

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To:	Matthew J. Fertal	From:	John D.R. Clark
Dept.:	City Manager	Dept.:	Human Resources
Subject:	RESPONSE TO THE GRAND JURY REPORT ENTITLED "COMPENSATION STUDY OF ORANGE COUNTY CITIES"		
		Date:	October 11, 2011

OBJECTIVE

To provide a response to the Grand Jury Report as required by law.

BACKGROUND

California Penal Code §933 provides that "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."

CPC §933.05 goes on to state:

"(a)...[A]s to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the

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ORANGE COUNTY CITIES"

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governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor."

DISCUSSION

The Grand Jury's Report Entitled "Compensation Study of Orange County Cities" was discussed in a June 16, 2011 Memorandum from the City Manager to the City Council. Pertinent excerpts are presented below:

On September 29, 2010, the Orange County Grand Jury requested salary and benefit information from all cities in the county. It should be noted that Garden Grove has maintained salary information on all employees on our website for many years.

The methodology used by the Grand Jury is somewhat facile and inconsistent with standard compensation study practices. For example, the Grand Jury includes such things as vacation cash out as part of total compensation – this has the effect of distorting some of the data.

This report also measured actual incumbent salaries rather than salary ranges. This has the effect of making some gaps appear larger than they are: e.g., an "A" step newly-hired employee will appear to be paid less than a top-step employee in the same classification in another city, even if both salary ranges are substantially equal. Lastly, the Grand Jury in some instances made the novice error of automatically comparing matching or similar job titles without further analysis to determine if the positions are truly comparable in terms of duties and level of responsibility.

Despite the fact that the Grand Jury report focused specifically on other cities, Garden Grove is required to file a response to each finding and recommendation in the manner provided for in CPC §933.05. This draft response is attached for City Council's consideration and, if adopted, will be filed with the Presiding Judge of the Superior Court. A copy of the Grand Jury Report is also attached. Garden Grove was not singled out in the Grand Jury's findings or recommendations. For the most part, Garden Grove has already implemented the recommendations of the Grand Jury. Garden Grove has maintained salary information on all employees on its website for many years.

FINANCIAL IMPACT

None.

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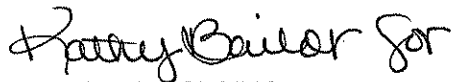
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RECOMMENDED ACTION

It is recommended that the City Council:

- Approve the attached response to the Grand Jury Report entitled "Compensation Study of Orange County Cities"; and
- Direct the Human Resources Director to file the response with the Presiding Judge of the Superior Court of Orange County.



JOHN D.R. CLARK

Human Resources Director/City Treasurer

Attachment 1: Proposed Response to the Grand Jury Report Entitled
"Compensation Study of Orange County Cities"

Attachment 2: Grand Jury Report

Recommended for Approval


Matthew Ferial
City Manager

October 11, 2011

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

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

Dear Judge Borris:

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

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

Specifically, the City's responses are as follows:

GRAND JURY FINDINGS

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

The City agrees with this finding.

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

The City agrees with this finding.

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

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

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

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

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

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

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

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

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

The City agrees with this finding.

GRAND JURY RECOMMENDATIONS

R.1: Transparency - All cities in Orange County report their compensation information to the public on the Internet in an easily accessible manner. The Compensation Disclosure Model (Appendix 4) provides a sample as to the items that should be included in determining total compensation.

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

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

This recommendation was implemented on May 13, 2008.

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

This recommendation is not applicable to Garden Grove.

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

This recommendation is not applicable to Garden Grove.

ADDITIONAL COMMENTS

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

Total Compensation

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

For any position, the City's contribution towards a specific individual's health insurance costs will also vary based on the specific employee's choice of coverage, family size, and hire date. As an example, for management classifications, the City's annual contribution for health insurance could range from a low of \$5,418 to a high of \$14,400. In addition, when an employee retires or otherwise leaves the City, we are required to cash out accumulated leave time. As a result, when an employee leaves the City's costs for benefits appears abnormally high due to the

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one-time payout. Note that by law for all employers public and private, vacation time earned "belongs" to the employee and must be paid out at separation; to add these payouts to base pay and imply that this is somehow extra or unwarranted compensation is misleading at best.

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

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

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

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

Correlation with City Population

The City believes there is a flaw in the report's premise that there should be a direct correlation between a city's population and a position's total compensation. While residential population is a factor in determining the comparability of cities and positions, focusing on correlation between population and compensation is just one factor. Other key factors that should be considered include the number and quality of services provided by the city, the amount and complexity of the city's annual budget, and the size of the city's workforce. All of these factors significantly affect

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the work that is performed by a city's staff, and are relevant to the level of compensation provided to its employees.

Exclusion of Services

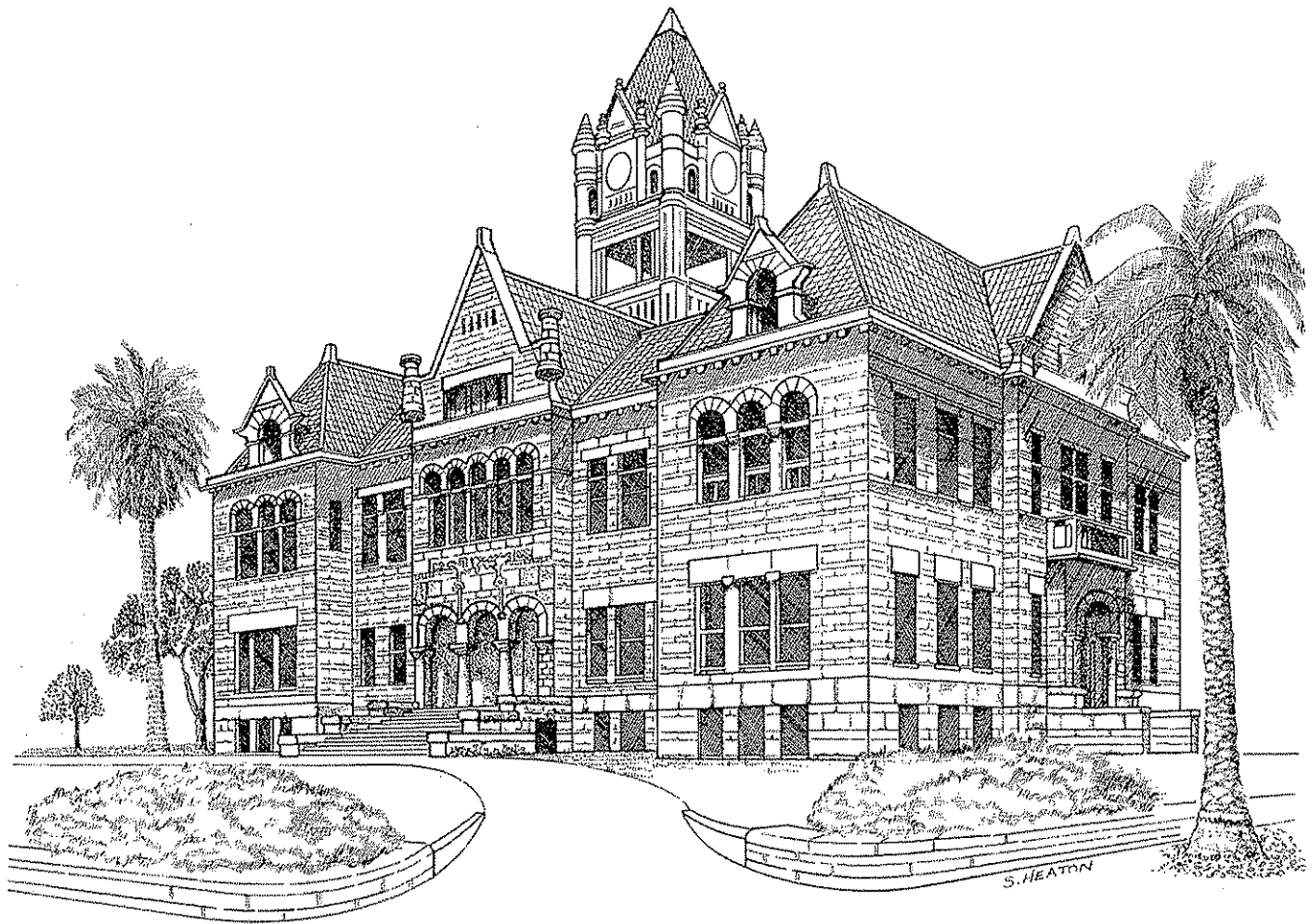
The Grand Jury's analysis specifically excluded certain types of employees, including police and fire. However, at the City of Garden Grove, the Police Department and Fire Department comprise more than half of the City's workforce and nearly 70% of payroll; providing police and fire services significantly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

