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FACT

Fact: The ten most populous California counties maintain Internet websites, where information relating to county government is reported.

ANALYSIS

Transparency:

An effective way to guard against abuses in the compensation of governmental officials and employees is to provide the public with easy access to accurate information. An efficient means for widespread disclosure of compensation information is on the Internet. That information for officials and employees should be posted in a clear, concise and consistent manner that is also easy for the public to access.

Since the County of Orange currently has a website, the enhancement of compensation information on the website should not impose an undue burden. Not only will that publication serve the citizens of Orange County, but should also pre-empt numerous information requests from media and other interested parties.

To find examples of the types and levels of current county compensation disclosure, the websites of the following ten most populous California counties were reviewed:

County	Population
Los Angeles	10,393,185
San Diego	3,173,407
Orange	3,139,017
Riverside	2,107,653
San Bernardino	2,060,950
Santa Clara	1,857,621
Alameda	1,556,657
Sacramento	1,433,187
Contra Costa	1,060,435
Fresno	942,298

Website Reviews:

The websites were reviewed on the following three criteria:

- Accessibility – Is the compensation content readily identifiable and accessible without complex website search and navigation?

Note – Most websites include a search function with varying degrees of effectiveness. For the sake of consistency in this study, search functions were not used.

- Content – Does the website present both actual salary and benefit costs for senior level officials and employees? If benefits are shown, are the items detailed separately and extensively?

- **Clarity** – Is the compensation information presented in a clear, concise format that may be easily read and understood by the average viewer? Are the salaries and benefits totaled, or is the viewer required to do the math?

It should be noted that this review of the county website postings was done from the perspective of the general public accessing the information for their personal use and enlightenment. In contrast to this perspective, most of the current county salary and benefit postings appear to be intended for either job applicants or existing county employees.

Based on this review, the following are outstanding examples of public disclosure in the 3 criteria noted above.

- **Accessibility** – Websites providing easy access with a link to compensation data on the home page are:
 - Los Angeles – <http://lacounty.gov/>
 - Riverside – <http://www.countyofriverside.us/>
 - Santa Clara – <http://www.sccgov.org>
- **Content** – An excellent example of salary and benefit cost information is:
 - Contra Costa – <http://www.co.contra-costa.ca.us/DocumentView.aspx?DID=2194>.
- **Clarity** – Good examples of a clear listing of officials are:
 - Los Angeles – <http://lacounty.gov/>
 - Riverside – <http://www.countyofriverside.us/>

County of Orange Website:

In comparison to these, the current County of Orange website disclosure provides:

Accessibility – There is no direct link to salary or benefit information on the home page. To access salary information, the reader has to take the following steps:

- Click on the link entitled “Departments & Agencies”,
- Click on the link entitled “Human Resources (OCHR)”,
- Either click on “Salary Schedules” to see a list of schedules with varying types of salary range information, or
- Click on “Title Schematics” and then sort either alphabetically or by title code to see a list of all job classifications with hourly and monthly salary range minimums and maximums.

Content – Actual salaries are not posted, only salary ranges. Under the tab “Salary Schedules”, the ranges are linked to position codes not meaningful to the average viewer. “Title Schematics” is slightly more descriptive, but the viewer who is not familiar with job codes has to scroll through long lists of position titles to find a position or positions. There is no posting of any other pay information such as bonuses or pay in lieu of time off. For benefit information, the link entitled “Benefits Overview” may be accessed to view an overall description of benefit programs, but no benefit cost information is posted.

Clarity – The varying use of job codes is confusing to the average outside viewer. Scrolling through alphabetical lists of positions is also confusing to the viewer who probably does not know the exact position title, much less the job code, for the individuals being researched.

Compensation Disclosure Model:

In the interest of consistency and clarity in the disclosure of compensation data for County of Orange officials and employees, the Grand Jury has developed a model for posting onto the County of Orange Internet website. The fundamental elements of the model on the website would provide that:

- **Accessibility** – The link from the home page to the compensation webpage be a permanent feature, which is prominently displayed and requires only one mouse click for access.
- **Positions Reported** – All elected officials and department heads be reported. Elected officials be listed first, followed by department heads in descending order of salary amount. A list of all elected officials and department heads for the County of Orange who would be covered by this posting is shown on Appendix 1.
- **Salary Reporting** – The actual annual base rate of salary be shown, rather than range minimums and maximums.
- **Other Pay**
 - Fees – Any fees earned from County-sponsored boards, committees or commissions
 - Deferred Compensation
 - Bonus – Any form of management, incentive or performance improvement bonuses.
 - Pay in Lieu of Time Off
 - Automobile Allowance
- **Insurance Premiums** – Annualized amounts that the County pays on the employee’s behalf for medical, dental, vision, disability and life insurance.
- **Pension Costs** – Annualized amounts that the County pays for contributions to a pension plan (such as CalPERS).
- **Total Compensation** – Salary and benefit amounts be totaled for a representation of the total compensation received for the calendar year.

An illustration of this model as it would appear on a webpage is shown in Appendix 2.

Employment Contracts:

For the purpose of this report, the term “employment contract” is defined as a written agreement between an individual employee and the County setting forth the detailed terms, conditions and mutual obligations of the employment.

The County of Orange currently maintains six employment contracts, covering the:

- Chief Executive Officer
- Clerk of the Board of Supervisors
- County Counsel
- Director of Internal Audit
- Performance Audit Director
- Executive Director of the Office of Independent Review

Employment contracts are all subject to approval by the Board of Supervisors and are maintained by the Clerk of the Board.

While there is currently no reasonably accessible disclosure of employment contract information on the County of Orange website, the Grand Jury is of the opinion that employment contracts are important public information and should be disclosed in an easily accessible manner in the interest of public trust and confidence.

FINDINGS:

In accordance with California Penal Code Sections 933 and 933.05, the 2010-2011 Grand Jury requests a response from the County of Orange Executive Office to the findings presented in this section. The response is to be submitted to the Presiding Judge of Superior Court.

Based on its investigation of the County of Orange Internet website, the 2010-2011 Orange County Grand Jury has two principal findings, as follows:

- F.1:** The quality and extent of compensation disclosure by the County of Orange on its Internet website is inadequate.
- F.2:** There is currently no reasonably accessible disclosure of written employment contracts on the County of Orange website.

RECOMMENDATIONS:

The 2010/2011 Orange County Grand Jury makes the following recommendations:

In accordance with California Penal Code Sections 933 and 933.05, the 2010-2011 Grand Jury requests a response from the County of Orange Executive Office to the recommendations presented in this section. The response is to be submitted to the Presiding Judge of the Superior Court.

Based on its review and evaluation of the compensation disclosure provided by the County of Orange, the 2010-2011 Orange County Grand Jury makes the following two recommendations:

- R.1:** **Compensation Disclosure – The County of Orange report compensation information to the public on the Internet in an easily accessible manner. The Compensation Disclosure Model (Appendix 2) provides a sample as to the items that are recommended to be included in determining total compensation.**
- R.2:** **Employment Contracts – The County of Orange reveal any individual employment contracts in an easily accessible manner.**

REQUIREMENTS AND INSTRUCTIONS:

The California Penal Code Section 933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such com-

ment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section 933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

- (a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
 - (1) The respondent agrees with the finding
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.
- (b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
 - (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.
- (c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code Section 933.05 are requested from the:

<u>Responding Agency</u>	<u>Findings</u>	<u>Recommendations</u>
The County of Orange Executive Office	F.1, F.2	R.1, R.2

Appendix 1: County of Orange Elected Officials and Department Heads

POSITION	POSITION
A. ELECTED OFFICIALS	B. DEPARTMENT HEADS
County Supervisor Dist. 1	Chief Executive Officer *
County Supervisor Dist. 2	Clerk of the Board of Supervisors *
County Supervisor Dist. 3	County Counsel *
County Supervisor Dist. 4	Director of Internal Audit *
County Supervisor Dist. 5	Exec. Dir. Office of Independent Review
Assessor	Performance Audit Director *
Auditor - Controller	Assistant CEO
Clerk - Recorder	Deputy CEO Infrastructure
District Attorney	Deputy CEO Govt. & Public Services
Public Administrator	Deputy CEO Information Technology
Sheriff - Coroner	Deputy CEO Finance
Treasurer – Tax Collector	Director OC Community Resources
	Director of Public Works
	Director, Health Care Agency
	Chief Probation Officer
	Public Defender
	Registrar of Voters
	Director OC Waste & Recycling
	Director, Dana Point Harbor
	Airport Director
	Human Resources Director
	Public Guardian
	Director, Child Support Services
	Director, Social Services

* Covered by Employment Contract

Compensation Study of Orange County Cities



Compensation Study of Orange County Cities

SUMMARY

The 2010 – 2011 Orange County Grand Jury has examined several aspects of compensation in Orange County cities. The scope of this report covers the following items:

- Individuals Covered -
 - All elected officials.
 - All employees who are being paid at a base salary rate in excess of \$100,000 per year.
- Salary and Total Compensation – Overall levels of salary and benefit costs are reported along with multiple levels of comparisons among cities.
- Organization – Upper level positions are reviewed and compared.
- Contracts – Provisions of employment contracts and the extent of their use are examined.
- Transparency – Disclosure of compensation information to the public is examined, evaluated and compared.

