

THE HONORABLE BARBARA D. KOGERMAN

August 23, 2011

from judge

The Honorable Thomas J. Borris, Presiding Judge
Superior Court of California – County of Orange
909 North Main Street
Santa Ana, California 92701 - 3502

Re: 2010/2011 Orange County Grand Jury Report: Compensation Study of Orange County
Cities Recommendation R.4: Compensation Levels – The City of Laguna Hills
conduct a compensation review of top officials.

Subject: Minority Response by Laguna Hills City Council Member Barbara Kogerman

Dear Sir:

On June 9, the Orange County Grand Jury published its “Compensation Study of Orange County Cities.” This report singled out the City of Laguna Hills’ compensation policies and requested a response from the City addressing the unusually high compensation provided its senior management (Recommendation R.4: Compensation Levels – The City of Laguna Hills conduct a compensation review of top officials).

Additionally, all cities were requested to respond to findings related to public disclosure of compensation and employment contracts (Findings F.4 and F.7, and Recommendations R.1 and R.2.)

I agree with the Grand Jury findings, particularly in regard to Finding F.6 and resulting Recommendation R.4.

At its August 23 City Council meeting, the Laguna Hills council majority voted to respond to Recommendation R.4 by submitting a “Compensation Report for the City of Laguna Hills,” herein referred to as the “Andersen Report,” previously commissioned by the city and produced by Ralph Andersen & Associates.

I find the Andersen Report to be non-responsive to Recommendation R.4. in that the submitted report fails on several counts to adequately address the concerns expressed by the Grand Jury.

As a matter of record, on February 22, 2011, the City of Laguna Hills City Council majority approved a staff recommendation to enter a contract with consultants Ralph Andersen & Associates to provide a compensation report for the City of Laguna Hills. At that time I publicly objected to the staff recommendation because I feared such action would incorrectly use taxpayer funds to pay for a staff-driven effort to support current senior management compensation that I considered excessive. The Request for Proposal (RFP) was designed and written entirely by the very staff whose excessive compensation I called into question in the recent election.

Also, the proposed authors and methodologies were screened and recommended by this same staff. Furthermore, the City Council had already agreed to review its compensation policies, yet the proposed report was to be based on the existing policies. It was logical to conclude that the results of the report would be colored by the criteria and conditions written by staff into the proposal. I believed that this entire questionable process was analogous the proverbial fox guarding the henhouse.

The resulting report, expected on May 10, was made available June 22. It was accepted by the City Council majority at its meeting on June 28 and, despite its shortcomings, comprises the preponderance of the City's response to Grand Jury Recommendation R.4.

I am a recently-elected Laguna Hills City Council member who is thoroughly familiar with Orange County cities' senior management compensation practices. I authored the "Orange County City Manager Compensation Report" of May 10, 2010, which exposed not only the exceptionally high levels of compensation the City of Laguna Hills has historically provided its top administrators, but also a lack of transparency in many Orange County cities. Following the publication of my report, these issues were given significant scrutiny by local and national media, the Attorney General, the State Legislature, the State Controller and the Orange County Grand Jury.

I cannot remain silent as the Laguna Hills City Council majority disregards the concerns expressed by the Grand Jury. The conclusions of the Andersen Report and its suitability as a City of Laguna Hills response to the Grand Jury's concerns are unacceptable for the following reasons:

- The Andersen Report omits the actual monetary value of certain benefits provided the City's top management, thereby significantly understating the total compensation the City provides its top management.
 - The consultant primarily responsible for the report asserted to the City Council that such benefits are difficult to quantify or are so unusual that equivalent benefits can't be adequately measured.
 - Laguna Hills provides the City Manager and Assistant City Manager with automobiles in lieu of an auto allowance and, in addition, pays for all gasoline, maintenance, insurance and tolls, for *unlimited personal, family and household use* (Italics are mine). The City Manager notes this benefit by reporting a "Taxable Value of Personal Use of City-Owned Vehicle" of \$8,320 on the City's web site. The consultant considered unlimited use and payment for all their associated auto expenses to have no monetary value, stating that it was too difficult for him to compare their value to auto allowances
 - The Andersen Report inaccurately defines regularly-paid bonuses as "one-time events" and "not applicable to [the city's] current salary range structure."
 - The City Council has historically provided the City Manager an annual bonus of "up to 10%" of base salary. He has received the full 10% every year for which he was eligible, except in the year 2010.
 - Other top managers in the City also annually receive bonuses of up to 10%, including in the year 2010.
 - By the consultant's logic, however, none of these dollar amounts are included in the Andersen Report as compensation of any sort.

- The Andersen Report omits additional benefits with significant monetary value. Omitted benefits include
 - additional individual insurance premiums,
 - annual 3.5% - 6.5% PARs contributions where applicable,
 - substantial supplemental retirement contributions,
 - deferred compensation contributions,
 - contributions to a post-retirement health plan, and
 - vacation leave and/or sick leave buy-outs.
- The Andersen Report reaches conclusions based on comparisons to 17 allegedly comparable cities, whose only commonality to Laguna Hills is their geographic proximity. The report neither considers nor applies adjustments for widely-diverse variables among these cities for the purposes of this report. The report ignores
 - widely disparate populations, as pointed out in the Grand Jury report,
 - considerable disparities in numbers of employees, and
 - wildly divergent sizes of city budgets
 - (see Part II, “Complexity Measure of Comparison Cities” in the attached “Analysis of Andersen Report”). Also ignored are
 - type and extent of city services rendered,
 - scope of employee responsibilities, and
 - level of administrative complexity.

The Andersen Report is silent on these measures of complexity despite written and verbal assurances by the report’s authors to consider such variables in determining “fair and competitive” salary structures. These are the variables that have caused much head-scratching among those trying to make sense of Laguna Hills’ over-generous top management compensation.

- The Andersen Report manipulates data selection to artificially depress Laguna Hills salaries by comparison.
 - The Andersen Report uses as its “Control Point” salaries at the top of the salary ranges from comparison cities and compares these hypothetical salaries to *actual* salaries in Laguna Hills, thereby skewing the data so that it appears that Laguna Hills employees, including top officials, are comparatively underpaid.
- The Andersen Report misuses the City’s prescient “2% at 60” retirement formula to underestimate employee lifetime retirement benefits and “adjusted base salary.”
 - The consultant calculates a lifetime retirement benefit for all Laguna Hills employees projecting a retirement age of 55 instead of 60, erroneously
 - concluding that the average Laguna Hills City employee’s (and consequently top managements’) adjusted base salary is 11.8% *below market*, and
 - *ignoring the additional five years of salary and benefits* a “2% @ 60” employee is likely to earn.
 - In point of fact, CalPERS reports that the average retirement age of the CalPERS participant is indeed age 60, despite the author’s public assertion that employees with an “@ 55” retirement formula routinely retire at age 55 “to get in five more years of golf.”

- Had the consultant used the correct retirement age, the “lifetime retirement benefit” and “adjusted base salary” differentials would have been greatly diminished.
- The Andersen Report data selection and methodology significantly under-report the total compensation (salary plus all benefits) of top Laguna Hills officials. (See Part I, “Comparison of Compensation Reports” in the attached “Analysis of Andersen Report.”)
 - The Andersen Report under-reports total compensation of the *other* 17 “comparable” cities’ top management by about \$21,000 when their figures are compared to the combined averages reported by the State Controller, the Grand Jury, and, where applicable, my own report.
 - The Andersen Report under-reports the total compensation of top management *specifically in Laguna Hills* by an amount *exceeding \$99,000* when their figures are compared to the combined average of figures reported by the State Controller, the Grand Jury, my own report, *and the City’s own web site*. (See Part I.C, “Delta Analysis” in the attached “Analysis of Andersen Report.”)
- The Andersen Report does not even purport to review the total compensation of the city’s top officials.
 - In both written and oral comments, the Anderson Report clarifies that its purpose is “to compare *salary ranges*,” not to “ascertain *individual employee salaries*. . . . We are not looking at what somebody made in a salary year,” the consultant has asserted, “we are looking at what the range structure and policies provide in terms of pay. . . . If you hired us to [compare] knowledge of the City Manager’s pay with the full value of all the elements in their [*sic.*] contract, *that is a different study than [*sic.*] what we did here.*”
- The Andersen Report methodology included 30-minute interviews with city staff, but never in the process did the authors of the report interview any member of the City Council, the “employer” who is ultimately responsible for the fiscal policies and practices of the city.