Transparency

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

Prepared at the direction of the Mayor and City Council:

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



2010 – 2011 Orange County Grand Jury Final Report





ORANGE COUNTY GRAND JURY

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www.ocgrandjury.org • FAX 714/834-5555

June 30, 2011

The Honorable Craig E. Robison
Supervising Judge, Central Felony Panel
Superior Court of California
County of Orange

Dear Judge Robison:

On behalf of the 2010-2011 Orange County Grand Jury it is my pleasure to present to you our final report. This document represents a comprehensive study of various government operations and associated functions within our County. The Grand Jury in its civil capacity paid particular attention to management oversight, fiscal accountability, and innovative ideas for improving service to the citizens of Orange County. Our studies ranged from law enforcement and public safety issues to public school safety preparations associated with unanticipated campus emergencies. We also carefully examined how elected and appointed officials reported and managed taxpayer resources.

The overall results of our civil studies disclosed that Orange County is generally well managed and the citizens of our County receive excellent government service. Our findings and recommendations in each study focused on realistic and objective suggestions for both growth and improvement in government services to our communities.

With respect to the Grand Jury's criminal investigative and indictment responsibilities, the 2010-2011 Grand Jury participated in a significant number of indictments ranging from homicide, violent gang activity, to major fraud investigations. In each matter presented to this Grand Jury, the members carefully examined the evidence and were successful in finding a *True Bill* in each case. We additionally participated in a lengthy investigative hearing on behalf of the District Attorney's office.

The Grand Jury was very fortunate to have the tireless support of a number of individuals during our term. Specifically, this Grand Jury wishes to commend and thank Donna Vinnacombe, Grand Jury Administrator, and Mary Booker, Administrative Assistant, for their dedicated support and assistance in daily Grand Jury operations. We would also like to recognize the excellent work and wise counsel provided by Senior Deputy County Counsel Karen Prather, who ensured that we received timely legal advice. Lastly, the Grand Jury received tremendous support from Assistant District Attorney Michael Lubinski and Senior Deputy District Attorney Rebecca Olivieri during all criminal investigations and indictments.

The Honorable Craig E. Robison
June 30, 2011
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It has been an honor to serve as members of the 2010-2011 Grand Jury. We have learned a great deal about the outstanding county in which we live and how our government agencies effectively provide services to our communities. We wish to acknowledge the collective support and cooperation of the elected officials and department managers who participated in our civil studies.

Finally, we are thankful for the support of the Superior Court and its personnel in assisting us with our duties as Grand Jurors. We have appreciated your leadership and advice as our Supervising Judge as well as your predecessor, Judge Thomas Goethals. The overall supervision of the Grand Jury by Presiding Judge Thomas Borris and Assistant Presiding Judge David Thompson along with the former Presiding Judge Kim Dunning was most appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jerry L. Powell".

Jerry L. Powell
Foreman
2010-2011 Orange County Grand Jury

JLP:dv

ORANGE COUNTY GRAND JURY 2010/2011 FINAL REPORT

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Compensation Study of Orange County Cities



Compensation Study of Orange County Cities

SUMMARY

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

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

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

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

REASON FOR STUDY

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

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

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

METHODOLOGY

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

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

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

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

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

Electric utility and Great Park positions are unique to two cities.

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

FACTS

Fact: There are 34 incorporated cities in Orange County.

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

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

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

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

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

ANALYSIS

Compensation Comparisons:

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

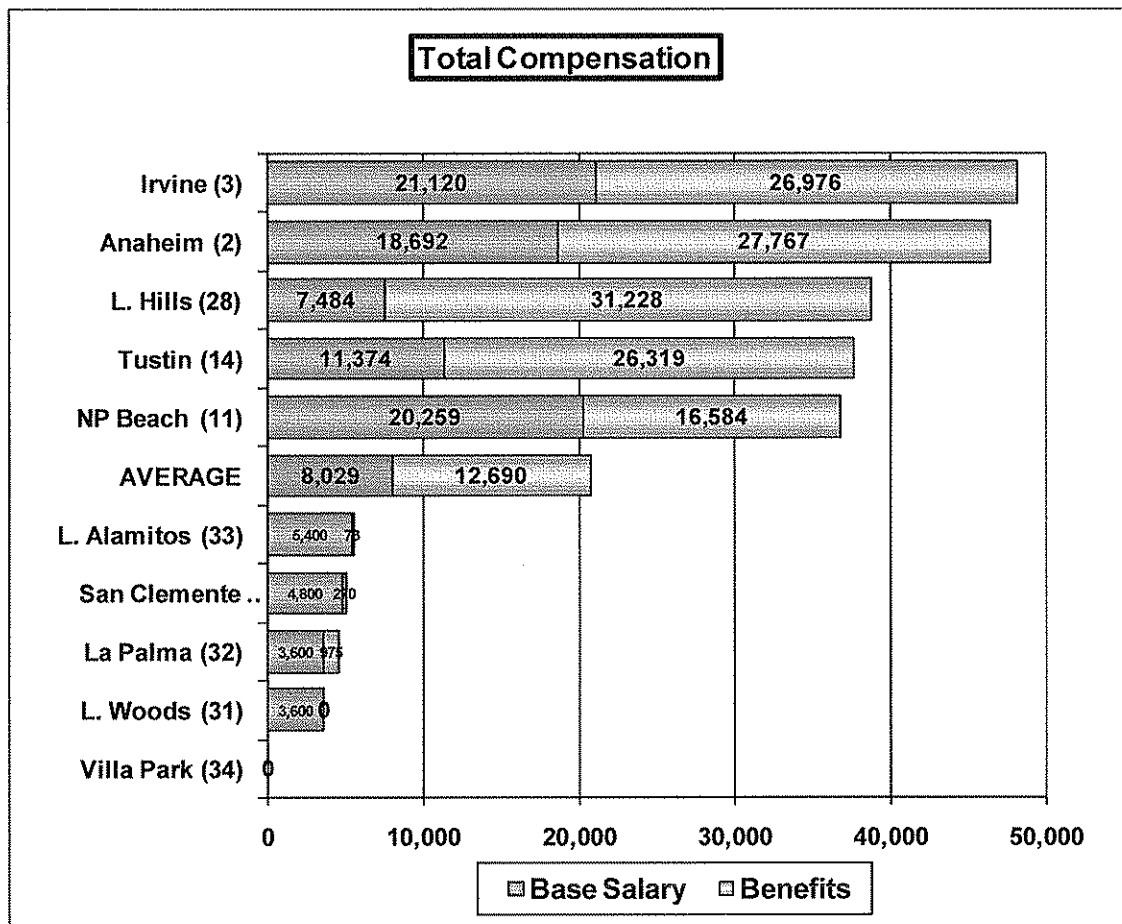
- City Council Member
- City Manager
- City Clerk
- City Engineer
- Finance
- Public Works
- Parks & Recreation
- Community Development
- Human Resources
- Information Technology
- Building Official

