contact me should you have any questions regarding the responses of the Serrano Water District to this Grand Jury Report.

Very truly yours,

SERRANO WATER DISTRICT

By: 

Robert F. Rickerl

President of the Board of Directors