In conclusion, whether a result of faulty methodology, data selection and analysis, or because it was not designed to compare actual salaries and benefits, the Andersen Report seriously miscalculates the total compensation of Laguna Hills top management in relation to comparable positions in 17 Orange County “comparison cities.” In addition, it fails to account for the paradox that the City of Laguna Hills, with its smaller population, budget and staff, and lack of administrative complexities, as compared to many other cities, provides four of its top officials with total compensation that is the highest or nearly the highest in Orange County.

The Andersen Report is the product of a Request for Proposal and consultant-selection process that was overseen by the very senior management staff whose compensation was being reviewed. It was produced and delivered with absolutely no oversight by the City Council.

The City's response also includes a discussion of the insurance premiums paid to provide health insurance to City Council members. The City's rationale for this "significantly higher" insurance cost is that it purchased using the "age-banded approach," rather than the less costly "composite rate." Simply stated, the City *chose* to purchase a more expensive insurance product. This choice does not justify the City's assertion that "the 2009 cost of benefits for the . . . City Council . . . is significantly skewed and effectively misrepresented by the Grand Jury Report."

The Andersen Report and additional discussion neither adequately summarize nor adequately justify the total compensation noted as a concern in the Grand Jury's report. By submitting the Andersen Report in response to Grand Jury's Recommendation R.4 that the City of Laguna Hills "conduct a compensation review of its top officials," the City of Laguna Hills "response" should be considered by the Superior Court to be, in fact, "nonresponsive."

Respectfully submitted,



Barbara Diane Kogerman
Member, City of Laguna Hills City Council

Enclosures:

Ralph Andersen & Associates, "*Compensation Report City of Laguna Hills*," June 22, 2011
Barbara Kogerman, "*Analysis of Andersen Report Compensation Comparisons, Variances, Complexities, & Modalities*," June 28, 2011

**ANALYSIS OF COMPENSATION COMPARISONS,
VARIANCES, COMPLEXITIES
AND MODALITIES**

of the

Ralph Andersen & Associates
**COMPENSATION REPORT/CITY OF LAGUNA HILLS
OF JUNE 22, 2011**

By

Barbara Kogerman
Council Member, City of Laguna Hills, California
June 28, 2011

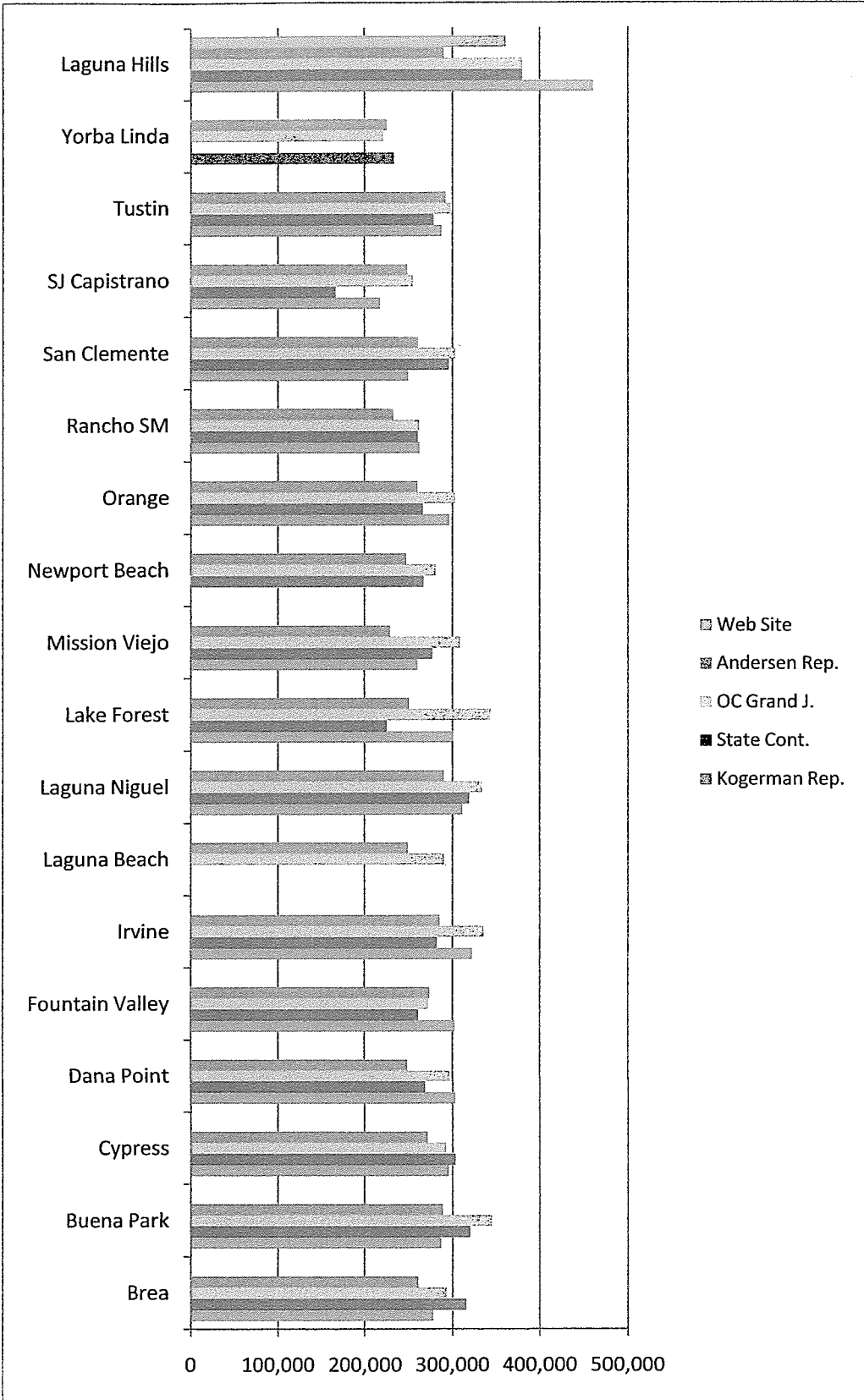
Contents

- I. Comparison of Compensation Reports
 - A. Reports referenced
 - 1. City of Laguna Hills Web Site
 - 2. Andersen Report
 - 3. Grand Jury
 - 4. State Controller
 - 5. Kogerman Report (where applicable)
 - B. Positions
 - 1. City Managers
 - 2. Assistant City Managers
 - 3. City Clerks
 - 4. City Engineers
 - 5. Community Development Directors
 - 6. Parks and Recreation/Community Services Directors
 - C. Analysis of Variances (Delta Analysis)
 - 1. City Managers
 - a. Variances Andersen Report vs. other reports for 17 Comparable Cities
 - b. Variances Andersen Report vs. other reports for Laguna Hills only
 - 1. Including OCCMCR with \$60,000 car
 - 2. Excluding OCCMCR excluding \$60,000 car
 - 3. Using City of Laguna Hills web site
 - 2. Assistant City Managers
 - a. Variances Andersen Report vs. Controller for 17 Comparable Cities
 - b. Variance Andersen Report vs. other reports for Laguna Hills only
- II. Complexity Measure of Comparison Cities, graphs and chart
 - A. Population
 - B. Number of Employees
 - C. Budget
- III. Details of Total Compensation for City Managers in Comparison Cities