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

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

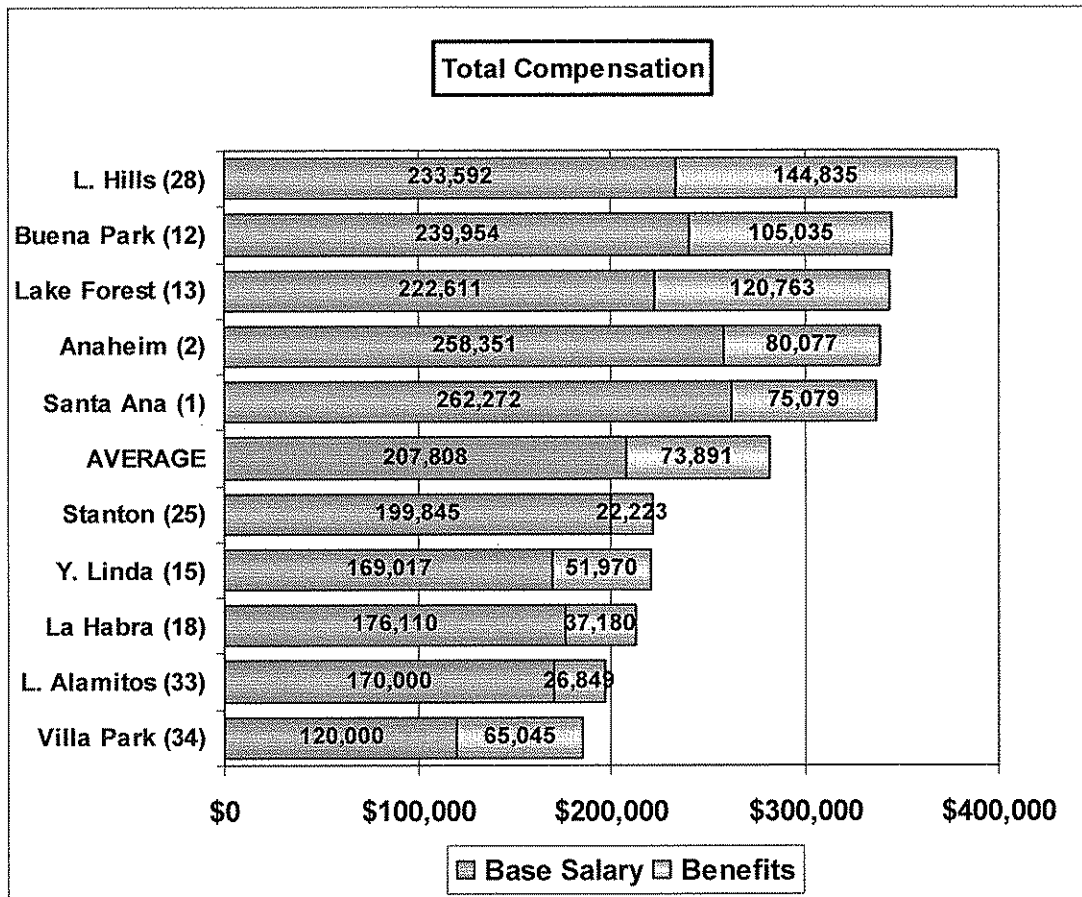
For the purpose of clarity, the charts display the highest five and lowest five cities for each of eleven common positions. The average for each reported position is included to provide a benchmark. All city data for these positions is reflected in Appendices 2 (a) through (k). The population ranking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

Chart 1: City Council



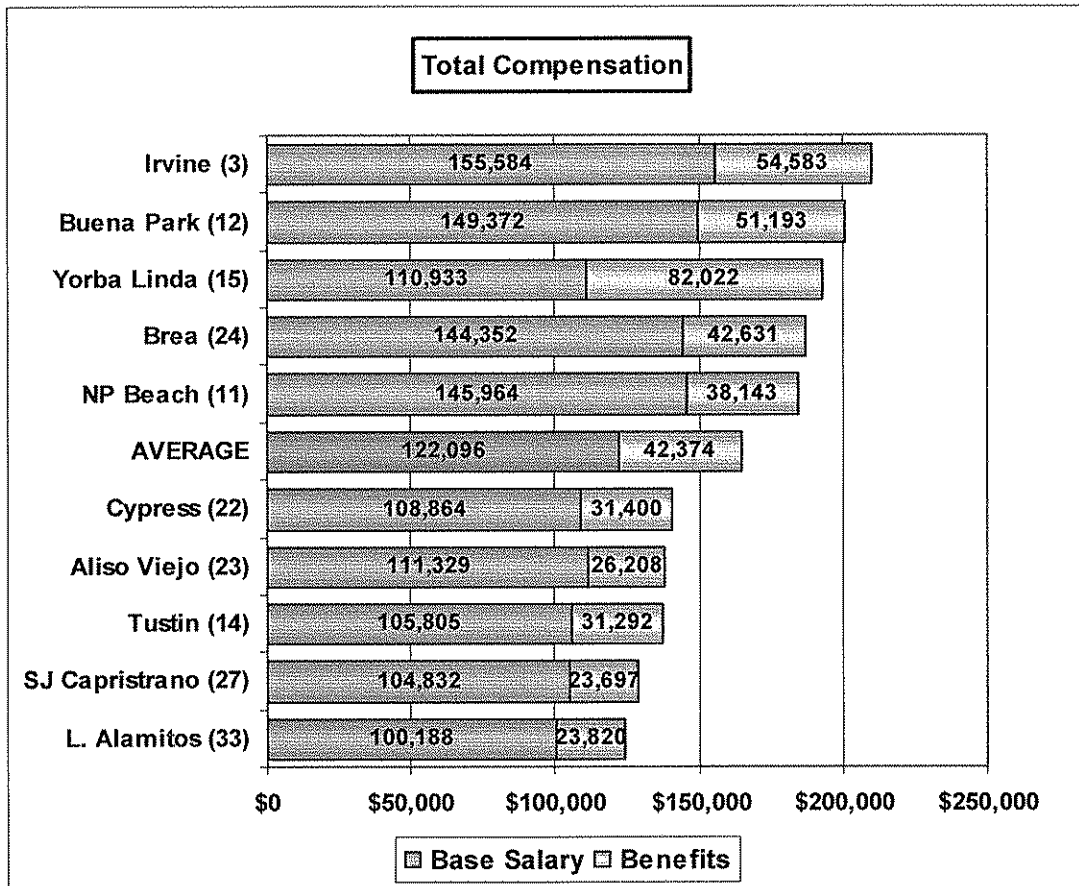
- This chart reflects compensation for the highest paid member of the city council.
- Total compensation does not appear to have any consistent correlation to the population of the city.
- The City of Villa Park, the smallest city in Orange County, has opted to not pay either a base salary or benefits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

Chart 2: City Manager



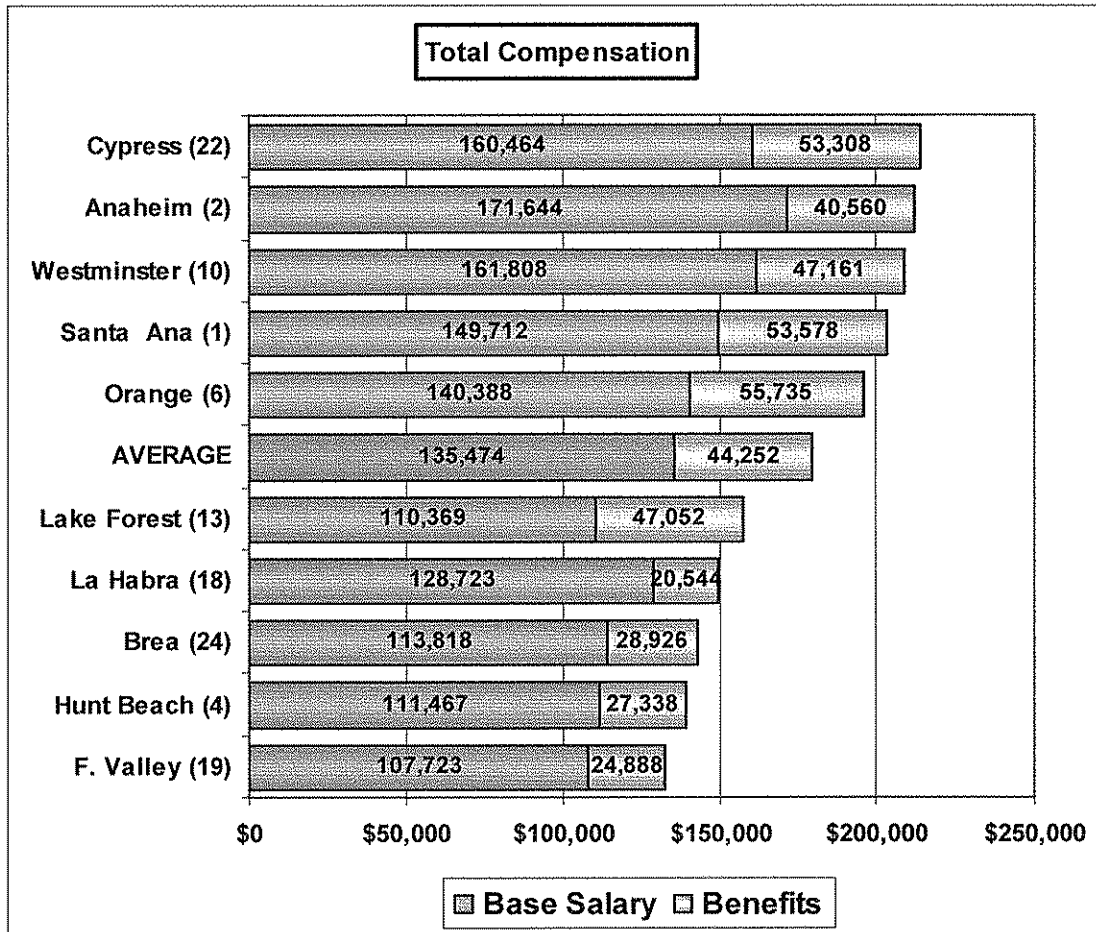
- The city manager total compensation spread is \$193,382.
- The spread of base salaries is \$142,272.
- 21 city managers have a base salary over \$200,000.
- The total benefits for the Laguna Hills City Manager reflects a one-time payout of \$30,097 for unused paid time off.

