



CITY OF GARDEN GROVE HUMAN RESOURCES

*Insure equity and fairness in the system
Serve our consumer departments and employees
Assist applicants and candidates in joining the City family*

October 11, 2011

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

RE: CITY OF GARDEN GROVE'S RESPONSE TO ORANGE COUNTY GRAND JURY
REPORT, "COMPENSATION STUDY OF ORANGE COUNTY CITIES"

Dear Judge Borris:

We have reviewed the 2010-11 Orange County Grand Jury Report, "Compensation Study of Orange County Cities." The City of Garden Grove thanks the Grand Jury for their time and considerable efforts in investigating and analyzing public employee compensation, which we agree is a matter of significant public concern. The City has a long-standing policy of providing employees with fair and reasonable compensation, which is demonstrated in this report.

The City appreciates the opportunity to address the Grand Jury's findings and recommendations. While the City agrees with the Grand Jury that the public should have easy access to public employee compensation, and generally concurs with the study's findings and recommendations, we do have some areas of disagreement.

Specifically, the City's responses are as follows:

GRAND JURY FINDINGS

F.1: Based on the data submitted, no position was found where the compensation or employment contract was considered to be abusive.

The City agrees with this finding.

F.2: There is no discernable correlation between compensation levels in charter vs. general law cities.

The City agrees with this finding.

William J. Dalton
Mayor

Mark Rosen
Mayor Pro Tem

Dina Nguyen
Council Member

Bruce A. Broadwater
Council Member

Kris Beard
Council Member

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F.3: Compensation of individual high-level positions bears no significant relationship to city population.

The City disagrees partially with this finding. In Garden Grove's case, compensation of individual high-level positions (e.g., department heads) are periodically benchmarked to 10 other large Orange County cities (Anaheim, Buena Park, Costa Mesa, Fullerton, Huntington Beach, Irvine, Newport Beach, Orange, Santa Ana, and Westminster). Results of this benchmarking in both 2009 and 2011 indicated Garden Grove's salaries are within 5% of the median of these 10 cities.

F.4: Public disclosure of municipal compensation levels is widely inconsistent, ranging from good to non-existent.

The City disagrees partially with this finding. The City currently provides a significant amount of employee compensation information on its website and has done so for many years. Similarly, nearly all cities in Orange County have provided a great deal of compensation information on their websites in a format designed for prospective job applicants and human resources professionals, but readily available to any interested party.

F.5: With the exceptions of Laguna Beach and Newport Beach, the number of high-level positions in each city is generally commensurate with its population.

The City agrees with this finding generally, but has insufficient information to comment with regard to the cities of Laguna Beach and Newport Beach.

F.6: The compensation of the City Manager and Assistant City Manager /Finance Director in the City of Laguna Hills exceeds levels in other comparably sized cities both inside and outside of Orange County.

This finding is not applicable to Garden Grove and the City has insufficient information to comment with regard to the City of Laguna Hills.

F.7: There is currently no disclosure of written employment contracts on the majority of cities' websites.

The City agrees with this finding.

GRAND JURY RECOMMENDATIONS

R.1: Transparency - All cities in Orange County report their compensation information to the public on the Internet in an easily accessible manner.

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The Compensation Disclosure Model (Appendix 4) provides a sample as to the items that should be included in determining total compensation.

The City of Garden Grove has already implemented this recommendation by posting on its website compensation information for its city council and employees.

R.2: Employment Contracts - Each city reveal any individual employment contracts in an easily accessible manner.

This recommendation was implemented on May 13, 2008.

R.3: Upper level Employees - The cities of Newport Beach and Laguna Beach conduct a review of their organizations to reconcile the necessity of maintaining a relatively large number of upper level positions in relation to their populations.

This recommendation is not applicable to Garden Grove.

R.4: Compensation Levels - The City of Laguna Hills conduct a compensation review of top officials.

This recommendation is not applicable to Garden Grove.

ADDITIONAL COMMENTS

In addition to the items already addressed, the City believes it is important to address a number of other aspects of the report.