SECTION I

COMPARISON OF COMPENSATION REPORTS

Orange County City Managers: Comparison of Compensation Reports



Anderson Report: As of May, 2011
 State Controller: As of FY 08 – 09

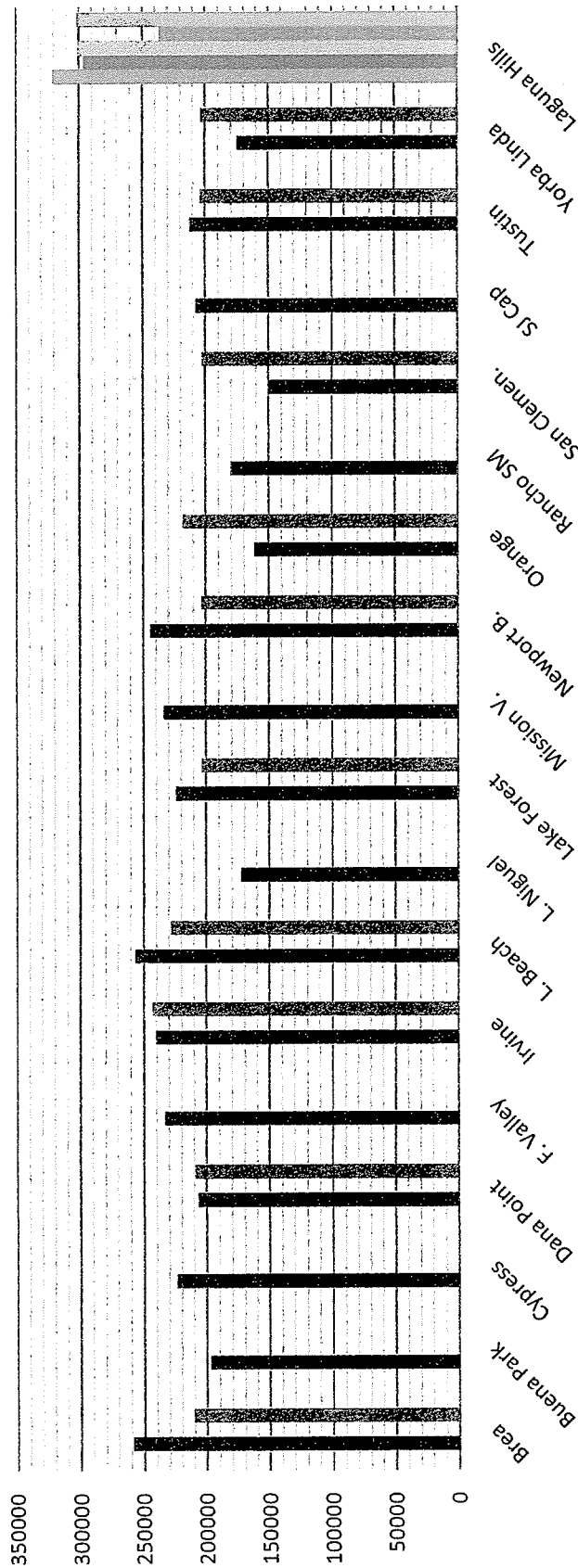
Grand Jury Report: As of Year 2009
 Kogerman Report: As of Year 2009

Orange County City Managers: Comparison of Compensation Reports

	Kogerman	State Cont.	OC Grand J.	Andersen	Web Site
Brea	278,073	315,688	293,409	260,796	
Buena Park	287,378	319,997	344,989	289,032	
Cypress	295,777	303,376	292,759	271,572	
Dana Point	303,320	268,333	296,633	248,292	
Fountain Val	302,695	260,667	272,257	273,624	
Irvine	322,300	282,186	335,765	285,672	
Laguna Beac	287,833	261,642	290,551	248,892	
Laguna Nigur	311,164	318,894	333,823	290,016	
Lake Forest	300,934	224,678	343,374	250,092	
Mission Vieje	260,123	276,854	308,786	228,624	
Newport Beac	N/A	266,873	280,724	247,020	
Orange	296,460	265,886	302,810	259,812	
Rancho SM	262,315	260,095	261,929	232,080	
San Clement	249,327	295,828	303,342	260,652	
SJ Capistranc	217,600	165,817	254,891	248,340	
Tustin	287,692	278,186	297,925	292,164	
Yorba Linda	233,080	N/A	220,987	225,204	
Laguna Hills	460,811	380,054	380,054	290,020	361,247

Orange County Assist. City Managers: Comparison of Compensation Reports

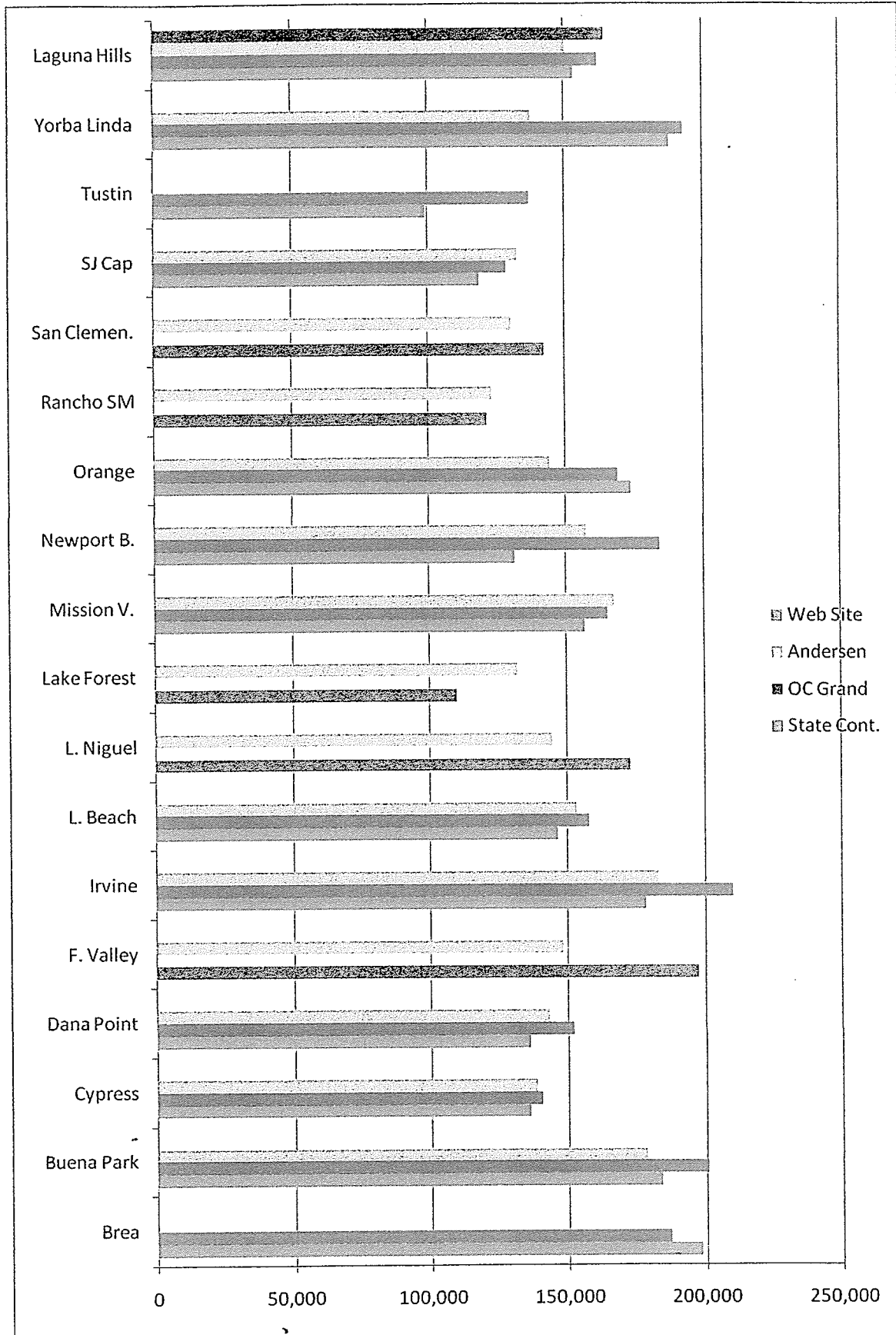
Kogerman
 State Cont.
 OC Grand
 Andersen
 Web Site