Chart 3: City Clerk



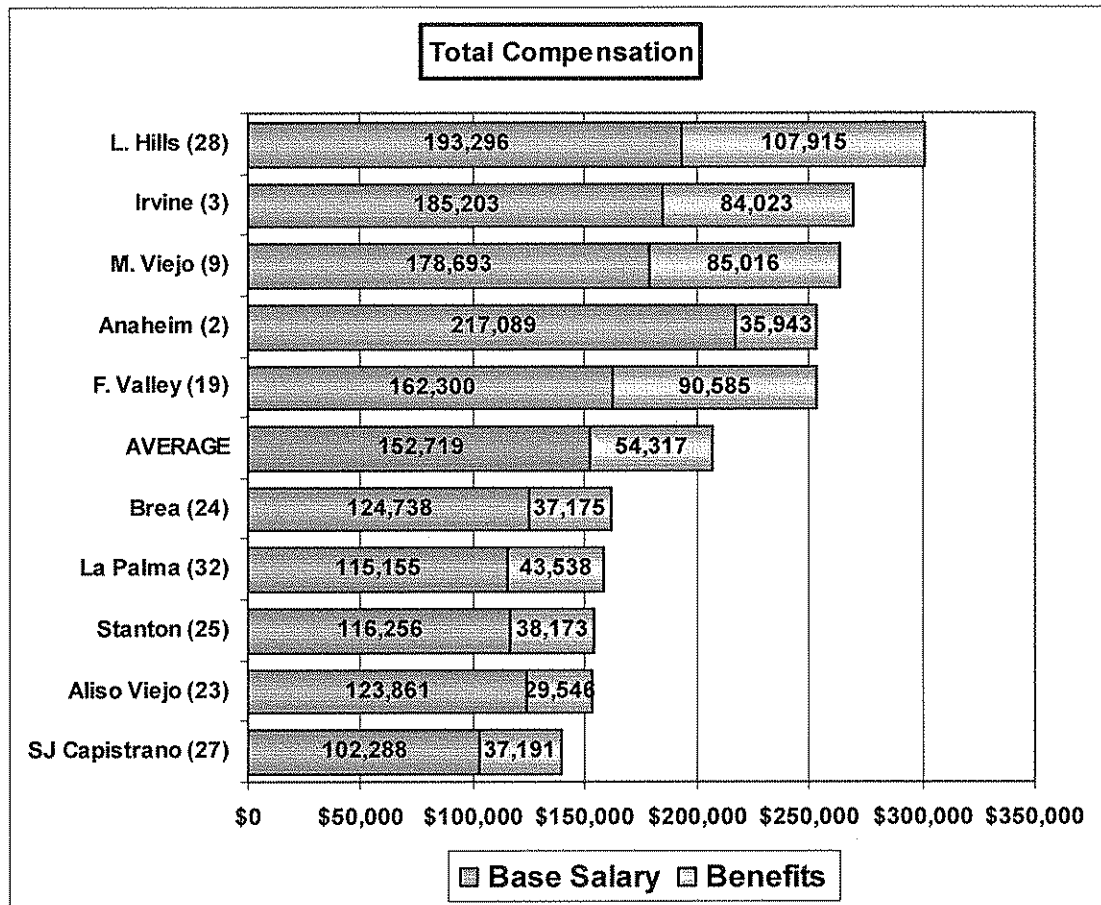
- 25 cities reported a city clerk position with a base salary over \$100,000.
- The base salary spread is \$55,396.
- Total compensation does not correlate with city population.
- The total benefits for the Yorba Linda City Clerk reflects a one-time payout of \$41,124 for unused paid time off.

Chart 4: City Engineer



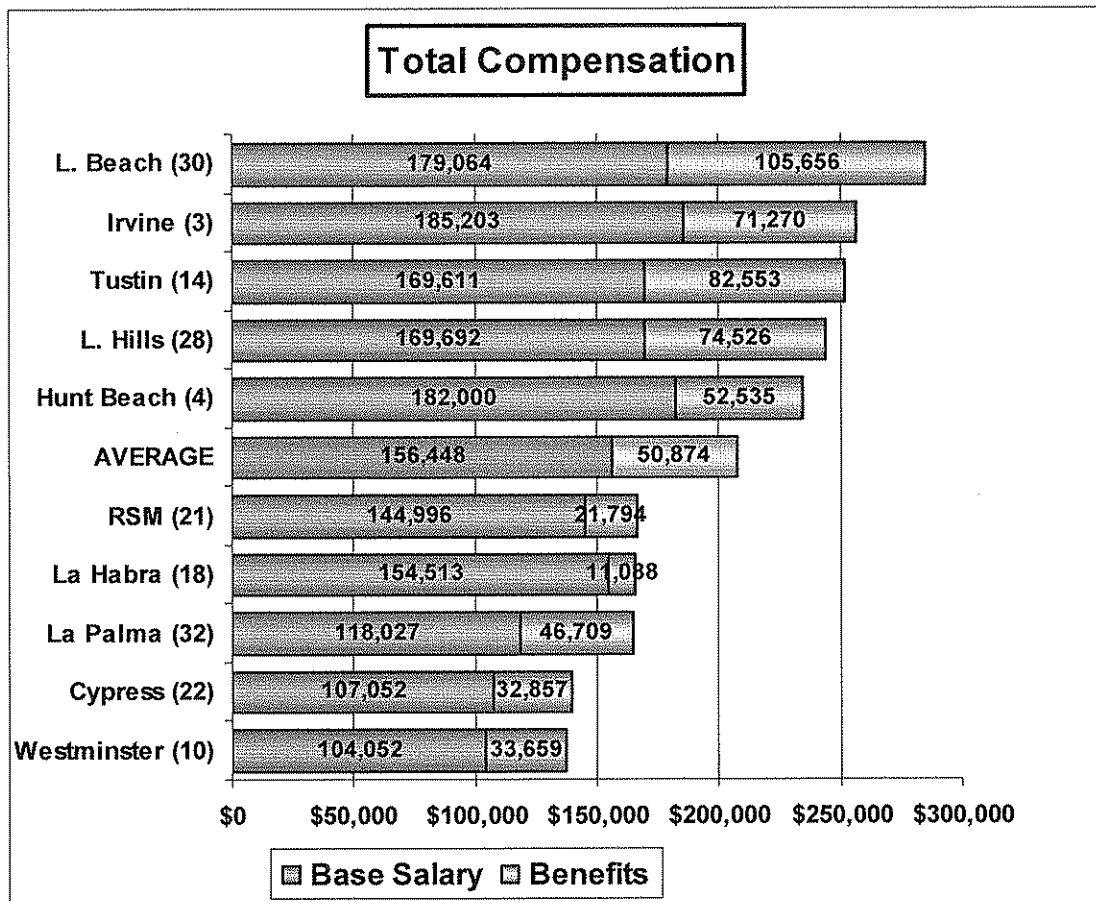
- 25 cities reported a city engineer with a base salary over \$100,000.
- Total compensation does not correlate with city population.

