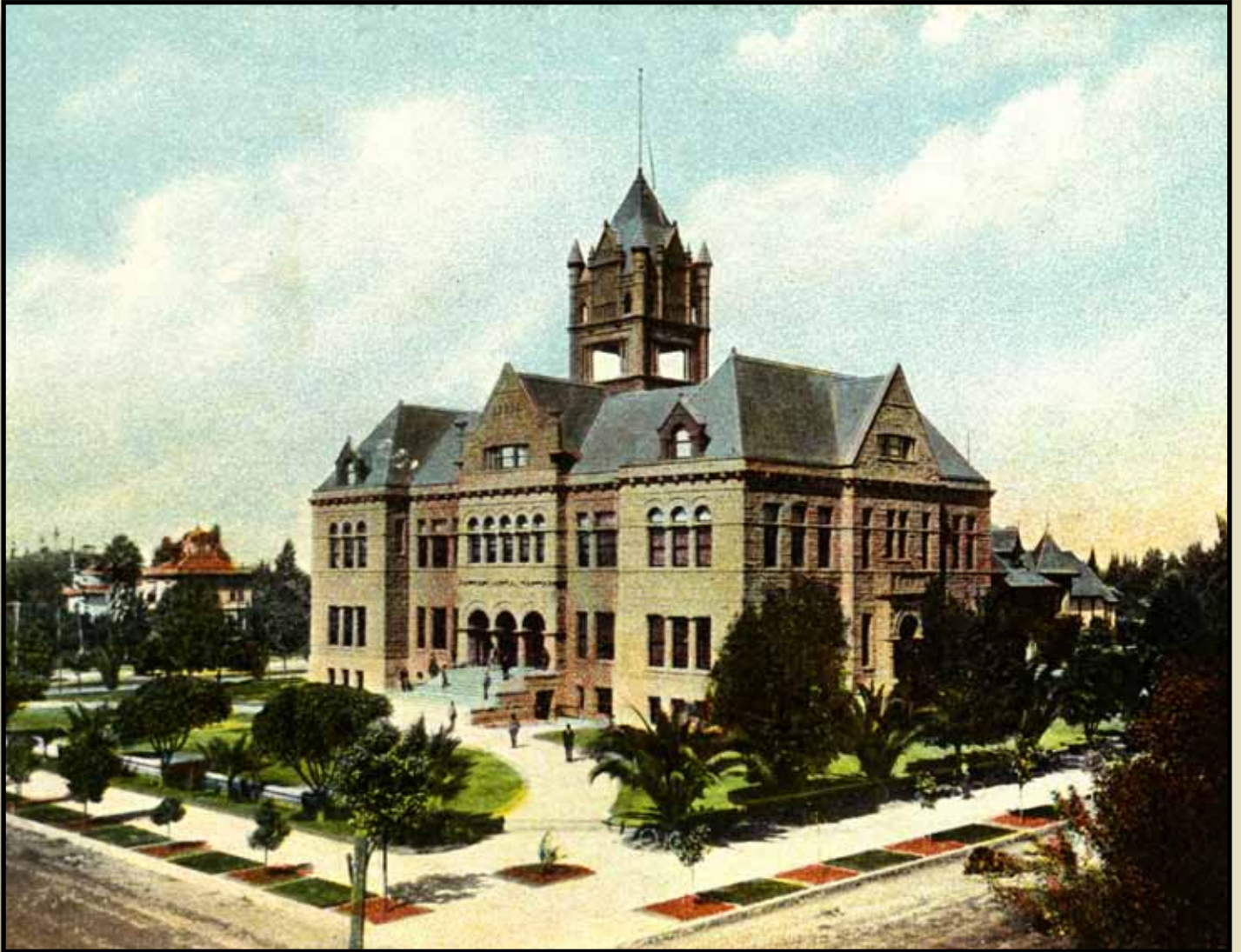


This document is an extract of a larger publication.

civilgrandjury.org is a project of UnGovr.org, a US-based 501(c)(3) nonprofit dedicated to government transparency and public accountability.



# 2011 – 2012 Orange County Grand Jury



## Final Report



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## ORANGE COUNTY GRAND JURY

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June 30, 2012

Honorable Craig E. Robison  
Superior Court of California, County of Orange  
700 Civic Center Drive West  
Santa Ana, CA 92701

Dear Judge Robison:

The 2011-2012 Grand Jury was sworn in on July 1, 2011 and seated to begin work on July 5. One juror resigned before the Jury was sworn, and this juror was replaced by an alternate. There were nineteen jurors assembled as the year began. As the year progressed, four jurors resigned from the Jury and were subsequently replaced by two alternates. Seventeen jurors were on the jury when the term ended on June 30, 2012.

This year the Jury heard 25 requests for criminal indictments, and 2 requests for investigative hearings, from the District Attorney and the California Attorney General. These indictments covered such diverse topics as homicide, mayhem and torture, credit card and money laundering, and income tax evasion. These indictments took about 30% of the Jury's time.

The Jury was very conscious of its civil function as a watchdog for the people as it investigated and reported upon the affairs of local government agencies. The jury studied topics which it believed needed review or were of current importance. This report details the activities of the jury and its reports, findings and recommendations. It is the result of hundreds of hours of effort by the members of the Jury. The goal of these reports is to highlight to the public's attention issues in the County, and to provide some constructive, cost-effective recommendations to improve the areas reviewed. The Jury hopes that the insights gained from the reports will be used by all public agencies to review and improve their operations.

The Jury challenges the public to improve the effectiveness of the Grand Jury by becoming involved. The Grand Jury is charged to be the watchdog for the public and to identify in its reports what it perceives to be mismanagement or improper spending of public funds. It will be most effective only with involvement by the public. It is imperative that citizens review the report with its findings and recommendations, and to go to the Grand Jury website, [www.ocgrandjury.org](http://www.ocgrandjury.org), to review the agency responses. The public should insist upon cost-effective, efficient government and challenge any agency whose responses it believes to be inadequate. The Grand Jury's efforts will be strengthened by public follow up.

One of the main concerns of this Jury was to maintain the integrity of the Jury system by ensuring that the agencies replying to the previous jury's reports had implemented effective action to improve the areas investigated. The jury reviewed all responses in depth to ensure that the replies were adequate and that corrective action was taken. This area has concerned previous juries, and the 2011-2012 jury encourages future juries to carefully review past reports and the respondents corrective actions to ensure that the actions were implemented.

The 2011-2012 Grand Jury has succeeded in obtaining internet access for the computers in the jury room. This access will be available for the 2012-2013 Grand Jury, and will be a significant improvement in the Jury's ability to gather information. The Jury sincerely appreciates the efforts of the County IT staff to obtain and install this service.

The Jury would not have been able to accomplish its work without the assistance and support of Donna Vinnacombe, our Grand Jury Administrator, our Administrative Assistant, Mary Booker, and the support of Robyn Samuelson and her staff in Jury Services, especially Theda Kaelin and Sandra Lopez. We are especially grateful to our skilled Court Reporter, Bob Sullivan, who diligently recorded every word of our many hearings. These people worked tirelessly to help the Jury complete its many tasks. The Grand Jury is deeply appreciative of their efforts. The Jury is also grateful for the cooperation of the many public officials and employees who provided the Jury insight into their operations during this past year.

The Jury is very much appreciates the support from our legal advisors in the County Counsel's office, Karen Prather, and in the District Attorney's Office, Rebecca Olivieri. Their sage advice and tireless efforts were invaluable as the Jury worked its way through the many investigations and criminal indictments.

The Jury is also grateful to the Honorable Thomas J. Borris, Presiding Judge of the Superior Court, the Honorable Craig E. Robison, Supervising Judge, Felony Panel, and Alan Carlson, Chief Executive Officer for their advice and continuing support throughout the year.

It is my pleasure to present to you and the people of Orange County the Final Report of the 2011-2012 Grand Jury. It has been a privilege for us to serve the citizens of Orange County, California.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Roy B. Baker III', with a stylized flourish at the end.

Roy B. Baker III, Foreman  
2011-2012 Orange County Grand Jury

RBB:tk

*The most common way people give  
up their power*

*Is by thinking they do not have  
any.....*

*Stan Ness....2011-2012*

*juror.... [with apologies to Alice Walker]*

***The Orange County Grand Jury, a duly selected and sworn body of citizens, is a powerful governmental watchdog institution.*** The Grand Jury has the legal power<sup>1</sup> to investigate and report on any and all County, City and District government affairs. This includes:

- County governmental officers, department or functions;
- Cities or joint power authorities;
- Special purpose assessing or taxing districts or local agency formation commission;
- Redevelopment agencies, housing authorities, or joint power authorities;
- Nonprofit corporations established by or operated on behalf of a public entity.

The report findings and recommendations resulting from the above Grand Jury studies are required by law to be responded to the Superior Court Presiding Judge within 90 days, by the governing body of any public agency subject to its reviewing authority. Similarly, County elected officials and public agencies have 60 days to respond. These reports and responses are posted as public documents at [www.ocgrandjury.org](http://www.ocgrandjury.org).

Another example of the legal power of the Grand Jury, a county Grand Jury may present “an accusation against any officer of a district, county, or city, including any member of the governing board or personnel commission of a school district or any humane officers, for willful or corrupt misconduct in office.”<sup>2</sup> Specifically, this responsibility could involve misconduct in office, even when no criminal statute is violated, as the courts have also ruled that any act of malfeasance, misfeasance, or nonfeasance in office is sufficient to support removal.

The act does not need to be criminal, just willful. The accusation shall be delivered to the District Attorney, unless he is the officer accused, and the district attorney shall serve the accusation to the defendant to appear before the Superior Court.

Illustrative examples of selected past Orange County Grand Jury civil findings/recommendations and subsequent positive results are in the table on the next pages. This table was compiled by the 2011-2012 Orange County Grand Jury to spotlight the good work that results from the Grand Jury’s watchdog function, on behalf of Orange County citizens.

Many good government changes take more than one year to happen, some less, and are often the results of many forces that come to bear<sup>3</sup>. Grand Jury citizen volunteers are proud to be part of the process. The Grand Jurors Association of Orange County, composed of former Orange County Grand Jurors, was helpful in providing an institutional memory of the ongoing impacts of 10 of these past studies. For the sake of table brevity - findings, recommendations and results are paraphrased. As referenced above, these past reports may be found at [www.ocgrandjury.org](http://www.ocgrandjury.org).

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<sup>1</sup> California Penal Code - Part 2, Title 4, Chapter 3, “Powers and Duties of Grand Jury”

<sup>2</sup> California Government Code – Article 3 “Removal other than by Impeachment” - Section 3060 “Accusation by grand jury”

<sup>3</sup> Two examples appeared recently in the Orange County Register – 1) “Grand jury empowered Orangewood” June 23, 2012 by William Steiner, 1997 Chair of OC Board of Supervisors, and 2) “Cities hop to action to boost transparency grades” June 22, 2012 OC Watchdog blog by Teri Sforza, Register staff writer

Citizens Watchdog Power ☐ The Orange County Grand Jury

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<b><u>Year</u></b>	<b><u>Study Topic</u></b>	<b><u>Conditions/Findings</u></b>	<b><u>Major Recommendation</u></b>	<b><u>Results</u></b>
<b>2010-2011</b>	<b>Compensation Study of Orange County Cities</b>	<b>Public disclosure of municipal compensation levels was widely inconsistent, ranging from good to non-existent. In 2011, no cities were rated excellent for Compensation Content and Clarity.</b>	<b><i>All cities in Orange County should report compensation to the public on the Internet in easily accessible manner. Elements to be reported include Salary, Other Pay, Insurance Premiums, Pension Costs and Total Costs.</i></b>	<b><i>Still in progress. Most cities have upgraded their websites. In 2012, 74% of cities were rated excellent for Accessibility and 41% were excellent for Executive Compensation Content &amp; Clarity. Pension cost transparency lags behind and is a focus of a 2011-2012 Grand Jury report.</i></b>
<b>2010-2011</b>	<b>County of Orange Compensation Disclosure</b>	<b>Quality and Extent of compensation disclosure by the County of Orange on its Internet website was inadequate.</b>	<b><i>The County of Orange should report comp. on Internet in easily accessible manner. Compensation for all elected officials &amp; department heads should be reported, including Benefits/ Pension Costs.</i></b>	<b><i>2011 – Done. The 2011-2012 Grand Jury rated the County of Orange an “A” for Accessibility and an “A” for Executive Compensation Transparency.</i></b>
<b>2009-2010</b>	<b>Lobbying: The Shadow Government</b>	<b>Orange County did not have a lobbying ordinance. This was in stark contrast to other large government entities.</b>	<b><i>Orange County Board of Supervisors should adopt a lobbying ordinance that applies to elected/appointed County Officers as well as all County Department Heads.</i></b>	<b><i>The Board of Supervisors adopted a County Ordinance #11-014, effective July 1, 2011, requiring lobbyists to register with the County.</i></b>

Citizens Watchdog Power ☐ The Orange County Grand Jury

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<u>Year</u>	<u>Study Topic</u>	<u>Conditions/Findings</u>	<u>Major Recommendation</u>	<u>Results</u>
2008-2009	<b>Guardian of Last Resort</b>	<p>Management of practices used since the separation of the Public Guardian from the Health Care Agency has significantly increased administrative management costs.</p> <p><b>Combining of the Public Administrator &amp; Public Guardian in 2005 has not produced the anticipated cost reductions.</b> The agency made ineffective decisions that have cost OC taxpayers significant amounts of money.</p>	<p><i>Board of Supervisors should report on feasibility &amp; legality of converting Public Administrator to an appointed office. The Board should have a comprehensive independent review done of Public Administrator/ Public Guardian. Based on results of review &amp; Grand Jury Report, reconsider whether separating PA/PG from Health Care Agency was cost &amp; performance effective.</i></p>	<p><i>Public Guardian was replaced by the Board of Supervisors in 2011. Public Administrator resigned in early 2012. One person had filled both roles. On the June, 2012 ballot, there was an initiative to change the position of Public Administrator from elected to appointed that was rejected by voters.</i></p>
2006-2007	<b>An In-Custody Death Reviewed</b>	<p><b>Investigation of death of a female prisoner in O.C. Sheriff Women’s Central Jail</b> revealed the County Health Care Agency staffed jail infirmary with nurses lacking adequate emergency medical skills/equipment knowledge and equipment maintenance training.</p>	<ol style="list-style-type: none"> <li>1. <i>Nurses should be required to regularly demonstrate emergency response skills.</i></li> <li>2. <i>Personnel should be regularly trained &amp; evaluated on use of emergency medical equipment with drills.</i></li> <li>3. <i>Appropriate emergency equipment should be placed in Women Outpatient Housing.</i></li> </ol>	<p><i>All recommendations were implemented by the Sheriff and the County Health Agency. The County Performance Auditor subsequently reviewed correctional medical services leading to further improvements.</i></p>
2005-2006	<b>Orange County Vector Control District – Out of Control?</b>	<p><b>Employees’ morale at OCVCD was negatively impacted by management actions.</b> This was in spite of OCVCD granting sizeable employee compensation increases of 22% in 2 years.</p>	<p><i>Board should investigate causes of low morale and take necessary actions to improve morale.</i></p>	<p><i>General Manager was terminated in March, 2010. The 2011-2012 Grand Jury report stated that OC Vector Control District is now “well run and well resourced.”</i></p>

Citizens Watchdog Power ☐ The Orange County Grand Jury

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<b><u>Year</u></b>	<b><u>Study Topic</u></b>	<b><u>Conditions/Findings</u></b>	<b><u>Major Recommendation</u></b>	<b><u>Results</u></b>
<b>2004-2005</b>	<b>Can Orange County Afford to Lose Human Relations Commission?</b>	<b>Orange County Board of Supervisors was discussing no longer funding the Orange County Human Relations Commission (OCHRC).</b>	<b><i>Orange County Board of Supervisors should support Orange County Human Relations Commission (OCHRC) &amp; budget consistent, annual funding to it.</i></b>	<b><i>2005 OC Board of Supervisors voted to fund Orange County Human Resource Commission that has provided invaluable service since 1971.</i></b>
<b>2000-2001</b>	<b>Kids in Adult Lockup - Bad Boys in a Bad Place</b>	<b>Juveniles in custody were housed at Central Men's Jail, which was built in 1968, and was in dire need of complete renovation.</b>	<b><i>Central Men's Jail should not be used to detain Juveniles. A new permanent suitable location should be identified.</i></b>	<b><i>New housing mods were built at Theo. Lacy Jail in Orange, and are now used to house juveniles. Juveniles charged as adults are housed at Central Men's Jail.</i></b>
<b>1994-1995</b>	<b>Wider Use of Orange County Reclaimed Water</b>	<b>Orange County's natural water resources no longer met the needs of the County's population. Most of wastewater was lost to the ocean.</b>	<b><i>Use County's state of the art and award winning water treatment plants to reclaim wastewater for more than just parks, greenbelts and freeway landscaping.</i></b>	<b><i>Water which has been purified is now returned to the groundwater basins for reuse. The Grand Jury Report received a citation from the Orange County Water District.</i></b>
<b>1994-1995</b>	<b>Orange County Government Structure</b>	<b>County Bankruptcy</b>	<b><i>Create permanent position of County Executive Officer (CEO).</i></b>	<b><i>Permanent CEO position created and continues currently. The County Administrative Officer (CAO) position was abolished.</i></b>

# ORANGE COUNTY GRAND JURY

2011-2012

**Roy B. Baker III:** Foreperson

**Helen D. Alberts:** Human Services; Environment & Transportation; Orientation

**Lynn Cudd:** Human Services Chairman; Editorial; Juvenile Services

**Don Dillon:** Human Services; Environment & Transportation; Orientation

**Stuart J. Fuller, III:** Continuity & Special Issues; Environment & Transportation;  
Orientation

**Frederick C. Gebhardt:** Foreperson Pro Tem; Editorial Chairman; Continuity &  
Special Issues; Environment & Transportation

**Barton Harlan:** Secretary; Parliamentarian; Orientation Chairman; Continuity &  
Special Issues; Juvenile Services

**Dianne Mitchell:** Human Services; Editorial; Administrative Agencies

**Stanley Ness:** Continuity & Special Issues Chairman; Administrative Agencies;  
Orientation

**Richard Newman:** Criminal Justice Chairman; Editorial; Administrative Agencies

**Dorean Ora:** Criminal Justice; Orientation

**Patricia Place:** Criminal Justice; Juvenile Services; Editorial

**Arthur (Gene) Rosen:** Criminal Justice; Administrative Agencies; Orientation

**Jerry Sheppard:** Editorial; Continuity & Special Issues; Juvenile Services;

**Myra Spicker:** Environment & Transportation Chairman; Editorial; Criminal  
Justice

**Jean Watson:** Juvenile Services Chairman; Human Services; Editorial

**William F. Underwood:** Administrative Agencies Chairman; Continuity &  
Special Issues; Orientation

## Orange County Grand Jury 2011-2012



*Front Row:* Jerry Sheppard, Myra Spicker, John Fornes (resigned), Helen Alberts, William Underwood, Lynn Cudd  
*Second Row:* Stuart Fuller III, Dianne Mitchell, Frederick Gebhardt, Richard Newman, Stanley Ness, Donald Dillon  
*Third Row:* Roy Baker III (seated, Foreperson), Patricia Place, Jean Watson, Barton Harlan, Dorean Ora, Arthur Rosen



2011-2012 GRAND JURY OFFICERS

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*Left to right:* Jean Watson, Historian; Frederick Gebhardt, Foreperson Pro Tem; Arthur Rosen, Sergeant-At-Arms; Barton Harlan, Secretary/Parliamentarian; Dorean Ora, Assistant Secretary; Roy Baker III (seated), Foreperson

EXECUTIVE COMMITTEE

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*Left to right (back):* William Underwood, Frederick Gebhardt, Stanley Ness, Barton Harlan, Richard Newman, Lynn Cudd  
*Left to right (front):* Jean Watson, Roy Baker III (seated, Foreperson) Myra Spicker

ADMINISTRATIVE AGENCIES

---



*Left to right:* Donald Dillon, Arthur Rosen, Richard Newman, Dianne Mitchell, Stanley Ness, William Underwood (seated, Chairperson)

CONTINUITY/SPECIAL ISSUES COMMITTEE

---



*Left to right:* William Underwood, Frederick Gebhardt, Stuart Fuller III, Barton Harlan, Jerry Sheppard, Stanley Ness (seated, Chairperson)

CRIMINAL JUSTICE COMMITTEE

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*Left to right:* Myra Spicker, Dorean Ora, Patricia Place, Arthur Rosen, Richard Newman (seated, Chairperson)



*Left to right:* Frederick Gebhardt, John Fornes (resigned), Helen Alberts, Stuart Fuller III, Myra Spicker (seated, Chairperson)

HUMAN SERVICES

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*Left to right:* Jean Watson, John Fornes (resigned), Helen Alberts, Donald Dillon,  
Dianne Mitchell, Lynn Cudd (seated, Chairperson)

## JUVENILE SERVICES

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*Left to right:* Dorean Ora (resigned), Patricia Place, Barton Harlan, Lynn Cudd,  
Jerry Sheppard, Jean Watson (seated, Chairperson)

EDITORIAL COMMITTEE

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*Clockwise from left:* Frederick Gebhardt (Chairperson), Myra Spicker, Jean Watson, Jerry Sheppard, Patricia Place, Richard Newman, Dianne Mitchell, Lynn Cudd

RECRUITMENT AND ORIENTATION COMMITTEE

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*Clockwise from left:* Dorean Ora, Stuart Fuller III, John Fornes (resigned), Stanley Ness, Barton Harlan (Chairperson), Arthur Rosen, Donald Dillon, William Underwood, Helen Alberts

## HISTORY OF THE GRAND JURY <sup>1</sup>

A grand jury derives its name from the fact that it usually has a greater number of jurors than a trial (petit) jury. In early Britain, the Saxons used something similar to a grand jury system. During the years 978 to 1016, one of the Doom Laws stated that for each 100 men, 12 were to be named to act as an accusing body. They were cautioned “not to accuse an innocent man nor spare a guilty one.”

The grand jury can also be traced to the time of the Norman Conquest of England in 1066. Evidence shows that the courts of that time summoned a body of sworn neighbors to present crimes that had come to their knowledge. Because the members of that accusing jury were selected from small jurisdictions, they could present accusations based on their personal knowledge.

Historians agree that the Assize<sup>2</sup> of Clarendon in 1166 provided the groundwork for our present grand jury system. During the reign of Henry II (1154–1189), in an effort to regain for the crown the powers usurped by Thomas Becket, Chancellor of England, 12 “good and lawful” men in each village were assembled to reveal the names of those suspected of crimes. During this same period, juries were divided into two types, civil and criminal, with the development of each influencing the other.

The oath taken by these jurors provided that they would carry out their duties faithfully, would aggrieve no one through enmity nor defer to anyone through love, and would conceal those things that they had heard.

By the year 1290, these accusing juries were given the authority to inquire into the maintenance of bridges and highways, the defects of jails, and whether the sheriff had kept anyone in jail who should have been brought before the justices. “Le Grand Inquest” evolved during the reign of Edward III (1368), when the “accusatory jury” was increased in number from 12 to 23, with a majority vote necessary to indict anyone accused of a crime.

In America, the Massachusetts Bay Colony empanelled the first grand jury in 1635 to consider cases of murder, robbery, and wife beating. As early as 1700, the value of the grand jury was recognized in opposing the Royalists. These colonial grand juries expressed their independence by refusing to indict leaders of the Stamp Act (1765), and refusing to

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<sup>1</sup> California Administrative Office of the Courts; *Grand Jury Resource Manual for California Courts, Model Guide for Civil Grand Juries*; Tab 3; July 2005; pages 1-4

<sup>2</sup> Assizes were periodic criminal courts held around England and Wales until 1971, when, together with the Quarter Sessions, they were abolished by the Courts Act 1971. The Assizes heard the most serious cases.

bring libel charges against the editors of the Boston Gazette (1765). The Philadelphia Grand Jury supported a union with other colonies to oppose British taxes in 1770.