Orange County Assistant City Managers: Comparison of Compensation Reports

	Kogerman	State Cont.	OC Grand	Andersen	Web Site
Brea		258,804		210,744	
Buena Park		197,458			
Cypress		223,981			
Dana Point		207,015		209,400	
F. Valley		233,644			
Irvine		240,501		243,144	
L. Beach		256,658		228,840	
L. Niguel		172,729			
Lake Forest		224,678		203,280	
Mission V.		234,072			
Newport B.		244,560		203,664	
Orange		161,681		218,676	
Rancho SM		180,308			
San Clemen.		150,634		203,136	
SJ Cap		208,260			
Tustin		212,788		204,576	
Yorba Linda		174,906		203,884	
Laguna Hills	320,614	296,769	301,211	2,336,400	301,830

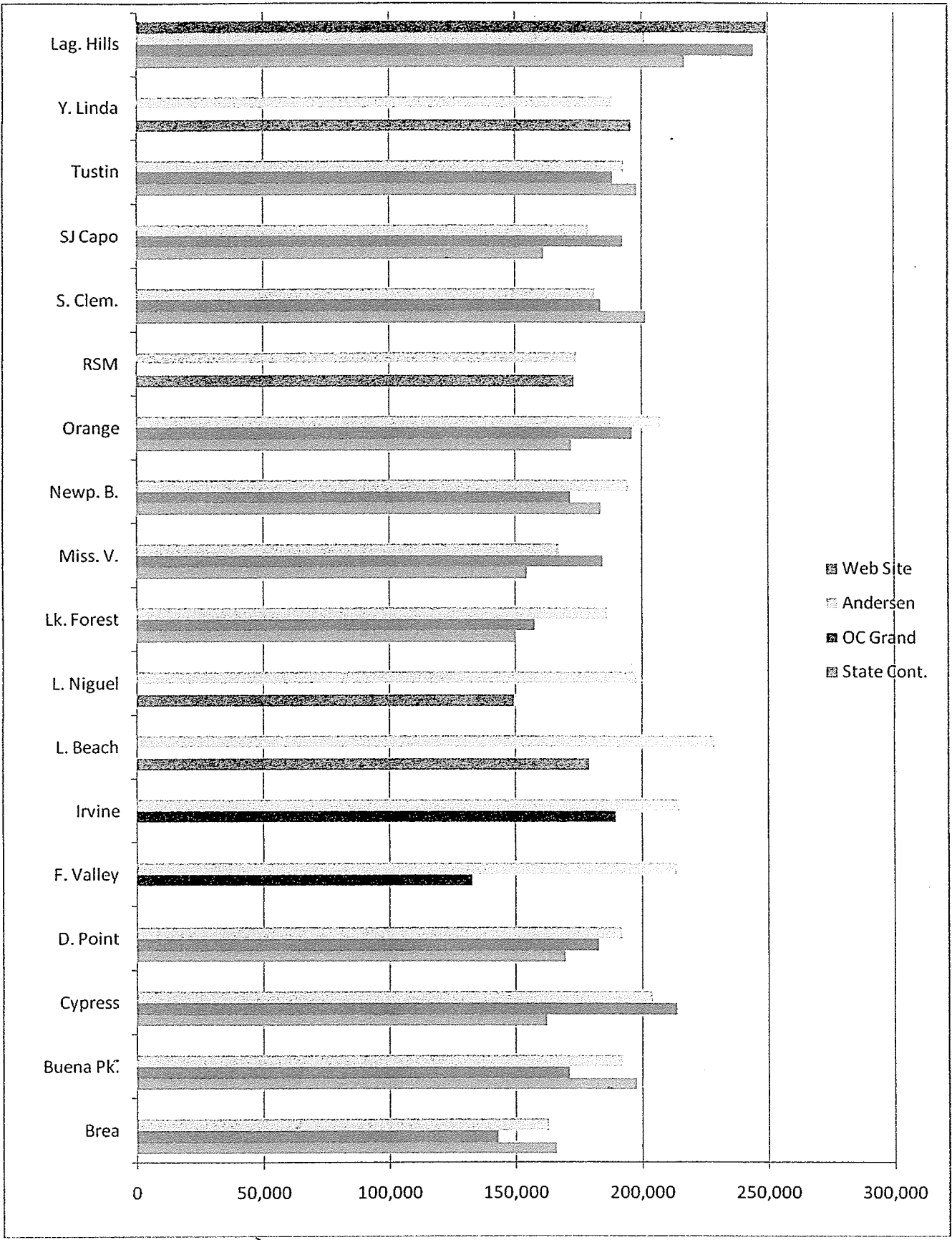
Orange County City Clerks: Comparison of Compensation Reports



Orange County City Clerks: Comparison of Compensation Reports

	State Cont.	OC Grand	Andersen	Web Site
Brea	198,019	186,983		
Buena				
Park	183,755	200,565	178,368	
Cypress	136,015	140,264	138,420	
Dana				
Point	136,010	151,712	143,004	
F. Valley	197,288		148,056	
Irvine	178,302	210,167	182,856	
L. Beach	146,345	157,588	153,420	
L. Niguel	172,729		144,444	
Lake				
Forest	109,904		131,940	
Mission				
V.	156,708	164,743	167,208	
Newport				
B.	131,291	184,107	157,332	
Orange	173,679	168,874	144,084	
Rancho				
SM	121,518		123,360	
San				
Clemen.	142,406		130,536	
SJ Cap	118,905	128,529	132,612	
Tustin	98,961	137,097		
Yorba				
Linda	188,145	192,955	137,592	
Laguna				
Hills	153,128	162,100	150,288	164,474

Orange County Engineers: Comparison of Compensation Reports



Orange County City Engineers: Comparison of Compensation Reports

	State Cont.	OC Grand	Andersen	Web Site
Brea	165,868	142,744	162,756	
Buena Pk.	197,686	170,796	192,204	
Cypress	162,041	213,772	204,180	
D. Point	169,346	182,628	192,228	
F. Valley		132,611	213,468	
Irvine		189,708	215,016	
L. Beach	178,934		228,840	
L. Niguel	149,324		197,916	
Lk. Forest	149,953	157,421	186,108	
Miss. V.	154,317	184,350	167,208	
Newp. B.	183,866	171,785	194,568	
Orange	171,849	196,141	207,936	
RSM	173,288		174,168	
S. Clem.	201,675	183,706	181,488	
SJ Capo	161,235	192,330	179,048	
Tustin	197,950	188,510	192,864	
Y. Linda	195,610		188,340	
Lag. Hills	217,072	244,218	201,114	249,356