Chart 5: Finance



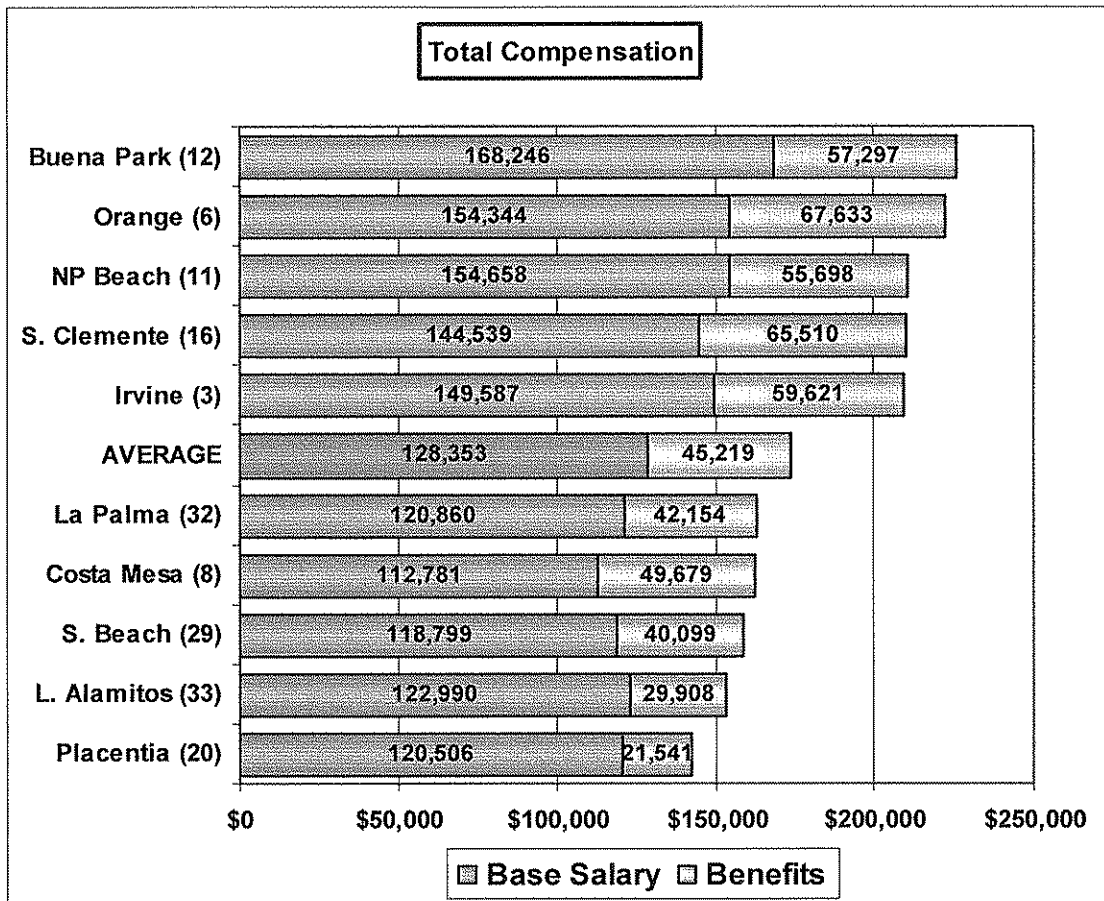
- In some instances, the finance function reports to an Assistant City Manager and that position also includes other functional responsibilities.
- 31 cities report a finance position exceeding \$100,000 base salary
- Total compensation does not correlate with city population.
- Anaheim, the 2nd largest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

Chart 6: Public Works



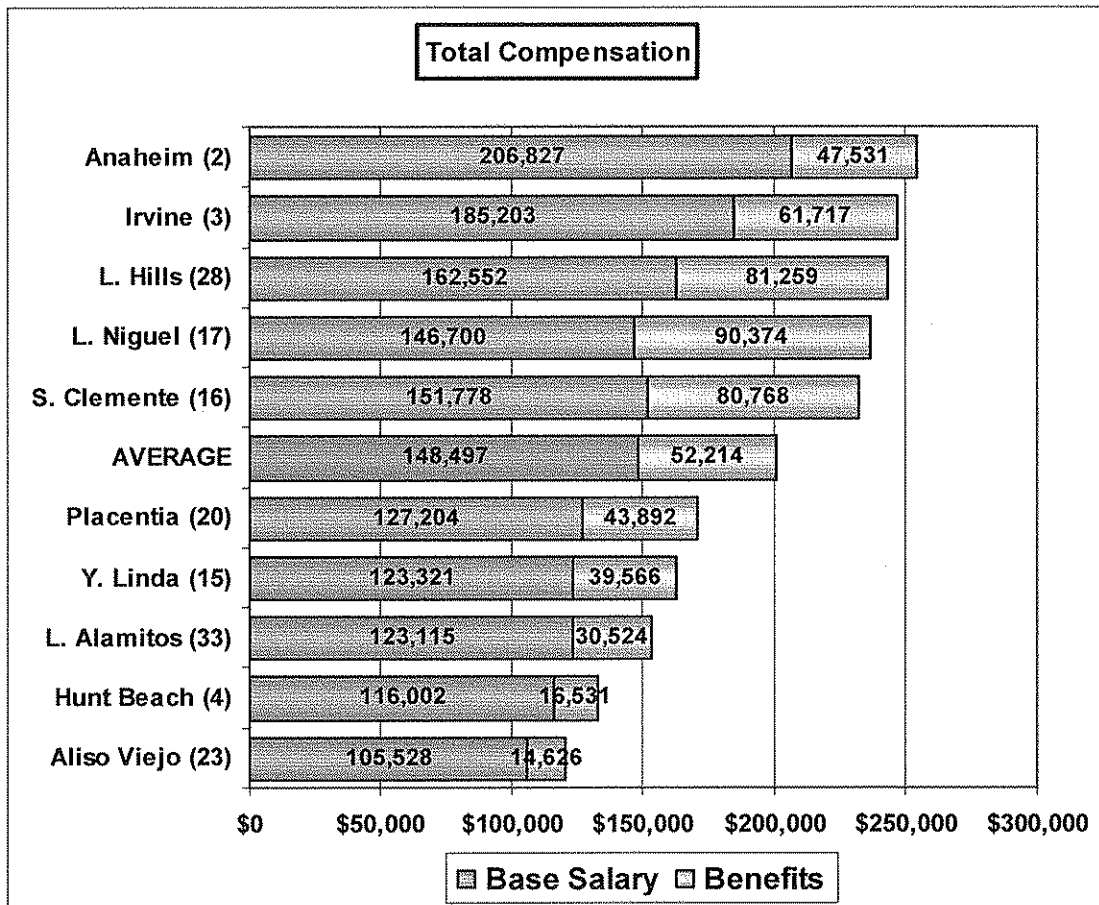
- 29 cities reported a public works position with a base salary above \$100,000.
- Total compensation does not correlate with city population.