Based on this comprehensive review of information submitted by the cities, the Grand Jury has concluded that there are no individual instances of abusive compensation in Orange County cities.

There is, however, a disturbing level of inconsistency in the degree of transparency pertaining to compensation information which is currently provided to the public. For this reason, the Grand Jury has developed a suggested model for use in reporting municipal compensation information to the public and recommends that such information be made readily accessible on the Internet websites of all Orange County cities as soon as practicable.

REASON FOR STUDY

While compensation of public officials and employees has long been a subject of citizen concern, recent allegations of gross abuses have created a firestorm of media, governmental and even prosecutorial attention. Recent revelations from cities outside of Orange County have led to charges that city officials were paying themselves lavish salaries and benefits at taxpayer expense.

In Orange County, these allegations have spawned a number of articles in the media concerning compensation of individual municipal officials and employees. In addition to answering the question, “Are there any similar cases in Orange County?” this report will present Orange County citizens with an objective and thorough report, analyses, and findings covering multiple facets of compensation and recommendations for accessible and consistent transparency for all Orange County cities.

It is not the primary purpose of this report to question the compensation of any individual official or employee. Neither is it the purpose to simply list all of the salaries and benefits of city officials and employees. Rather, this report is focused on determining whether there are any abuses in Orange County relating to elected officials and upper level positions and examining the degree and quality of compensation disclosure.

METHODOLOGY

In order to accumulate the raw data which provides the basis for this report, the Grand Jury developed a spreadsheet questionnaire (Appendix 1), covering total compensation elements for individuals covered by the study. The questionnaire was sent to all cities in Orange County, and included further requests for copies of employment contracts and organization charts for the city. Interviews also were conducted to confirm certain facts and findings contained in this report.

Employees with base salaries below \$100,000 were excluded from this study because:

- The primary focus of this study is compensation abuse. If the upper level and management positions are found to be within normal parameters, it is expected that there will be no abuses in the lower level positions.
- With the above limitation, a total of 1,847 positions were submitted in response to the Grand Jury's request.

This study does not include any analysis of benefits paid after retirement or pension plans. This report does, however, include pension related costs which are incurred by cities during active employment, such as The California Public Employees' Retirement System (CalPERS) contributions.

The compensation analyses contained in this report are based on calendar year 2009 data, and exclude police, fire, electric utility and Great Park employees. Several cities do not have any police and/or fire positions because they contract with the County for such services. Electric utility and Great Park positions are unique to two cities.

All population statistics used in this report are from the State of California, Department of Finance, E-1 Population Estimate for Cities, Counties and the State with Annual Percent Change – January 1, 2008 and 2009, Sacramento, California, May, 2009.

FACTS

Fact: There are 34 incorporated cities in Orange County.

Fact: There are ten Charter cities, where compensation levels for elected officials and employees are governed by the City Councils. These cities are Anaheim, Buena Park, Cypress, Huntington Beach, Irvine, Los Alamitos, Newport Beach, Placentia, Santa Ana, and Seal Beach.

Fact: There are 24 General Law cities, where compensation levels for elected officials are governed by state laws and regulations and compensation levels for employees are governed by the City Councils. These cities are Aliso Viejo, Brea, Costa Mesa, Dana Point, Fountain Valley, Fullerton, Garden Grove, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, La Habra, Lake Forest, La Palma, Mission Viejo, Orange, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Stanton, Tustin, Villa Park, Westminster and Yorba Linda.

Fact: Each city has an elected City Council and Mayor and appointed City Manager/Administrator. Beyond these functions, city organizations and management positions vary widely.

Fact: All Orange County cities, except for Seal Beach, have posted varying types and amounts of compensation information on their Internet web sites.

Fact: The California State Controller required all local governments to submit a Local Government Compensation Report for calendar year 2009 by a deadline of October 1, 2010. That report was intended to collect salary, compensation, and benefit information for all elected, appointed, and employed personnel. The Controller's website may be accessed at: http://www.sco.ca.gov/compensation_search.html.

ANALYSIS

Compensation Comparisons:

For consistent analyses, the following eleven municipal management positions were selected to be reported:

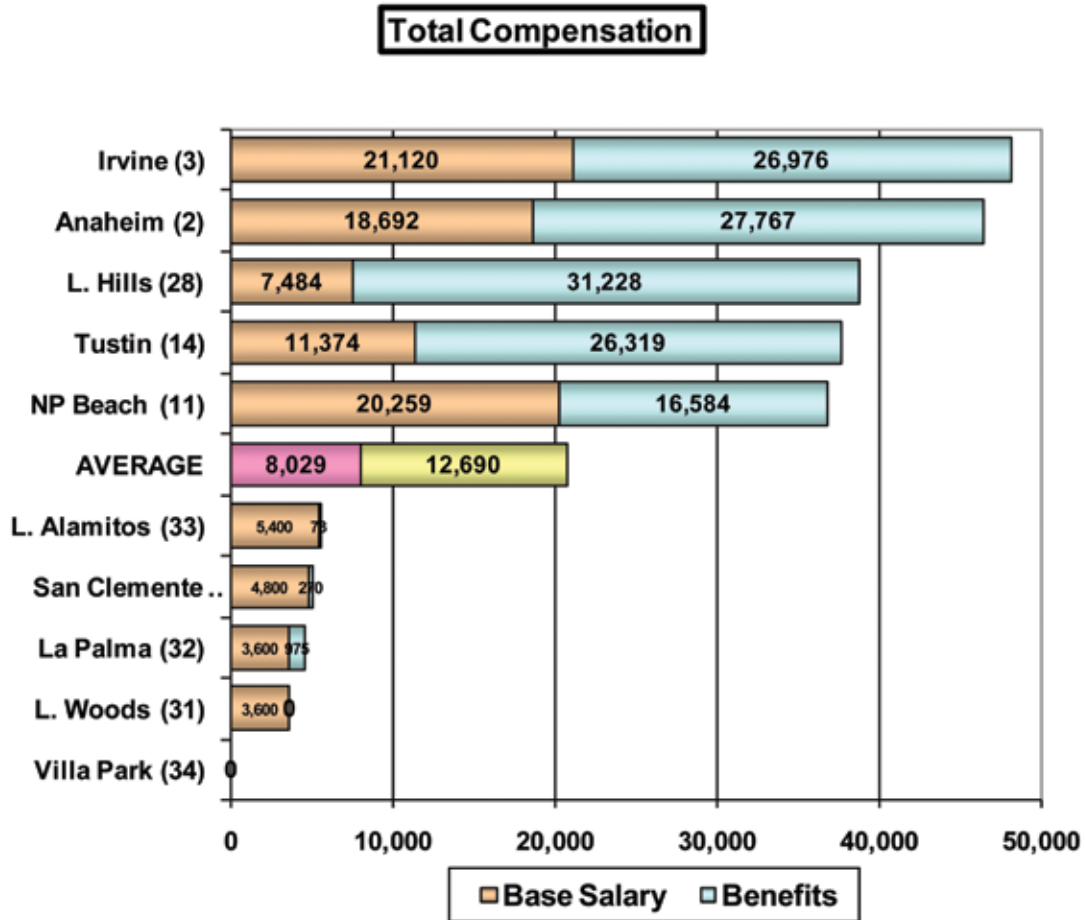
- City Council Member
- City Manager
- City Clerk
- City Engineer
- Finance
- Public Works
- Parks & Recreation
- Community Development
- Human Resources
- Information Technology
- Building Official

The following eleven charts for these selected positions display and compare:

- Base Salary,
- Total Benefits and Other Pay, which include,
 - Fees,
 - Deferred Compensation,
 - Bonus Pay,
 - Insurance Premiums,
 - Auto Allowance,
 - Pension Contributions, and
 - Pay in Lieu of Time Off.