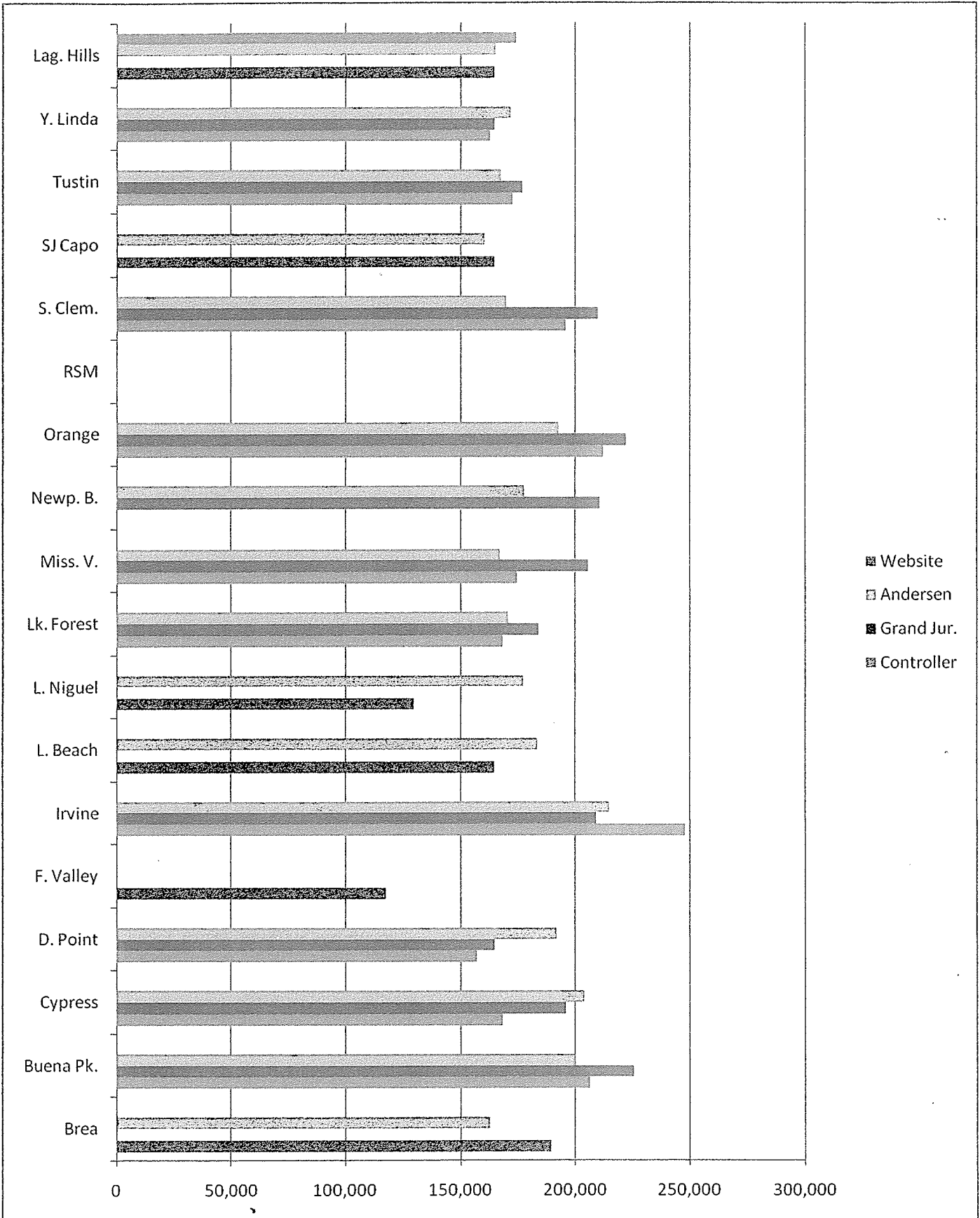
Orange County Community Development Directors: Comparison of Compensation Reports



Orange County Community Development Directors: Comparison of Compensation Reports

	State Cont.	OC Grand	Andersen	Web Site
Brea	165,868	142,744	162,756	
Buena Pk.	197,686	170,796	192,204	
Cypress	162,041	213,772	204,180	
D. Point	169,346	182,628	192,228	
F. Valley		132,611	213,468	
Irvine		189,708	215,016	
L. Beach	178,934		228,840	
L. Niguel	149,324		197,916	
Lk. Forest	149,953	157,421	186,108	
Miss. V.	154,317	184,350	167,208	
Newp. B.	183,866	171,785	194,568	
Orange	171,849	196,141	207,936	
RSM	173,288		174,168	
S. Clem.	201,675	183,706	181,488	
SJ Capo	161,235	192,330	179,048	
Tustin	197,950	188,510	192,864	
Y. Linda	195,610		188,340	
Lag. Hills	217,072	244,218	201,114	249,356

Orange County Parks & Rec/Community Services Directors: Comparison of Compensation Reports



Orange County Parks & Rec/Community Services Directors: Comparison of Compensation Reports

City	Controller	Grand Jury	Andersen	Website
Brea	189,390	2.4	162,840	
Buena Pk.	206,523	225,543	199,608	
Cypress	168,506	195,708	204,180	
D. Point	156,964	164,754	191,748	
F. Valley	117,558			
Irvine	247,674	209,208	215,016	
L. Beach	164,960		183,756	
L. Niguel	129,442		177,480	
Lk. Forest	168,298	183,958	170,520	
Miss. V.	174,618	205,579	167,208	
Newp. B.		210,556	177,648	
Orange	212,086	221,977	192,468	
RSM				
S. Clem	195,859	210,049	169,788	
SJ Capo	164,868		160,560	
Tustin	172,795	177,057	167,436	
Y. Linda	162,890	164,819	172,044	
Lag. Hills	164,675		165,060	174,100

SECTION II
ANALYSIS OF VARIANCES
(DELTA ANALYSIS)

ANALYSIS OF VARIANCES: City Manager

A COMPARATIVE ANALYSIS OF CITY MANAGERS' COMPENSATION VARIANCES BETWEEN THE ANDERSEN
REPORT OF JUNE 22, 2011, AND;
THE ORANGE COUNTY CITY MANAGERS COMPENSATION REPORT OF MAY 10, 2011, AND;
THE ORANGE COUNTY GRAND JURY REPORT OF JUNE 9, 2011, AND;
THE CALIFORNIA CONTROLLER'S 2010 MANDATE FOR MUNICIPAL POSTING OF EMPLOYEES' EARNING
OVER \$100,000 PER ANNUM COMPENSATION SUMMERIES, AND
THE CITY OF LAGUNA HILLS' OFFICIAL WEB SITE POSTING OF ITS CITY-MANAGER'S COMPENSATION

	CITY VARIANCES COMPARING ANDERSON WITH OCCMCR	CONTROLLER	GRAND JURY	AVERAGED ALL-SOURCE VARIANCES (DELTAS)
Brea	17,277	54,892	32,613	(34,927)
Buena Park	(1,654)	30,965	55,957	(28,423)
Cypress	24,205	31,805	21,187	(25,732)
Dana Point	55,028	20,040	48,341	(41,137)
Fountain Valley	29,071	(12,957)	(1,367)	(4,916)
Irvine	36,628	(3,486)	50,090	(27,745)
Laguna Beach	38,941	12,750	41,659	(32,003)
Laguna Niguel	21,148	28,876	43,807	(31,278)
Lake Forest	50,842	(25,414)	90,282	(53,297)
Mission Viejo	31,499	48,230	80,162	(53,297)
Newport Beach	N/A	19,853	33,704	(26,779)
Orange	36,634	6,074	43,812	(28,574)
Rancho SM	30,235	28,525	29,848	(29,366)
San Clemente	(11,325)	35,178	42,690	(22,180)
San Juan Cap.	(30,742)	(82,525)	6,551	35,572
Tustin	(4,472)	(13,987)	5,761	4,230
Yorba Linda	7,876	N/A	(4,217)	(1,830)
AVERAGED DELTA				(\$20,986)
Laguna Hills (1)	170,791	90,340	90,038	(116,953)
Laguna Hills (2)	110,791	90,340	90,038	(96,954)
Laguna Hills (3)	71,227	90,340	90,038	(83,766)