Total Compensation

The Grand Jury's compensation report shows a comparison of specific individuals occupying a similar (to varying degrees) position at a single point in time. While this method illustrates a city's actual costs for a certain individual in a particular year, it does not provide a true "apples to apples" comparison of each city's costs for a given position. Items that can vary significantly from individual to individual in the same position include base salary, health insurance, and leave payouts. With the exception of City Manager, all Garden Grove positions have a salary range, which means a newly-hired employee may be paid as much as 30% less than a long-term employee. This is why it is an industry-standard practice, for both public-sector and private-sector employers, to compare top-step of salary ranges.

For any position, the City's contribution towards a specific individual's health insurance costs will also vary based on the specific employee's choice of coverage, family size, and hire date. As an example, for management classifications, the

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City's annual contribution for health insurance could range from a low of \$5,418 to a high of \$14,400. In addition, when an employee retires or otherwise leaves the City, we are required to cash out accumulated leave time. As a result, when an employee leaves the City's costs for benefits appears abnormally high due to the one-time payout. Note that by law for all employers public and private, vacation time earned "belongs" to the employee and must be paid out at separation; to add these payouts to base pay and imply that this is somehow extra or unwarranted compensation is misleading at best.

Therefore, if the goal is to compare relative costs for each position, a better approach would be to list the maximum cost of salary and benefits available to an employee in a particular job classification.

For City Council compensation, the Grand Jury chose to list the one Council Member at each city with the highest level of compensation during the survey year. We believe this approach does not paint an accurate picture, as the benefits paid towards each of our Council Members in 2009 ranged from a low of \$8,352 to the high of \$24,475 listed in the report. A more valid approach would be to list the maximum cost of benefits available to any Council Member, or to list the average of the actual compensation provided to all Council Members in that city.

The Grand Jury's report states that eleven management positions were analyzed for "consistent analyses". However, the top position in a specific field at one city is not necessarily comparable to the top position in that same field at another city. The City believes that many of the benchmark positions included in the Grand Jury Report are not truly equivalent and would not typically be compared in a routine compensation study.

There are many factors to consider when determining the comparability of positions, including scope of responsibility, complexity of assigned programs, breadth and depth of required education and experience, decision-making authority, breadth and complexity of supervision exercised, and nature and extent of interpersonal communications. As examples, using these criteria, we do not consider the Director of Human Resources in Anaheim (a department head) to be equivalent to the Human Resources Manager in Cypress (a division manager) or the Information Technology Director in Garden Grove (a department head) to be comparable to the Information Technology Supervisor in Mission Viejo (a division manager).

Correlation with City Population

The City believes there is a flaw in the report's premise that there should be a direct correlation between a city's population and a position's total compensation. While residential population is a factor in determining the comparability of cities and

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positions, focusing on correlation between population and compensation is just one factor. Other key factors that should be considered include the number and quality of services provided by the city, the amount and complexity of the city's annual budget, and the size of the city's workforce. All of these factors significantly affect the work that is performed by a city's staff, and are relevant to the level of compensation provided to its employees.

Exclusion of Services

The Grand Jury's analysis specifically excluded certain types of employees, including police and fire. However, at the City of Garden Grove, the Police Department and Fire Department comprise more than half of the City's workforce and nearly 70% of payroll; providing police and fire services significantly impacts many other City departments and positions. Having police and fire departments adds significantly to the complexity and volume of work in areas such as labor negotiations, worker's compensation, medical leaves, risk management, payroll processing, facilities management, fleet maintenance, purchasing, and information technology. Given that all of the larger cities and many of the medium size cities in Orange County provide police, fire, or both services, it is puzzling that the Grand Jury left out such a large component of the city workforce.

Transparency

The City of Garden Grove prides itself in transparency to the public, and we believe the City has been very proactive in providing content that is easy to access. Therefore, we take great exception to the transparency grade of "C" given to our City by the Grand Jury. Regarding accessibility, the nationwide industry standard has been to provide compensation information on the agency's human resources web page. In terms of content and clarity, it appears that the Grand Jury provided the City with a lower grade because while we have for many years listed the salary and benefits paid for each position, we do not currently list actual salary and benefit costs paid in a given year to specific individuals. As discussed earlier, it is more valid to compare salary ranges than the pay of specific persons.

Prepared at the direction of the Mayor and City Council:



JOHN D.R. CLARK
Human Resources Director/City Treasurer