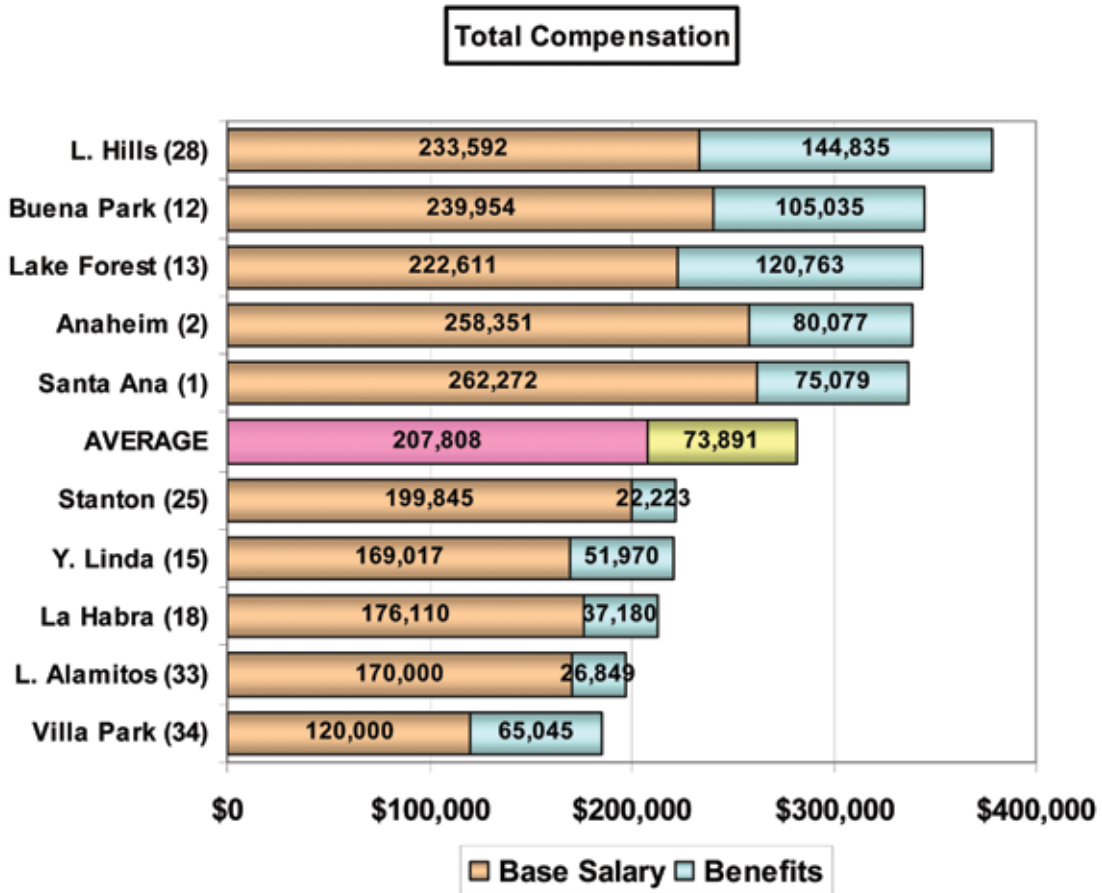
For the purpose of clarity, the charts display the highest five and lowest five cities for each of eleven common positions. The average for each reported position is included to provide a benchmark. All city data for these positions is reflected in Appendices 2 (a) through (k). The population ranking for each city is shown in parentheses to illustrate any correlation between population and total compensation.

Chart 1: City Council



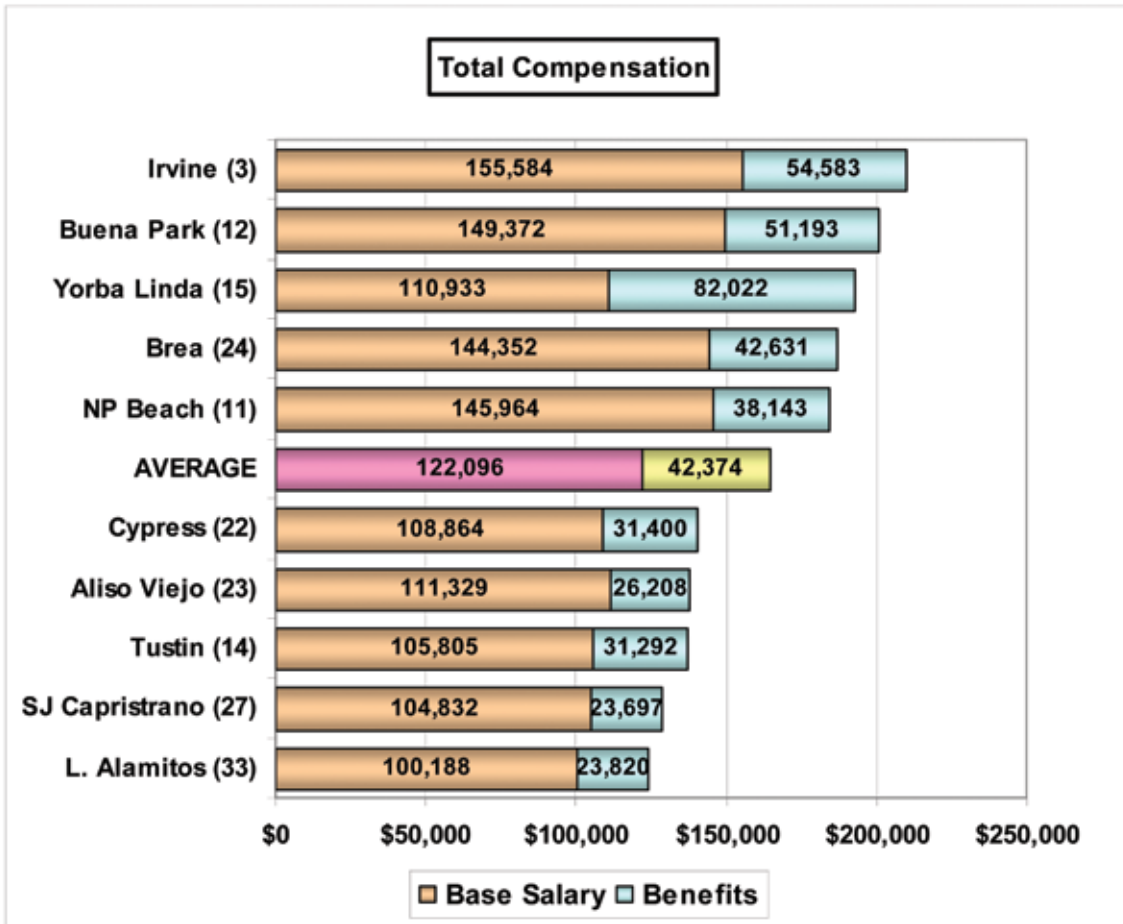
- This chart reflects compensation for the highest paid member of the city council.
- Total compensation does not appear to have any consistent correlation to the population of the city.
- The City of Villa Park, the smallest city in Orange County, has opted to not pay either a base salary or benefits to its council members.

Chart 2: City Manager



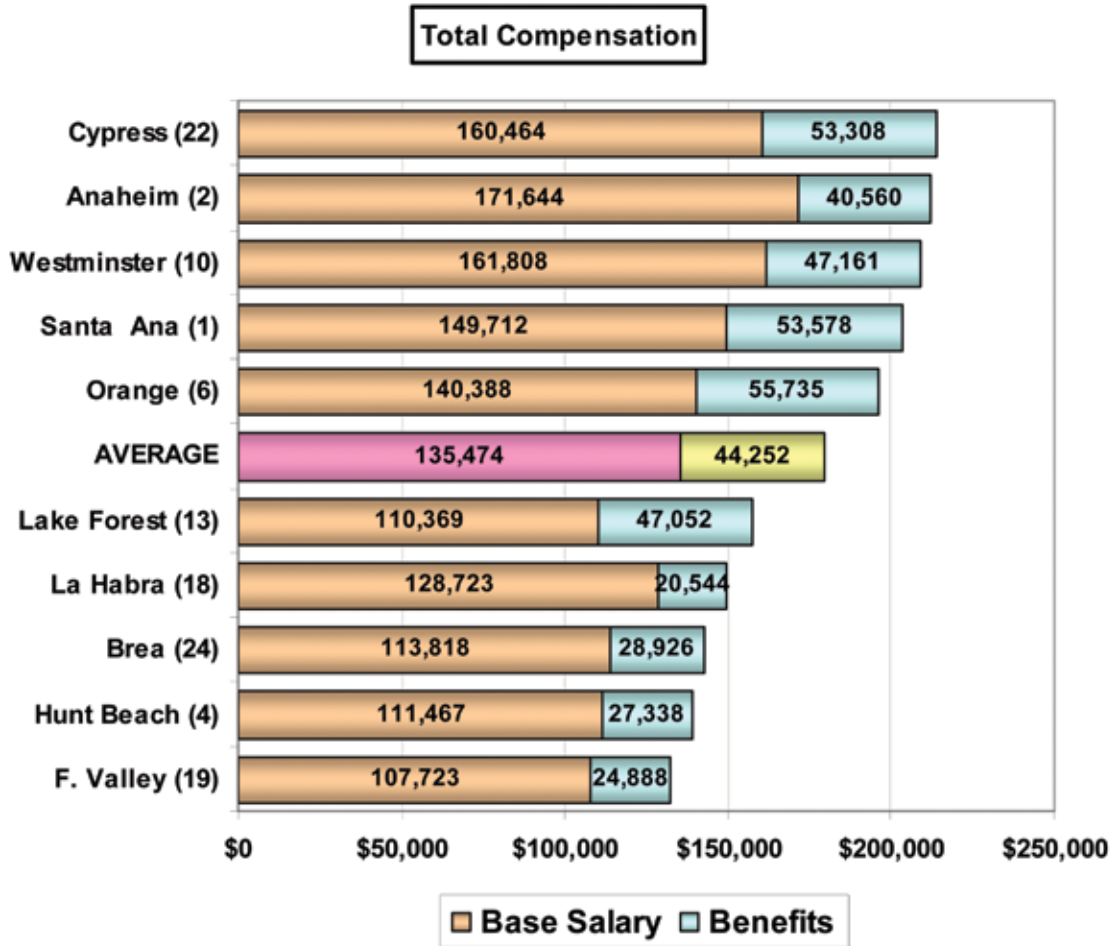
- The city manager total compensation spread is \$193,382.
- The spread of base salaries is \$142,272.
- 21 city managers have a base salary over \$200,000.
- The total benefits for the Laguna Hills City Manager reflects a one-time payout of \$30,097 for unused paid time off.