AVERAGED DELTAS **(\$99,224)**

NOTES & EXPLANATIONS: When comparing against known data, Variance analyses are useful in determining whether the protocols and assumptions used in a study provide a basis for valid conclusions. Inappropriate assumptions, data selection, biases and/or modalities can produce widely varying differences (Deltas.) Variances in City Managers' compensation reported by three independent sources were compared to the data provided by the Andersen Report. **Andersen Report's under-reporting of compensation is shown with bracketed numbers, and Andersen Report's over-reporting is shown with un-bracketed numbers.**

Under-reporting an employee's received compensation by the Andersen Report insufficiently credits the subject city with the level of compensation actually paid, prompting conclusions that the employee is underpaid. Over reporting has an opposite effect. Comparing the compensation Deltas of all the cities results (except Laguna Hills) results in Andersen's average under-reporting in the amount \$20,986. However, Andersen's most glaring under-reporting is with the Laguna Hills' data.

In Case #1, the OCCMP Laguna Hills data includes a \$60,000 auto. Case #2 excludes the auto. Case #3 uses Laguna Hills' official compensation data reporting web site. **The Andersen Report significantly under-reported compensation in three all cases, under-reporting by an averaged Delta of \$99,224 when compared to its own data.**

Andersen Report's under-reporting of Laguna Hills City Manager's compensation strongly suggests a significant statistical bias. All conclusions reached in this study should be questioned, since the same Range Control Point/Max modality was used throughout.

ANALYSIS OF VARIANCES: Assistant City Manager

A COMPARATIVE ANALYSIS OF VARIANCES BETWEEN THE ANDERSEN REPORT OF JUNE 22, 2011 AND;
 THE ORANGE COUNTY CITY MANAGERS COMPENSATION REPORT (OCCMCR) OF MAY 10, 2010 AND;
 THE ORANGE COUNTY GRAND JURY REPORT OF JUNE 9, 2011 AND;
 THE CALIFORNIA CONTROLLER'S 2011 MANDATE FOR MUNICIPAL POSTING OF EMPLOYEES' TOTAL
 COMPENSATION SUMMARIES OF EMPLOYEES EARNING OVER \$100,000 PER ANNUM AND
 LAGUNA HILLS' WEB SITE 2011 POSTING OF ITS ASSISTANT CITY MANAGERS' ANNUALIZED COMPENSATION

	CONTROLLER		ANDERSEN	VARIANCE (DELTA)
Brea		258,804	210,744	(48,060)
Buena Park		197,458		
Cypress		223,981		
Dana Point		207,015	209,400	2,385
Fountain Valley		233,644		
Irvine		240,501	243,144	2,643
Laguna Beach		256,658	228,840	(28,818)
Laguna Niguel		172,729		
Lake Forest		224,876	203,280	(21,596)
Mission Viejo		234,072		
Newport Beach		244,560	203,664	(40,916)
Orange		161,681	218,676	56,995
Rancho SM		180,681		
San Clemente		150,634	203,136	52,502
San Juan Cap.		208,260		
Tustin		212,884	204,576	(8,308)
Yorba Linda		174,906	203,884	28,978
			AVERAGED DELTAS	(5,669)
	OCCMCR	CONTROLLER	GRAND JURY	ANDERSEN
Laguna Hills (1)	320,614	296,769	301,211	236,400
Deltas	84,214	60,369	64,811	AVERAGED ALL SOURCE DELTAS
				(69,798)
LHs' web site (2)	301,830	296,769	301,211	236,400
Deltas	65,430	60,769	64,211	AVERAGED ALL SOURCE DELTAS
				(63,470)

NOTES AND EXPLANATIONS: The variances (Deltas) in this analysis are the mathematical mean differences in annualized compensation between the Andersen Report and, where applicable, other independent data-sources. In this analysis, comparative data was derived from the OCCMCR, the California Controller's and Laguna Hills' compensation web site posting, and the Orange County Grand Jury Report. **Andersen Report's under-reporting are shown with bracketed numbers, and Andersen Report's over-reporting is shown with un-bracketed numbers.** Under-reporting an employee's received compensation in the Andersen Report insufficiently credits the subject city with the level of compensation actually paid, prompting conclusions that an employee is underpaid. Over-reporting has an opposite impact. Where more than one data-source was available, variances were derived using an arithmetic mean application.

Averaging secondary-source variances (other than Laguna Hills) against the Andersen data confirmed an average under-reporting Delta of \$5,669.

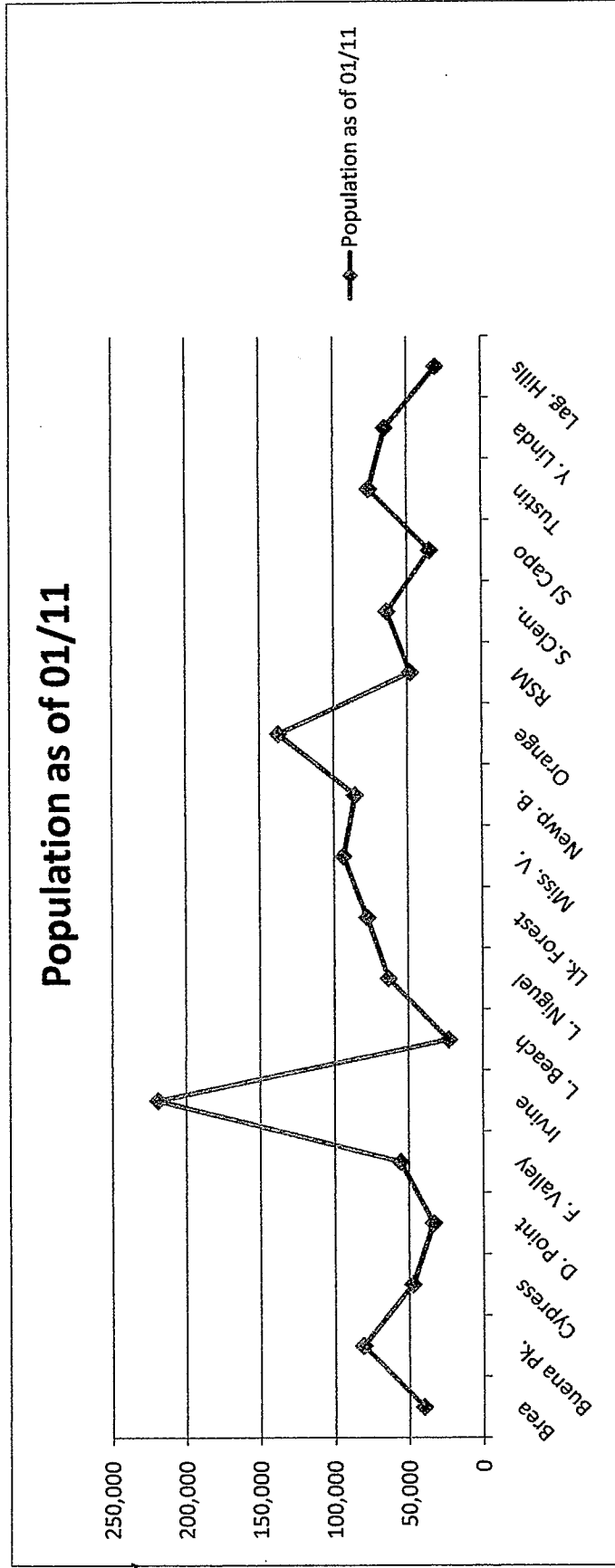
However, when the Andersen data is compared solely to data from Laguna Hills' and that provided by two other independent data sources as shown in **Case #1**, the Andersen Reports under-states the Laguna Hills' Assistant City Manager's compensation in the statistically significant amount of \$69,798. When the Laguna Hills' official web site compensation data for its Assistant City Manager's is compared to the Andersen data, as shown in **Case #2**, the Andersen Report under-reports the subject compensation by an average of \$63,470.