By the end of the colonial period, grand juries had become indispensable adjuncts of government. “They proposed new laws, protested against abuses in government, and wielded the tremendous authority in their power to determine who should and should not face trial.”

Although originally the Constitution of the United States made no provision for a grand jury, the Fifth Amendment, ratified in 1791, guaranteed that:

[N]o person shall be held to answer to a capital, or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land or naval forces, or in the militia when in actual service in time of war or public danger. . . .

Public support for grand juries, sustained through the revolutionary period, began to wane in the early 1800s. Adoption of the Fourteenth Amendment in 1868 made it illegal to “deprive any person of life, liberty or property without due process of law.” As interpreted by some states, this amendment no longer required prosecution of crimes by grand jury indictment nor prohibited direct accusation by a prosecutor. California is still one of the states that allows prosecution to be initiated by either grand jury indictment or judicial preliminary hearing.

The first California Penal Code contained statutes that provided for a grand jury to be empanelled quarterly, at the same time as the trial jurors were drawn. Early grand juries investigated local prisons, conducted audits of county books, and pursued matters of community interest. Because of statutes passed in 1880, the role of grand juries in California is unique in that their duties include investigation of county government. Only seven other states provide for investigation of county government by a grand jury beyond alleged misconduct of public officials. Only California and Nevada mandate that grand juries be empanelled annually to function specifically in a watchdog capacity over county government.

As constituted today, the grand jury is a part of the judicial branch of government—“an arm of the court.” It does not have the functions of either the legislative or executive branches, and it is not a police agency. Additionally, it does not mandate policy changes. It is an examining and investigative body that makes recommendations to improve systems, procedures, and methods of operations in designated local government. The primary functions of the grand jury, and the most important reasons for its existence, are examining

all aspects of county government (including special districts), seeing that the public's monies are handled judiciously, and ensuring that all accounts are properly audited—in general, guaranteeing honest, efficient government in the best interests of the people.

The grand jury has three ways to exercise its powers:

1. Written communications about unsatisfactory conditions when no crime is charged, with recommendations for improvements (reports);
2. Written complaints charging a person with a crime (indictments); and
3. Written complaints against a person whose conviction would result in removal from office rather than criminal penalties (accusations).

A large portion of the public believes that an individual appearing before the grand jury, particularly a public official, suggests malfeasance or misfeasance. It should be clearly understood that it is the constitutional responsibility of the grand jury to review the conduct of county government each year, and this entails having public officials appear before the jury for the purpose of providing information to the jury about their departments or offices.

Although grand jurors are a part of the judicial system and are considered to be officers of the court, the grand jury is an entirely independent body. The presiding judge of the superior court, the district attorney, county counsel, and the State Attorney General act as the grand jury's advisors but cannot prevent the actions of the jury except for illegality.

Because of the confidential nature of a grand jury's work, much of it must be conducted in closed session. Members of a grand jury are sworn to secrecy, thus assuring all who appear that their complaints will be handled in an entirely confidential manner. No one may be present during the sessions of a grand jury except those specified by law (Pen. Code, § 939), the minutes of its meetings may not be inspected by anyone, and its records cannot be subpoenaed.

Penal Code section 939 requires that prejudiced jurors may not be present during any part of proceedings from which they have once been formally excused, and no non-juror may be present during the expressing of the opinions of grand jurors, or the giving of their votes, on any criminal or civil matter before them. An officer having custody of a prisoner witness may be present during criminal sessions of the grand jury while the prisoner is testifying, but the officer shall be warned to ensure the secrecy of any grand jury proceeding that he or she has heard.

The conduct of criminal investigations and the return of indictments is the smaller part of a grand jury's function in California. In some states, all persons accused of felonies must be indicted by a grand jury before being tried. This is also true of the federal courts. In this state, the vast majority of criminal cases are presented to the court, at a preliminary hearing, on a complaint issued by the district attorney. Cases presented to the criminal grand jury by the district attorney may include, but are not limited to:

1. Cases having multiple defendants; and
2. Cases with special witnesses such as children, out-of-state witnesses, informers or undercover agents.

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# AN INVITATION To Participate In The Orange County Grand Jury



Participation in grand jury investigation and discussion is a rich and rewarding experience. It is an opportunity to get an intimate look at how government works and to make informed and valuable recommendations regarding possible improvements. It is also an opportunity to serve with fellow county residents and to discover how a body of nineteen citizens reaches consensus. This is the heart of the democratic process, and service on the grand jury is a valuable way to learn, to contribute and to make a difference in your community.

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## CRIMINAL / CIVIL FUNCTIONS

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The major functions of a grand jury are divided into criminal indictments and civil investigations. While both functions are executed by the same panel in Orange County, the civil investigation portion requires the majority of the jury's time.

### **Criminal Indictments**

The District Attorney will bring the majority of cases that are presented to the grand jury; however, the State Attorney General or a Special Prosecutor may present a case. The responsibility of the grand jury does not extend beyond the determination of whether or not there is probable cause to believe that a crime has been committed and that the accused has committed such crime.

Criminal indictment hearings are conducted in secrecy to protect witnesses and defendants in cases of no indictment. During a criminal investigation, only District Attorney representatives and a court reporter are allowed in the jury room, with a few exceptions. No person other than a grand juror may be present during deliberations or voting. An indictment can be returned only if a minimum of 12 jurors agree.

Historically, the grand jury indictment process is used for cases where:

- Public officials, employees or police officers are involved
- Statute of limitations is a concern

- The indictment is complex and must be presented over a long period of time
- Grand jury subpoena powers are necessary
- Secret and non-adversarial setting is needed for sensitive cases, such as cases involving children or rape victims

### **Civil Investigations**

The civil, or "watchdog," responsibilities of the grand jury encompass the examination of all aspects of county government, including special districts, to ensure that the county is being governed honestly and efficiently and that county monies are being handled appropriately. The grand jury is mandated by law to inquire into the conditions and management of public jails.

The grand jury may conduct investigations on public agencies and on the administration and affairs of any city within the county, as well as examine books and records of redevelopment agencies. It is also appropriate for any private citizen, county official or county employee to present a written complaint to the grand jury for investigation.

Early in its term, the grand jury selects the government affairs it wishes to investigate. These investigations are generally conducted by committees, which correspond with the primary functions of the county. Committees may ask for support and advice from Superior Court, District Attorney, County Counsel, Attorney General or outside consultants.

By the last day of each year of service, the grand jury is required by law to submit all final reports to the Presiding Judge. These reports include all studies and investigations conducted by the jury during its term, with appropriate findings and recommendations. Copies of individual reports are submitted to each county entity investigated, with instructions that response to findings/recommendations be made by the responsible governing body within 60 or 90 days.

Past grand jury reports are available for inspection by the public at many public libraries and on the internet at [www.ocgrandjury.org](http://www.ocgrandjury.org).

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## GRAND JUROR QUALIFICATIONS

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The law states grand jury applicants must have these qualifications:

- Citizen of the United States, 18 years of age or older
- Resident of state and county for at least one year prior to being selected
- In possession of natural faculties, ordinary intelligence, sound judgment, fair character
- Possess sufficient knowledge of the English language

Applicants are disqualified if any of the following apply:

- Presently serving as a trial juror in any court in the state
- Presently serving as an elected public official
- Discharged as a grand juror in any court in the state within one year
- Convicted of malfeasance in office or any felony or other high crime

Beyond the legal requirements, several other qualifications are desirable for a grand juror:

- General knowledge of the functions, authorities and responsibilities of county and city government and of other civil entities
- Research abilities, including ability to read and comprehend complex material, a background in accessing/analyzing facts and experience in report writing.
- Substantial background in group/committee work
- Good to excellent health
- Respect and objectivity concerning the positions and views of others
- Be able and available to serve for a commitment of one full year

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## SELECTION PROCESS

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Applications for grand jury service are reviewed by the Grand Jury Recruitment/Selection Committee, comprised of Superior Court judges. Every effort is made to recruit both men and women from all socio-economic levels, ethnic groups and age groups. Previous applicants who were not selected are encouraged to reapply. Applicants are judged on the knowledge, skills and abilities required for successful

performance as a grand juror. This screening process will identify approximately 90 applicants for further consideration.

A background check by the Orange County Sheriff-Coroner Department will be conducted on those applicants who are found to be best qualified, interested and available to serve. Those applicants who appear to be qualified will be invited for an interview with two members of the committee. Following the interviews the full committee will select finalists for the list of potential grand jurors, which may not exceed 30 names.

In addition, the law requires that potential grand jurors shall be selected from the five supervisorial districts in proportion to the population of those districts.

The 30 persons selected will constitute the grand jury panel and are summoned to appear in court where all names are placed in a lottery draw. The first 19 names chosen become the next Orange County Grand Jury. The remaining 11 names are drawn to provide alternates.

Shortly before the beginning of the term of service, July 1 through June 30, a training program is conducted for incoming Grand Jurors pursuant to PC § 914(b). The foreperson is selected by the Supervising Judge of the Criminal Panel and the Grand Jury Recruitment/Selection Committee Chairperson. All other officers are chosen by the jury itself.

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## COMMITMENT / COMPENSATION

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The complex, diverse responsibilities of grand jurors make it necessary to give a serious commitment to the time requirements. The usual work schedule is four to five days per week, although some evening or weekend meetings may be required.

Jurors are provided with meeting facilities and secure, adjacent parking, as well as \$50 per day not to exceed \$250 per week. Reimbursement for the mileage to and from meetings is allowed at the regular county rate.

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## APPLICATIONS / FURTHER INFORMATION

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For more information or a grand jury application, please write or call:

Superior Court of California  
County of Orange  
Office of the Jury Commissioner  
700 Civic Center Drive West  
Santa Ana, CA 92702-1970  
Grand Jury Hotline: (714) 834-6747  
Grand Jury Web Site:  
[www.ocgrandjury.org](http://www.ocgrandjury.org)  
E-mail: [feedback@occourts.org](mailto:feedback@occourts.org)

*You can make a difference!*

INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY, CALIFORNIA

**"LET THERE BE LIGHT"  
DRAGGING SPECIAL DISTRICTS FROM THE  
SHADOWS**



**GRAND JURY 2011-2012**

2011/2012 ORANGE COUNTY GRAND JURY

**“LET THERE BE LIGHT”**

**DRAGGING SPECIAL DISTRICTS FROM THE SHADOWS**

*“No government ever voluntarily reduces itself in size.  
Government programs, once launched, never disappear.  
Actually, a government bureau is the nearest thing to eternal life we’ll ever see on this earth!”  
Ronald Reagan*

**SUMMARY**

Orange County has almost as many independent special districts as city governments. Special districts are independent government agencies formed many years ago to provide services that neither the county nor the local cities were able or willing to provide. Orange County contains 27 of these special districts.

Between 1919 and 1964, when the population of the county was about a quarter of what it is today, only two-thirds of the cities were incorporated. These local independent governments (special districts) are not accountable to local cities, the County of Orange, or the State of California for their day-to-day operations. Some are funded by allocations from the 1% property tax and fees and are governed by locally elected or appointed directors. They have generated annual budgets totaling more than \$718,000,000 and amassed unrestricted reserves greater than \$866,000,000.

The 2011-2012 Orange County Grand Jury believes these special districts should be removed from the county government tax system, absorbed by other agencies, consolidated, or privatized.

No logical reason exists for these agencies to continue to use tax dollars to finance themselves. Numerous studies have declared California special districts “ineffective” and “redundant”. However, their operational independence, from not only city, county and state government, but also local tax-paying citizens has perpetuated their existence. While each performs actual or perceived necessary services, the continued independent structure of some special districts has become “unnecessary or obsolete.”<sup>1</sup>

For over fifty years, various government agencies have identified inefficiencies and lack of transparency of these once useful government agencies. During that time, only minor changes have been made to correct or dissolve most of these shadow governments.

Past recommendations should be reconsidered for implementation. Sewer and water districts (often considered “enterprise” districts) should be weaned from the tax rolls and become solely fee based, and possibly privatized. Community service districts (often considered “non-enterprise” districts) should remove themselves from the tax rolls and have their services provid-

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<sup>1</sup> Orange County Grand Jury; *Report on Special Districts and County Islands*; October 21, 1971

ed by the surrounding cities or local homeowners associations. Library districts should be absorbed into the local city government or the County Library System. The County Cemetery District and the County Vector Control District, the only countywide special districts, should be incorporated into the general county budget.

All taxes for special districts and other government agencies should be made transparent by specifically showing them separately within the 1% property tax bill sent to the taxpayer. All the allocations for the various government taxes and assessments should be clearly shown on the secured property tax bill. The taxpayer deserves to know where the taxes are being allocated. The Board of Supervisors should require that each tax and assessment be set forth plainly on the tax bill similar to the FDA requirement of showing the make-up and content of food and drugs. In addition, all the special districts should provide their constituents with an independent performance audit at least once every three years.

Finally, the special districts should be commended for the services they have provided in the past, and given a hearty blessing for the tax-free services they will provide in the future.

### **REASON FOR STUDY**

This study is aimed at informing the public about special districts.

- What are the special districts in Orange County?
- How are they governed?
- Who are their constituents?
- What do they provide to their constituents?
- How are constituents involved in the operations?
- What is the source of special district funds?
- What are the assets and reserves of the special districts?
- Are alternative sources of funds and services available?

This study addresses these questions about Orange County special districts:

- Why, when and how were they formed?
- Is their original intent still being met?
- Are they still meeting their purpose?
- How well do they communicate with their constituents?
- Are there better ways to finance them and meet the needs of their constituents?

### **METHOD OF STUDY**

The 2011-2012 Orange County Grand Jury used the following resources and methodology to learn about the special districts in Orange County.

- Reviewed county and state sources to define special districts and determine how many are in Orange County.
- Identified the special districts in Orange County.
- Reviewed LAFCO reports.
- Reviewed the state laws related to the various special districts.
- Reviewed the past Grand Jury reports related to special districts.<sup>2</sup>
- Reviewed the web sites of special districts for clarity and transparency.
- Reviewed the Orange County Auditor-Controller's tax ledgers.<sup>3</sup>
- Compiled the data and information from the special districts in Orange County.<sup>4</sup>
- Presented findings and recommendations.

Some of these were informative. Others gave direction for further resources and all were educational.

Much of the data used in this was gathered from the various special districts response to a request for information from the 2011-2012 Orange County Grand Jury. Some represented different fiscal years. Consequently, at the time of the publication of this study the data may differ.

## **BACKGROUND AND FACTS**

### **What is a special district?**

The Government Code of California defines a special district as “any agency of the state for the local performance of governmental or proprietary functions within limited boundaries”.<sup>5</sup> They have four common characteristics:

- A form of local government;
- Governed by a board of directors;
- Providing services and facilities;
- Defined by specific boundaries.

Special districts have also been categorized as “enterprise districts” (those that sell products) or “non-enterprise districts” (those that only provide services) and “independent” or “dependent” special districts. All the special districts studied herein were “independent” special districts.

The number of special districts varies depending on one's definition. Among others, they include fire protection, cemetery, community service, county water, state water, reclamation, resource

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<sup>2</sup> See *Appendix A* for a list of past related grand jury reports

<sup>3</sup> Orange County Auditor-Controller web site; *Tax Ledger; Special Districts and Mello-Roos CFD-Governed by Local Boards (Bank elsewhere) and Special Districts and Mello-Roos CFD-Governed by Local Boards (Bank with OC Treasurer)*; 12/2/2011

<sup>4</sup> See *Appendix B* for information gathering letter sent to the special districts

<sup>5</sup> *California Government Code* §16271

conservation, sanitation, and recreation & parks. The State Controller identifies 4,787 of these special districts in the State of which 55 are in Orange County.<sup>6</sup> The California Little Hoover Commission in their 2000 report noted more than 3,800 special districts in the State.<sup>7</sup> The California Special Districts Association identifies 2,189 special districts statewide. The Orange County Register lists 75 special districts in Orange County.<sup>8</sup> The Orange County Auditor-Controller's office lists only 40 special districts.<sup>9</sup> So, how many special districts are in Orange County?

The Local Agency Formation Commission (LAFCO) of Orange County, which is authorized to facilitate constructive changes in governmental structure and boundaries,<sup>10</sup> identifies only 27 special districts within the county.<sup>11</sup> The 2011-2012 Orange County Grand Jury study centers on these 27 agencies. Please see the maps (Figures 2, 3 & 4 prepared by LAFCO) on pages 6, 7 & 8 for the location of these various special districts.

Thirteen additional special districts that are on the Auditor-Controller's list, but are not on LAFCO's list, include major countywide agencies such as:

- Orange County Flood Control;
- Orange County Fire Authority;
- Orange County Sanitation District;
- Orange County Transit Authority; and
- several County Service Areas (CSAs),<sup>12</sup> that include:
  - Cypress Recreation and Parks;
  - Garden Grove Sanitary;
  - Laguna Beach County Water;
  - Santiago Water (now a part of the Irvine Ranch Water District).

The 27 special districts in Orange County were formed as early as 1919 and as late as 1964. They include six community service districts, two library districts, two countywide districts, one parks and recreation district, four sanitation districts, five combined water and sanitary districts, and seven water districts.

See Figure No. 1 for a graphic illustration of the founding of cities and special districts versus the growth of Orange County.

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<sup>6</sup> California State Controller John Chiang; *Government Compensation in California*; Calendar Year 2009

<sup>7</sup> California Little Hoover Commission; *Special Districts: Relics of the Past or Resources for the Future*; Executive Summary; May 2000

<sup>8</sup> Orange County Register; *OC Watchdog*; May 9, 2011

<sup>9</sup> Orange County Auditor-Controller; *2011 Tax Ledger Tables*

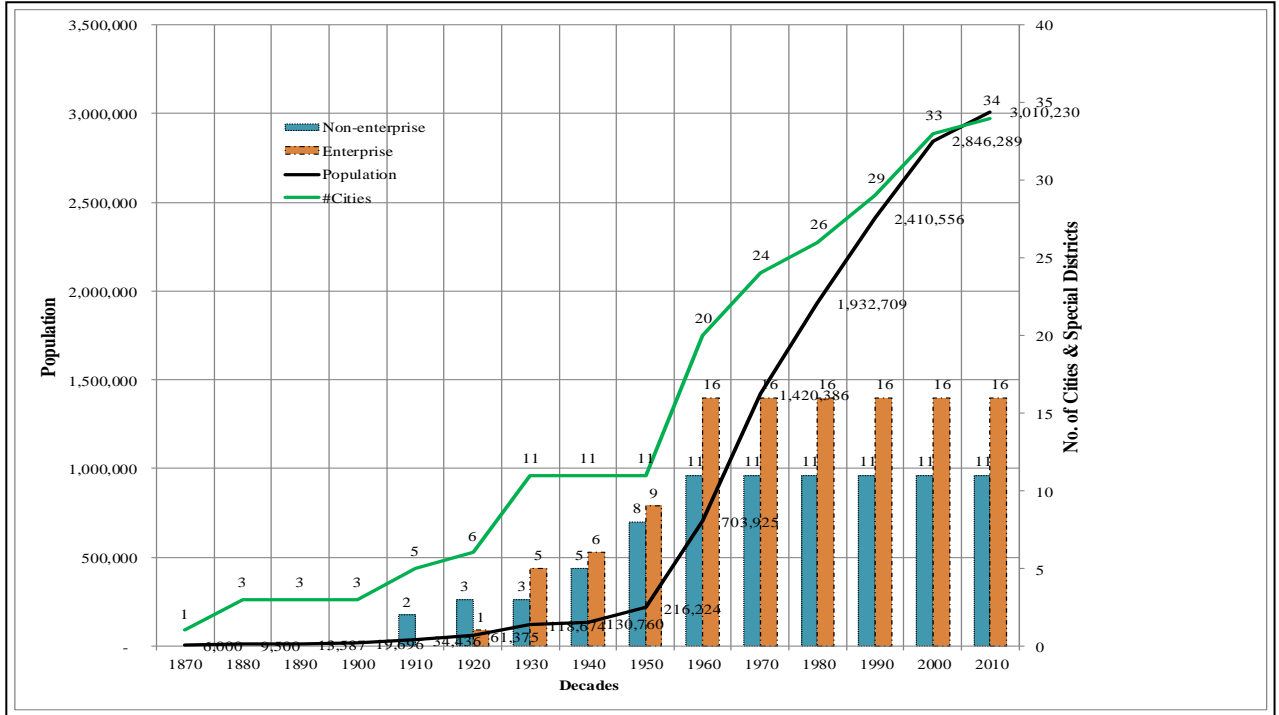
<sup>10</sup> Orange County; *LAFCO Mission Statement*

<sup>11</sup> LAFCO website; <http://colafco.org>; *Special Districts Under Orange County LAFCO Jurisdiction*; Nov. 23, 2011 (with the exception of the Orange County Sanitation District and Laguna Beach County Water District)

<sup>12</sup> Ibid.11

The special districts in Orange County have combined budgets of more than \$718,000,000 and total assets of over \$5,075,000,000 with net assets of \$2,774,000. Total cash and investments (unrestricted reserves) of these special districts exceed \$866,000,000.

**Figure No. 1 – Growth of Orange County Population, Cities and Special Districts**



**How were special districts created?**

Special districts were formed “to meet the demands of a disparate population for municipal services, such as sewer, streets and lighting, and fire protection.”<sup>13</sup> The State Legislature allowed creation of special districts to provide services that were not readily available through city or county government.<sup>14</sup>

The formation of special districts is authorized under various California Codes, i. e., the Government Code, the Education Code, the Health and Safety Code, and various Water Codes. An election by the constituents is required to form a district. The Board of Supervisors of the county then approves it, (and today requires LAFCO approval) and then a board of directors is elected. Revenues may include taxes, fees, interest, or combinations of these and other lesser sources.