Chart 3: City Clerk



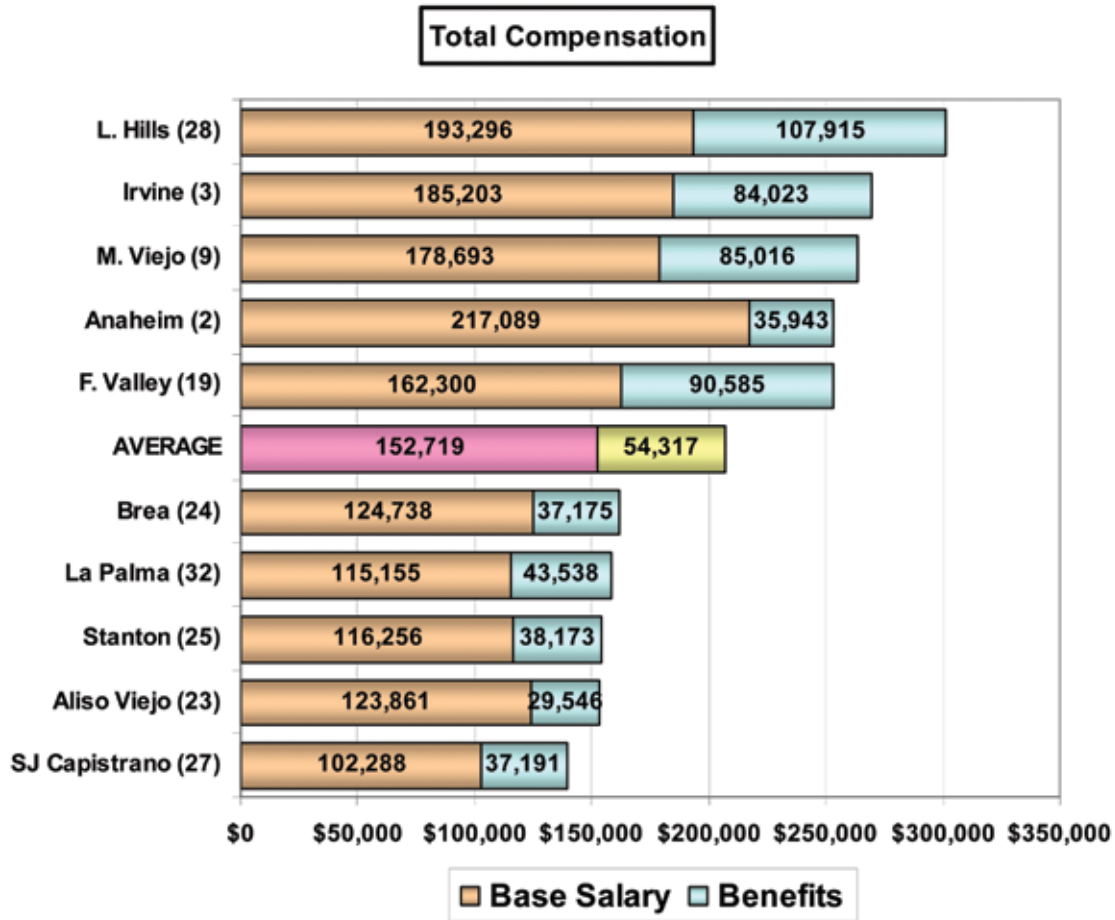
- 25 cities reported a city clerk position with a base salary over \$100,000.
- The base salary spread is \$55,396.
- Total compensation does not correlate with city population.
- The total benefits for the Yorba Linda City Clerk reflects a one-time payout of \$41,124 for unused paid time off.

Chart 4: City Engineer



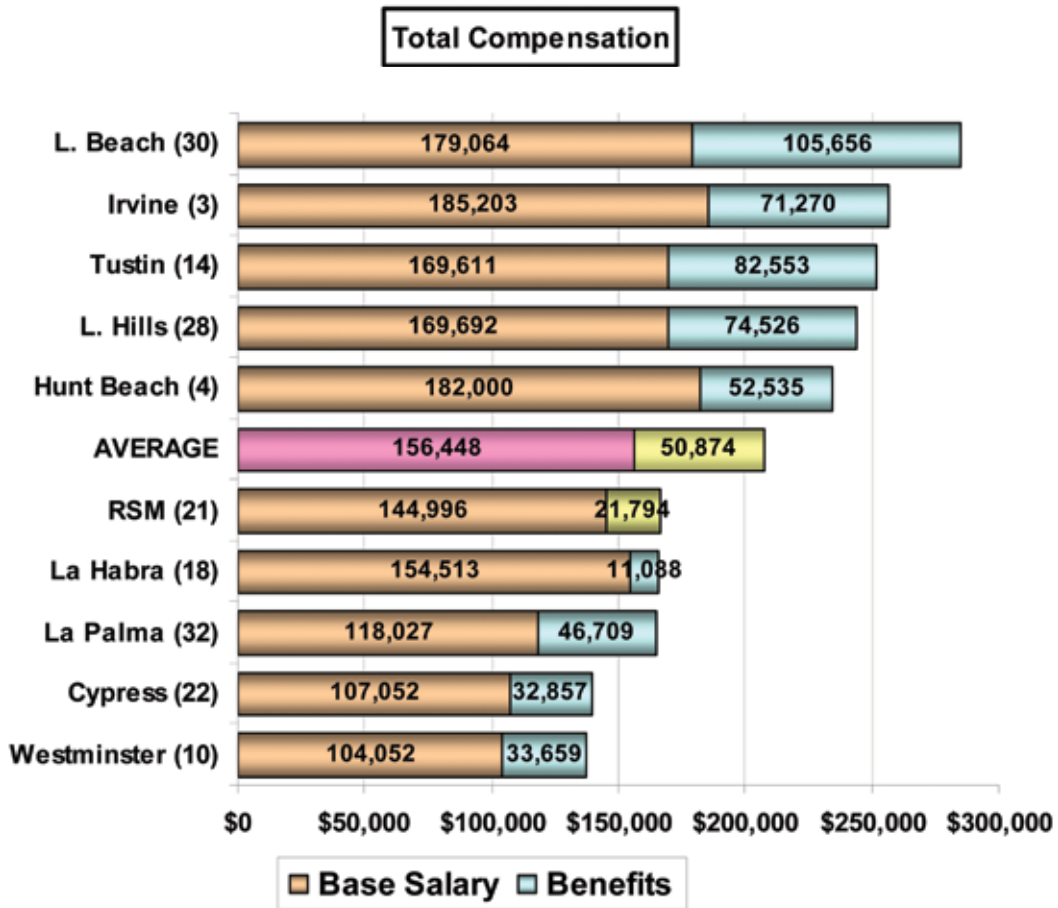
- 25 cities reported a city engineer with a base salary over \$100,000.
- Total compensation does not correlate with city population.