Chart 7: Parks & Recreation



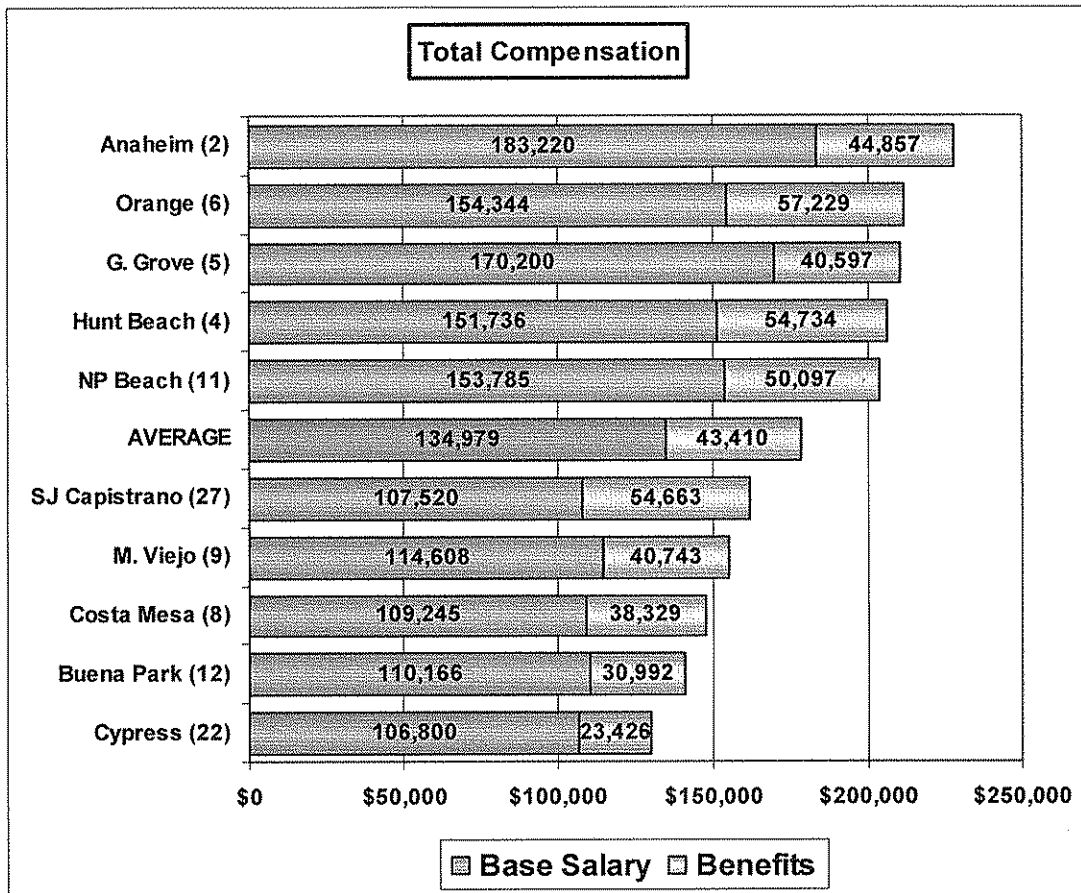
- 21 cities reported a parks & recreation position with a base salary exceeding \$100,000.
- Total compensation does not correlate with city population.
- The base salary spread is \$55,465.

Chart 8: Community Development



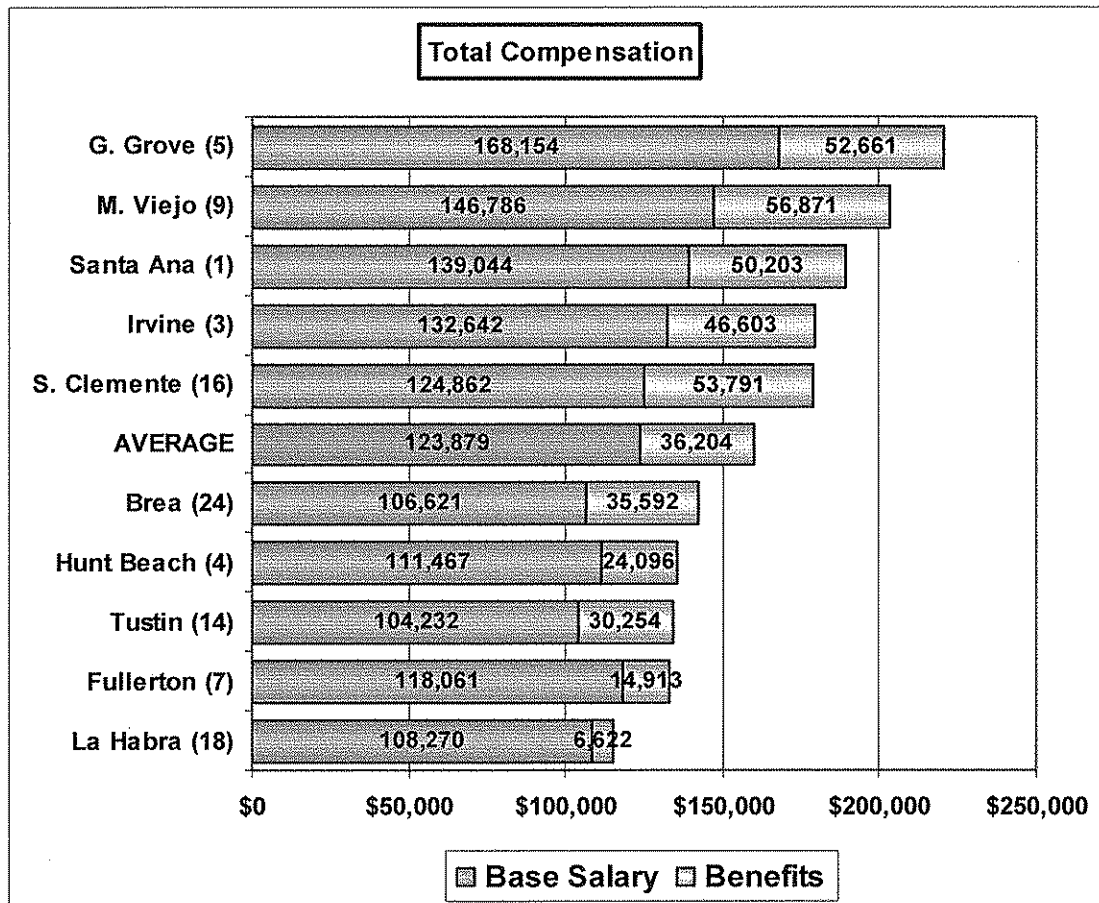
- 30 cities reported a community development position with a base salary in excess of \$100,000.
- Total compensation does not correlate with city population.

Chart 9: Human Resources



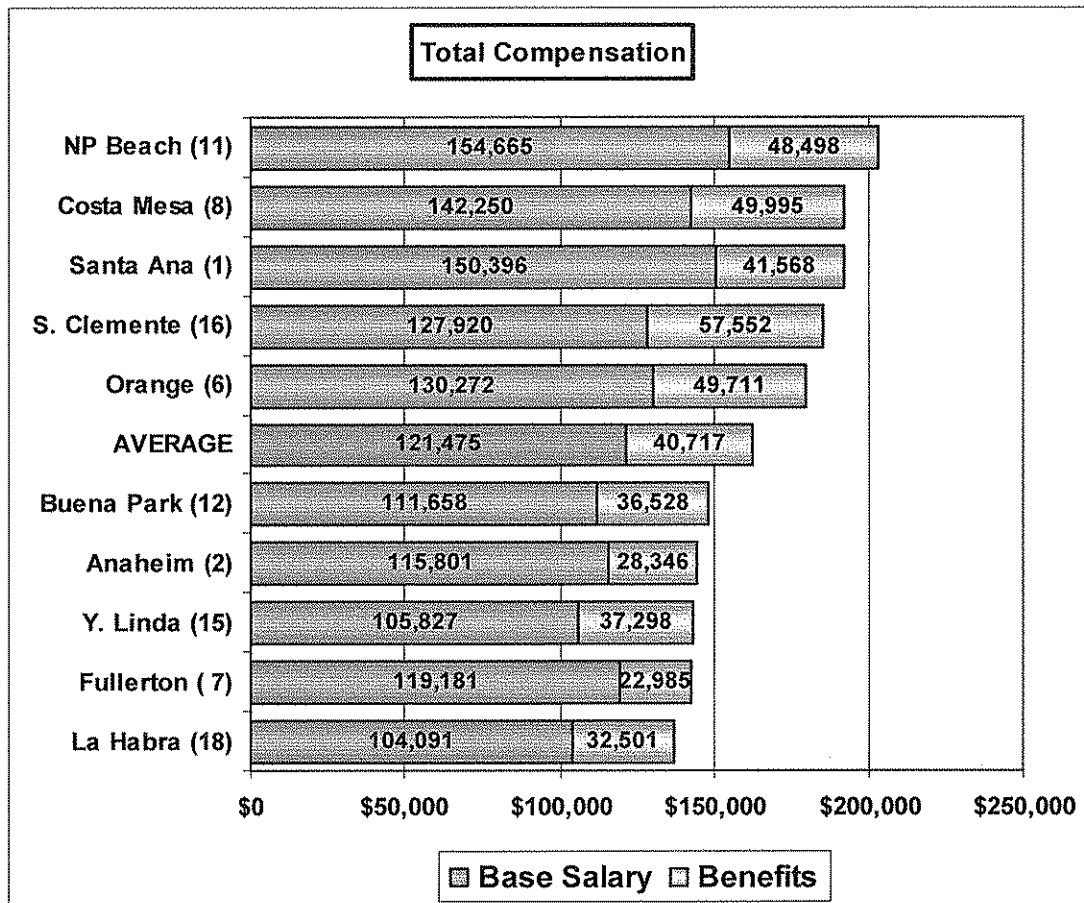
- 19 cities reported a human resources position with a base salary above \$100,000.
- There does appear to be some correlation to city size.