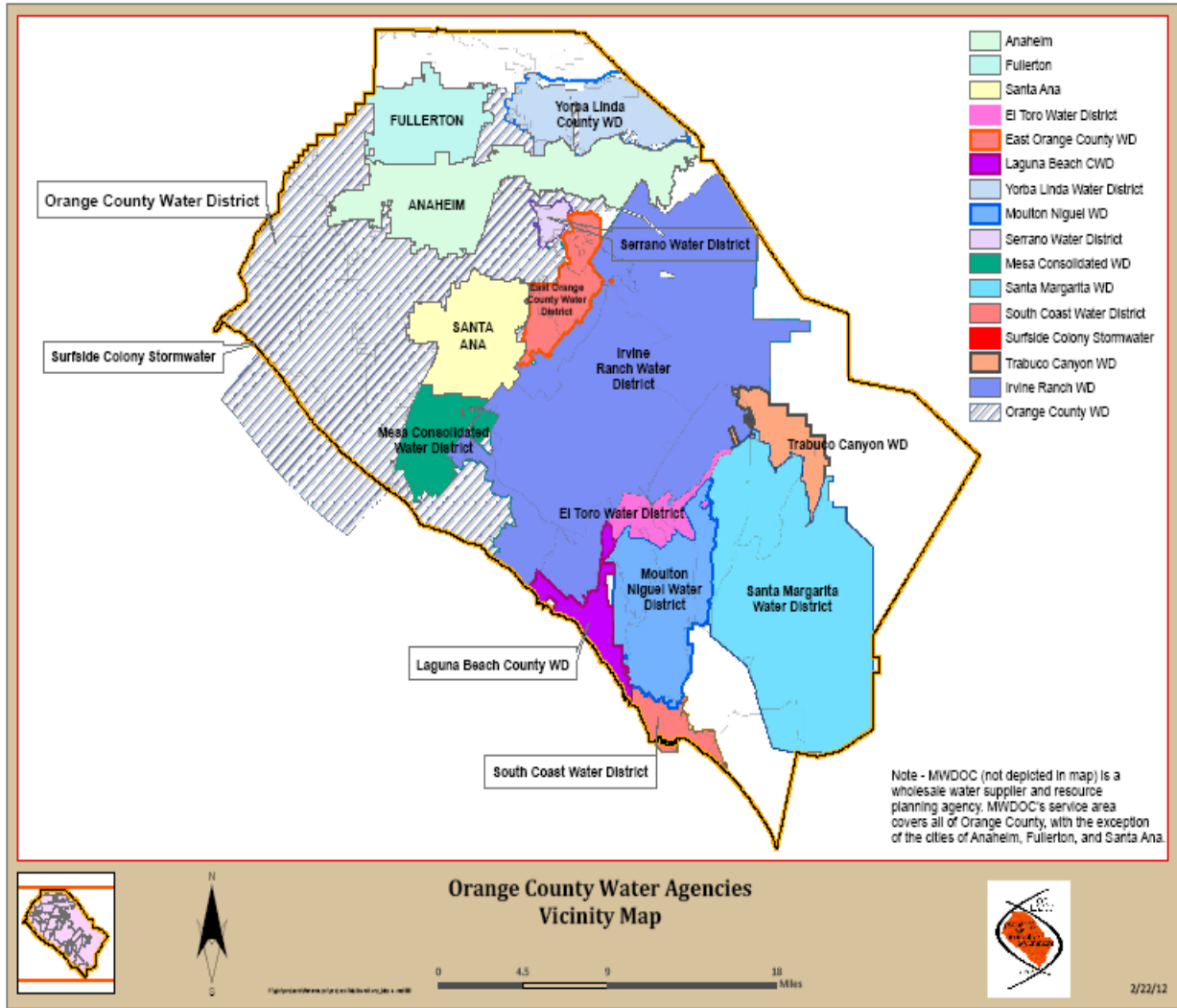
Special districts are independent government bodies. Their local operations are not governed by the state, counties or cities, but solely by their board of directors who are typically elected or ap-

<sup>13</sup> California Debt and Investment Advisory Commission; *Understanding Special Districts and Public Debt*; Volume 19, No. 8; August 2000

<sup>14</sup> *California Government Code* §16271

pointed by their constituents. They do not include “a city, a county, a school district or a community college district.”<sup>15</sup>

**Figure No. 2 – Location of the Orange County Water Special Districts**



**How are special districts governed?**

Most special districts are governed by a five-member board of directors elected by the constituents of the district. One countywide district, the Vector Control District, has 35 directors representing each of the Orange County 34 cities and the county. Special district board meetings are held at least monthly and the directors are paid up to \$200) for each meeting (although some

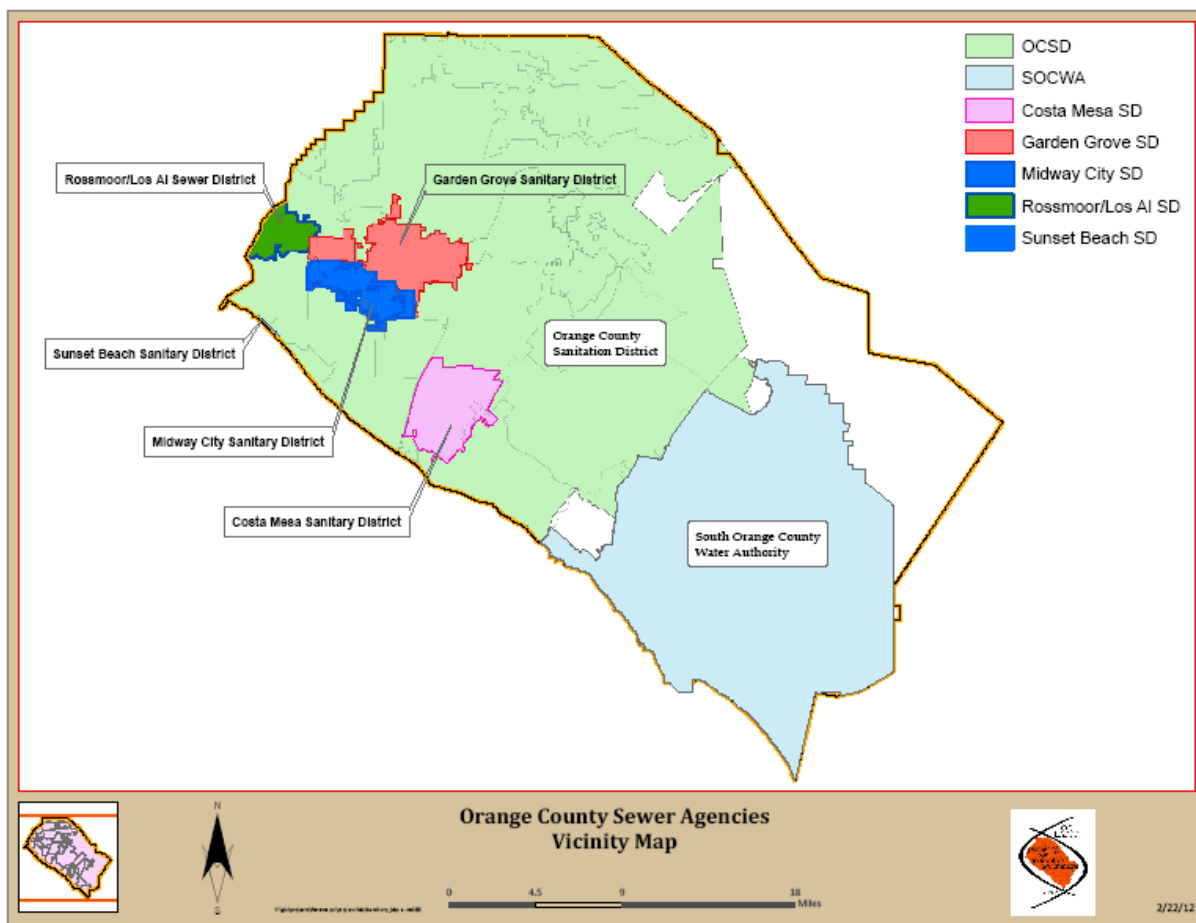
<sup>15</sup> California Government Code; *Fiscal Affairs*; §16271 (d)

smaller districts have elected boards serving without compensation). Elected terms are usually two years.

The agendas and the minutes are typically posted on their websites, if one exists. A sampling of last year’s minutes from the special districts showed fewer than ten public comments per year at these public meetings.<sup>16</sup>

All but four of the special districts have websites.<sup>17</sup> They communicate to the public about the purpose, board of directors, finances and other matters concerning the function and operation of the organization.

**Figure No. 3 – Location of Orange County Sewer Special Districts**



The day-to-day operations of the special districts are delegated to a general manager and his/her staff. The smallest management is one-person half time at a cost of \$61,000 per year.<sup>18</sup>

<sup>16</sup> Placentia Library District (2); Orange County Vector Control (0); Emerald Bay Service District (3); Midway City Sanitary District (9); Orange County Water District (7); and Santa Margarita Water District (1).

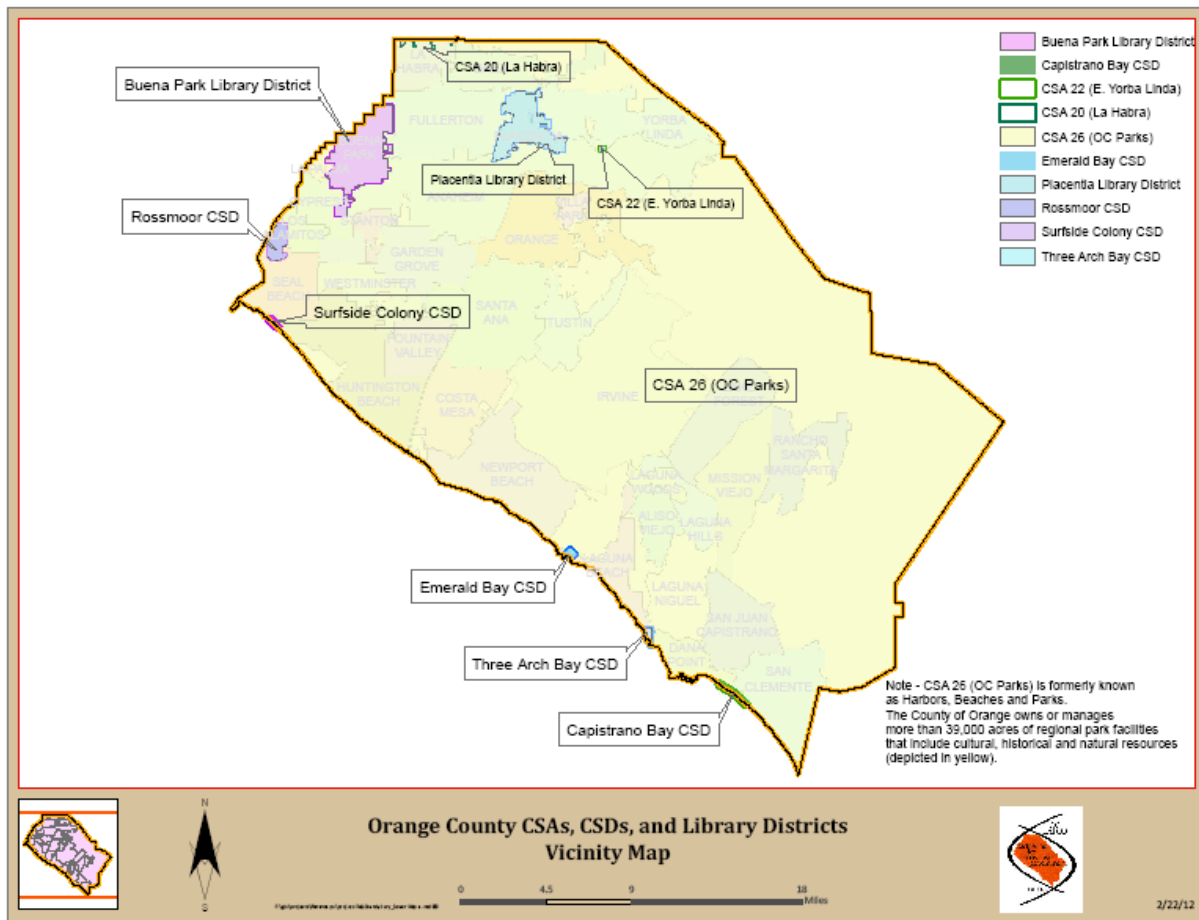
<sup>17</sup> Surfside Colony Storm Water Protection Dist.; Capistrano Bay Community Service Dist.; Surfside Colony Community Service Dist.; Emerald Bay Community Service Dist.

<sup>18</sup> Rossmoor/Los Alamitos Area Sewer District

A typical general manager’s team has at least twelve employees with salaries totaling of over \$1,100,000.<sup>19</sup>

All special districts are required by law to have their finances audited each year. These are public documents. These audits allow the board of directors and the community to review the assets and liabilities of their district and to see how their revenues have been used.

**Figure No. 4 – Location of Orange County Non- Enterprise Special Districts**



The law does not require that special districts have performance audits that would evaluate the effectiveness and efficiency of the agency’s operation. Only the Orange County Board of Supervisors and one of the 27 special districts in Orange County have independent performance audits. That was the South Coast Water District, which had a performance audit done in 2002 and 2011.<sup>20</sup>

**What are the types of special districts in Orange County?**

<sup>19</sup> Santa Margarita Water District

<sup>20</sup> matrix consulting group; *(Draft) Report on Organizational Effectiveness---SOUTH COAST WATER DISTRICT*; Palo Alto, CA; August 2011

The twenty-seven special districts as identified by LAFCO (Local Agency Formation Commission), and the dates they were founded and their current services are:

### **Community Service Districts**

- Surfside Colony Storm Water Protection District---1940
- Surfside Colony Community Service Tax District---1940 (Limited to parks and Recreation, security services, and street improvement, maintenance & repair.)
- Three Arch Bay Community Service District---1958 (Limited to collection, treatment & disposal of storm water; and security services.)
- Capistrano Bay Community Service District---1959 (Limited to parks and recreation, security services, and street lighting.)
- Emerald Bay Community Service District---1960 (Limited to water supply; collection, treatment & disposal of sewage; collection, transfer & disposal of solid waste; parks & recreation; street improvement, maintenance & repair; and security services.)
- Rossmoor Community Service District---1986 (Limited to parks & recreation, security services, and street improvement, maintenance & repair.)

The current services have been limited by LAFCO to the services that were being provided in 1995.<sup>21</sup> Most of these services are also currently being provided by their surrounding cities, or are typically provided by homeowners' associations. Emerald Bay Community Services District reports that they contract their services with their homeowners' association.

### **County-Wide Special Districts**

- Orange County Cemetery District---1927 (Consolidated in 1985)
- Vector Control District---1947

### **Library Districts**

- Buena Park Library District---1919
- Placentia Library District---1919

These library districts were formed by the vote of less than 100 voters in 1919. They provide library services solely to Buena Park & Placentia. Today these cities have populations of over 84,000 and 52,000,<sup>22</sup> respectively.

### **Parks and Recreation Districts**

- Silverado/Modjeska Recreation and Parks District---1961

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<sup>21</sup> LAFCO; *Compliance with Newly Revised Community Service District Statute (§61100 et seq); Inventory of Services for Community Services Districts (CSDs)*; December 14, 2005

<sup>22</sup> 2010 US Census, *Demographics by Orange County Jurisdiction*.

### **Sewer Districts**

(Provide for the collection and treatment of sewage.)

- Sunset Beach Sanitary District---1930
- Midway City Sanitary District---1939
- Costa Mesa Sanitary District---1944
- Rossmoor/Los Alamitos Area Sewer District---1952

### **Sewer/Water Districts**

(Provide collection and treatment of sewage & distribution of drinking water.)

- South Coast Water District---1932 (Consolidated w/ 3 other districts in 1999)
- Yorba Linda Water District –1959
- El Toro Water District---1960
- Irvine Ranch Water District---1961(Now consolidated with 6 other districts)
- Moulton Niguel Water District---1962
- Trabuco Canyon Service District---1962
- Santa Margarita Water District---1964

### **Water Districts**

(Provide potable and non-potable water.)

- Serrano Water District---1927
- Orange County Water District---1933
- Municipal Water District of Orange County---1951
- Mesa Consolidated Water District---1960
- East Orange County Water District---1961

### **How are special districts funded?**

Special districts are funded by taxes, fees, interest, and other sources, or combinations thereof.<sup>23</sup> Some districts are funded solely by taxes. Taxes and fees fund others, and still others are funded solely by fees. Additional funds come from special assessments, bond issues and interest on investments. See Tables No. 1a & 1b and No. 2a & 2b

### **Community Service Districts (Non-enterprise)**

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<sup>23</sup> Various financial audit reports submitted by the districts in August 2011.

- Emerald Bay Community Service District---taxes
- Capistrano Bay Community Service District---taxes and fees
- Rossmoor Community Service District---taxes and fees
- Surfside Colony Community Service Tax District---taxes and fees
- Surfside Colony Storm Water Protection District---taxes
- Three Arch Bay Community Service District---taxes and fees

**County-Wide Special Districts (Non-enterprise)**

- Orange County Cemetery District---taxes and fees
- Vector Control District---taxes and assessments

**Library Districts (Non-enterprise)**

- Buena Park Library District---taxes and fees
- Placentia Library District---taxes and fees

**Parks and Recreation Districts (Non-enterprise)**

- Silverado/Modjeska Recreation and Parks District---taxes and fees

**Sewer Districts (Enterprise)**

- Costa Mesa Sanitary District---taxes and fees
- Midway City Sanitary District---taxes and fees
- Rossmoor/Los Alamitos Area Sewer District---taxes and fees
- Sunset Beach Sanitary District---taxes and fees

**Sewer/Water Districts (Enterprise)**

- El Toro Water District---taxes and fees
- Irvine Ranch Water District---taxes and fees
- Moulton Niguel Water District---taxes and fees
- Santa Margarita Water District---taxes and fees
- South Coast Water District---fees
- Trabuco Canyon Service District---taxes and fees
- Yorba Linda Water District---fees

**Water Districts (Enterprise)**

- East Orange County Water District---taxes and fees

- Mesa Consolidated Water District---fees
- Municipal Water District of Orange County---fees
- Orange County Water District---taxes and fees
- Serrano Water District---fees

From 33 to 98 percent of the non-enterprise special districts' budgets come from the property tax allocation. From zero to 90 percent of enterprise special districts' budgets come from the property tax allocation. Some special districts that had tax allocations shown by the Auditor-Controller showed no tax revenue in their budgets. This was attributed to lack of certainty of funding from the State.

The Orange County Auditor-Controller makes the 1% property tax allocation to each special district each year. Such allocations are dictated by the 1978-79 State Legislation in response to the issues raised by Proposition 13 that was passed by the California electorate in 1978. The Controller-Treasurer of Santa Clara County in a guide to the allocation process stated, "Annually, county auditors calculate the county's prior year property tax administrative costs of the assessor, tax collector, assessment appeals board, and the auditor-controller. Costs include direct costs, all activities directly involved in processing property taxes, and overhead costs, as calculated in accordance with federal Office of Management and Budget (OMB) Circular A-87 standards. Offsetting revenues, received to reimburse counties for portions of property tax administration, are deducted from the prior year costs."<sup>24</sup> Eleven percent of the Orange County tax dollar was allocated to special districts in 2010-2011.<sup>25</sup>

Allocations from the Auditor-Controller are made to all of the special districts totaling \$182,884,000. Three special districts receive no tax allocation from the Auditor-Controller. These are:

- Mesa Consolidated Water District;
- Municipal Water District of Orange County;
- Serrano Water District.

They rely solely on assessments, fees, interest and other sources for their revenue.

Costa Mesa Sanitary District, South Coast Water District, Trabuco Canyon Water District, and Yorba Linda Water District have nearly \$35,000,000 allocated to them by the Auditor-Controller, but do not show this revenue in the budgets. These four special districts are all enterprise districts. Some budget notes suggest that tax revenue was not included because of the uncertainty of the State financial condition. The actual receipt of that tax allocation is not documented.

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<sup>24</sup> Elledge, David G., Controller-Treasurer, County of Santa Clara; *Demystifying the California Property Tax Apportionment System, a Step-by Step Guide Through the AB 8 Process*; March 2006.

<sup>25</sup> County of Orange; *2011 Facts and Figures*

## **SPECIAL DISTRICTS BUDGETS, ASSETS, TAXES & FEES**

Special districts in Orange County have total budgets of more than \$718,000,000 with unrestricted reserves of more than \$866,000,000. (These reserves are unrestricted and "...available for spending at the special districts' discretion," or they "...may be used to meet the District's ongoing obligations to citizens and creditors.")<sup>26</sup> Total assets exceed \$5,075,000,000 with net assets exceeding \$2,774,000,000. Total taxes allocated by the Auditor-Controller exceed \$183,000,000. The cost of collecting and distributing them was \$933,356.

The non-enterprise special district with the smallest budget of \$135,000 and the least net assets of \$277,000 was Surfside Colony Storm Water Protection District. The largest non-enterprise special district, The Orange County Vector Control District, had a budget of \$10,503,000. The most net assets held by non-enterprise districts are \$22,818,000 held by the Orange County Cemetery.

Of the enterprise special districts, the Orange County Water District had the largest budget at \$159,100,000. The Irvine Ranch Water District had the most net assets at \$1,334,700,000. The enterprise special district with the smallest budget was the Rossmoor/Alamitos Area Sewer District with \$376,000. Moulton Niguel Water District had the fewest net assets at \$389,000.

The Irvine Ranch Water District financial audit identifies "Cash and Investments" to be \$225,431,000. Lacking identification of either restricted or un-restricted reserves in that document this figure was considered unrestricted. However, further discussions with representatives from IRWD showed that all funds are reserved.

Non-enterprise special districts that have unrestricted reserves greater than their annual budgets are:

- Emerald Bay Service District;
- Orange County Cemetery District;
- Rossmoor Community Service District;
- Surfside Colony Community Service Tax District;
- Surfside Colony Storm Water Protection District;
- Three Arch Bay Community Service District.

Enterprise special districts that have unrestricted reserves greater than their annual budgets are:

- East Orange County Water District;
- Irvine Ranch Water District;
- Midway City Sanitary District;
- Moulton Niguel Water District;

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<sup>26</sup> Various financial audit reports obtained from the districts, August 2010.

- Orange County Water District;
- Rossmoor/Los Alamitos Area Sewer District;
- Santa Margarita Water District;
- South Coast Water District;
- Sunset Beach Sanitary District;
- Trabuco Canyon Water District.

The enterprise districts that have unrestricted reserves less than their budgets are:

- Costa Mesa Sanitary District.
- El Toro Water District;
- Mesa Consolidated Water District;
- Municipal Water District of Orange County;
- Serrano Water District;
- Yorba Linda Water District.

The non-enterprise districts that have unrestricted reserves less than their budgets are:

- Buena Park Library District;
- Capistrano Bay Community Service District;
- Orange County Vector Control District;
- Placentia Library District;
- Silverado-Modjeska Recreation & Parks District.

Only the Silverado-Modjeska Recreation & Parks District showed no unrestricted reserves.

The 97 special districts listed in Orange County in 1979-80, had a total budget of \$309,800,000. The 27 special districts listed in 2011 had a total budget of \$718,592,000.<sup>27</sup>

**Tables 1a & 1b** – General Financial Data for Orange County Special Districts

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<sup>27</sup> Note that the revenues in the budgets of the two wholesale water purveyors, MWDOC and OCWD reflect expenses in the budgets of the other retail water purveyors.

**INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY, CALIFORNIA**

**Table #1a Taxes Allocations and Budgets for Enterprise Special Districts**

<b>ENTERPRISE SPECIAL DISTRICTS</b>	<b>Auditor/Controller Allocations, 2010-11</b>	<b>Taxes &amp; Assessments, 2011-12</b>	<b>Sewer Revenue</b>	<b>Water Revenue</b>	<b>Fees</b>	<b>Interest</b>	<b>Other Revenue</b>	<b>TOTAL REVENUE</b>	<b>% Taxes /Total Revenue</b>
Costa Mesa Sanitary Dist.	10,542,000	0			10,269,000	184,000	2,560,000	<b>13,013,000</b>	0%
E Orange Co Water Dist.	919,000	610,000		2,527,000	472,000	0	101,000	<b>3,710,000</b>	16%
El Toro Water Dist.	1,682,000	2,464,000	5,722,000	11,777,000	3,000,000	1,400,000	9,584,000	<b>33,947,000</b>	7%
Irvine Ranch Water Dist.	38,271,000	38,400,000	45,300,000	51,300,000		50,100,000	20,400,000	<b>205,500,000</b>	19%
Mesa Consolidated Water Dist.	0	0		28,054,000		1,000	5,786,000	<b>33,841,000</b>	0%
Midway City Sanitary Dist.	8,085,000	1,343,000			6,634,000	97,000	1,017,000	<b>9,091,000</b>	15%
Moulton Niguel Water Dist.	27,549,000	27,406,000	12,543,000	20,579,000	4,447,000	4,546,000	3,241,000	<b>72,762,000</b>	38%
MWD of Orange Co.	0	0		121,788,000	5,052,000	806,000	8,265,000	<b>135,911,000</b>	0%
Orange Co. Water Dist.	17,818,000	19,063,000				4,100,000	134,921,000	<b>158,084,000</b>	12%
Rossmoor/Los Alamitos Area Sewer Dist.	348,000	338,000			9,000	13,000	16,000	<b>376,000</b>	90%
Santa Margarita Water Dist.	32,074,000	31,117,000	15,600,000	27,526,000		2,348,000	14,534,000	<b>91,125,000</b>	34%
Serrano Water Dist.	0	0		4,996,000	0	0	70,000	<b>5,066,000</b>	0%
South Coast Water Dist.***, Cap Beach	15,549,000	0	9,919,000	11,809,000		0	820,000	<b>22,548,000</b>	0%
Sunset Beach Sanitary Dist.	930,000	487,000	430,000		2,000	6,000	4,000	<b>929,000</b>	52%
Trabuco Canyon Water Dist.	7,465,000	0		4,177,000	33,000	68,000	1,000	<b>4,279,000</b>	0%
Yorba Linda Water Dist.	1,367,000	0	5,114,000	23,888,000		0	695,000	<b>29,697,000</b>	0%
<b>ENTERPRISESD TOTALS</b>	<b>162,599,000</b>	<b>121,228,000</b>	<b>94,628,000</b>	<b>308,421,000</b>	<b>29,918,000</b>	<b>63,669,001</b>	<b>202,015,000</b>	<b>819,879,001</b>	<b>15%</b>

**Table #1b Taxes Allocations and Budgets for Non-Enterprise Special Districts**

<b>NON-ENTERPRISE SPECIAL DISTRICTS</b>	<b>Auditor/Controller Allocations, 2010-11</b>	<b>Taxes &amp; Assessments 2011-12</b>	<b>Sewer Revenue</b>	<b>Water Revenue</b>	<b>Fees</b>	<b>Interest</b>	<b>Other Revenue</b>	<b>TOTAL REVENUE</b>	<b>% Taxes /Total Revenue</b>
Buena Park Library Dist.	1,614,000	1,770,000			184,000	12,000	418,000	<b>2,384,000</b>	74%
Capistrano Bay Com. Serv. Dist	737,000	681,000			275,000	0		<b>956,000</b>	71%
Emerald Bay Service Dist.	1,675,000	1,722,000				74,000	39,000	<b>1,835,000</b>	94%
Orange Co. Cemetary Dist.	1,480,000	1,517,000			656,000	35,000	1,466,000	<b>3,674,000</b>	41%
Orange Co. Vector Control Dist.*	9,949,000	9,969,000			80,000	7,000	230,000	<b>10,286,000</b>	97%
Placentia Library Dist. Of OC	1,842,000	1,838,000			135,000		110,000	<b>2,083,000</b>	88%
Rossmoor Com. Serv. Dist.**	1,398,000	1,393,000			126,000	35,000	155,000	<b>1,709,000</b>	82%
Silverado-Modjeska Rec. & Parks Dist.	32,000	31,000			10,000	1,000	51,000	<b>93,000</b>	33%
Surfside Colony Com. Serv. Tax Dist.	348,000	306,000			40,000	2,000		<b>348,000</b>	88%
Surfside Colony Storm Water Protection Dist.	125,000	126,000				1,000	1,000	<b>128,000</b>	98%
Three Arch Bay Com. Serv. Dist.	1,085,000	904,000			499,000	22,000	8,000	<b>1,433,000</b>	63%
<b>NON-ENTERPRISESD TOTALS</b>	<b>20,285,000</b>	<b>20,257,000</b>	<b>0</b>	<b>0</b>	<b>2,005,000</b>	<b>189,000</b>	<b>2,478,000</b>	<b>24,929,000</b>	<b>81%</b>
<b>ALL ORANGE COUNTYSD TOTALS</b>	<b>182,884,000</b>	<b>141,485,000</b>	<b>94,628,000</b>	<b>308,421,000</b>	<b>31,923,000</b>	<b>63,858,001</b>	<b>204,493,000</b>	<b>844,808,001</b>	<b>17%</b>

\* Includes 1996 & 2004 Benefit Assessments; \*\* Includes Funds 10, 20, & 30; \*\*\*Includes Cap Bch Wtr., Dana Pt. San., ZN 1&2; & RC

**INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY, CALIFORNIA**

**Table 2a & 2b – Budgets, Assets and Reserves of Orange County Special Districts**

Table #2a - Budgets, Assets and Reserves of Enterprise Special Districts						
ENTERPRISE SPECIAL DISTRICTS	BUDGET	TOTAL ASSETS	NET ASSETS	UNRESTRICTED RESERVES	TOTAL TAXES	COLLECTION CHARGE
Costa Mesa Sanitary Dist.	13,013,000	39,209,000	37,702,000	6,769,000	10,500,000	2,037
E Orange Co Water Dist.	6,280,000	17,722,000	16,580,000	6,303,000	924,000	8,939
El Toro Water Dist.	22,900,000	80,003,000	66,411,000	16,573,000	1,700,000	6,706
Irvine Ranch Water Dist.	110,700,000	2,606,300,000	1,334,700,000	0	39,200,000	258,013
Mesa Consolidated Water Dist.	43,994,000	119,371,000	98,980,000	14,412,000	0	0
Midway City Sanitary Dist.	9,090,000	43,616,000	33,375,000	20,055,000	8,100,000	13,846
Moulton Niguel Water Dist.	86,000,000	552,000	389,000	121,094,000	27,500,000	207,366
MWD of Orange Co.	135,700,000	44,144,000	10,086,000	8,103,000	0	0
Orange Co. Water Dist.	159,100,000	889,147,000	366,464,000	185,400,000	17,821,000	172,683
Rossmoor/Los Alamitos Area Sewer Dist.	376,000	4,730,000	4,619,000	777,000	300,000	3,377
Santa Margarita Water Dist.	83,000,000	708,971,000	384,403,000	165,300,000	31,400,000	56,433
Serrano Water Dist.	3,200,000	14,949,000	7,362,000	1,234,000	0	0
South Coast Water Dist. ***	27,500,000	191,670,000	140,870,000	38,119,000	15,400,000	40,625
Sunset Beach Sanitary Dist.	1,073,000	3,868,000	3,096,000	1,343,000	941,000	4,817
Trabuco Canyon Water Dist.	7,517,000	26,285,000	51,194,000	9,911,000	7,200,000	11,151
Yorba Linda Water Dist.	28,700,000	217,355,000	150,119,000	13,260,000	1,500,000	12,284
<b>ENTERPRISE TOTALS</b>	<b>694,149,000</b>	<b>5,007,892,000</b>	<b>2,706,350,000</b>	<b>608,653,000</b>	<b>162,486,000</b>	<b>798,277</b>

Table #2b - Budgets, Assets and Reserves of Non-Enterprise Special Districts						
NON-ENTERPRISE SPECIAL DISTRICTS	BUDGET	TOTAL ASSETS	NET ASSETS	UNRESTRICTED RESERVES	TOTAL TAXES	COLLECTION CHARGE
Buena Park Library Dist.	2,126,000	3,546,000	3,170,000	2,093,000	1,624,000	15,852
Capistrano Bay Com. Serv. Dist	985,000	2,784,000	2,721,000	436,000	800,000	6,697
Emerald Bay Service Dist.	1,835,000	6,659,000	6,170,000	2,767,000	1,703,000	16,511
Orange Co. Cemetary Dist.	3,673,000	22,818,000	21,947,000	9,745,000	1,501,000	14,586
Orange Co. Vector Control Dist. *	10,503,000	15,526,000	14,668,000	10,474,000	10,013,000	42,466
Placentia Library Dist. Of OC	2,080,000	2,800,000	2,617,000	1,918,000	1,864,000	18,079
Rossmoor Com. Serv. Dist. **	1,090,000	6,790,000	6,171,000	1,358,000	1,400,000	8,956
Silverado-Modjeska Rec. & Parks Dist.	220,000	1,196,000	1,188,000	-41,000	27,000	312
Surfside Colony Com. Serv. Tax Dist.	336,000	408,000	404,000	403,000	345,000	2,986
Surfside Colony Storm Water Protection Dist.	135,000	287,000	277,000	282,000	114,000	1,231
Three Arch Bay Com. Serv. Dist.	1,460,000	4,880,000	4,460,000	3,013,000	1,143,000	7,403
<b>NON-ENTERPRISE TOTALS</b>	<b>24,443,000</b>	<b>67,694,000</b>	<b>67,694,000</b>	<b>32,448,000</b>	<b>20,534,000</b>	<b>135,079</b>
<b>ALL ORANGE COUNTY SD TOTALS</b>	<b>718,592,000</b>	<b>5,075,586,000</b>	<b>2,774,044,000</b>	<b>641,101,000</b>	<b>183,020,000</b>	<b>933,356</b>

\* Includes 1996 & 2004 Benefit Assessments; \*\* Includes Funds 10, 20, & 30; \*\*\*Includes Cap Bch Wtr., Dana Pt. San., ZN 1&2; & RO99-07

In February 2009, the Government Accounting Standards Board (GASB) abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: Non-spendable, restricted, committed, assigned and unassigned.<sup>28</sup> None of the current financial audits reflects these changes, but they can be applicable to all forms of government as illustrated by the Placentia Library District that has adopted these standards.<sup>29</sup>

## WHAT ARE OTHERS SAYING ABOUT SPECIAL DISTRICTS?

Special districts have been the subject of many articles, studies and reports by a variety of agencies and organizations. Following is a brief summary of some of these documents.

### Orange County Grand Juries

The Orange County Grand Jury has addressed special districts as far back as 1971.<sup>30</sup> They concluded that many of the special districts were “unnecessary or obsolete,” “redundant or ineffective,” and “outmoded.” They recommended, among other things, that more power be given to LAFCO for “consolidation, abatement or dissolution of redundant or obsolete districts.”

In 1982, the Orange County Grand Jury produced two reports related to special districts, one on the Midway City Sanitary District and one on all special districts.<sup>31</sup> The Midway report centered on financial management and communication issues.

The special district report used a Price Waterhouse study prepared in 1982 for a Special District Task Force for the Grand Jury as the backbone for its conclusions and recommendations.<sup>32</sup> This 170-page report “focused on opportunities for improvement” but also listed the strengths of the water district departments. They included 93 recommendations for improvement to be implemented by the special districts’ general managers.<sup>33</sup>

Some of the findings of the Price Waterhouse report were that:

- “...a considerable number of inequities in the way services are charged for and in the way property tax dollars are allocated. Some homeowners pay user fees plus property tax.”
- “...it is difficult to enforce the standardization of user fees.”
- “...there is no one overall influencing or coordinating body that can encourage the provision of property related service in the most cost effective manner.”

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<sup>28</sup> GASB Statement 54; *Government Accounting Standards Board (GASB) Statement 54*; February 2009

<sup>29</sup> Placentia Library Board of Trustees’ Resolution 12-07; *A Resolution of the Board of Trustees of the Placentia Library District of Orange County to Establish New Governmental Accounting Standards Board (GASB) 54 Regulations for Fund Balance*; June 20, 2011

<sup>30</sup> Orange County Grand Jury; *Report on Special Districts and County Islands*; October 21, 1971

<sup>31</sup> Orange County Grand Jury; *Midway City Sanitary District*; June, 1982

<sup>32</sup> Price Waterhouse; *Orange County Grand Jury, Study of Potential Restructuring of Special Districts in Orange County*; June 30, 1992

<sup>33</sup> *Ibid.*; pages 2-4

- “...eliminate the use of property tax revenues to support independent special districts.”
- Separate same-service districts should “be consolidated into one independent district...”
- “The wholesale water distribution system in Orange County has evolved over many years in a piecemeal fashion.”
- “Much of this multiple district organization structure is no longer logical or necessary.”
- “The existing structure of responsibilities for providing property related services in Orange County is not conducive to change.”
- “Independent... special districts...should standardize the use of user fees or charges such that...they are no longer utilizing property taxes to support annual operating costs.”
- “...independent districts serving only the needs of a local community, such as a community service district, should become fully supported by local fees.”<sup>34</sup>

In the years following that Price Waterhouse report, the Orange County Grand Jury produced reports on various special districts in Orange County. These included transit, library, vector control, flood control, community service, cemetery districts, the Surfside Colony Storm Water Protection District, and the Resource Conservation District.

The Orange County Grand Jury in 1986 referenced the Price Waterhouse study. The Grand Jury repeated the recommendations that the “Board of Supervisors should reaffirm its support for the Special District Task Force,”<sup>35</sup> and that “The Special District Task Force should re-evaluate its current priority list for potential reforms and continue with the objective of promoting efficiency and economy.”<sup>36</sup> They further recommended that the “Board of Supervisors should encourage cities and special districts...to support efforts to improve the special district system”.

In 1990, the Orange County Grand Jury addressed the Orange County Cemetery Special District, which consisted of four cemeteries at that time.<sup>37</sup> They recommended various management and organizational changes. (Currently the Cemetery District controls a cemetery in Anaheim, Lake Forest and Santa Ana.)

In 1993, the Orange County Grand Jury wrote a report on the Capistrano Beach County Water District.<sup>38</sup> It too, only recommended management and organizational changes.

In 1997 the Orange County Grand Jury studied water distribution rates within the local water special districts recommending management and organization improvements.<sup>39</sup>

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<sup>34</sup> Price Waterhouse; *Orange County Grand Jury, Study of Potential Restructuring of Special Districts in Orange County*; June 30, 1982.

<sup>35</sup> The Special District Task Force, established by the Board of Supervisors responding to a Grand Jury recommendation, consisted of representatives from each Supervisor, the County Counsel, the CAO and the Auditor-Controller; *OC Grand Jury Special District Task Force Review*; June 1986.

<sup>36</sup> Ibid; *Special District Task Force Review*; June, 1986

<sup>37</sup> Orange County Grand Jury Reports; *Evaluation of The Orange County Cemetery District*; June, 1990

<sup>38</sup> Orange County Grand Jury; *Capistrano Beach County Water District Report*; June, 1993

<sup>39</sup> Ibid.; *Water Distribution and Rates Within Orange County*; June 1997

“Rats” was the Orange County Grand Jury’s study of the Vector Control District in 2002.<sup>40</sup> It addressed the rat control services of that district.

Also in 1997, the Orange County Grand Jury studied LAFCO’s effectiveness in dissolving county islands (unincorporated communities surrounded by incorporated cities) and special districts.<sup>41</sup> They concluded, “The law did not give LAFCO adequate power to initiate boundary changes or to initiate proposals of annexation or incorporation of county islands.”

The 2005 Orange County Grand Jury asked whether LAFCO was working.<sup>42</sup> They concluded that more and better communication and financial assistance might help in accomplishing LAFCO’s duties.

The Orange County Grand Jury again studied the Orange County Cemetery District in 2005.<sup>43</sup> The findings were again related to management and organization.

In 2006, the Orange County Grand Jury again studied the Vector Control District.<sup>44</sup> Only financial, morale and governance issues were covered in this report.

Water districts were the subject of a 2009 Orange County Grand Jury study.<sup>45</sup> This study, too, only addressed organizational and management issues.

In 2011, the compensation of local water and sewer districts was studied.<sup>46</sup> The 2010-2011 Orange County Grand Jury recommended greater transparency with easier access to compensation information.

### **Little Hoover Commission**

In 2000, the Little Hoover Commission of the State of California conducted an extensive study of special districts.<sup>47</sup> They examined a random sample of the 2,200 independent special districts in the State of California. They noted that “...these governments that are physically closest to their communities are oftentimes unknown to the people they serve,” and “...that when they were created, these districts were tailored to the needs of their communities. But as those communities have grown and changed, the districts themselves have been slow to change their boundaries, functions and governance to reflect their communities.” They found “...that many independent special districts have accumulated significant reserves...” and some districts “...continue to receive property tax revenues...” for services that are also fee based. They noted

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<sup>40</sup> Ibid.; *RATS!*; June, 2001-2002

<sup>41</sup> Ibid.; *A Selected Study of The Local Agency Formation Commission*; June, 1997

<sup>42</sup> Ibid.; *LAFCO-Is It Working?*; June, 2005

<sup>43</sup> Ibid.; *Orange County Cemetery District*; June, 2005

<sup>44</sup> Ibid.; *Orange County Vector Control District-Out of Control?*; June, 2006

<sup>45</sup> Ibid.; *Water Districts: A New Era in Public Involvement*; June 2009

<sup>46</sup> Ibid.; *Compensation Survey of Orange County Water and Sanitation Districts*; June 2011

<sup>47</sup> California Little Hoover Commission; *Special Districts: Relics of the Past or Resources for the Future?*; May 2000

that the biggest hurdle was that “...local officials need technical assistance, proven methodologies and the facilitation skills to overcome the barriers to change.” They also encouraged “...community leaders, voters and customers to judge the performance of their districts for themselves.”

### **The California Debt and Investment Advisory Commission (CDIAC)**

The CDIAC addressed special districts in a 2000 report.<sup>48</sup> They pointed out that in 1996-97 “...all special districts, including joint powers authorities, public nonprofit corporations, and public financing and public financing corporations had amassed \$14.6 billion in tax-supported debt outstanding. This represents 41 percent of the outstanding tax-supported debt held by all public agencies in California.” Of this debt, the “water districts accounted for the greatest debt among all other categories of special districts.”

### **The Santa Clara County Grand Jury**

In 2005-2006, the Santa Clara County Grand Jury studied four special districts within that county. They evaluated them in light of the Little Hoover Commission report and their own investigation. They agreed with the Little Hoover Commission that “independent special districts often lack the kind of oversight and citizen involvement necessary to promote their efficient operation and evolution.”<sup>49</sup> They concluded that these special districts were “essentially invisible,” had “little guidance or impetus for streamlining,” “oversight and accounting appear to be lacking,” and “mechanisms are lacking to inform and engage the public.” They recommended special standards be established and put in place to measure special district performance and finances, and that reserves be reviewed regularly.

### **Local Agency Formation Commission (LAFCO)**

In 2003, LAFCO held a statewide conference to discuss special districts.<sup>50</sup> They concluded, “...there was general---although not universal---support...for statutory reforms on ethical behavior, directors’ compensation, and auditing procedures.” Some of the speaker comments included such statements as: “Legislators want to learn how to prevent future problems and they want to strengthen special districts’ integrity and accountability,” “special districts are the least understood but most numerous form of local government,” and that many special districts lack “protocols and standards,” “independent auditors may be ‘lax’,” etc. Recommendations included steps to be more transparent with salaries and operations, and to explain clearly to ratepayers what the reserves are and why they exist.

### **California Special Districts Association (CSDA)**

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<sup>48</sup> CDIAC; *Debt Line; Understanding Special Districts and Public Debt*; August 2000

<sup>49</sup> Santa Clara County Grand Jury; *Independent Special Districts—Oversight Falls Far Short!*; 2005-2006

<sup>50</sup> Senate Local Government Committee; *Integrity & Accountability: Exploring Special Districts’ Governance*; November 24, 2003

The CSDA in 2007 produced a guide to the laws and codes that constitute the legal foundation for special districts.<sup>51</sup> This document gives clear direction on where to find the various State laws and codes that give special districts their authorization.

### **Kimia Mizany & April Manatt**

These two State Fellows produced a study in 2010 that documents the history of special districts and evaluates their advantages and disadvantages.<sup>52</sup> At that time, the State had 3,361 special districts. In addition to reviewing the history of special districts, they divided special districts into three categories: single versus multi-function, enterprise versus non-enterprise, and independent versus dependent.

Single function districts simply perform a single function while the others perform multiple functions. Eighty-five percent of the districts were considered single function, i. e., water, sewage, cemeteries.

Enterprise districts were defined as districts that "...deliver services that are run like a business enterprise; that charge for their customers' services." Approximately one quarter of the districts were considered enterprise districts. They noted, "Virtually all water, waste, and hospital districts are enterprise districts." "Non-enterprise districts provide services which don't lend themselves to fees."

They also divided special districts into "independent" and "dependent" districts. Most districts were considered independent, i. e.; they "...have their own separate boards of directors elected by the districts' own voters." All the special districts in this 2011-12 Orange County Grand Jury report would be considered "independent".

### **The Slo Coast Journal**

This central California journal produced an editorial in 2011 that concluded not all State and local laws protect the rights of the citizens. They cited two examples: "special districts and Local Agency Formation Commissions operate with far fewer legal restrictions than counties and cities. Citizens who have disagreed with the decisions and policies of these agencies have found that they had very limited recourse."<sup>53</sup> They noted that the limited communication of the governing bodies of the special districts with their constituents leads to the "opportunity for abuse."

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<sup>51</sup> California Special Districts Association; CSDA's Guide to Special Districts Laws and Related Codes; 2007

<sup>52</sup> Mizany, K and Manatt, A; *What's So Special About Special Districts? A Citizen's Guide to Special Districts in California*, Fourth Edition; 2010

<sup>53</sup> The Slo Coast Journal; *California Special Districts and Local Area Formation Commissions—Government Agencies Outside the Law*; January 2011

### **Legislative Analyst' Office (LAO)**

In 2011, the California State's Legislative Analyst's Office (LAO) explored issues related to special districts.<sup>54</sup> They found evidence that "...in certain cases smaller districts can be less efficient and less accountable than larger districts," but they recognized that "...many factors affect the efficiency and accountability of special districts." They theorized that "Larger organizations may be better able to realize economies of scale by spreading fixed costs, like management, overhead, and infrastructure over more constituents, resulting in lower per capita expenditures," and "Consolidation of smaller districts also provides an opportunity to reduce personnel cost by eliminating some high-paying leadership positions such as fire chiefs or general managers and by reducing the total number of board members." They also pointed out that LAFCO has a common problem "...of the workload being more than their current budgets can support."

### **SUMMARY OF FACTS**

Following is a brief summary of the facts derived from this study:

1. Special districts were founded to provide services for the local citizens before cities were either founded or matured. They created independent local governments to provide services that neither cities nor counties could adequately provide at that time. These services were initially funded by property taxes.
2. The first special districts in Orange County were founded in 1919 for libraries in the cities of Placentia and Buena Park when the electorate of each area was about 100. The last non-enterprise special district (Silverado-Modjeska Recreation & Parks District) was founded in 1961, and the last enterprise special district (Santa Margarita Water District) was founded in 1964. At that time, the county population was approximately 1,000,000, less than a third of the current population of over 3,000,000.
3. As independent government agencies, special districts are not under the control of the surrounding cities, the county, or state for their day-to-day operations. They were formed by the local electorate and certified by the County Board of Supervisors. Structural changes to the special districts would require a vote of the constituents within that district.
4. While special districts were founded as local governing agencies to meet the needs of the surrounding local residents, these constituents have provided limited public input at their meetings. Little or no public input is recorded in the minutes of their special district meetings.
5. The last community services district, Surfside Colony Community Service Tax District, was formed in 1960, 45 years after the surrounding city of Seal Beach was created. The last special district created in Orange County was the Santa Margarita Water District in 1964, 16 years before the city of Rancho Santa Margarita was incorporated.

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<sup>54</sup> California State Legislative Analyst Office; *Issues Related to Special Districts*; Roger Dickinson, Chair, Assembly Committee on Accountability & Administrative Review; October 21, 2011

6. For more than fifty years various state and local agencies have studied special districts. Some of their conclusions were:

- Community service districts are no longer isolated and often integrally entwined with the homeowners associations. These community services districts can be removed from the county tax rolls and their responsibilities and costs borne by either their surrounding cities or homeowners' associations.
- Water and sewer districts could be funded solely by fees.

7. The existing special districts' inertia has withstood 50 years of various governmental agencies' recommendations to improve the system. Very little progress has been shown in complying with the various recommendations of the past. Exceptions are the South Coast Water district and the Irvine Ranch Water District that have absorbed surrounding smaller districts.