Chart 5: Finance



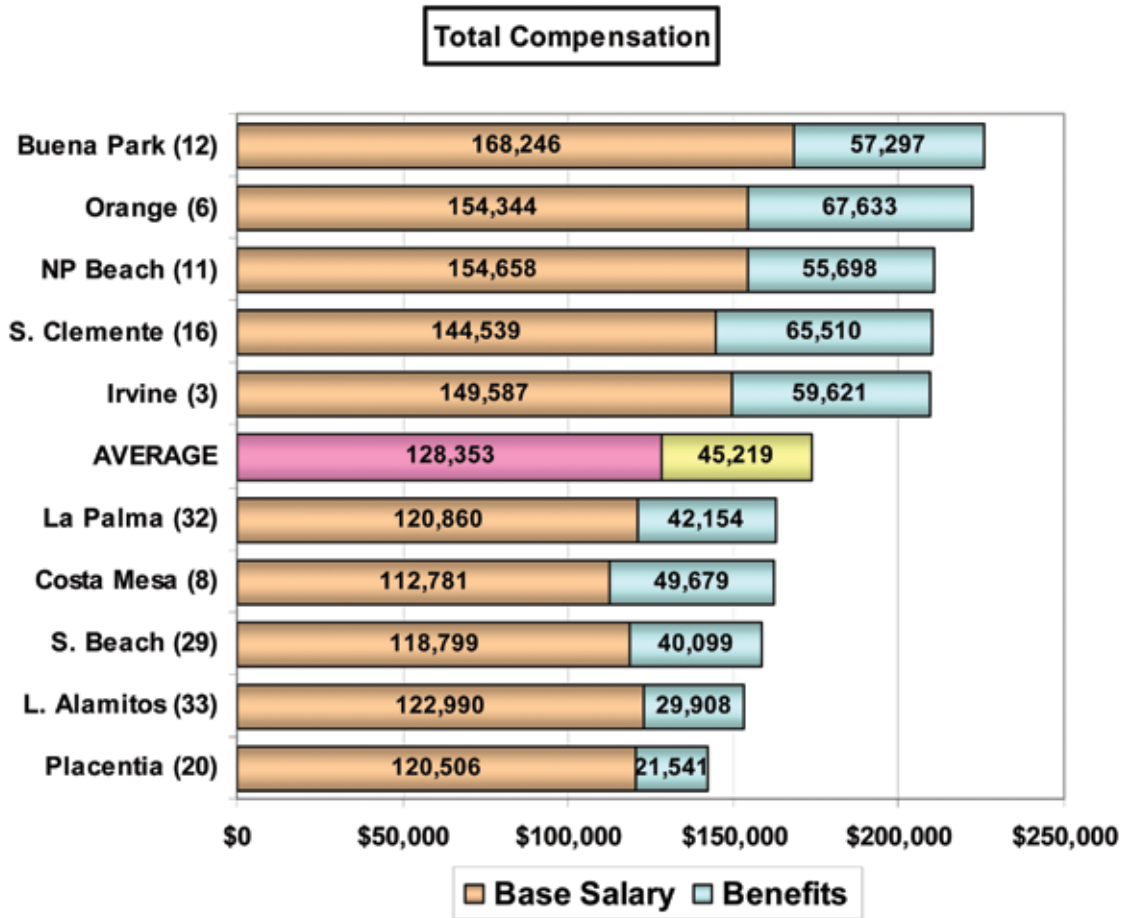
- In some instances, the finance function reports to an Assistant City Manager and that position also includes other functional responsibilities.
- 31 cities report a finance position exceeding \$100,000 base salary
- Total compensation does not correlate with city population.
- Anaheim, the 2nd largest city, has the highest base salary, while Fullerton, the 7th largest has one of the lowest base salaries.
- The total benefits for the Yorba Linda Finance Director reflects a one-time payout of \$62,265 for unused paid time off.

Chart 6: Public Works



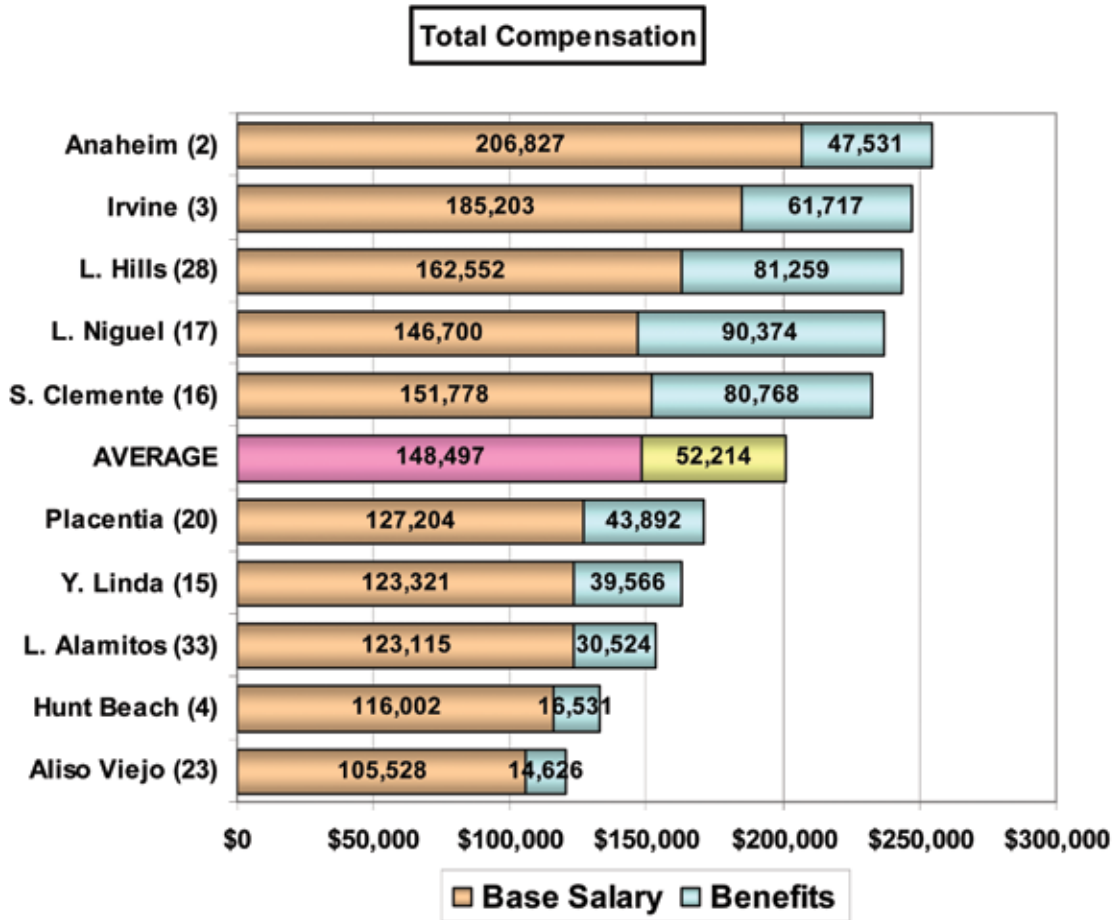
- 29 cities reported a public works position with a base salary above \$100,000.
- Total compensation does not correlate with city population.

Chart 7: Parks & Recreation



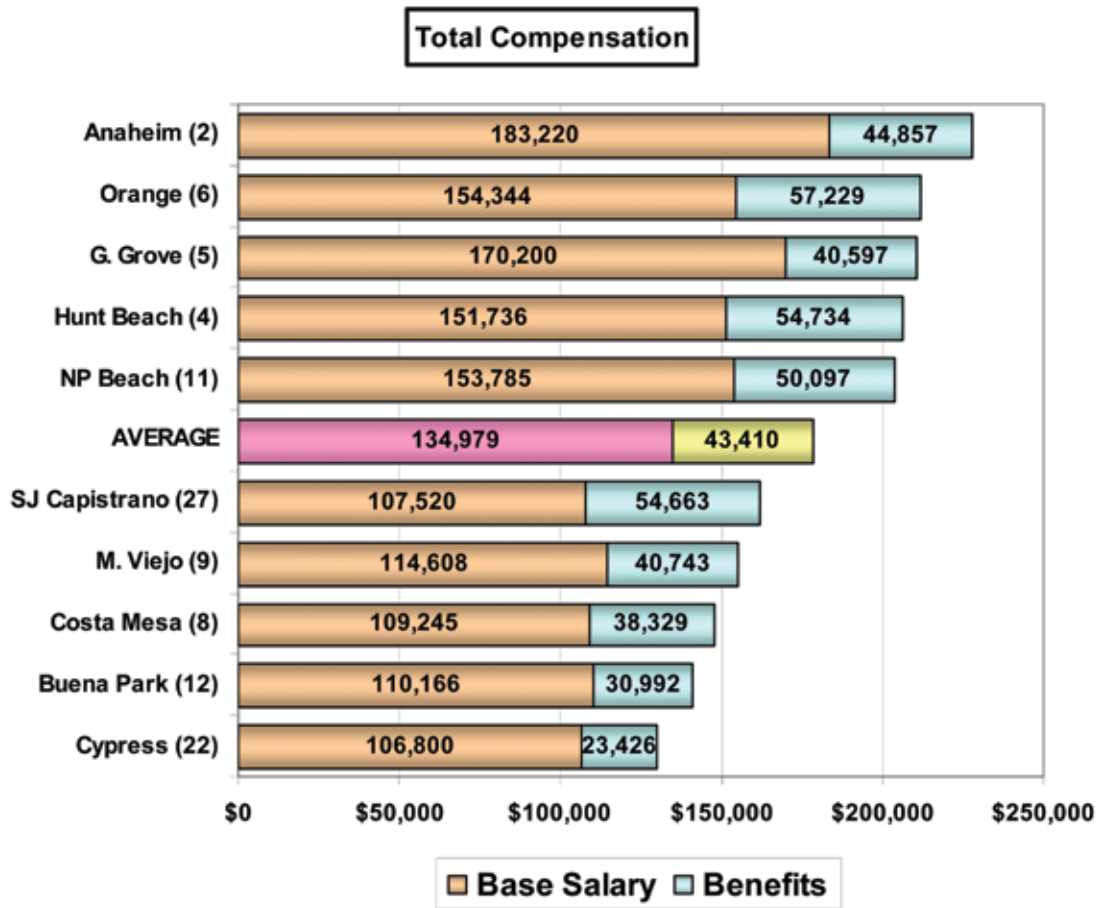
- 21 cities reported a parks & recreation position with a base salary exceeding \$100,000.
- Total compensation does not correlate with city population.
- The base salary spread is \$55,465.