Chart 10: Information Technology



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

Chart 11: Building Official



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

Comparisons Outside Orange County:

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

Large Cities:

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

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

Medium Cities:

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

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

Small Cities:

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

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

Compensation Abuses:

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

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

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

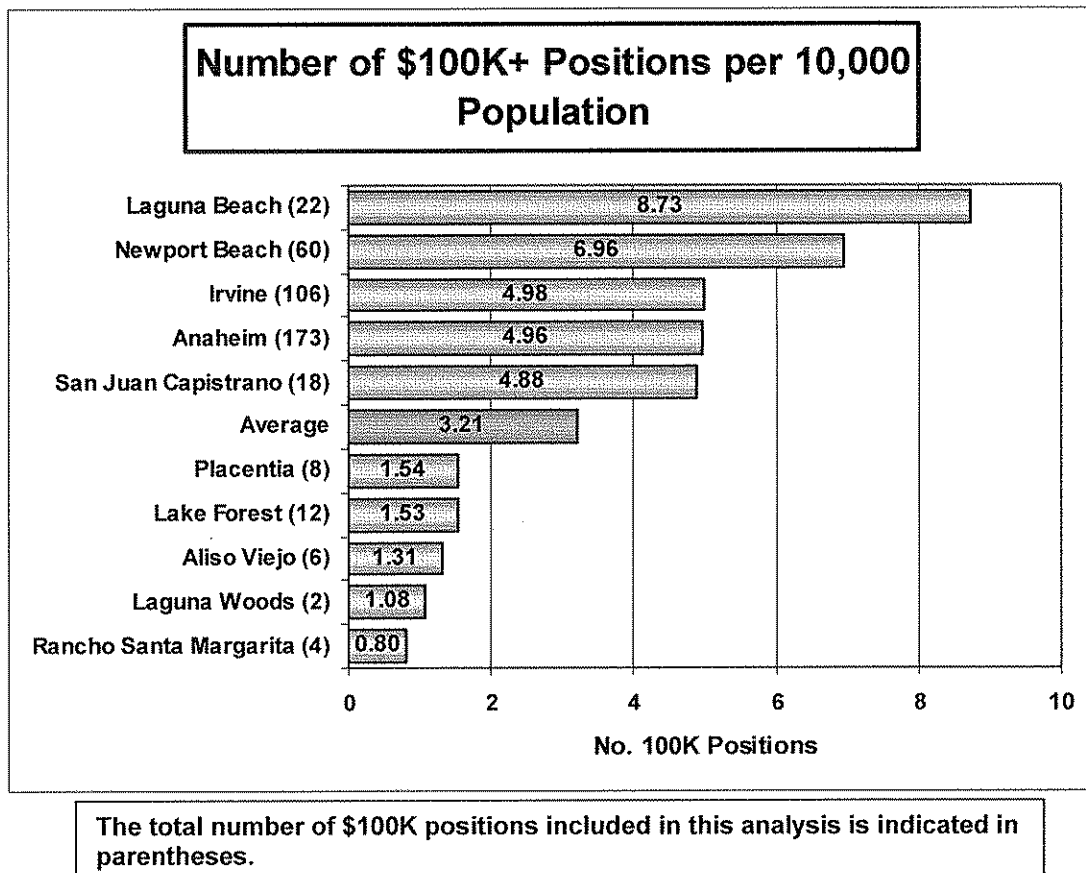
Based on the data submitted to the Grand Jury by all 34 Orange County cities, the highest paid city employee or official of the 1,847 positions so reported is the Laguna Hills City Manager, with a base salary of \$233,592 and total compensation of \$378,427. It is clear that this is a

substantial compensation level. As a point of reference in that regard, the Chief Executive Officer for the County of Orange received total compensation of \$324,535, according to the State Controller website.

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

Upper Level Positions:

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



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

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

Employment Contracts:

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

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

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

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

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

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

Transparency:

The best way to guard against abuse on the subject of governmental employee compensation is to provide the public with effective transparency. The most effective means of publishing compensation information is on the Internet. Since all Orange County cities currently have websites, the addition or enhancement of compensation information on those websites should not impose any undue burden. Not only will that publication serve the citizens, but should also pre-empt numerous information requests from media and other interested parties.

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

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

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

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

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

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

State Controller Website:

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

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

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

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

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

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

Compensation Disclosure Model:

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

- **Accessibility** – The link from the home page to the compensation webpage be a permanent feature, which is prominently displayed and requires only one keystroke for access.
- **Positions Reported** – All employees earning a base salary rate in excess of \$100,000 per year and all elected officials be reported. Elected officials be listed first, followed by employees in descending order of salary amount. The posting of lower level positions is not recommended in the interest of clarity. In the event that all positions are listed, this same order of listing be applied.
Note: The listing of names is not recommended.
- **Salary Reporting** – The actual annual base rate of salary be shown, rather than range minimums and maximums or the Box 5 amount from the employee's W-2 form.

- **Other Pay**
 - **Fees** – Any fees earned from city-sponsored boards, committees or commissions
 - **Deferred Compensation**
 - **Bonus** – Any form of management, incentive or performance improvement bonuses.
 - **Pay in Lieu of Time Off**
 - **Automobile Allowance**
- **Insurance Premiums** - Annualized amounts that the city pays on the employee's behalf for medical, dental, vision, disability and life insurance.
- **Pension Costs** – Annualized amounts that the city pays for contributions to a pension plan (such as PERS) and Social Security.
- **Total Compensation** – Salary and benefit amounts be totaled for a representation of the total compensation received for the calendar year.
- **Example** – An illustration of this model as it would appear on a webpage is shown on Appendix 4.

FINDINGS

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

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

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

- F.5:** With the exceptions of Laguna Beach and Newport Beach, the number of high-level positions in each city is generally commensurate with its population.
- F.6:** The compensation of the City Manager and Assistant City Manager/Finance Director in the City of Laguna Hills exceeds levels in other comparably sized cities both inside and outside of Orange County.
- F.7:** There is currently no disclosure of written employment contracts on the majority of cities' websites.

RECOMMENDATIONS:

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

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

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

- R.1: Transparency - All cities in Orange County report their compensation information to the public on the Internet in an easily accessible manner. The Compensation Disclosure Model (Appendix 4) provides a sample as to the items that should be included in determining total compensation.**
- R.2: Employment Contracts – Each city reveal any individual employment contracts in an easily accessible manner.**
- R.3: Upper level Employees – The cities of Newport Beach and Laguna Beach conduct a review of their organizations to reconcile the necessity of maintaining a relatively large number of upper level positions in relation to their populations.**
- R.4: Compensation Levels – The City of Laguna Hills conduct a compensation review of top officials.**

REQUIREMENTS AND INSTRUCTIONS:

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

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

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

head shall address all aspects of the findings or recommendations affecting his or her agency or department.