8. Special district independence was once a necessity due to lack of either city availability or county interest, and has been overshadowed and overtaken by the rapid growth of Orange County. The necessity of forming new special districts ceased when the Orange County population exploded after the 1950s and cities began to surround the special districts. Since that time, Orange County has changed from a rural community to wall-to-wall cities. The cities and the expanded county then began to provide many of the same services that were being provided by the special districts.

9. The Local Agency Formation Commission, LAFCO, has a list of special districts in Orange County that does not agree with the list from the County Auditor-Controller, who tracks the allocation of taxes. The Auditor-Controller includes County Service Areas and large countywide districts such as Flood Control, Parks, Fire Authority, Sanitation District, Transit Authority, as well as several smaller districts that are dependent on local city control. (Cypress Recreation and Parks, Garden Grove Sanitary, Laguna Beach Water, and Santiago Water districts.)

10. Special districts are funded by a variety of sources including taxes, fees, interest, assessments, and bonds. The non-enterprise districts are funded from 33% to 98% by allocations from the 1% property tax. All but three of the enterprise districts use the 1% property tax allocation to fund from 7% to 90% of their services. The three exceptions do not rely on any taxes.

11. Three of the enterprise special districts receive no allocation of taxes from the Auditor-Controller. They fund their services by assessments, fees, interest on investments and other fund sources. These are:

- Mesa Consolidated Water District.
- Municipal Water District of Orange County.
- Serrano Water District. .

12. Four other enterprise special districts have allocations of taxes from the Auditor-Controller but did not reflect them in their budgets provided to the Grand Jury. They are:

- Costa Mesa Sanitary District;
- South Coast Water District;
- Trabuco Canyon Water District;
- Yorba Linda Water District.

Explanations for this difference include uncertainty of the State's financial condition.

13. Only two special districts are countywide, The Orange County Vector Control District and the Orange County Cemetery District. The former is funded by an allocation from the 1% property tax and a parcel tax assessment, and the latter is funded by an allocation from the 1% property tax and fees.

14. The special districts in Orange County have amassed more than \$866,000,000 in unrestricted reserves. These reserves that can be used at the agencies' discretion exceed the combined budgets of the special districts by over \$149,000,000. The reason for accumulating these reserves is not documented nor is the intended use for these funds clearly identified.

15. Sixteen Orange County special districts have unrestricted reserves exceeding their annual budgets. These special districts are:

- East Orange County Sanitary District.
- Irvine Ranch Water District.
- Midway City Sanitary District.
- Moulton Niguel Water District.
- Orange County Water District.
- Rossmoor/Los Alamitos Area Sewer District.
- Santa Margarita Water District.
- South Coast Water District.
- Sunset Beach Sanitary District.
- Trabuco Canyon Water District.
- Emerald Bay Service District.
- Orange County Cemetery District.
- Rossmoor Community Service District.
- Surfside Colony Community Service Tax District.
- Surfside Colony Storm Water Protection District.
- Three Arch Bay Community Service District.

16. Special districts collect more than \$182,000,000 each year in property taxes. The difference between this revenue and the total budgets of \$718,000,000 for all the special districts, (\$674,000,000) is made up of fees for services, bond income, interest on investments, and other income. The county charges the special districts more than \$933,000 to collect and distribute their taxes each year.

17. All special districts have annual financial audits that are required by State law. Only one, the South Coast Water District, has had performance audits that described the operations and recommended improvements.

18. All special districts have web sites except four: Surfside Colony Community Service Tax District, Surfside Colony Storm Water Protection District, and Emerald Bay Service District.

19. The 1% property tax on the annual secured tax bill to property owners does not provide details of the agencies' portion. This hides from the taxpayer the allocation made to the various county funds and the special districts.

## **FINDINGS/CONCLUSIONS**

In accordance with *California Penal Code* §933 and §933.05, the 2011-2012 Orange County Grand Jury requires responses from each agency affected by the **Findings/Conclusions** presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court. See Table No. 3 in the back of this report for those **Findings/Conclusions** that apply to your agency.

Based on its investigation of special districts in Orange County, the 2011-2012 Orange County Grand Jury makes the following 15 Findings/Conclusions:

**F1.** Most Orange County special districts, with or without the assistance of the Local Agency Formation Commission (LAFCO), have been incapable or unwilling to consolidate, absorb, or eliminate these outmoded and/or redundant agencies. LAFCO typically addresses larger issues such as merging of cities and elimination of “islands” within the county. The special districts themselves have not worked seriously toward their consolidation or demise. In this regard, the enterprise special districts and the non-enterprise special districts require independent evaluation and handling.

**F2.** Special districts have made very little progress in complying with the recommendations made by various governmental agencies. To ensure recommendations are followed, more coordination and cooperation is needed from the city and county agencies.

**F3.** Most non-enterprise special districts in Orange County have outlived their purpose and usefulness. Services that they once only available through the special district are now being provided by the surrounding cities and the expanding county.

**F4.** The eleven non-enterprise special districts of Orange County founded before 1965 have not reflected the growth of the cities and county. The services that were unavailable from cities or the county have long since been made available as both the cities and county grew. Some of these special districts could be removed from the county tax rolls, and their services funded and absorbed by the county, surrounding cities or homeowners associations wherein they abide.

**F5.** The sixteen enterprise districts typically started as local agricultural irrigation providers and sanitation providers for local communities. These special districts have transitioned into providers of potable water and sewerage disposal for the cities that blossomed around them after 1950. These districts grew until their boundaries met a neighboring special district that was also growing. Some of these local smaller providers have already been absorbed by larger districts under one management.

**F6.** The sixteen enterprise special districts of Orange County founded between 1919 and 1964 have grown with the urbanization of the county. Thirteen of these special districts rely upon taxes collected by the county while three rely on fees and other sources for their revenue. This suggests that all of these enterprise special districts could wean themselves from tax subsidies and rely on fees for their revenue. Severance from the tax subsidies would enable financial transparency and let the customers see the true cost of the services provided.

**F7.** The unrestricted reserves of the special districts are available to the governing boards to spend as they please. Local citizens are not openly informed of this wealth when agencies ask for fee increases, special assessments, or bond measures. Most of the special districts do not appear to have specific criteria for amassing these reserves nor do they have published long-range plans for their constructive use.

**F8.** The twenty-seven special districts in Orange County have amassed unrestricted reserves of over \$866,000,000. That is enough money to fund all of these special districts for more than year without taxes, fees, interest, or other sources of revenue. The boards of directors have the sole discretion to spend these unrestricted reserves.

**F9.** The Orange County Auditor-Controller allocated nearly \$35,000,000 to four enterprise special districts (Costa Mesa Sanitary District, South Coast Water District, Trabuco Canyon Water District, and Yorba Linda Water District) that did not show this revenue in their budgets provided to the Grand Jury. What happened to that money is not clearly recorded. Budgeting without the allocated taxes indicates that, along with the three other enterprise special districts that do not rely on tax revenue, these enterprise special districts could function without tax revenues.

**F10.** The enterprise special districts could save millions of dollars in administration costs by consolidation into regional special districts. Five or six such enterprise special districts within Orange County could save at least \$500,000 per year for each special district absorbed.

**F11.** The Buena Park Library and the Placentia Library (the oldest special districts in Orange County) have long outlived their original intent of providing reading materials for their original isolated communities with an electorate of about 100 people. They could readily be absorbed into the County Library System or the cities.

**F12.** The community services that the original non-enterprise special districts provided can be provided by the surrounding cities and the county that have engulfed these districts. Continuing

to collect taxes for these special duplicative services is a disservice to both the community they serve and the surrounding communities that provide the same or similar services.

**F13.** The Surfside Colony Storm Water Protection District was formed in 1941 to protect the community from ocean swells during storms and high tide. Since then the community has changed and the local governments have grown to where these services can be performed by other county or city services, resources and equipment.

**F14.** The true cost of water and sanitary sewers in the enterprise special districts is hidden when both taxes and fees fund these districts. Only when the monthly service bills to the customers include all the costs for these services without the tax subsidy will the public understand the true cost of these services and achieve financial transparency.

**F15.** Only one of the special districts, The South Coast Water District, has had recent performance audits. The lack of performance audits for the remaining special districts leaves the potential for inefficiencies, poor practices, outmoded operations, etc. hidden from the governing boards and the communities they serve. The lack of published performance audits has contributed to the public's ignorance of these districts.

## RECOMMENDATIONS

In accordance with *California Penal Code* §933 and §933.05, the 2011-2012 Orange County Grand Jury requires responses from each agency affected by the **Recommendations** presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court. See Table No. 4 in the back of this report for those **Recommendations** that apply to your agency.

Based on its investigation of special districts in Orange County, the 2011-2012 Orange County Grand Jury makes the following 10 recommendations:

**R1.** All special districts (except the Vector Control District and the County Cemetery District) should be eliminated from the county tax rolls and should rely solely on fees or the services of surrounding governments. (See F2, F3, F4, F5, & F6.)

**R2.** Community service districts should be absorbed either in the cities surrounding them or into surrounding private homeowners associations. Each community service district should meet with LAFCO and with the appropriate city or homeowner's association to develop plans and schedules for the future of these special districts. This meeting should be take place before September 30, 2012. (See F3, F4, & F12.)

**R3.** Library districts should be absorbed into the County Library System. Both the Buena Park and the Placentia Libraries should meet with LAFCO and their cities or County Library System before September 30, 2012 to develop plans and schedules for consolidation and removal from the tax rolls. (See F11.)

**R4.** Water and sewer districts should be consolidated into no more than six regional districts. Consideration should be given to including the city water agencies in the consolidation. LAFCO should meet with the water and sewer districts before October 31, 2012 to develop plans and schedules for consolidation. (See F5, F6 & F9.)

**R5.** Water and sewer districts should be removed from the tax rolls and operate solely on fees and other revenues for their services. Consideration should be given to forming non-profit agencies with ownership shared by the constituents. These districts should meet with county officials before October 31, 2012 to prepare plans and schedules to remove themselves from the county tax rolls. (See F2, F5, & F6.)

**R6.** Special districts should adopt “board of director’s practices” for all their reserves, restricted and unrestricted. All reserves should be classified in their 2013-2014 budgets according to GASB Standard No. 54. LAFCO should work with the special districts to prepare standard criteria for accumulating reserves according to the new classifications by December 15, 2012. These standards should be used in preparing the 2013-2014 budgets. (See F7 & F9.)

**R7.** Excessive unrestricted reserves should be used to reduce existing debts. Future revenues should be reduced to avoid the accumulation of unallocated revenue that does not meet the adopted new standards. (See F7 & F8.)

**R8.** Each special district should have an independent performance audit at least every three years. The executive summary of the performance audit should be distributed to all the taxpayers of each special district. Each of the special districts that has not had a performance audit within the last five years should contract with an independent outside consultant to conduct such an audit during 2012. These audits should be repeated at least every three years. (See F15.)

**R9.** Each special district should contribute 1% of its unrestricted reserve fund to LAFCO to help finance preparing and directing the consolidation, absorption, or elimination, and the setting of standards for reserves for the special districts. These funds should be included in LAFCO’s future programs and budgets until the consolidation, absorption or elimination of each special district is achieved. With these additional funds, LAFCO should begin meeting with each special district before the 2014 fiscal year is budgeted for consolidation, absorption and/or elimination of these districts. (See F1, F2, F3, F4, F5, & F6.)

**R10.** The Orange County Tax Collector should obtain all the specific allocations for the 1% property tax from the County Auditor-Controller and show them on the tax bill (not just the current generalized summary) sent to each property owner so that the taxpayers are informed of how much each service is costing them. (See F14.)

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## REQUIRED RESPONSES

The Board of Directors of each of the special districts and the Orange County Auditor-Controller and Tax Collector shall respond to the Findings and The Recommendations as specified in Tables No. 3 and No. 4. In accordance with *California Penal Code* §933 and §933.05, the 2011-2012 Orange County Grand Jury requires responses from each agency affected by the **Findings/Conclusions** and **Recommendations** presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

*“Not later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section §914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls. In any city and county, the mayor shall also comment on the findings and recommendations...”*

Please see page 30 for the **Findings/Conclusions** response matrix, and page 31 for the **Recommendations** response matrix.

**Table No. 3 - RESPONSES REQUIRED TO FINDINGS/CONCLUSIONS**

	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15
Buena Park Library Dist.	X	X	X	X			X	X			X	X			X
Capistrano Bay Com. Serv. Dist	X	X	X	X			X	X				X			X
Costa Mesa Sanitary Dist.	X	X			X	X	X	X	X	X				X	X
E Orange Co Water Dist.	X	X			X	X	X	X		X				X	X
El Toro Water Dist.	X	X			X	X	X	X		X				X	X
Emerald Bay Service Dist.	X	X	X	X			X	X							X
Irvine Ranch Water Dist.	X	X			X	X	X	X		X				X	X
Mesa Consolidated Water Dist.	X	X			X	X	X	X		X					X
Midway City Sanitary Dist.	X	X			X	X	X	X		X				X	X
Moulton Niguel Water Dist.	X	X			X	X	X	X		X				X	X
MWD of Orange Co.	X	X			X	X	X	X		X					X
Orange Co. Cemetery Dist.	X	X	X	X			X	X							X
Orange Co. Vector Control Dist.	X	X	X	X			X	X							X
Orange Co. Water Dist.	X	X			X	X	X	X		X				X	X
Placentia Library Dist. Of OC	X	X	X	X			X	X			X	X			X
Rossmoor Com. Serv. Dist.	X	X	X	X			X	X		X		X		X	X
Rossmoor/Los Alamitos Area Sewer Dist.	X	X			X	X	X	X		X				X	X
Santa Margarita Water Dist.	X	X			X	X	X	X		X					X
Serrano Water Dist.	X	X			X	X	X	X		X					X
Silverado-Modjeska Rec. & Parks Dist.	X	X	X	X			X	X							X
South Coast Water Dist.	X	X			X	X	X	X	X	X					X
Sunset Beach Sanitary Dist.	X	X			X	X	X	X		X				X	X
Surfside Colony Com. Serv. Tax Dist.	X	X	X	X			X	X				X			X
Surfside Colony Storm Water Pro. Dist.	X	X	X	X			X	X				X	X		X
Three Arch Bay Com. Serv. Dist.	X	X	X	X			X	X				X			X
Trabuco Canyon Water Dist.	X	X			X	X	X	X	X	X				X	X
Yorba Linda Water Dist.	X	X			X	X	X	X	X	X				X	X
LAFCO	X	X	X	X	X	X					X	X	X		X
Orange County Auditor-Controller									X			X		X	
Orange County Tax Collector														X	

**Table No. 4 - RESPONSES REQUIRED TO RECOMMENDATIONS**

	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10
Buena Park Library Dist.	X		X			X	X	X	X	
Capistrano Bay Com. Serv. Dist.	X	X				X	X	X	X	
Costa Mesa Sanitary Dist.	X			X	X	X	X	X	X	
E Orange Co Water Dist.	X			X	X	X	X	X	X	
El Toro Water Dist.	X			X	X	X	X	X	X	
Emerald Bay Service Dist.	X	X				X	X	X	X	
Irvine Ranch Water Dist.	X			X	X	X	X	X	X	
Mesa Consolidated Water Dist.	X			X	X	X	X	X	X	
Midway City Sanitary Dist.	X			X	X	X	X	X	X	
Moulton Niguel Water Dist.	X			X	X	X	X	X	X	
MWD of Orange Co.	X			X	X	X	X	X	X	
Orange Co. Cemetery Dist.	X					X	X	X	X	
Orange Co. Vector Control Dist.	X					X	X	X	X	
Orange Co. Water Dist.	X			X	X	X	X	X	X	
Placentia Library Dist. Of OC	X		X			X	X	X	X	
Rossmoor Com. Serv. Dist.	X	X				X	X	X	X	
Rossmoor/Los Alamitos Area Sewer Dist.	X			X	X	X	X	X	X	
Santa Margarita Water Dist.	X			X	X	X	X	X	X	
Serrano Water Dist.	X			X	X	X	X	X	X	
Silverado-Modjeska Rec. & Parks Dist.	X	X				X	X	X	X	
South Coast Water Dist.	X			X	X	X	X	X	X	
Sunset Beach Sanitary Dist.	X			X	X	X	X	X	X	
Surfside Colony Com. Serv. Tax Dist.	X	X				X	X	X	X	
Surfside Colony Storm Water Protection Dist.	X	X				X	X	X	X	
Three Arch Bay Com. Serv. Dist.	X	X				X	X	X	X	
Trabuco Canyon Water Dist.	X			X	X	X	X	X	X	
Yorba Linda Water Dist.	X			X	X	X	X	X	X	
LAFCO		X	X	X	X	X			X	X
Orange County Auditor-Controller	X				X					X

**APPENDIX A**

Previous Orange County Grand Jury Reports

on

Special Districts

*Report on Special Districts and County Islands*; 1971 Orange County Grand Jury; October 21, 1971

*Special District Task Force Review, A Final Report of the 1985-86 Orange County Grand Jury*; June 1986; 1985-86 Orange County Grand Jury

*Reorganization of Special Districts*; 1981-82 Orange County Grand Jury

*Evaluation of the Orange County Cemetery District*; June 1990; 1989-90 Orange County Grand Jury

*Study of the Local Agency Formation Commission and Report on Impact of City Incorporations on Orange County*; June 1990; 1989-90 Orange County Grand Jury

*Capistrano Beach County Water District Report*; 1992-93 Orange County Grand Jury

*Water Distribution and Rates within Orange County*; 1996-97 Orange County Grand Jury

*Rats*; 2001-2002 Orange County Grand Jury

*A Selected Study of the Local Agency Formation Commission*; 1996-97 Orange County Grand Jury

*The Orange County Public Library System: A Future*; 1993-94 Orange County Grand Jury

*LAFCO-Is It Working?*; 2004-05 Orange County Grand Jury

*Orange County Cemetery District*; 2004-05 Orange County Grand Jury

*Orange County Vector Control District-Out of Control?*; 2005-06 Orange County Grand Jury

*Water Districts; A New Era in Public Involvement*; 2008-09 Orange County Grand Jury

*Compensation Survey of Orange County Water and Sanitation Districts*; 2010-2011 Orange County Grand Jury

ORANGE COUNTY VECTOR CONTROL DISTRICT

**ORANGE COUNTY VECTOR CONTROL  
DISTRICT**

**"A STUDY IN LITTLE KNOWN SERVICES"**



**GRAND JURY 2011-2012**

2011/2012 ORANGE COUNTY GRAND JURY

## Orange County Vector Control District

### “A Study in Little Known Services”

#### SUMMARY

The Orange County Vector Control District (OCVCD) is an independent special district chartered to provide taxpayer-supported services to eradicate and control mosquitoes, rats, and fire ants, all carriers of infectious diseases. This one of two special districts in Orange County that provides countywide services. Although the agency provides valuable services, little is known about it by the general public.

A vector is defined as “an insect that carries and transmits a disease-causing organism.”<sup>1</sup> The dictionary further defines “vectors” as

*“...any insect or anthropoid, rodent or other animal of public health significance capable of harboring or transmitting the causative agents of human disease, or capable of causing human discomfort or injury.”<sup>2</sup>*

While other diseases can be transmitted by these species, typhus and malaria are the most prevalent.

The district was created in 1947 when Orange County was predominantly an agricultural community with vast tracts of orchards, row crops, and uncontrolled waterways. It was formed to identify and control areas with standing water that became breeding grounds for disease carrying mosquitoes. The OCVCD receives funding through apportionment of the 1% property tax and two special assessments.

The taxpaying public is not generally aware of the mission and the abilities of this special district. Citizens become aware of services when an unmanageable mosquito or rat problem occurs in their home or neighborhood. When a resident is identified as having typhus or malaria, the canvasses the neighborhood to educate residents about the disease and attempts to limit the spread of the disease.

The Vector Control District’s name and logo do not lend themselves to recognition by the public. The public generally does not relate the Vector Control District to mosquito abatement and rat eradication. (“Bug Man” or “A&B Pest Control” are easily recognizable as pest control companies.)

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<sup>1</sup> Random House Webster’s College Dictionary; Random House; New York, NY; 1990.

<sup>2</sup> Orange County Vector Control Website; September 21, 2011

The services provided by the laboratory are not uniformly shared with other local county agencies monitoring disease carriers. Collaboration with the Orange County Health Care Agency Laboratory and the Agricultural Commissioner's Laboratory could enhance the sharing of health hazards, threats and related scientific expertise. The services provided by the laboratory could reasonably be shared by integrating's laboratory functions with other health agencies' laboratories. All together they could monitor infectious diseases by quickly identifying their arrival and control.

### **REASON FOR THE STUDY**

The purpose of this study is to inform the public about the Orange County Vector Control District. The study highlights their services, management, funding, and provides recommendations to improve the visibility and efficiency of the districts' services.

### **METHOD OF THE STUDY**

This study includes a review of District reports and records, a review of previous Orange County Grand Jury reports, and interviews with District personnel, site visits to the headquarters, ride-alongs, and public surveys. This study included the following tasks:

- Review previous Orange County Grand Jury reports;
- Review statutes governing ;
- Review performance reports;
- Interview Management and Board Members;
- Conduct Surveys of the general public;
- Interview and ride-along with field staff;
- Compare functions of other agencies with related services.

### **BACKGROUND AND FACTS**

Vector control districts in California date back to 1904. In that year the University of California addressed the mosquito problem in the salt marshes of San Francisco Bay. The University of California caused the mosquito abatement districts (now commonly called "vector control districts") to fund and manage the abatement of vectors. Today 67 vector control districts exist in California.

OCVCD was formed in 1947 as the Orange County Mosquito Abatement District. At the time of its formation the population of Orange County was 216,000 and the land was 90% farmland and orchards. The county has since grown to over three million with 80% of the available land now urbanized. The remainder is farmland and national forest.

An Orange County Grand Jury reports highlight the management of OCVCD and the handling of its budget.<sup>3</sup> The 2005-2006 Grand Jury study gave the district poor marks in operations management, governance, and fiscal management. The recommendation of that Grand Jury was to integrate into other county agencies. The report was critical of the OCVCD's use of taxpayer funds and the management of the district. Other reports by outside agencies have reported the possibility of merging the district with other agencies. "Rats" The Orange County Grand Jury's study of the Vector Control District in 2001-2002<sup>4</sup>, addressed the rat control services of the district.

### **OCVCD Governance**

A Board of Trustees consisting of 35 officials governs OCVCD. They represent all the cities in Orange County, and the Orange County Board of Supervisors. Board members normally serve a two-year or four year term and are either elected or appointed by the cities they represent. A District Manager manages all operations and reports to the Board of Trustees.

In 1975, the Orange County Board of Supervisors conducted a study concluding that the OCVCD could solely assume the responsibility for comprehensive vector control. Consequently rat control was transferred from the Orange County Health Department to the newly renamed Orange County Vector Control District.

### **OCVCD and the California Health and Safety Code**

The California Health and Safety Code Sections 2060-2067 have granted OCVCD certain powers. OCVCD has the right to enter private property that is suspected of being a breeding ground for vector borne diseases. They have the right to abate all forms of vector-borne diseases on private property. OCVCD has the expressed right to issue citations and levy civil fines for non-compliance in maintaining property free of vector borne disease.<sup>5</sup> OCVCD has not exercised its power to issue citations and fines because they may deter the public from reporting problems.

### **Currently Provided Services**

- Surveillance programs for vector-borne diseases;
- Eradication of mosquito's, fireants, and control of rats;
- Integrated Pest Management (IPM) technologies;
- Educational programs;
- Information on local household pests;
- Insect identification services to the public.

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<sup>3</sup> Orange County Grand Jury; "Out of Control" 2005-2006.

<sup>4</sup> Ibid.; RATS!; June, 2002

<sup>5</sup> California Health and Safety Code, Sections 2060-2067.