Chart 8: Community Development



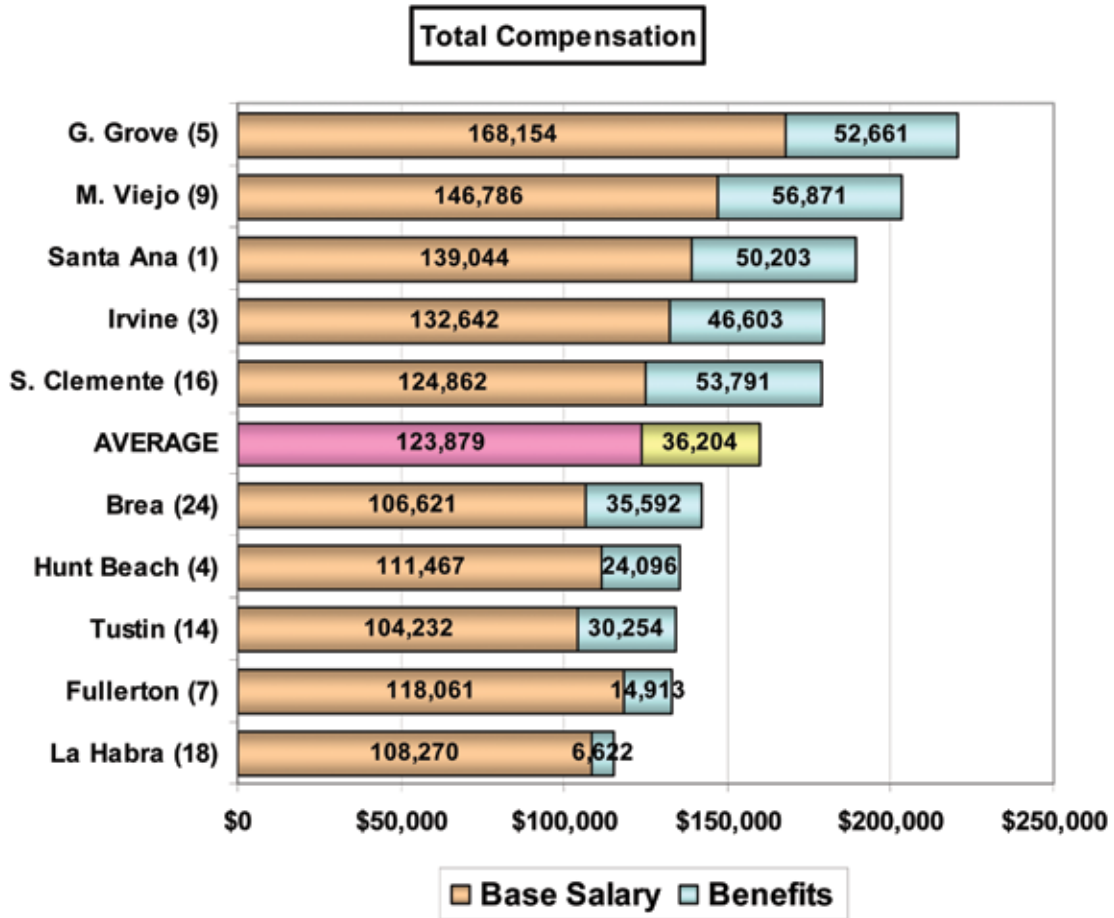
- 30 cities reported a community development position with a base salary in excess of \$100,000.
- Total compensation does not correlate with city population.

Chart 9: Human Resources



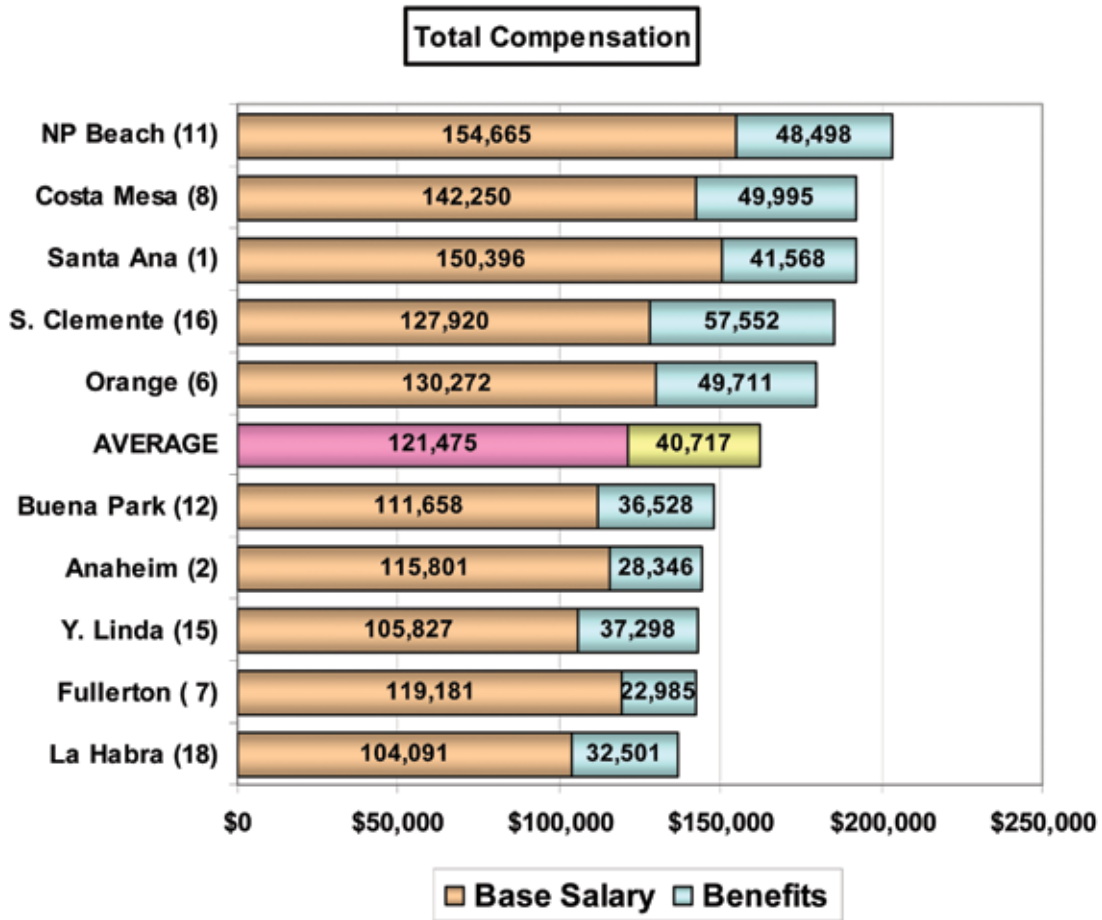
- 19 cities reported a human resources position with a base salary above \$100,000.
- There does appear to be some correlation to city size.

Chart 10: Information Technology



- 19 cities reported an information technology position with a base salary in excess of \$100,000.
- Total compensation does not correlate with city population.
- The total benefits spread is \$50,249.

Chart 11: Building Official



- 19 cities reported a building official position with a base salary above \$100,000.
- Total compensation does not correlate with city population.

Comparisons Outside Orange County:

For another perspective on compensation levels, comparisons were made for the heads of selected functional positions in Orange County cities with California cities of similar size outside of Orange County. This comparison is based on total compensation, which includes salary and certain benefit amounts. Since the Grand Jury did not collect compensation information from cities outside of Orange County, it was necessary to use the data reported on the California State Controller’s Internet website for this comparison. For this reason, the compensation amounts shown on the following tables may be at variance with the totals reflected in the preceding section and on the Appendices to this report.

Large Cities:

City/ Population	City Manager	Community Development	Public Works	Finance	Human Resources
Santa Ana 355,662	\$316,798	\$233,189	\$170,532	\$197,084	\$192,437
Anaheim 348,467	\$327,486	\$221,415	\$226,150	\$225,596	\$220,982
Bakersfield 333,719	\$294,551	\$175,433	\$188,443	\$170,708	\$136,278
Riverside 300,430	\$440,147	\$212,174	\$226,425	\$194,830	\$194,599
Stockton 290,409	\$310,374	\$187,799	\$186,825	\$180,913	\$184,530

In this comparison, the city managers are relatively consistent with the exception of Riverside, which is considerably higher. For public works, finance and human resources, Anaheim appears to be on the high side.