As was the case with the Laguna Hills' City Manager's compensation analysis, this variance analysis supports a bias by the Andersen Report in their consistent under-reporting of Laguna Hills' senior management's compensation.

SECTION III

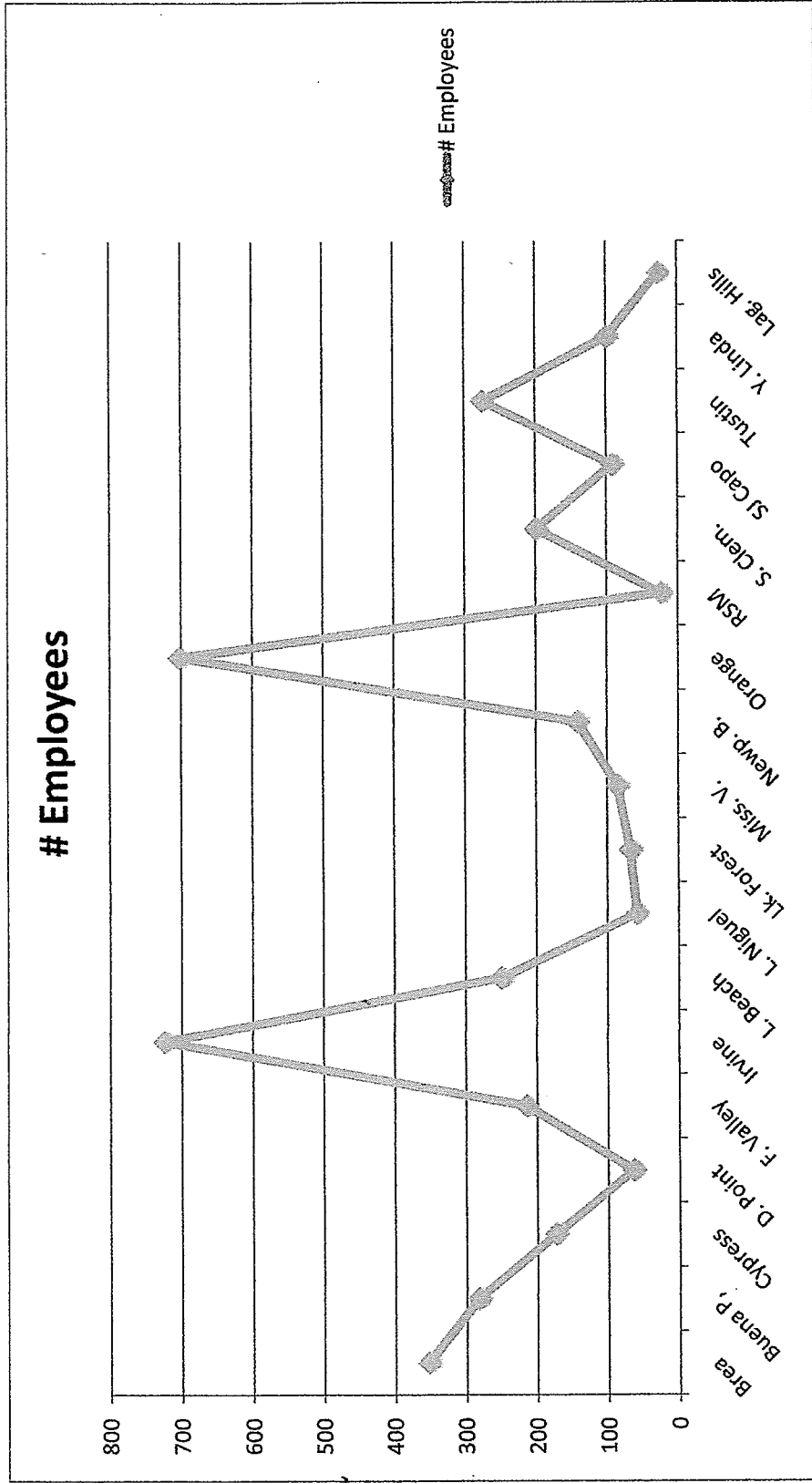
COMPLEXITY MEASURES OF COMPARISON CITIES

Complexity Measure of Comparison Cities: Population



Source: California State Department of Finance.

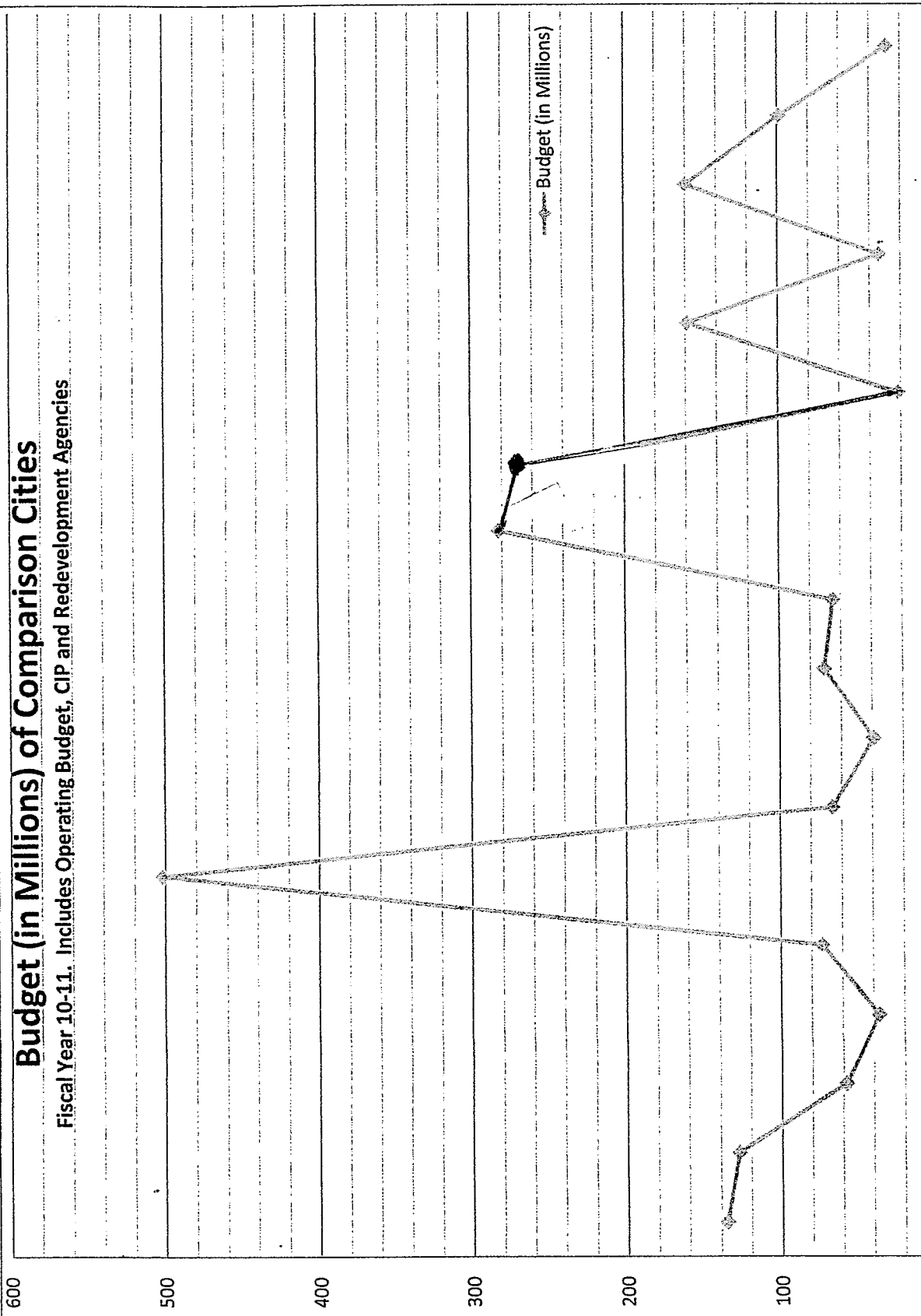
Complexity Measure of Comparison Cities: Number of Employees