OCVCD distributes to the public printed material that describes what citizens can do to keep their homes and property free of rats, flies, mosquitoes, and pests that may be found around the yard and inside the homes. The OCVCD website can be found at [www.ocvcd.org](http://www.ocvcd.org).

### **OCVCD Organization**

The Orange County Vector Control District consists of the following four departments:

- Administrative Services Department
- Operations Department
- Communications Department
- Scientific Technical Services Department

The staff of 55 employees is supplemented annually by 50 seasonal employees from April through October, in addition to 12 year round part-time employees.

**Administrative Services** manages finance, human resources, and risk management. Four full-time employees staff the department. The Finance section monitors and reports on a monthly basis to the Board of Trustees for final approval of all expended funds. Administrative Services contracts with an outside auditor annually to produce financial audits.

**Operations** consist of field inspectors and maintenance personnel. This department is staffed with 35 employees and 50 seasonal employees (April-October). Field operations include 28 inspectors who are assigned geographic areas within the county to monitor and treat susceptible areas. Computer programs are used to ensure that inspectors have visited all their sites and have logged chemicals used and actions taken. Inspectors are state certified and experienced. They have up-to-date treatment equipment and transportation to accomplish their work. They are allocated time to maintain their continuing education that is required for state certification as a condition of employment.

**Communications** provides public information, hardware and software technology and legislation monitoring. This department is staffed with six employees. The information technology personnel maintain an internet website with data on the latest reports of disease outbreaks, information about OCVCD, and educational materials. The website also has contact information for reporting problems related to mosquitoes and other vectors.

**Scientific Technical Services** provides laboratory analysis, as well as research on mosquitoes and fire ants. The laboratory is staffed with eight lab scientists and 8 seasonal lab workers. All lab scientists have a Master's degree or higher. The laboratory also has three professional part-time employees who do research work. They are retired professors with advanced degrees in vector sciences. The lab tests and tracks Typhus, West Nile Virus, Hantavirus, Malaria, and fleas

that carry diseases. The laboratory complies with the California Environmental Quality Act (CEQA) in the application of chemicals. This requires documenting the amounts, date, time, weather, and location of use in a computer database. In the future, California Fish and Game and/or OCVCD will be required to start testing chemical levels in local streams.

### **Financial Issues of**

The budget approved by the Board of Trustees supports OCVCD's activities.

OCVCD's budget for 2011-2012 has anticipated revenue of \$10.6 million and expenditures of \$10.1 million.<sup>6</sup> Expenditures are 74% personnel, 25% operations, and 1% capital outlays. Sources of revenue are property tax (.000114 portion of 1%); benefit assessments of \$6.94 per real estate parcel. Contracted services bring the revenue fund total to \$10.2 million.

The 2010 Financial Audit showed:

- Taxes and assessments of \$9,969,000
- Fees, interest and other revenue of \$317,000
- Total assets of \$15,526,000
- Unrestricted reserves of \$10,474,000

The 1996 benefit assessment is \$1.92 per parcel, and the 2004 benefit assessment is \$5.02 per parcel. Although not specifically listed in the current revenue, they are listed in the Five year Fiscal Plan and updated annually.

All unrestricted reserves (\$10.5 million) are in the Local Area Investment Fund Pool (LAIF). LAIF is a fund managed by the Orange County Treasurers Office. During the preparation of this study OCVCD spent 3.5 million dollars of its unrestricted reserves at the direction of the Board of Trustees to acquire real estate adjacent to its location. This currently leaves 7 million in unrestricted reserves.

The OCVCD has contracted to provide services to five government agencies and institutions to generate revenue:

- California State Commissioner – Bolsa Chica Wetlands - \$22,700
- Irvine Ranch Water District - \$1,000
- Orange County Sanitation District \$1,300
- University of Irvine Campus, Irvine CA - \$45,000
- Seal Beach U.S.Naval Weapons Station – Marsh \$10,000
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<sup>6</sup> OCVCD 2011-2012 Budget

**PUBLIC SURVEYS**

A survey was conducted by this 2011-2012 Grand Jury. Out of 851 individuals, 17% had at that time called OCVCD while 83 % had not. Seventy five percent of the respondents who contacted were satisfied while 25% were not.<sup>7</sup> In 2009 OCVCD, sent a customer satisfaction survey to 1,362 former customers. Results indicated that of 42 % of the cards returned, indicated that 94 % were satisfied.

**Figure 1, Public Survey August 2011**

Vector Control Survey Distribution	Residence		Have you had bees,ants,etc.?		Who solved?		If exter-minator		Have you had rats,mice, etc.?		If exter-minator		Ever called O.C.V.C.?		Satisfied with O.C.V.C.?	
	Rent	Own	Yes	No	I did	Exter-minator	Cnty	Priv	Yes	No	Cnty	Priv	Yes	No	Yes	No
Age 20-29	87	38	78	53	55	26	4	26	47	78	1	14	2	125	68	4
30-39	69	69	71	59	50	29	4	31	56	75	3	30	15	119	9	5
40-49	45	146	103	82	61	61	6	64	112	72	10	45	26	161	19	15
50-59	45	182	126	92	82	74	7	82	145	72	25	45	53	167	40	17
60-69	13	116	80	45	42	50	9	47	83	36	22	27	34	86	27	11
70+	7	23	16	14	10	9	0	9	21	8	6	6	7	21	5	2
Not indicated	3	8	6	5	4	5	2	3	5	5	2	3	3	7	1	1
<b>Total Counts</b>	<b>269</b>	<b>582</b>	<b>480</b>	<b>350</b>	<b>304</b>	<b>254</b>	<b>32</b>	<b>262</b>	<b>469</b>	<b>346</b>	<b>69</b>	<b>170</b>	<b>140</b>	<b>686</b>	<b>169</b>	<b>55</b>
<b>Percentages</b>	<b>32%</b>	<b>68%</b>	<b>58%</b>	<b>42%</b>	<b>54%</b>	<b>46%</b>	<b>11%</b>	<b>89%</b>	<b>58%</b>	<b>42%</b>	<b>29%</b>	<b>71%</b>	<b>17%</b>	<b>83%</b>	<b>75%</b>	<b>25%</b>

**GRAND JURY RIDE-ALONGS**

Members of the 2011-2012 Grand Jury rode with inspectors on their daily rounds.<sup>8</sup> They observed how the inspectors prepare for work at the OCVCD yard, and how they organize their daily tasks. Riders traveling with inspectors observed their treatment of open drains, storm channels, standing water, ponds, and unattended swimming pools. Such pools can be treated every three months for up to three years. Inspectors were typically welcomed by the residents.

Where rats have been reported the inspectors checked property and homes for signs of infestation. Inspectors go through the property with the occupant, pointing out possible entry areas and food sources. They also educate residents on how to alleviate problems. In some cases the inspectors leave traps with detailed instructions for their use.

Inspectors are assigned wide geographical areas. They perform their work with diligence and dedication. Ride-along observers indicated that inspectors are well-trained and more than willing to show and explain their services to residents.

The ride-alongs also gave insight into the difficulty inspector’s encounter in recording information. Tasks that have proven cumbersome are separate computer programs used for documenting work orders, unattended pools, mosquito treatment, and rat infestation. These are

<sup>7</sup> Figure 1, August 2011 Public Survey  
<sup>8</sup> Ride-along interviews; October 20, 26, & 27, 2011

all maintained in stand-alone programs. Every inspector must download information from multiple programs to arrange his daily work schedule. At the end of the day the inspector must manually enter all actions taken into these various programs.

### **INSPECTION OF OTHER ORANGE COUNTY LABORATORIES**

The 2011-2012 Orange County Grand Jury conducted visits and discussions with officials of the Agricultural Commissioners Laboratory and the Orange County Health Care Laboratory to determine similarities and to understand the relationship between them.

#### **Orange County Health Care Laboratory**

The Orange County Health Care Laboratory is an infectious disease laboratory that is staffed by 39 professionals. Twenty-eight persons are Certified Microbiologists with a minimum education of Master's degree. Eleven are laboratory technicians with Bachelor degrees in Biology (most are working on their Masters degrees). The laboratory is connected to the Center for Disease Control and The Food and Drug Administration for real time reporting of information by way of the Infectious Disease Data Sharing Network. It actively participates in emergency response networks involved with infectious diseases. The laboratory has the capacity to do mapping of infectious disease cases by area, much the same as OCVCD maps vectors. Test results in the lab are entered into a database system in order to share the information with the Center for Disease Control, The Food and Drug Administration, Orange County Health Care Agency, and local hospitals in a timely manner. The laboratory also maintains a "Water Laboratory" in the southern portion of the county, the purpose of which is to test water at the beaches for the County and the State Coastal Commission.

#### **Agricultural Commissions Laboratory**

The Agricultural Commissioner's laboratory is staffed by two scientists and two Systematic Entomologists. They identify insects that live on plants or insects that grow in soil or roots in the county of imported. When identifying a harmful insect, the laboratory issues a citation for the crop or load of plants to be returned to its origin or destroyed. The laboratory also oversees the destruction of these plants, if necessary.

### **FINDINGS/CONCLUSIONS**

"In accordance with *California Penal Code* Sections §933 and §933.05, the 2011-2012 Grand Jury requires responses from each agency affected by the **Findings/Conclusions** presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court".

Based on the research of the Orange County Vector Control District the Orange County Grand Jury puts forth the following **Findings/Conclusions**.

**F1.** The field staff of OCVCD has to deal with older technology in dispatching, reporting and coordinating their activities. This requires extra time dedicated to formalizing reports. Acquiring

current technology that links databases would lessen the time spent in the office and allow more time in the field, better serving the community. (R1)

**F2.** The laboratories of the Agricultural Commissioner, Health Care Agency, and Vector Control have little inter-relationship with respect to their functions and specialized equipment. Little or no communication exists among the labs for sharing of disease information impacting the public. (R2)

**F3.** The OCVCD does not exercise all of its abatement rights under the California Health and Safety Code sections 2060-2067. It fails to issue citations and levy fines for violations of the codes against property owners, including banks, who own foreclosed property. Issuing fines could lead to recouping costs of remediating unattended property and lower assessments to all other taxpayers. (R3)

**F4.** The OCVCD maintains a database of over 3000 abandoned swimming pools throughout Orange County that are basically unattended breeding grounds for mosquitoes. Considerable time is devoted to treating and following up on the condition of these pools. (R3)

**F5.** The OCVCD has the largest Board of Trustees of any independent special district in Orange County. Thirty-five members represent all the cities and the County Board of Supervisors. Meeting for an hour monthly to discuss and vote on district business presented to them by the staff does not appear to provide adequate oversight. Thirty-five Trustees is an overly large amount for the task of efficient, cost effective governance of this district. (R4)

**F6.** The OCVCD's Communication Department is striving to provide better service to the public and improve its public outreach. Communication and public outreach needs to continue improving. The OCVCD website has no ability to place threat warnings on cities websites. (R5)

**F7.** Currently the overwhelming majority of the citizens of Orange County have little or no knowledge of the OCVCD. In most cases they do not know what the vector control mission entails or how it serves the community. (R6)

**F8.** Based on a survey conducted by OCVCD in 2009, the district earned a 94 % approval rating from citizens who had used their services. The 2011-2012 Grand Jury surveyed prospective jury members in August 2011. Only 17% of the respondents surveyed have ever contacted OCVCD. Of those that had used OCVCD, 75% were satisfied with the response. (R6)

**F9.** The OCVCD Inspectors are State certified, dedicated and knowledgeable. They perform their services well. The OCVCD is a well-run and well-resourced operation fulfilling its core mission. OCVCD conducts effective and efficient day-to-day operations.

## RECOMMENDATIONS

In accordance with *California Penal Code* Sections 933 and 933.05, the 2011-2012 Grand Jury requires responses from each agency affected by the **Recommendations** presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on the research of the Orange County Vector Control District the 2011-2012 Orange County Grand Jury puts forth the following recommendations:

**R1.** OCVCD's Director of Communication should develop and acquire hardware and software to eliminate the time consuming data acquisition and report writing input that is currently required.

**R2.** OCVCD should take the lead in forming a coalition with the Agricultural Commissioners Agency and the Health Care Agency to explore sharing information.

**R3.** OCVCD should start exercising the authority granted to it in the Health and Safety Code and issue citations to individuals, real estate agencies and banks that refuse to maintain swimming pools under their control.

**R4.** The Board of Trustees should explore downsizing itself to a manageable group of appointed citizens, not elected officials. The Board should consider membership along the lines of the Supervisorial Districts with an appointed representative from each district. Furthermore, the appointees should have some background in biology or related health careers.

**R5.** OCVCD should explore teaming with the Webmasters and the County CEO Information Technology, to ensure immediate posting on city websites of vital public health conditions.

**R6.** OCVCD should engage the services of a public relations firm to develop ways to make the name and services more recognizable to the general public.

## REQUIRED RESPONSES

"In accordance with *California Penal Code* Sections 933 and 933.05, the 2011-2012 Grand Jury requires responses from each agency affected by the **Findings** and **Recommendations** presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

*"Not later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section §914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that*

*officer or agency head supervises or controls. In any city and county, the mayor shall also comment on the findings and recommendations...”*

Comments to the Presiding Judge of the Superior Court in compliance with the Penal code Section 933.05 are requested or required as shown below:

Responses Required to Findings/Conclusions and Recommendations are required from the **OCVCD Board of Trustees** and requested from the **Health Care Agency**, which is a department of the County, and the **Agricultural Commissioner**.

<b>Findings</b>	<b>OCVCD</b>	<b>HCA</b>	<b>Ag Com</b>
<b>F1</b>	<b>X</b>		
<b>F2</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>F3</b>	<b>X</b>		
<b>F4</b>	<b>X</b>		
<b>F5</b>	<b>X</b>		
<b>F6</b>	<b>X</b>		
<b>F7</b>	<b>X</b>		
<b>F8</b>	<b>X</b>		
<b>F9</b>	<b>X</b>		
<b>Recommendations</b>			
<b>R1</b>	<b>X</b>		
<b>R2</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>R3</b>	<b>X</b>		
<b>R4</b>	<b>X</b>		
<b>R5</b>	<b>X</b>		
<b>R6</b>	<b>X</b>		

OCVCD = Orange County Vector Control District)

(HCA= Health Care Agency)

(Ag Comm. = Agricultural Commissioner)

COMPENSATION COST TRANSPARENCY

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



**GRAND JURY 2011-2012**

2011/2012 ORANGE COUNTY GRAND JURY

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

*Compensation Cost Transparency for Orange County  
Cities, Districts, Joint Power Authority and County Government*

*“This country prided itself on openness and yet, it wasn’t open. It’s still not open.  
And all we’re trying to do is let people know how their money is being spent.”<sup>1</sup>*

Brian Lamb, C-SPAN Founder & CEO

### SUMMARY

The 2010 City of Bell compensation revelations<sup>2</sup> stimulated the public’s interest in local government compensation costs. The quest for more compensation transparency from local governments was intensified by the following factors:

- Financial and housing markets’ extensive downturns impacted governmental tax bases and fanned public anxieties;
- Public services came under financial strain throughout Orange County;
- Public awareness and dialogue increased about the financial impacts of government guaranteed pensions;
- Size of unfunded public sector pension liabilities generated concerns among both workers and taxpayers.

In 2012, new upcoming Government Accounting Standards Board (GASB) standards may be issued. They will spotlight the amounts of unfunded pension liabilities officially on local governments’ 2013 balance sheets. Press coverage will spark public dialogue about the ability to meet pension obligations to public sector employees.

Last year’s Orange County Grand Jury, the Orange County Register, State Legislature and State Controller, among others, suggested guidelines and requirements for local government compensation transparency. The 2010-2011 Orange County Grand Jury issued specific guidelines in 2011 to local governments for reporting compensation costs.

The 2011-2012 Grand Jury decided to follow up on the implementation status of the 2010-2011’s recommendations. The Grand Jury wanted to recognize the progress made in each Orange County city, special district, joint power authority and the County.

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<sup>1</sup> NPR Interview of Brian Lamb, 3/21/2012, <http://www.npr.org/2012/03/21/149080047/after-34-years-with-c-span-brian-lamb-steps-down>

<sup>2</sup> Los Angeles Times, “*High Salaries Stir Outrage in Bell*” Spring 2010 series, <http://www.latimes.com/news/local/bell/>

The 2011-2012 Grand Jury assessed how well Orange County local governments reported compensation costs for all employee positions, in one easy-to-find, easy-to-read chart. Also reviewed was the top-level compensation cost chart for all elected officials and executives over \$100,000 in base salary, as recommended in 2011.

This study found that *compensation cost transparency is improving in Orange County* local governments. That is *a good trend, but much more improvement is needed*. In addition, this study found that with a few notable exceptions, *complete pension costs for employees are still hidden from public view*.

The 2011-2012 Grand Jury recommends that Orange County local governments *should upgrade their websites to provide complete cost transparency of precise salary and benefits at all levels, in an easy to read table format*.

The 2011-2012 Grand Jury recommends that *governmental costs for funding pensions for each employee should be brought out of the shadows and made transparent*. These costs should be reported by each Orange County government on its website as part of employee compensation cost reporting. The governmental annual costs of funding pensions are important and significant. For Orange County local governments, their *pension annual funding costs for employees on the current payroll range from:*

- *9% to 28% of salary for a general employee;*
- *20% to 48% of salary for a public safety employee.*

## REASON FOR STUDY

Transparency is a hallmark of good government.

The United Nations defined transparency as one of the eight characteristics that the UN Economics and Social Commission use in its explanation of good governance.<sup>3</sup> Transparency “means that information is freely available and directly accessible . . . . It also means that enough information is provided and that it is provided in easily understandable forms and media.”<sup>4</sup>

Within a democracy, “Compensation Cost Transparency” (CCT) can provide the public with a check and balance mechanism for ensuring appropriate levels of government employee pay and benefits remuneration.

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<sup>3</sup> The other 7 characteristics are 1) Participation, 2) Rule of Law 3) Responsiveness 4) Consensus oriented 5) Equity & Inclusiveness 6) Effectiveness & efficiency and 7) Accountability

<sup>4</sup> UN Economics and Social Commission, see page 3 of [www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp](http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp)

Peter Finn, the Washington Post grand prize winner of the RFK Journalism Award, stated it well, when he said: *“A basic tenet of a healthy democracy is open dialogue and transparency.”*<sup>5</sup> In California, the top elected financial official, John Chiang, California State Controller stated: *“Holding public officials accountable for how they manage public dollars relies heavily on transparency.”*<sup>6</sup>

Last year, the 2010-2011 Orange County Grand Jury reported:

- 1) On *“ . . . a disturbing level of inconsistency in the degree of transparency pertaining to OC Cities’ compensation information which was then provided to the public; ”*<sup>7</sup>
- 2) *“That the degree of transparency then provided to the public by the County of Orange regarding compensation information was inadequate in its accessibility, content and clarity; ”*<sup>8</sup> and
- 3) *“Wide variations among the water and sanitation districts studied in the ability of the general public to obtain compensation, financial and meeting information. As a result, the Grand Jury recommended minimum standards for information on water and sanitation district websites. ”*<sup>9</sup>

The 2010-2011 Orange County Grand Jury recommended a model for use in reporting municipal and county compensation costs. Such information was recommended to be made readily accessible on the Internet websites of all Orange County cities and the county respectively, as soon as practical.

The 2010-2011 Orange County Grand Jury recommended that the Orange County water and sanitation districts provide compensation data for the board of directors and general manager, as well as current budget and financial reports. The data was recommended to be in an easily accessible format on each district’s website.

During that same fiscal year, and effective November 1, 2010, the California State Controller requested local governments to report salary and benefit information for all employees/positions. The content of the State Controller’s website posting of cash compensation by employee has a different focus than that of the Orange County Grand

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<sup>5</sup> Peter Finn, Washington Post, see <http://www.brainyquote.com/quotes/keywords/transparency.html>

<sup>6</sup> John Chiang, California State Controller, December 12, 2011, see [http://www.sco.ca.gov/eo\\_pressrel\\_11227.html](http://www.sco.ca.gov/eo_pressrel_11227.html)

<sup>7</sup> *“Compensation Study of Orange County Cities,”* 2010-2011 Orange County Grand Jury Final Report, Summary, p. 117, [www.ocgrandjury.org/reports.asp](http://www.ocgrandjury.org/reports.asp)

<sup>8</sup> *“County of Orange Compensation Disclosure,”* 2010-2011 Orange County Grand Jury Final Report, Summary, p. 107, [www.ocgrandjury.org/reports.asp](http://www.ocgrandjury.org/reports.asp)

<sup>9</sup> *“Compensation of Orange County Water and Sanitation Districts,”* 2010-2011 Orange County Grand Jury Final Report, Summary, p. 161, [www.ocgrandjury.org/reports.asp](http://www.ocgrandjury.org/reports.asp)

Jury. Some major benefit amounts paid by the local government are not requested by the state and no salary and benefit total is rendered.

The 2010-2011 and 2011-2012 Grand Juries request disclosure of the government's costs of total compensation by employee/position. One example is the Grand Jury's inclusion of annual pension contributions by governments to honor future benefit promises to the employee, which the State currently excludes. In the future, Orange County local governments could be more efficient, if these two perspectives would merge to become one.

The 2011-2012 Orange County Grand Jury decided to do a follow-up study to recognize those Orange County governments that had embraced the full spirit of "Compensation Cost Transparency" (CCT) at the local level. The Grand Jury wanted to spotlight those who had not yet gone beyond the bare minimum requested by State Controller mandate. The compensation cost study should extend beyond just the water and sanitation districts to the Orange County joint power authorities and other Orange County special districts.

What is "Compensation Cost Transparency" (CCT)? It is instructive to compare "Compensation Cost Transparency" (CCT) to just "Compensation Transparency". CCT makes visible for all citizens and taxpayers the government's annual costs of an employee's salary and benefits. Compensation transparency focuses just on the current salaries and benefits received in the current year by the employee. The difference is often due to the government costs of funding future benefits, like pensions, or deferred compensation.

One example is the required funding of annual contributions to a pension investment pool. The government's contractual pension obligation is a future benefit for the employee. This compensation cost is not a current benefit for the employee. However, funding the future pension obligation is a current compensation cost for the government for employing that employee now. CCT provides a more complete view of the cost of employing an individual than does just compensation transparency. This report will use the acronym "CCT" to improve the readability of the text and flow of ideas for the reader.

## METHODOLOGY

The 2011-2012 Orange County Grand Jury used the following process to assess CCT at the websites of Orange County cities, special districts, joint power authorities and county government. See Appendix E on the last 2 pages of this report for more detail.

- Reviewed:
  - Three 2010-11 Orange County Grand Jury compensation reports;
  - The 54 county, city and special districts responses.<sup>10</sup>
- Discussed responses with selected local governments and followed up to obtain overdue responses;
- Expanded:
  - The study from 53 to 58 local governments, by including eight additional special districts and joint power authority and dropping three;
  - The study to include all employees;
  - The web assessment rating criteria to define objective and precise criteria.
- Corresponded with Orange County local governments to be studied;
- Reviewed, documented and assessed the transparency and the combined content and clarity of Orange County local governments' web site multiple times;
- Researched CalPERS and OCERS annual pension contribution rates required of Orange County local governments;
- Discussed with the California State Controller Office's Bureau of Local Government Policy & Reporting to understand their plans for issuing expanded local government compensation reporting requirements within the state;
- Compiled data, charts and assessments from documentation and web reviews;
- Analyzed the compiled facts and data to develop findings and recommendations to draft this study report.