Medium Cities:

City/ Population	City Manager	Community Development	Public Works	Finance	Human Resources
Escondido 144,831	\$304,747	\$166,281	\$156,907	\$168,666	\$157,323
Orange 141,634	\$265,886	\$210,062	\$198,896	\$203,879	\$208,751
Elk Grove 141,430	\$274,088	\$217,339	\$185,171	\$179,106	\$95,945
Sunnyvale 138,826	\$357,155	\$250,627	\$268,419	\$252,448	\$245,154
Fullerton 137,624	\$236,028	\$182,269	\$201,353	\$174,733	\$154,894

For this group, Orange and Fullerton are on the low side for City Managers. For the finance and human resources positions, Sunnyvale is clearly on the high side, with Orange not far behind.

Small Cities:

City/ Population	City Manager	Community Development	Public Works	Finance	Human Resources
Laguna Hills 33,434	\$380,054	\$231,015	\$217,381	\$296,769	No Position
Burlingame 29,060	\$239,629	\$163,644	\$199,059	\$193,249	\$172,963
Desert Hot Springs 26,552	\$263,246	\$156,972	\$141,275	\$151,653	\$149,274
Belmont 26,250	\$229,632	\$162,258	\$164,039	\$199,060	\$164,006
Seal Beach 25,913	\$274,790	\$215,117	\$216,453	\$214,734	No Position

In this comparison, Laguna Hills is far higher for the City Manager and Finance positions and, while the differences are not as great, is also on the high side for the other positions compared.

Compensation Abuses:

As explained earlier, one of the principal reasons for this study and report is to determine whether there are any compensation abuses in Orange County cities similar to that which was discovered outside of Orange County last year. Before going further, it should be recognized that the term “abuse” is highly subjective in nature. A salary that would seem abusive to one individual might represent a competitive level of pay to another.

In an effort to determine a more objective standard for this term, two recent sources are useful:

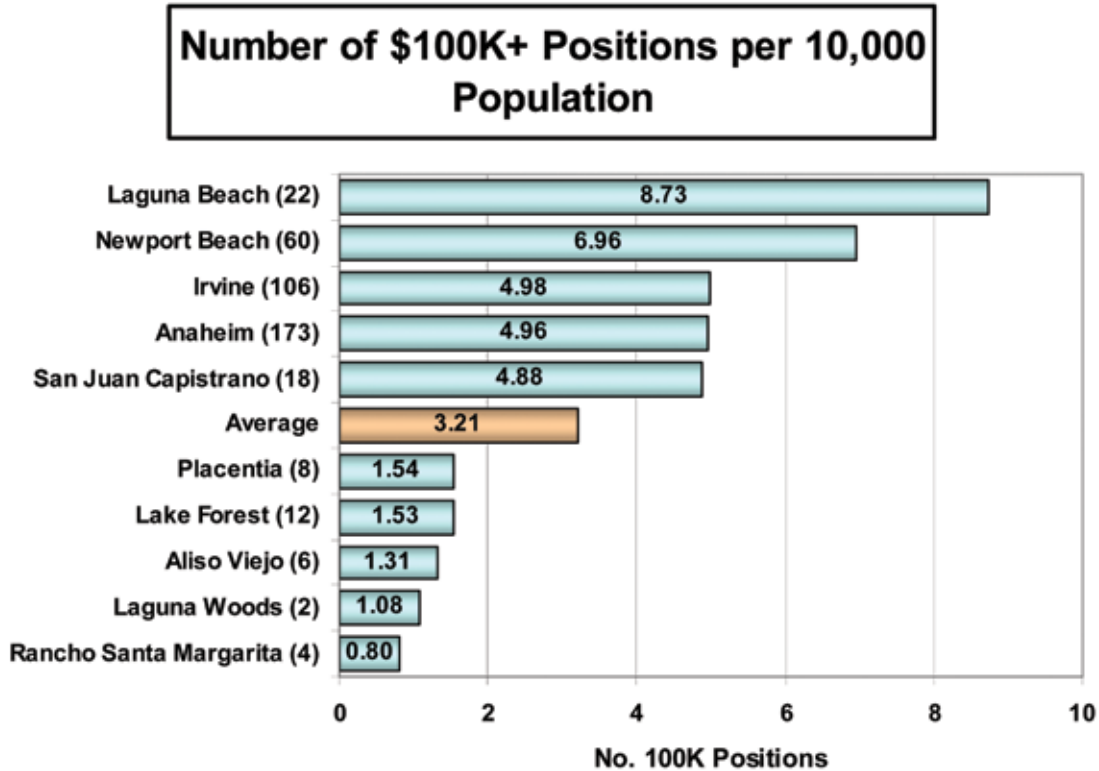
- The California Attorney General announced that he would look into any city official’s salary that exceeds \$300,000.
- The California Public Employees’ Retirement System (CalPERS) launched a comprehensive review of any of its members who earn more than \$400,000 annually in salary.

Based on the data submitted to the Grand Jury by all 34 Orange County cities, the highest paid city employee or official of the 1,847 positions so reported is the Laguna Hills City Manager, with a base salary of \$233,592 and total compensation of \$378,427. It is clear that this is a substantial compensation level. As a point of reference in that regard, the Chief Executive Officer for the County of Orange received total compensation of \$324,535, according to the State Controller website.

However, with due consideration to the benchmark compensation levels noted above, the Grand Jury has concluded that there is no individual compensation in any Orange County city which would rise to the level of being considered as abusive.

Upper Level Positions:

While there is no finding of any individual abusive compensation level in this report, the analysis did reveal a substantial number of positions in municipal organizations with base salaries in excess of \$100,000. A summary of these results follows and the detailed listing of these positions is included as Appendix 3a, 3b and 3c.



The total number of \$100K positions included in this analysis is indicated in parentheses.

All of the cities in this analysis appear to have a fairly consistent number of such upper level positions based on their population, with the exception of Laguna Beach and Newport Beach, which have a considerably higher number. If these two cities had the average number of positions over \$100,000 based on their populations, Laguna Beach would have eight such positions instead of 22, and Newport Beach would have 27 instead of 62.

Also, from a review of Appendix 3a, it is worthy of note that, with fairly similar populations, Santa Ana, Orange County's largest city, has 85 such positions, where Anaheim has more than double that number at 173. If Anaheim had the average number of over \$100,000 positions based on its population, they would have 106 such positions instead of 173.

Employment Contracts:

For the purpose of this report, the term "employment contract" is defined as a written agreement between an individual employee and the city setting forth the detailed terms, conditions and mutual obligations of the employment.

The Grand Jury requested each city to provide contracts of employment between the city and its employees, including but not limited to City Manager/Administrator. Although the contract provisions are distinct for each city, it was found that the 114 employment contracts submitted and reviewed appear to be well-reasoned with salary and benefit provisions falling within the parameters of other cities.

The City of Huntington Beach has a contract with unique provisions for the City Manager, providing a one-time \$20,000 moving allowance and a \$200,000 real estate loan, either as a first or lower secured trust deed. The real estate loan is to be forgiven at the rate of \$28,571 per employment year.

All contracts have provisions for both voluntary and involuntary termination. None have a lifetime commitment or terms over three years or automatic renewal for numerous years. An exception to this standard is the City Manager of Laguna Woods, whose contract is for five years, and unless notice of non-renewal is provided prior to the end of any calendar year, an additional year is added to the remaining term and a new five-year termination date is established.

No distinction was found between charter cities and general law cities as it relates to paying salary or benefits earned by contract employees.

While there is currently no disclosure of employment contract information on most of the cities' websites, the Grand Jury is of the opinion that employment contracts are important public information and should be disclosed in the interest of public trust and confidence.

Transparency:

The best way to guard against abuse on the subject of governmental employee compensation is to provide the public with effective transparency. The most effective means of publishing compensation information is on the Internet. Since all Orange County cities currently have websites, the addition or enhancement of compensation information on those websites should not impose any undue burden. Not only will that

publication serve the citizens, but should also pre-empt numerous information requests from media and other interested parties.

In order to achieve effective transparency on the subject of compensation, salary and benefit information for senior level officials and upper level employees of each city should be posted in a clear, concise and consistent manner that is also easy for the public to access. In evaluating the current state of municipal compensation transparency, the Internet websites of all cities were graded on the following three criteria:

- Content – Does the city present both actual salary and benefit costs? Are the items detailed separately and extensively?
- Clarity – Is the compensation information presented in a clear, concise format that may be easily read and understood by the average viewer? Are the salaries and benefits totaled, or is the viewer required to do the math?
- Accessibility – Is the compensation content readily identifiable and accessible without complex web-site search and navigation? **Note** – most websites include a search function with varying degrees of effectiveness. For the purposes of this study, search functions were not used.