Source: Most recent available data.

Budget (in Millions) of Comparison Cities

Fiscal Year 10-11. Includes Operating Budget, CIP, and Redevelopment Agencies



City	Brea	Buena Pk.	Cypress	D. Point	F. Valley	Irvine	L. Beach	L. Niguel	Lk. Forest	Miss. V.	Newsp. B.	Orange	RSM	S. Clem.	SJ Capo	Tustin	Y. Linda	Lag. Hills
Budget (in Millions)	136	128	58	36	73	502	66	39	71	65	282	297 273	22	159	34	160	99	29

**Complexity Measure of Comparison Cities:
Population, Number of Employees and Budget**

City	Pop. 01/11	# Empl	Budget (Millions)
Brea	40,065	353	136
Buena Pk.	80,868	283	128
Cypress	47,907	174	58
D. Point	33,429	64	36
F. Valley	55,423	215	73
Irvine	219,156	725	502
L. Beach	22,792	250	66
L. Niguel	63,228	59	39
Lk. Forest	77,490	68	71
Miss. V.	93,483	86	65
Newp. B.	85,376	142	282
Orange	136,995	703	273
RSM	47,947	24	22
S. Clem.	63,743	200	159
SJ Capo	34,734	92	34
Tustin	75,781	275	160
Y. Linda	64,855	100	99
Lag. Hills	30,410	27	29

SECTION IV

DETAILS OF TOTAL COMPENSATION:
ORANGE COUNTY CITY MANAGERS

JUNE 24, 2011 ANALYSIS OF CITY MANAGER COMPENSATION PACKAGES
 USING ACTUAL 2009 COMPARABLE TOTAL COMPENSATION DATA COMPARED TO THE RALPH ANDERSON REPORT USING COMPENSATION RANGES
 PREPARED BY COUNCILMEMBER BARBARA KOGERMAN

	BREA	BP	CYPRESS	DP	FV	IRVINE	LB	LH	LN	LF	MV	NPB	O	RSM	SC	SJC	TUSTIN	YL
POP.	40.1	83.3	49.6	37.1	58.3	212.8	23.7	33.8	67.2	82.2	100.2	86.3	141.6	51.9	68.3	36.8	74.8	68.4
SIZE "X"	1.2	2.4	1.5	1.1	1.7	6.3	.7	1	2	2.4	3	2.6	4.2	1.5	2	1	2.2	2
#EMPL's	353	283	174	64	215	725	250	27	59	68	86	142	703	125	200	92	275	100
IP (\$)	0	0	0	0	0	0	0	23.6	0	3.0	0	N/A	N/A	0	0	0	0	0
DC "	22	0	20.5	14.2	0	0	2.4	16.0	16.5	0	3.0	N/A	N/A	0	17.2	8.5	0	12.0
CP "	4.6	0	15.5	38.6	42.8	48.1	17.3	44.6	37.0	39.7	6.7	N/A	N/A	15.8	14.0	0	36.5	13.0
MI "	15	12.2	18.1	14.4	26.9	12.7	15.1	17.9	11.3	15.0	7.1	N/A	N/A	17.2	2.4	0	14.0	10.0
DI "	0	1	0	0	0	1.5	.9	2.3	1.5	0	2.3	N/A	N/A	0	1.0	0	0	0
VI "	0	0	0	0	0	.2	0	.5	.2	0	.7	N/A	N/A	0	0	0	0	0
TL "	1	0	0	.4	.5	0	0	2.4	1.0	0	0	N/A	N/A	0	.2	0	0	0
AA "	17.5	0	6	4.4	0	9.1	6.0	69.4	7.4	6.7	5.4	N/A	N/A	8.4	5.4	4.8	N/A	6.0
V-PO "	0	0	0	0	0	0	0	19.5	0	4.2	19.0	N/A	N/A	0	0	0	17.0	0
S-PO "	0	0	1	0	0	0	3.8	0	0	0	0	N/A	N/A	0	0	0	0	0
IDI "	0	0	.5	0	0	1.2	0	2.8	0	3.1	0	N/A	N/A	0	0	0	0	0
ILP "	0	0	1	0	0	1.2	0	6.3	0	2.3	0	N/A	N/A	3.5	0	0	3.4	3.1
EMC "	3.4	0	3.7	2.9	0	3.8	2.4	4.4	.3	0	0	N/A	N/A	0	0	2.9	0	0
COMP.	67.5	32.7	74.4	99.8	74.4	84.8	40.8	227.4	85.0	83.9	62.4	N/A	83.4	47.9	45.9	13.3	56.5	43.1
SALARY	210.6	254.7	221.5	203.5	228.3	250.3	247.0	233.4	226.2	217.0	197.7	N/A	213.1	214.4	203.4	204.3	231.2	190.0
TOTAL	278.1	287.4	295.8	303.3	302.3	335.1	287.8	460.8	311.2	300.9	260.1	N/A	296.5	262.3	249.3	217.6	287.7	233.1

Notes and Definitions: All Compensation and Salary is provided in 1,000's of dollars. Population (POP.) is in 1,000's of residents. SIZE X is a ratio of city size to the size of Laguna Hills. All data was collected pursuant to California's Public Record Act. Compensation (COMP) includes the value of all benefits (except salary) expensed by the City of Laguna Hills in 2009. COMP includes a \$60,000 auto purchased with City funds by the City Manager with the invoice specifying it was for the City Manager's "... personal, family or household..." use." Absent this auto expense the Total Compensation received in 2009 by the Laguna Hills City Manager was \$401,811. The California Comptroller and the Orange County Grand Jury concluded that the Total Compensation provided in 2009 was \$380,054. Not all 2009 City-provided benefits are specified herein. The COMP, SALARY & TOTAL summaries are accurately extracted from the Orange County City Managers Compensation Study of May 10, 2010. IP=Incentive Program; DC =Deferred Compensation; CP=CALPERS Contribution; MI=Medical Insurance; DI=Dental Insurance; VI=Vision Insurance; TL= Term Life Insurance; AA=Auto Allowance; V-PO=Vacation Payout; S-PO=Sick Leave Payout; IDI=Individual Disability Insurance; ILP=Individual Life Insurance; EMC=Employer-paid Contributions to Employees Retirement Medical Plan; Salary=Annual Contractual Income; Total=Comprehensive Inclusion of All Numeration.