## FACTS

Fact – The County of Orange is the sixth most populous county in the United States and third most populous in the state of California. A population of 3.1 million persons resides within an area of almost 800 square miles. The County of Orange government has a budget of \$5.5 billion, of which only \$686 million is for general purpose discretionary revenue. The government of the County of Orange had 17,655 authorized employee positions in 2010-2011. That number is in addition to the employees in the other 57 local governments within Orange County that were studied.<sup>11</sup>

Fact – The 34 incorporated cities in Orange County range in population from over 6 thousand in Villa Park to over 350 thousand each in Anaheim and Santa Ana.<sup>12</sup> All cities have elected city councils and an appointed city manager/CEO.

Fact – Seventeen water and/or sanitation districts are in Orange County, fifteen of which

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<sup>10</sup> 54 responses from 53 entities as 2 responses (a majority & minority response) were received from Laguna Hills.

<sup>11</sup> The facts in this paragraph were sourced from *2011 Facts & Figures*, County of Orange, 2011.

<sup>12</sup> *Ibid.*

## COMPENSATION COST TRANSPARENCY

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have web sites.<sup>13</sup> At the lower end of the range, their revenues range from more than \$300 thousand for the Rossmoor/Los Alamitos Area Sewer District to more than \$900 thousand for the Sunset Beach Sanitary District. In the upper range of revenues are the:

- Municipal Water District of Orange County (MWD of OC) with \$135 million;
- Orange County Water District (OCWD) with more than \$155 million;
- Irvine Ranch Water District (IRWD) with more than \$205 million;
- Orange County Sanitation District (OCSD) with \$600 million.

Fact – One Orange County transportation district, included in this study has the following budget.

- Orange County Transit Authority (OCTA), with a budget of \$1.1 billion.

Fact – One joint power authorities in Orange County, included in this study, has the following budget.

- Orange County Fire Authority (OCFA), with a budget of \$282 million (before the addition of Santa Ana);

Fact – Six non-enterprise special districts in Orange County with web sites were studied. Special districts are categorized as “enterprise districts” (those that sell products) or “non-enterprise districts” (those that only provide services).

The smallest, Silverado-Modjeska Recreation and Parks District, had revenues of \$93 thousand, while the others have revenues in the millions. The other five are the:

- Rossmoor Community Service District, with revenue of \$1.7 million;
- Buena Park Library District, with revenue of more than \$2 million;
- Placentia Library District, with revenue of more than \$2 million;
- Orange County Cemetery District, with revenue of \$3.7 million;
- Orange County Vector Control District, with revenue of \$10.3 million.

Fact - As of November 1, 2010, the California State Controller announced new requirements for California local government entities (city, county and independent special districts) to report their government salary and compensation data annually.

Results are at [www.sco.ca.gov/compensation\\_search.html](http://www.sco.ca.gov/compensation_search.html) or <http://lgr.sco.ca.gov/>. The focus of the State mandated reporting system is on current compensation and is different from that recommended in this report or the 2010-2011 Orange County Jury

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<sup>13</sup> Sunset Beach Sanitary District does not have a web site and the Rossmoor/Los Alamitos Area Sewer District recently chose to discontinue their web site due to new State legislation requirements.

compensation study reports. The latter focuses on the government's total cost of employee compensation, including funding future benefits, like pensions.

Fact – Most, but not all, of the Orange County government entities described above participate in either the California Public Retirement System (CalPERS) or the Orange County Employees Retirement System (OCERS) for their employee's guaranteed pensions.<sup>14</sup> Guaranteed pensions are called defined benefit plans (DBPs). DBPs guarantee the employee a specific pension upon retirement, regardless of agency financial conditions at the time of retirement.

These guaranteed pensions are funded by the respective governments through investment contributions to CalPERS or OCERS. CalPERS and OCERS invest the monies. When investment returns fall short of the amount needed, the government entity often needs to increase pension funding investment contributions. In the case of the cities and counties, the pension obligation is backed up by the taxpayer, and is a direct taxpayer obligation.

### ANALYSIS

The local governments of Orange County, cities, special districts and joint power authorities have established and used their Internet web sites as an easy, efficient and effective way of communicating with the public. These website postings have provided a communications foundation to build transparency in government.

The 2010-2011 Orange County Grand Jury recommended that all cities and the county government in Orange County report their compensation information to the public on the Internet in an easily accessible manner.

A Compensation Disclosure Model was included in the 2010-2011 Grand Jury reports. That model provided sample items to be included in determining total compensation. For the county, the positions to be reported included all elected officials, plus department heads. For cities, the positions required to be reported included all elected officials, plus all employees earning a base salary rate over \$100,000 per year.

The county and a majority of the cities started displaying salaries and benefits for all positions on their web sites. However, the entire dollar salary and benefit information requested was not always displayed. Subsequently, the 2011-2012 Grand Jury concluded that the overtime and on-call pay items should be added to compensation reporting when extending the reporting to all employees (particularly for public safety employees).

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<sup>14</sup> El Toro Water District, among others, does not offer a Defined Benefit Plan, and some plans are not affiliated with CalPERS or OCERS.

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## COMPENSATION COST TRANSPARENCY

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A new “de facto” standard was established when most local Orange County cities’ web sites began to show compensation in some fashion for all employee positions, not just the executive levels. This was done for full disclosure in light of the City of Bell compensation scandal, the Grand Jury recommendations and the California State Controller’s new local government compensation reporting requirements.

Likewise, the 2010-2011 Orange County Grand Jury recommended transparency guidelines to the water and sanitation districts. These districts were asked to provide data on compensation for the board of directors and general manager, as well as current budget and financial reports, in an easily accessible format on the district’s website.

Special districts and joint power authority that had not been specifically studied by the Orange County Grand Jury had the opportunity to observe clearly what was evolving for local Orange County city governments. The State Controller’s office was requiring compensation transparency, as well. Compensation cost transparency (CCT) for all employees was being recommended for Orange County local governments with displays on their websites.

The 2011-2012 Orange County Grand Jury assessed the CCT of Orange County local government websites in the following three categories for 2012:

1. **Accessibility** – Are transparent compensation costs readily identifiable from the home page, accessible without complex website search and layered navigations?
2. **Content & Clarity for Executive Compensation Page** – Are the components of both actual salary and all benefit costs presented? Are the components shown in detail, with a total compensation cost included in table form? Is the compensation information presented in a clear concise format that can be easily read and understood by the average viewer?
3. **Content & Clarity for Employee Compensation Page** – Are the components of both actual salary and all benefit costs presented? Are the components shown in detail, with a total compensation cost included in table form? Is the composition information presented in a clear, concise format that may be easily read and understood by the average viewer?

A summary assessment follows below and in detail on later pages in Table 1.

### **1. Compensation Cost Transparency (CCT) Accessibility**

*To be rated **excellent** for CCT accessibility the primary link for compensation transparency needs to be easily found on the website’s home page.*

Cities - The number of Orange County city web sites rated **excellent** for compensation transparency accessibility nearly doubled in number from thirteen cities in 2011 to twenty-five cities in 2012. The percentage of total Orange County cities rated excellent went from 38% in 2011 to 74% in 2012. Excellent commendable progress was achieved.

County - The county government web site is now rated **excellent** for CCT accessibility. This was a significant achievement for the more than 17,000 positions involved.

Water & Sanitation Districts - Eleven of the fifteen Water and Sanitation Districts (73%) are now rated **excellent** for CCT accessibility. Excellent progress was achieved overall.

Non-enterprise Special Districts, Transportation Special District & Joint Power Authority (JPA) – Five of these eight special districts and JPA (63%) were rated **excellent** for compensation accessibility.

## **2. Content & Clarity for the EXECUTIVE Compensation Cost Page**

*To be rated **excellent** for CCT Content and Clarity on the **Executive Compensation Page**  
–Full total salary and benefits compensation cost disclosure is needed in table format,  
**including Defined Benefit Plan Pension Costs.***

*To be rated **good** for CCT Content and Clarity on the **Executive Compensation Page**  
–Full total salary and benefits compensation cost disclosure is needed in table format,  
**but Defined Benefit Plan Pension Costs are not displayed.***

Cities – In 2011, no cities were rated **excellent** for Content and Clarity. In contrast, in 2012, 14 cities were rated **excellent** for Content and Clarity for their **Executive Compensation Page** (41%). This is a good start, since another three were rated **good**, bringing the combined total rated **excellent** and **good** up to 17 out of 34, for a total of 50%.

County – The County government web site **Executive Compensation Page**, which was **nonexistent in 2010**, is rated **excellent** for Content & Clarity in 2012.

Water & Sanitation Districts – Only one of the 15 water & sanitation districts (7%) was rated **excellent** for Content & Clarity on their **Executive Compensation Page** in 2012.<sup>15</sup> They were not rated at all last year. In 2011, they were just provided with broad recommendations and without a suggested chart format. Expectations are to see great improvement in this area over the next year. CCT is needed in these powerful and often overlooked districts.

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<sup>15</sup> The only one rated excellent was Midway City Sanitary District.

Non-Enterprise Special Districts, Transportation Special District & Joint Power Authority (JPA) – Only the two library special districts out of these eight special districts and JPA (25%) were rated **excellent** this year for Content & Clarity for their **Executive** Compensation Page. These special districts and JPAs were not studied for compensation transparency in 2011. Therefore, great improvement is expected next year.

### **3. Content & Clarity for the EMPLOYEE Compensation Cost Pages**

*The rating scale descriptions for CCT Content and Clarity for the EMPLOYEE Compensation Pages were as follows:*

**A - Excellent** – *Full total salary & benefits compensation cost disclosure is needed in a single table format, including Defined Benefit Plan Pension Costs.*

**B – Good** – *Full total salary & benefits compensation cost disclosure is needed in a single table format, but Defined Benefit Plan Pension Costs were excluded.*

**C - Average** – *Full total salary disclosure is shown, but with just:*

- 1) general text Memorandum of Understanding (MOU) benefits; and/or*
- 2) benefits scattered in multiple places; or*
- 3) just benefit totals, and no details other than general text.*

**D - Poor** - *Salary is shown in Minimum and Maximum Ranges by Position or by Classification & Step levels, and with just:*

- 1) general Textual MOU Benefits; and/or*
- 2) benefits scattered in multiple places; or*
- 3) benefits not shown in absolute dollars for a position.*

**F - Nonexistent** – *Salary & benefit information could not be readily found*

Cities – Last year in 2011, no cities were rated **excellent** for **Employee** Content and Clarity, as the focus for improvement was on the **Executive** Compensation Page. In contrast in 2012, only five cities (15%) took the initiative to obtain an **excellent rating** for Content and Clarity for their **Employee** Compensation Page. While only one city's **Employee** Compensation Cost page is **nonexistent**, twenty-one of the thirty-four cities (62%) were rated **poor** for their **Employee** Compensation Cost page.

County – While the County has an **excellent Executive** Compensation Page, the County's **Employee** Compensation Page was rated **average** in 2012 for its more than 17,000 positions.

Water & Sanitation Districts - Only one of the fifteen water & sanitation districts (7%) was rated **excellent** for Content & Clarity on their **Employee** Compensation Page in 2012.<sup>16</sup> They were not rated in 2011, but were provided with broad recommendations for their board's and general manager's CCT. However, taxpayers are starting to expect Orange County local governments to provide compensation information for all employees. Great improvement is expected in this area over the next year.

Non-enterprise Special Districts, Transportation Special Districts & Joint Power Authority (JPA) – Only three special districts out of these eight Special Districts and JPA (38%) were rated **excellent** this year for Content & Clarity for their **Employee** Compensation page. These special districts and JPAs were not studied for Compensation Transparency last year and significant improvement is expected.

### 2012 Compensation Cost Transparency Assessment Ratings Chart

The 2012 Compensation Transparency Cost Assessment Ratings Chart for the County, and each individual Orange County city, water and sanitation district, non- enterprise special district and Joint Power Authority follows on the next pages as Table 1.

Each entity's web page has been graded on 3 Compensation Cost Transparency aspects, as defined earlier and shown below in column headings #2, 3 and 4. Table 1 columnar headings, most of which are self-explanatory or have been defined earlier, are as follows.

1. City/District/Joint Power Authority (*which also includes the County of Orange*)
2. Accessibility Grade (*for web site Access to CCT information*)
3. Executive Page Grade (*for content & clarity of CCT information*)
4. Employee Pages Grade (*for content & clarity of CCT information*)
5. Areas of Strength
6. Areas for Improvement
7. Web Update since March – *An opportunity for governmental entities who previewed this report in May, 2012 to present a summary of any CCT web site updates to the Grand Jury, since the February/March of 2012 grades. Otherwise, the status of any updates can be described in the normal official response letters, after this report is issued.*

This year for 2012, the grading scale criteria were more objectively and precisely defined for clarity. These criteria are detailed on the first page of Table 1 that follows.

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<sup>16</sup> The only one rated excellent was Midway City Sanitary District.

**TABLE 1 – 2012 Compensation Cost Transparency Assessment Ratings Chart**

*Web Site Ratings Scale for Compensation Cost Transparency Grades*

**I. Accessibility Grades**

**A = EXCELLENT** - *Primary link for Compensation Transparency on Home Page*

**B = GOOD** - *Secondary link on Human Resources/Finance Page*

**C = AVERAGE** - *Only Data access is link to the off-site State Controller's Page*

**D = POOR** - *Data buried in Budget or other Data*

**F = NONEXISTENT** - *No Compensation Data, just Text and No link on Web Site*

**II. Content & Clarity Grades**

**A = EXCELLENT** - *Full Disclosure, including Defined Benefit Plan Pension Costs*

**B = GOOD** - *Full Disclosure, but without Defined Benefit Plan Pension Costs*  
*B+ for Full Disclosure, but with Defined Benefit Pension (DBP) Costs on separate pages*  
*or just the annual DBP funding percentage revealed with no amounts*

**C = AVERAGE** - *Full Salary Disclosure, with just General Textual MOU\* Benefits*  
*and/or Benefits scattered in multiple places,*  
*or Benefit Totals, but no details other than General Text*

**D = POOR** - *Salary Min/Max Ranges by Position or Classification & Step levels,*  
*with just General Textual MOU\* Benefits,*  
*and/or with Benefits scattered in multiple places,*  
*or with Benefits not shown in absolute dollars for a position*

**F = NONEXISTENT** - *No Salary or Benefit Data*

\* MOU – Memorandum of Understanding

**COMPENSATION COST TRANSPARENCY**

**TABLE 1 – 2012 Compensation Cost Transparency Assessment Ratings Chart**

	<u>City/District/ Joint Power Authority</u>	<u>Access- ibility Grade</u>	<u>Exec. Page Grade</u>	<u>Employee Pages Grade</u>	<u>Areas of Strengths</u>	<u>Areas for Improvement</u>	<u>Web Updates since March <i>per</i> May Exit Interviews</u>
	<b><u>County</u></b>						
1	County of Orange	A	A	C	Excellent Executive Page & Excellent Accessibility	Employee Pages	<b>UPDATE Note 1 -</b> See end of table notes
	<b><u>Cities</u></b>						
1	Aliso Viejo	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
2	Anaheim	A	B	B	Excellent Accessibility	Employee Pages for Salaries and Benefits	
3	Brea	A	C	C	Excellent Accessibility		
4	Buena Park	A	A	A	Excellent in all ways		
5	Costa Mesa	A	A	A	Excellent in all ways		
6	Cypress	B	D	D		Both Executive and Employee Pages for Salaries and Benefits	
7	Dana Point	A	A	D	Excellent Executive Page	Employee Pages for Salaries and Benefits	
8	Fountain Valley	B	F	D		Both Executive and Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
9	Fullerton	B	A	D		Employee Pages for Salaries and Benefits	
10	Garden Grove	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	
11	Huntington Beach	B	F	B		Executive Page for Salaries and Benefits	
12	Irvine	A	A	D	Excellent Accessibility Excellent Exec. Page	Employee Pages for Salaries and Benefits	<b>UPDATE Note 2 -</b> See end of table notes
13	La Habra	A	A	F	Excellent Accessibility Excellent Exec. Page	Employee Pages needs Compensation Costs & Benefits	
14	La Palma	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	<b>UPDATE Note 3 -</b> See end of table notes
15	Laguna Beach	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	<b>UPDATE Note 4 -</b> See end of table notes
16	Laguna Hills	A	B+	D	Excellent Accessibility	Employee Pages for Salaries and Benefits Exec Page needs Pension Costs	
17	Laguna Niguel	B	D	D		Both Executive and Employee Pages for	<i>n/a - Did not attend May exit interview</i>

**COMPENSATION COST TRANSPARENCY**

	<u>City/District/ Joint Power Authority</u>	<u>Access- ibility Grade</u>	<u>Exec. Page Grade</u>	<u>Employee Pages Grade</u>	<u>Areas of Strengths</u>	<u>Salaries and Benefits</u> <u>Areas for Improvement</u>	<u>Web Updates since March per May Exit Interviews</u>
18	Laguna Woods	A	A	A	Excellent in all ways		<i>n/a - Did not attend May exit interview</i>
19	Lake Forest	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	
20	Los Alamitos	B	C	D		Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
21	Mission Viejo	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
22	Newport Beach	A	C	C	Excellent Accessibility		
23	Orange	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
24	Placentia	A	A	A	Excellent in all ways		
25	Rancho Santa Margarita	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	
26	San Clemente	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	
27	San Juan Capistrano	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	<b>UPDATE Note 5 -</b> See end of table notes
28	Santa Ana	B	B	D		Employee Pages for Salaries and Benefits	<b>UPDATE Note 6 -</b> See end of table notes
29	Seal Beach	B	A	D	Excellent Executive Page	Employee Pages for Salaries and Benefits	
30	Stanton	A	A	D	Excellent Accessibility Excellent Executive Page	Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
31	Tustin	A	C	D	Excellent Accessibility	Employee Pages for Salaries and Benefits	
32	Villa Park	A	C	C	Excellent Accessibility		<i>n/a - Did not attend May exit interview</i>
33	Westminster	B	F	D		Both Executive and Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
34	Yorba Linda	A	A	A	Excellent in all ways		

**COMPENSATION COST TRANSPARENCY**

	<u>City/District/ Joint Power Authority</u>	<u>Access- ibility Grade</u>	<u>Exec. Page Grade</u>	<u>Employee Pages Grade</u>	<u>Areas of Strengths</u>	<u>Areas for Improvement</u>	<u>Web Updates since March per May Exit Interviews</u>
	<i>Special Districts - Water and Sanitation</i>						
1	Costa Mesa Sanitary	A	B+	B+	Excellent Accessibility	Exact pensions are on separate list. Add exact pensions to chart and total	
2	East OC Water	A	C	C	Excellent Accessibility	Need chart w/ other pay, insurance, exact pension cost & total	<i>n/a - Did not attend May exit interview</i>
3	El Toro Water	A	C	F	Excellent Accessibility	Employee Page Chart needed for Salaries & Benefits	<b>UPDATE Note 7 -</b> See end of table notes
4	Irvine Ranch Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
5	Mesa Consolidated Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	<b>UPDATE Note 8 -</b> See end of table notes
6	Midway City Sanitary	A	A	A	Excellent in all ways		
7	Moulton Niguel Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
8	Municipal Water Dist. of OC	D	D	D	Have listing on home page, but does not list information in an accessible format.	Both Executive and Employee Pages for Salaries and Benefits	
9	Orange County Sanitation	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	<b>UPDATE Note 9 -</b> See end of table notes
10	Orange County Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	<b>UPDATE Note 10</b> See end of table notes
11	Santa Margarita Water	C	F	F		Both Executive and Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
12	Serrano Water	A	B	B	Excellent Accessibility		
13	South Coast Water	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	
14	Trabuco Canyon Water	C	D	D		Both Executive and Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
15	Yorba Linda Water	B	D	D		Both Executive and Employee Pages for Salaries and Benefits	

**COMPENSATION COST TRANSPARENCY**

	<u>City/District/ Joint Power Authority</u>	<u>Access- ibility Grade</u>	<u>Exec. Page Grade</u>	<u>Employee Pages Grade</u>	<u>Areas of Strengths</u>	<u>Areas for Improvement</u>	<u>Web Updates since March per May Exit Interviews</u>
	<b><u>Special Districts - Non Enterprise</u></b>						
1	Buena Park Library	A	A	A	Excellent in all ways		
2	Orange County Cemetery	A	D	D	Excellent Accessibility	Both Executive and Employee Pages for Salaries and Benefits	<b>UPDATE Note 11</b> See end of table notes
3	Orange Co. Vector Control	F	F	F		Accessibility, plus Both Executive and Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
4	Placentia Library	A	A	A	Excellent in all ways		
5	Rossmoor Community Service	D	F	F		Accessibility, plus Both Executive and Employee Pages for Salaries and Benefits	<i>n/a - Did not attend May exit interview</i>
6	Silverado-Modjeska Recreation & Parks	A	N/A*	A	Excellent in all ways		<i>n/a - Did not attend May exit interview</i>
	<b><u>Special District - Transport</u></b>						
1	<b>OCTA - Orange County Transportation Authority</b>	A	B	B	Excellent Accessibility	Need to report Retirement Plan contribution amounts as a stand-alone item for full transparency, not bundled	
	<b><u>Joint Power Authority</u></b>						
1	<b>OCFA - Orange County Fire Authority</b>	B	D	D		Both Executive and Employee Pages for Salaries and Benefits	

Legend: \* N/A = Not Applicable

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## COMPENSATION COST TRANSPARENCY

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### Table 1 WEB UPDATE NOTES from May, 2012 Exit Interviews on web changes since March, 2012:

1- **The County of Orange** subsequently submitted a spreadsheet of salary and benefit information for over 17,000 employees for 2011 that they prepared for a Public Records Act response to a request submitted by the Bay Area News Group, an organization of Northern California newspapers. The OC Register requested to receive the same information once it was released to the original requestor. It appears quite complete and the County of Orange will post this compensation information on the County's web site as their Employee Compensation Cost pages for the public to see as well. It appears to be quite complete.

2- **The City of Irvine** reported that their Employee page was subsequently posted on their City Compensation Page, using the Orange County Grand Jury suggested format. It appears to be quite complete.

3. **The City of La Palma** reported that their website was updated in early May to reflect the Grand Jury's requests. They submitted a copy of the City of La Palma 2011 Compensation Report and it appears to be quite complete.

4. **The City of Laguna Beach** reported that they have added a table to the compensation pages to include Defined Benefit Plan Pension Costs and a Total Salary and Benefits column for all employees. It appears to be quite complete.

5. **The City of San Juan Capistrano** reported that they have added employee compensation pages to their website. It appears quite complete.

6. **The City of Santa Ana** reported that data has been compiled for their Employee pages and will be posted on their website in May, 2012.

7. **The El Toro Water District** reported that it has updated its website to include all compensation, including pension for the GM, in table form. They report that they do not offer a defined benefit plan, so there are no pension costs to disclose.

8. **The Mesa Consolidated Water District** reported that Executive Compensation is on the website, as are Employee Salary Ranges and Title. May, 2012 report recommendations are being implemented.

9. **The Orange County Sanitation District** reported that their Compensation Cost website had been updated.

10. The **Orange County Water District** reports that additional information has been added to their website. The information that was on the website in March under "Human Resources" and is now under "Transparency."

11. **The Orange County Cemetery District** reported an upgrade to their Salary and Benefit Summary that they brought in for review. It appears quite complete.

**Recognition of Excellence in Compensation Cost Transparency (CCT) –**

To recognize achievement of excellence in Compensation Cost Transparency, **Appendix A** contains the 2012 **Gold**, **Silver** and **Bronze** Honor Rolls. Listed are Orange County cities, special districts/JPAs and the County of Orange. **Appendix A** also has the 2012 list of **Most Potential for Improvement**. These four lists are described below.