Prior to discussing the grading, it should be noted that the Grand Jury reviewed and evaluated the city website postings from the perspective of the general public accessing the information for their personal use and enlightenment. In contrast to this perspective, the current city salary and benefit postings appear to be intended for either job applicants or existing city employees. This difference in perspective may explain some of the low grades.

For rating purposes, each website was assigned a letter grade (A – Excellent, B – Good, C – Average, D – Poor, F – Non Existent) for each of the three criteria noted above. This rating was done on February 1, 2011 and reveals a very wide disparity in the extent and quality of compensation disclosure on city websites in Orange County.

City/Website	Content	Clarity	Accessibility
Aliso Viejo	C	C	A
Anaheim	C	C	B
Brea	C	C	B
Buena Park	C	C	A
Costa Mesa	B	C	C
Cypress	C	C	A
Dana Point	D	D	D
Fountain Valley	D	C	A
Fullerton	B	B	B
Garden Grove	C	C	A
Huntington Beach	D	D	D
Irvine	C	C	A
La Habra	C	B	A
La Palma	C	C	A
Laguna Beach	D	D	C
Laguna Hills	C	D	B
Laguna Niguel	D	C	C
Laguna Woods	B	B	C
Lake Forest	D	D	C
Los Alamitos	D	D	C
Mission Viejo	C	C	A
Newport Beach	D	D	C
Orange	D	D	A
Placentia	D	D	C
Rancho Santa Margarita	D	D	A
San Clemente	D	D	D
San Juan Capistrano	D	D	C
Santa Ana	D	D	C
Seal Beach*	F	F	F
Stanton	D	D	C
Tustin	D	C	B
Villa Park	C	C	A
Westminster	D	D	C
Yorba Linda	D	D	A

** The Seal Beach website was still under construction on the date when this review was conducted.*

State Controller Website:

Effective November 1, 2010, the California State Controller posted on his official website certain salary and benefit information pertaining to all California local governments. Based upon a thorough review, it was found that the content of the State Controller's posting has a narrower focus than this report. The principal differences are:

- For each position, actual salaries are not posted. Instead, only minimums and maximums of established salary ranges (if in existence) are shown, which is somewhat imprecise.
- For actual total cash compensation, the Box 5 amount from the employee's W-2 form is posted. Certain state and local government employees hired prior to April 1, 1986 are exempt from mandatory enrollment for Medicare coverage. Since Box 5 shows compensation which is subject to Medicare tax, if the individual did not enroll in Medicare, there is no amount reported in this box. In Orange County, for positions covered by this study, there were 49 such individuals in calendar year 2009. Also, for partial year employees, Box 5 presents an artificially low amount for annual cash compensation.
- The State Controller posting reflects any deferred compensation for which the employee may be eligible, but no separate item for:
 - Management, incentive or improvement bonuses,
 - Automobile allowance, or
 - Pay in lieu of paid time offthat may be paid. Of course, those amounts would be included in Box 5 of the W-2 form, if the employee were subject to Medicare tax.
- The posting covers all positions for each city. For the larger cities, this results in a very lengthy list which may not be of any interest to a reader who is interested only in upper level or elected positions.
- The posting includes several major benefit amounts, but they are not combined with cash compensation to reflect an overall total compensation.

The differences in the method of calculating total compensation between the State Controller and the model presented in this report does in fact result in some fairly substantial variance in the bottom line amount reported. These variances for the City Manager position in the nine largest Orange County cities are shown below:

City	Total Compensation - State Controller*	Total Compensation - Grand Jury**	Percent Difference
Santa Ana	\$316,798	\$337,351	6.5%
Anaheim	\$327,486	\$338,428	3.3%
Irvine	\$282,186	\$335,765	19.0%
Huntington Beach	\$299,802	\$317,234	5.8%
Garden Grove	\$288,219	\$328,525	14.0%
Orange	\$265,886	\$302,810	13.9%
Fullerton	\$236,028	\$255,518	8.3%
Costa Mesa	\$255,757	\$291,611	14.0%
Mission Viejo	\$276,854	\$308,786	11.5%

* Includes W-2 Box 5, Pension, Deferred Compensation and Insurance Premiums.

** Includes Base Salary, Fees, Incentives, Deferred Compensation, Pension Costs, Pay in lieu of Time Off, Medicare Taxes and Insurance Premiums.

Compensation Disclosure Model:

In the interest of consistency and clarity in the disclosure of compensation data for city officials and employees, the Grand Jury has developed a model (Appendix 4) which could be posted onto the Internet websites of all Orange County cities. The fundamental elements of the model on the websites would provide that:

- **Accessibility** – The link from the home page to the compensation webpage be a permanent feature, which is prominently displayed and requires only one keystroke for access.
- **Positions Reported** – All employees earning a base salary rate in excess of \$100,000 per year and all elected officials be reported. Elected officials be listed first, followed by employees in descending order of salary amount. The posting of lower level positions is not recommended in the interest of clarity. In the event that all positions are listed, this same order of listing be applied.
Note: The listing of names is not recommended.
- **Salary Reporting** – The actual annual base rate of salary be shown, rather than range minimums and maximums or the Box 5 amount from the employee’s W-2 form.
- **Other Pay**
 - **Fees** – Any fees earned from city-sponsored boards, committees or commissions
 - **Deferred Compensation**
 - **Bonus** – Any form of management, incentive or performance improvement bonuses.
 - **Pay in Lieu of Time Off**
 - **Automobile Allowance**

- **Insurance Premiums** - Annualized amounts that the city pays on the employee's behalf for medical, dental, vision, disability and life insurance.
- **Pension Costs** – Annualized amounts that the city pays for contributions to a pension plan (such as PERS) and Social Security.
- **Total Compensation** – Salary and benefit amounts be totaled for a representation of the total compensation received for the calendar year.
- **Example** – An illustration of this model as it would appear on a webpage is shown on Appendix 4.

FINDINGS

In accordance with California Penal Code Sections 933 and 933.05, the 2010-2011 Grand Jury requires responses from each city affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of Superior Court.

Based on its investigation of the 34 cities of Orange County, the 2010-2011 Orange County Grand Jury has seven principal findings, as follows:

- F.1:** Based on the data submitted, no position was found where the compensation or employment contract was considered to be abusive.
- F.2:** There is no discernable correlation between compensation levels in charter vs. general law cities.
- F.3:** Compensation of individual high-level positions bears no significant relationship to city population.
- F.4:** Public disclosure of municipal compensation levels is widely inconsistent, ranging from good to non-existent.
- 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.
- 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.
- F.7:** There is currently no disclosure of written employment contracts on the majority of cities' websites.

RECOMMENDATIONS:

The 2010/2011 Orange County Grand Jury makes the following recommendations:

In accordance with California Penal Code Sections 933 and 933.05, the 2010-2011 Grand Jury requires responses from each city affected by the recommendations presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation of the 34 cities in Orange County, the 2010-2011 Orange County Grand Jury makes the following four recommendations:

- R.1: Transparency - All cities in Orange County report their compensation information to the public on the Internet in an easily accessible manner. The Compensation Disclosure Model (Appendix 4) provides a sample as to the items that should be included in determining total compensation.**
- R.2: Employment Contracts – Each city reveal any individual employment contracts in an easily accessible manner.**
- 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.**
- R.4: Compensation Levels – The City of Laguna Hills conduct a compensation review of top officials.**

REQUIREMENTS AND INSTRUCTIONS:

The California Penal Code Section 933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section 933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

- (a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
 - (1) The respondent agrees with the finding
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

- (b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
- (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.
- (c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code Section 933.05 are required from the city council of each of the following Orange County cities:

<u>Responding Agency</u>	<u>Findings</u>	<u>Recommendations</u>
All Orange County Cities	F.4, F.7	R.1, R.2
Laguna Beach and Newport Beach	F.5	R.3
Laguna Hills	F.6	R.4

Appendix 1

O.C. Grand Jury Request for Municipal Compensation Data

Annual Compensation Amounts (Dollars) For the Calendar Year Ended December 31, 2009

City of _____

Compensation Component (as described below):

	Position	Position	Position	Position	Position
Component 1.					
Component 2.					
Component 3.					
Component 4.					
Component 5.					
Component 6.					
Component 7.					
Component 8.					
Component 9.					
Component 10.					
Component 11.					

Component:

Description:

1. Base Salary (Primary Position)	Per payroll records
2. Base Salary (Second Position - if applicable)	Per payroll records
3. Board / Commission fees	
4. Management Incentives	Bonuses, Awards, Performance Improvement Payments
5. Deferred Compensation	City contribution to a deferred compensation account
6. Retirement Plan	City cost of retirement plans such as PERS, (include Social Security - if applicable)
7. Automobile Expenditures	City cost of auto allowance paid for the position
8. Medical, Dental, Vision, Disability & Life Insurance premiums	City cost for these benefits
9. Unused Paid Time off Payouts	Include unused sick leave and vacation leave payments
10. Employer's Medicare Costs	City cost for Medicare contributions
11. Total per W-2	Box 5 per W-2 report