1. **Gold Honor Roll** is for cities & special districts providing **outstanding overall CCT access, content & clarity** in government for their citizens. Straight “A” (excellent) ratings in **all three CCT categories of Accessibility, Executive Content & Clarity and Employee Content & Clarity** for 2012 were achieved by all listed.
2. **Silver Honor Roll** is for cities & special districts providing **excellent executive CCT** in government for their citizens. “A” (excellent) ratings in the **two categories of Accessibility & Executive Content & Clarity** for 2012 were achieved by all listed.
3. **Bronze Honor Roll** is for cities & special districts providing **excellent CCT accessibility** in government for their citizens. “A” (excellent) rating in the **one category of Accessibility** for 2012 were achieved by all listed.
4. **Most Potential for Improvement List** for the cities & special districts in CCT. This potential for improvement was demonstrated by receiving one 2012 “F” (nonexistent) rating in at least **one of the three CCT categories of Accessibility, Executive Content & Clarity or Employee Content & Clarity**.

**Non-Transparent Compensation Costs Funding Guaranteed Pensions**

Current fiscal pressures accentuate the need for more pension cost information. Public demand is building for transparent reporting of unfunded pension liabilities in more detail.

The Government Accounting Standards Board (GASB) is addressing the unfunded pension liability issue at the macro level.<sup>17</sup> GASB would mandate the movement of the unfunded pension liability from an informational footnote to a liability on the balance sheet as early as 2013. Private industry Financial Accounting Standards Board (FASB) has mandated this practice for years and upgraded their balance sheet pension liability reporting with FASB Statement 158 in 2006.<sup>18</sup>

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<sup>17</sup> GASB Postemployment Benefit Accounting and Financial Reporting Project, scheduled for statement release June, 2012. [www.gasb.org](http://www.gasb.org)  
<sup>18</sup> “FASB adopts New Pension Std.,” 10/3/2006, <http://accounting.smartpros.com/x55007.xml> & <http://www.fasb.org/summary/stsum158.shtml>

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## COMPENSATION COST TRANSPARENCY

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A real lack of transparency of reporting the annual government dollar costs to fund guaranteed pensions appears at the employee/position pension level. Why?

Last year, the 2010-2011 Grand Jury asked for pension costs (i.e., the amounts that the city pays for contributions to a pension plan, such as PERS and Social Security) to be reported in their annual compensation cost disclosures. The county and some cities did, and many did not. The ones who did were:

- The County of Orange reported pension costs on their Executive page.
- The city governments that provided excellent executive pension cost transparency by apparently reporting pension costs on their Executive pages were:
  - Dana Point
  - Fullerton
  - Irvine
  - La Habra
  - Rancho Santa Margarita
  - San Clemente
  - San Juan Capistrano
  - Stanton.
- The cities who apparently went a step further and reported pension costs for all their employees and executives, to provide excellent maximum transparency for their citizens were:
  - Buena Park
  - Costa Mesa
  - Laguna Woods
  - Placentia
  - Yorba Linda.

The current focus of the California State Controller website does not yet reflect pension compensation costs. So pension costs for defined benefit plans (DBPs) currently go unreported on the state's local government's compensation site. The formula for the DBPs pension benefits is shown instead.

The state site reports the shorthand formula for the DBP pension benefit. However the formula is cryptic and the formula is not translated to the government's cost of funding it. A citizen can view the benefit formula shorthand notation that shows at what age the employee can collect what percentage of their last year's pay for every year of service.

The pension benefit formula is often not understood by the average citizen unless they are already familiar with the formula shorthand notation. An explanation is offered here with an example below.

The pension formula for Officer Jane Doe, a public safety employee, is shown as “3% @50”. The “3%@50” means that Officer Jane Doe can retire when 50 years old and collect 3% of her last year’s pay, which is multiplied by each year of her public service. More specifically, that would mean when she obtained 50 years of age and if she had 30 years of public service, that Officer Jane Doe could collect 90% of her last year’s pay for the rest of her life (30 yrs. x 3%). If her annual pay from her last year(s) or highest year was \$100,000, then her pension annual payment would be \$90,000 for the rest of her life, plus cost of living allowances, if applicable.

The annual cost by the government of building up the funds for this pension is not shown on the California State Controller’s web site for this employee’s position level. The state site does not currently focus on the government’s compensation costs of the guaranteed pension, but just on the benefit formula of the employee’s guaranteed pension. This may change in the future, as described in the “Future Potential for California’s Local Government Pension Cost Reporting” section.

### **Significance of Local Government’s Cost of Funding Guaranteed Pension Benefits**

Taxpayer and ratepayer dollars fund public pensions. In many local governments, but not all, taxpayers are obligated to pay government workers’ guaranteed pension benefits as promised through collective bargaining agreements. What is the range of the compensation costs of defined benefit plans?

The range of pension fund investment annual payments that Orange County local governments make for their General employees (officially classified as “miscellaneous” in pension plans) is from **9% to 28%** of salaries.

For Public Safety employees, that include fire, police, probation and lifeguards, the range is from **20% to 48%** of salaries. **Appendices B and C** list these percentage amounts owed to CalPERS or OCERS annually by each local government entity.

Are these government current compensation costs for a future benefit significant? Should pension funding amounts by employee positions be reported to the public, even though they are not current taxable compensation to the employee? Since local governmental annual investment payments range from 9% to 48% of salary, they are significant for taxpayer citizens to know. Taxpayer and ratepayer dollars fund these dollar amounts now

to cover future pension obligations for employees, and are real and significant costs of government employment.

**Future Potential for California’s Local Government Pension Cost Reporting**

The government’s portion of guaranteed pension annual costs currently go unreported on the California State Controller’s local government compensation reporting site. That has been due to different objectives. We understand this may change in the near future.

To reduce the workload and simplify different reporting requirements for Orange County local governments, the 2011-2012 Grand Jury has had a continuing dialogue with the State Controller’s office about the inclusion of pension costs.

Specifically, the discussions were with the California State Controller’s Bureau of Local Government Policy and Reporting. This unit of the State Controller’s office is embarking on the requirements phase for new database software to replace the annual influx of approximately 5,000 Excel spreadsheets.

The State Controller’s office has considered the potential inclusion of requesting local governments to report Pension Costs for Defined Benefit Plans (DBPs) in their future minimum requirements. Informally, they have relayed to the 2011-2012 Grand Jury that they plan to include pension costs of DBPs in their reporting requirements for local government reporting in 2013, as part of the “burden cost of compensation.” The new software implementation is initially planned to include pension cost data in the second phase. They stated that they would formally document their intentions to the Grand Jury in the near term.

Orange County citizens would benefit from being able to access DBP pension annual funding costs by employee/position on local web sites as soon as possible in the spirit of full transparency. Why wait? This information would appear to be too significant to ignore. Why just provide only the bare minimum in compensation cost transparency reporting, as required by the State Controller, when full transparency would benefit Orange County citizens now?

**Need for Local Government Website Reporting of Compensation Cost Reporting**

Compensation cost reporting is preferably shown on the local government website for ease of citizen use and because the data will be the latest available. At the State Controller’s level, the local government reporting information can be from one to two years late due to the multiple fiscal years that the State has to address for the approximately 5,000 local governments.

## COMPENSATION COST TRANSPARENCY

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Taxpaying citizens deserve to see the costs of funding guaranteed pensions clearly displayed at the employee position level now. The exceptional and commendable Orange County cities and districts that appear to include pension cost amounts in their Executive and Employee compensation costs in 2012 are:

- Buena Park
- Costa Mesa
- Laguna Woods
- Placentia
- Yorba Linda
- Midway Sanitary District
- Buena Park Library District
- Placentia Library District.

Costa Mesa was recognized by the national Sunshine Review, a nonprofit organization dedicated to government transparency. They were awarded a national 2012 Sunny Award for doing an exemplary job at proactively disclosing information to taxpayers.<sup>19</sup> They were the only government in California to receive an “A+” grade from the Sunshine Review. They set a good transparency example. Costa Mesa solicits their citizens to send in additional ideas about how they can improve their transparency at [www.ci.costa-mesa.ca/transparency/](http://www.ci.costa-mesa.ca/transparency/).

The exceptional and commendable Orange County governments that appear to include these pension costs on their Executive Compensation cost page in 2012 are the County of Orange<sup>20</sup> and the cities of:

- Dana Point
- Fullerton
- Irvine
- La Habra
- Rancho Santa Margarita
- San Clemente
- San Juan Capistrano
- Stanton

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<sup>19</sup> For award information, see [http://sunshinereview.org/index.php/2012\\_Sunny\\_Awards](http://sunshinereview.org/index.php/2012_Sunny_Awards) .

<sup>20</sup> The salaries and benefits for the County of Orange 12 top elected officials are shown on Sunshine Review’s national website at [http://sunshinereview.org/index.php/Orange\\_County\\_employee\\_salaries](http://sunshinereview.org/index.php/Orange_County_employee_salaries) with reference to the 34 OC employees who make over \$150,000 in total compensation of salaries and benefits (including pension costs). The reporting is excerpted from the County’s elected and executive compensation web page, as recommended by last year’s 2010-2011 OC Grand Jury, providing a good leadership example for OC cities & special districts to follow.

**Signs of the Public’s Need to see Pension Costs at the Employee Position Level**

Recent signs of the public’s increasing need to have pension costs reported at the Employee Pension level include the following examples.

- Orange County Register’s March 20, 2012 article on *“Public pensions evolving at local level”* which had to rely on survey data, not actual local governmental Pension Cost data, stated the following:

*“Specifically, the recent League of California Cities survey that showed that 48% of California cities have reduced pension benefits for new hires.”<sup>21</sup>*

The building block for this Pension Cost information would naturally be at the Employee Position level, like transparent Salary and other Benefits are, but alas it is not yet generally available nor yet reported at that level.

The survey covered only the California cities that contract with CalPERS. As a result, only 321 of California’s 482 cities responded. Reporting Pension Costs per employee position on a regular basis is topical and needed for transparent local government.

- USA Today’s March 12, 2012 article on *“In Too many places, public pensions remain private”* which stated the following:

*“Even in states (California Florida, New Jersey and New York) where pension data are public, they’re often tough to find. If a newspaper or a public interest group hasn’t put the information online, people must file written requests to obtain it. All states could take a cue from New Jersey where pension data are posted and easily searchable online.”<sup>22</sup>*

The USA Today article concluded:

*“Taxpayers have a right to know how their money is being spent. But when it comes to public pensions, it’s going to take a big push for transparency before that happens everywhere.”<sup>23</sup>*

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<sup>21</sup> *“Public pensions evolving at local level,”* Orange County Register, March 20, 2012, Local, OC Watchdog, p.1

<sup>22</sup> *“In too many place, public pensions remain private,”* USA Today, March 12, 2012, p.8A

<sup>23</sup> Ibid.

- The California-based Little Hoover Commission issued a comprehensive report in February, 2011 on “*Public Pensions for Retirement Security*” that recommended:

*“To improve transparency and accountability, more information about pension costs must be provided regularly to the public.”<sup>24</sup>*

Specifically recommended was that “*The Legislature must require pension fund administrators to improve procedures for detecting and alerting the public about unusually high salary increases of government officials that will push pension costs upward.*”<sup>25</sup>

A more expedient local method of educating the Orange County public would be to include Pension Costs at the Employee Position level on the Orange County local government websites today in transparent compensation cost reporting.

This would let Orange County local governments potentially lead in pension cost transparency, as the County of Orange has done. One third of Orange County cities have already stepped out front and done so, and others are expected to do so as well. Financial pressures are starting to force local governments to make hard choices. Good clear transparent information reporting is needed to make informed choices. Informed citizens can then understand and support future actions.

## FINDINGS/CONCLUSIONS

In accordance with California Penal Code Sections 933 and 933.05, the 2011-2012 Grand Jury requires responses from each city, special district, joint power authority, as well as the County of Orange and OCERS, affected and named by the findings presented in this section. The responses should address the specific situation of the governmental entity responding. The responses are to be submitted to the Presiding Judge of the Superior Court, with a copy to the Orange County Grand Jury.

A list of which governments are required to respond to which of the findings are summarized in Tables 2 and 3. These tables can be found in a later section entitled REQUIREMENTS AND INSTRUCTIONS.

Based upon the assessment of 58 websites of the County of Orange, 34 OC cities, 15 OC water and sanitation districts, 6 OC non-enterprise special districts, 1 transportation

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<sup>24</sup> “*Public Pensions for Retirement Security*,” Little Hoover Commission, State of California, February, 2011, Executive Summary, <http://www.lhc.ca.gov/>

<sup>25</sup> Ibid.

special district and 1 OC Joint Power Authority, the 2011-2012 Orange County Grand Jury has five principal findings.

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

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

- Cities:

There was a 92% improvement in CCT Accessibility from the thirteen cities rated **excellent** in 2011 compared to twenty-five cities were rated **excellent** in 2012.

  - **Yet there is still room for improvement for the remaining nine of thirty-four Orange County cities who received a rating of **good** in 2012 to achieve **excellence** in CCT Accessibility.**
  
- Special Districts and Joint Power Authority (JPA):

Sixteen of the twenty-three special districts/joint power authority (70%) were rated **excellent** in 2012 for CCT Accessibility. This was a very good showing in their first year of being rated.

  - **However, seven of the twenty-three special districts/joint power authority were rated **good, average, poor and nonexistent** for CCT Accessibility, all of whom could improve to **excellent**.**

**Finding 2 – Content & Clarity Ratings for EXECUTIVE Compensation Cost**

Content and Clarity for the OC cities elected officials and executives over \$100,000 in base salary is improving in this 2<sup>nd</sup> year of ratings. On the other hand, there is understandably even more potential improvement possible for the Special Districts and joint power authority, which are in their 1<sup>st</sup> year of ratings.

- County:

The County of Orange went from a **nonexistent** Executive Compensation Page in 2011 to one rated **excellent** in 2012 for Content and Clarity.
  
- Cities:

This year in 2012, fourteen of thirty-four cities (41%) were rated **excellent** for Executive CCT Content and Clarity, while none were rated **excellent** in 2011.

- **However, twenty of the thirty-four cities were rated **good, average, poor and nonexistent** for Executive Compensation Cost Content and Clarity, all of whom could improve to **excellent**.**
- Special Districts and Joint Power Authority (JPA):  
Only three of twenty-three special districts/JPA (13%) were rated **excellent** for **Executive Compensation Cost Content and Clarity**.
  - **Nineteen of twenty-three special districts/JPA who received ratings of **good, average, poor and nonexistent** for Executive Compensation Cost can improve to achieve an **excellent** rating.**<sup>26</sup>

**Finding 3 - Content & Clarity for EMPLOYEE Compensation Cost Ratings**

There is the most opportunity for more transparent reporting in the Content and Clarity of Employee Compensation Cost reporting on local government websites.

- County:  
The County of Orange was rated **excellent** above for their Executive Compensation Page Content and Clarity.
  - **However, the County of Orange was only rated **average** for Employee Compensation Cost Content and Clarity and could improve to achieve an **excellent** rating.**
- Cities:  
Only five of thirty-four cities (15%) were rated **excellent** for Employee Compensation Cost Content and Clarity.
  - **Twenty-nine of the thirty-four cities were rated **good, average, poor and nonexistent** for Employee Compensation Cost Content and Clarity, all of whom could improve to **excellent**.**
- Special Districts and Joint Power Authority (JPA)  
Only four of twenty-three special districts and joint power authority (17%) were rated **excellent** for Employee Compensation Cost Content and Clarity.
  - **Nineteen of the twenty-three special districts/JPA were rated **good, average, poor and nonexistent** for Employee Compensation Cost Content and Clarity, all of whom could improve to **excellent**.**

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<sup>26</sup> One of the 23 special districts/JPAs was rated “Not Applicable” due to their volunteer executive board and no paid executives. (3+19+1=23).

**Finding 4 – Transparency of Employer Pension Contribution Rates**

**Many Orange County local government web sites do not generally post their employer pension annual contribution rates prominently to their web sites as part of their compensation cost disclosure for public disclosure.**

Specifically, these employer contribution percentages refer to the annual percentages of employee salary that CalPERS (California Public Employees Retirement System) or OCERS (Orange County Employee Retirement System) requires of Orange County local governments to fund their employee guaranteed pension plans.

**OCERS has the employer pension contribution rates buried in detailed actuarial reports and presentations on the OCERS website or requires member passwords to access these annual governmental funding rates.** Thus, there is limited transparency for the public of these governmental pension contribution rates.

**Finding 5–Inclusion of Overtime and On-Call Pay in Employee Compensation Costs**

The Orange County “de facto” standard for CCT in the county, cities, districts and JPA now contains all employees, including a page for executives and all elected officials. **Two key categories are missing from compensation cost reporting. They are overtime pay and on-call pay.** They have become important as the new “de facto” compensation cost reporting standard which now includes all employees.

These two cost categories can be significant for public safety employees. However, it is recognized that these cost categories generally do not apply to elected officials. On the other hand, if overtime does not occur for various employee positions, it is important for citizens to be aware of the aware of that in the annual reporting.

**RECOMMENDATIONS**

In accordance with California Penal Code Sections 933 and 933.05, the 2011-2012 Grand Jury requires responses from each city, special district, joint power authority, as well as County of Orange and OCERS, affected and listed in Tables 2 and 3 that follows. The responses are to be submitted to the Presiding Judge of the Superior Court, with a copy to the Orange County Grand Jury.

Based upon the assessment of 58 websites of the County of Orange, 34 OC cities, 15 OC Water and Sanitation Districts, 6 OC Non-Enterprise Special Districts, 1 transportation special district and 1 OC joint power authority, the 2011-2012 Orange County Grand Jury has five principal recommendations.

**Recommendation 1 - Access for Compensation Costs Transparency -**

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

**Recommendation 2 - Content & Clarity of EXECUTIVE Compensation Costs -**

The Grand Jury recommends that **each of the forty-one of the fifty-seven Orange County cities, districts and joint power authority that were rated less than excellent for their Content and Clarity for their Executive and Elected Officials compensation costs page *upgrade their Executive Compensation page.***

See Appendix D for a suggested full disclosure model which is the same as 2011 with expanded descriptions, but with particular emphasis on pension costs.

**Recommendation 3 - Content & Clarity of EMPLOYEE Compensation Costs -**

The Grand Jury recommends that **the County of Orange and all Orange County cities, districts and joint power authority that were rated less than Excellent for Content and Clarity for their Employee compensation costs pages *upgrade their Employee pages.*** See Appendix D for a suggested full disclosure model which is the same as 2011 with the addition of an overtime pay, on-call pay and expanded descriptions, with particular emphasis on pension costs.

**Recommendation 4 - Transparency of Employer Pension Contribution Rates -**

The Grand Jury recommends that **all Orange County cities, districts and joint power authority, as well as the County of Orange, *post their employer pension annual contribution rates* prominently and transparently on their web sites.** Current and recent rates would be instructive and informative. It is recognized that some already do.

The Grand Jury recommends that **OCERS display their member organizations annual contribution rates in a transparent way to the general public without password access on their web site.** For a suggested model, see <http://calpers.ca.gov> and enter “public agency employer contribution search.”

**Recommendation 5 - Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting –**

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

See [Appendix D](#) for a suggested full disclosure model for these new compensation cost reporting categories.

## **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) is to be made:

1. As to each grand jury finding, the responding person or entity shall indicate one of the following:
  - a. The respondent agrees with the finding.
  - b. 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.
2. As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  - a. The recommendation has been implemented, with a summary regarding the implemented action.
  - b. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
  - c. 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.

## COMPENSATION COST TRANSPARENCY

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- d. The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.
3. However, 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 Penal Code section 933.05 are requested from the County of Orange Executive Office, Human Resources and required from each city council of the cities set forth in Table 2 and Board of Directors of each legislative, special assessing and joint power agency in Table 3, with a copy to the Orange County Grand Jury.

**COMPENSATION COST TRANSPARENCY**

**TABLE 2 – County & Cities Responses Required for Findings (F) & Recommendations (R)**

	F1	F2	F3	F4	F5		R1	R2	R3	R4	R5
<b><u>County</u></b>											
County of Orange			X	X	X				X	X	X
<b><u>Cities</u></b>											
Aliso Viejo		X	X	X	X			X	X	X	X
Anaheim		X	X	X	X			X	X	X	X
Brea		X	X	X	X			X	X	X	X
Buena Park				X	X					X	X
Costa Mesa				X	X					X	X
Cypress	X	X	X	X	X		X	X	X	X	X
Dana Point			X	X	X				X	X	X
Fountain Valley	X	X	X	X	X		X	X	X	X	X
Fullerton	X		X	X	X		X		X	X	X
Garden Grove		X	X	X	X			X	X	X	X
Huntington Beach	X	X	X	X	X		X	X	X	X	X
Irvine			X	X	X				X	X	X
La Habra			X	X	X				X	X	X
La Palma		X	X	X	X			X	X	X	X
Laguna Beach		X	X	X	X			X	X	X	X
Laguna Hills		X	X	X	X			X	X	X	X
Laguna Niguel	X	X	X	X	X		X	X	X	X	X
Laguna Woods				X	X					X	X
Lake Forest		X	X	X	X			X	X	X	X
Los Alamitos	X	X	X	X	X		X	X	X	X	X
Mission Viejo		X	X	X	X			X	X	X	X
Newport Beach		X	X	X	X			X	X	X	X
Orange		X	X	X	X			X	X	X	X
Placentia				X	X					X	X
Rancho Santa Margarita			X	X	X				X	X	X
San Clemente			X	X	X				X	X	X
San Juan Capistrano			X	X	X				X	X	X
Santa Ana	X	X	X	X	X		X	X	X	X	X
Seal Beach	X		X	X	X		X		X	X	X
Stanton			X	X	X				X	X	X
Tustin		X	X	X	X			X	X	X	X
Villa Park		X	X	X	X			X	X	X	X
Westminster	X	X	X	X	X		X	X	X	X	X
Yorba Linda				X	X					X	X

**COMPENSATION COST TRANSPARENCY**

**TABLE 3 – Special Districts/JPAs/OCERS Responses Required for Findings (F) & Recommendations (R)**

	F1	F2	F3	F4	F5		R1	R2	R3	R4	R5
<b><u>Special Districts</u></b>											
<b><u>- Water and Sanitation</u></b>											
Costa Mesa Sanitary		X	X	X	X			X	X	X	X
East Orange County Water		X	X	X	X			X	X	X	X
El Toro Water		X	X	X	X			X	X	X	X
Irvine Ranch Water		X	X	X	X			X	X	X	X
Mesa Consolidated Water		X	X	X	X			X	X	X	X
Midway City Sanitary				X	X					X	X
Moulton Niguel Water		X	X	X	X			X	X	X	X
Municipal Water District of OC	X	X	X	X	X		X	X	X	X	X
Orange County Sanitation		X	X	X	X			X	X	X	X
Orange County Water		X	X	X	X			X	X	X	X
Santa Margarita Water	X	X	X	X	X		X	X	X	X	X
Serrano Water		X	X	X	X			X	X	X	X
South Coast Water		X	X	X	X			X	X	X	X
Trabuco Canyon Water	X	X	X	X	X		X	X	X	X	X
Yorba Linda Water	X	X	X	X	X		X	X	X	X	X
<b><u>Special Districts</u></b>											
<b><u>- Non Enterprise</u></b>											
Buena Park Library				X	X					X	X
Orange County Cemetery		X	X	X	X			X	X	X	X
Orange County Vector Control	X	X	X	X	X		X	X	X	X	X
Placentia Library				X	X					X	X
Rossmoor Community Service	X	X	X	X	X		X	X	X	X	X
Silverado-Modjeska Recreation & Parks					X						X
<b><u>Special District</u></b>											
<b><u>- Transportation</u></b>											
OCTA - Orange County Transportation Authority		X	X	X	X			X	X	X	X
<b><u>Joint Power Authorities</u></b>											
OCFA - Orange County Fire Authority	X	X	X	X	X		X	X	X	X	X
<b><u>Legislative District</u></b>											
OCERS - Orange County Employees Retirement System				X						X	