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

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

Appendix 1

O.C. Grand Jury Request for Municipal Compensation Data

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

City of _____

Compensation Component (as described below):

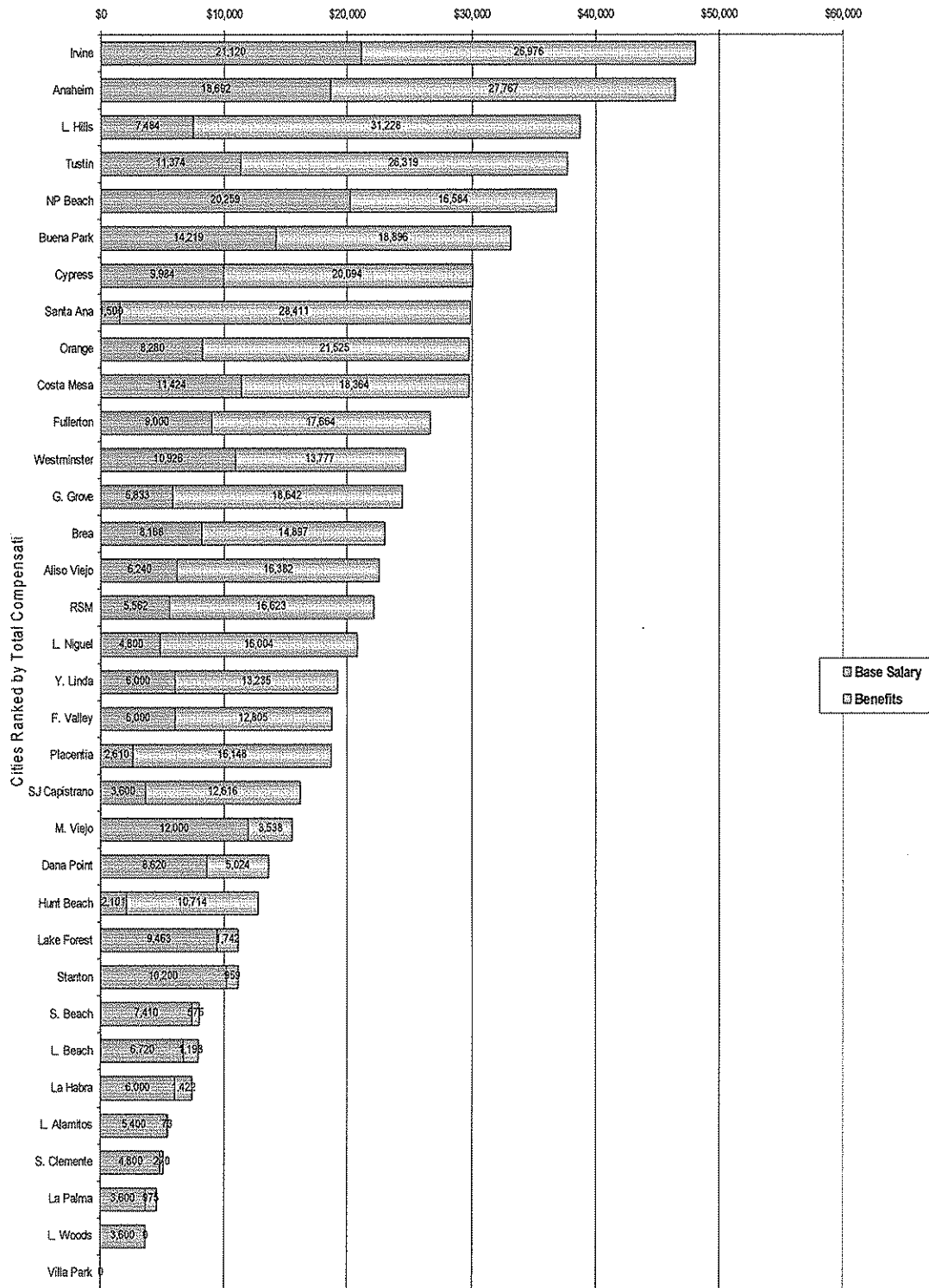
	Position	Position	Position	Position	Position
Component 1.					
Component 2.					
Component 3.					
Component 4.					
Component 5.					
Component 6.					
Component 7.					
Component 8.					
Component 9.					
Component 10.					
Component 11.					

Component:

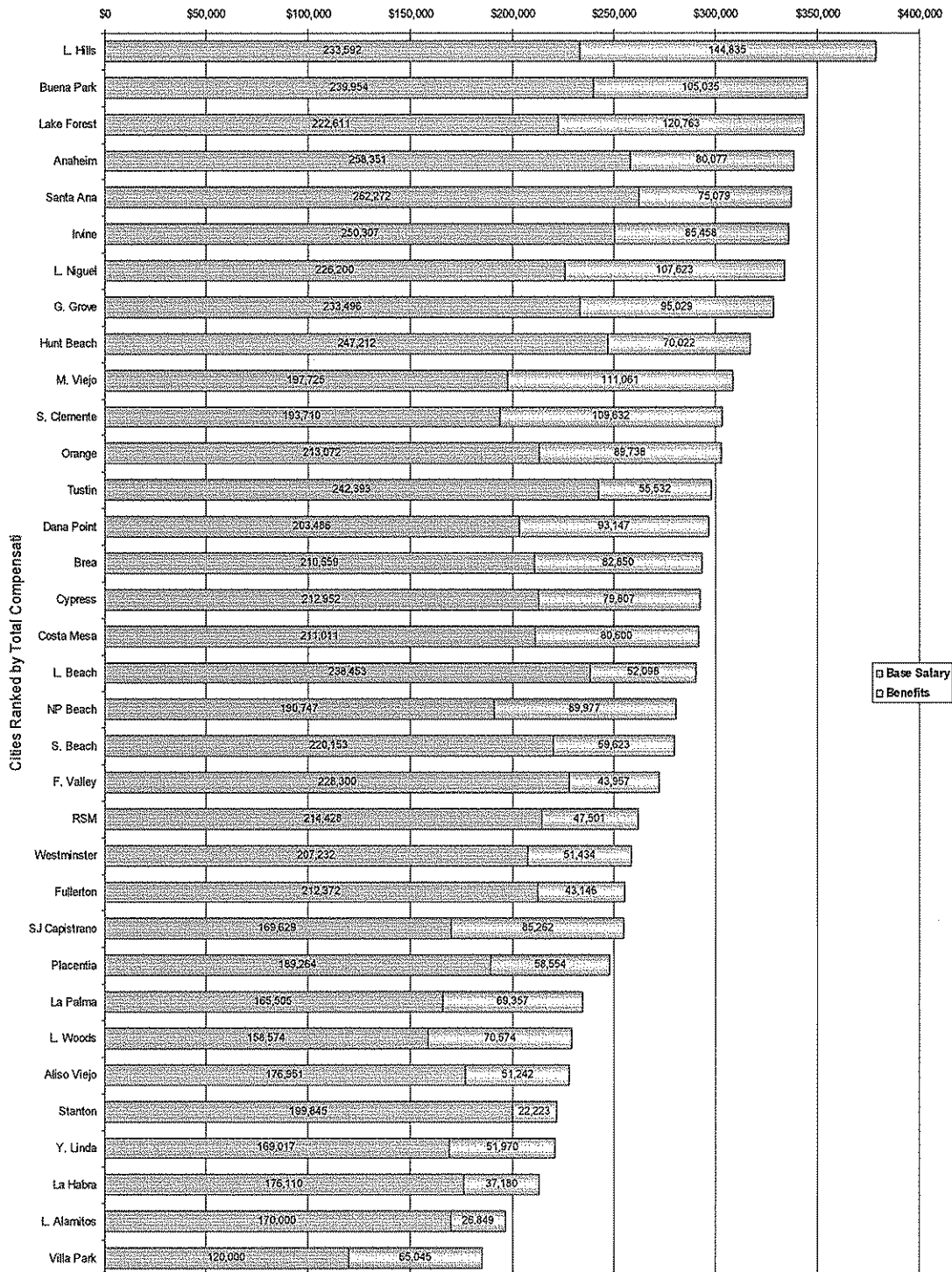
Description:

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

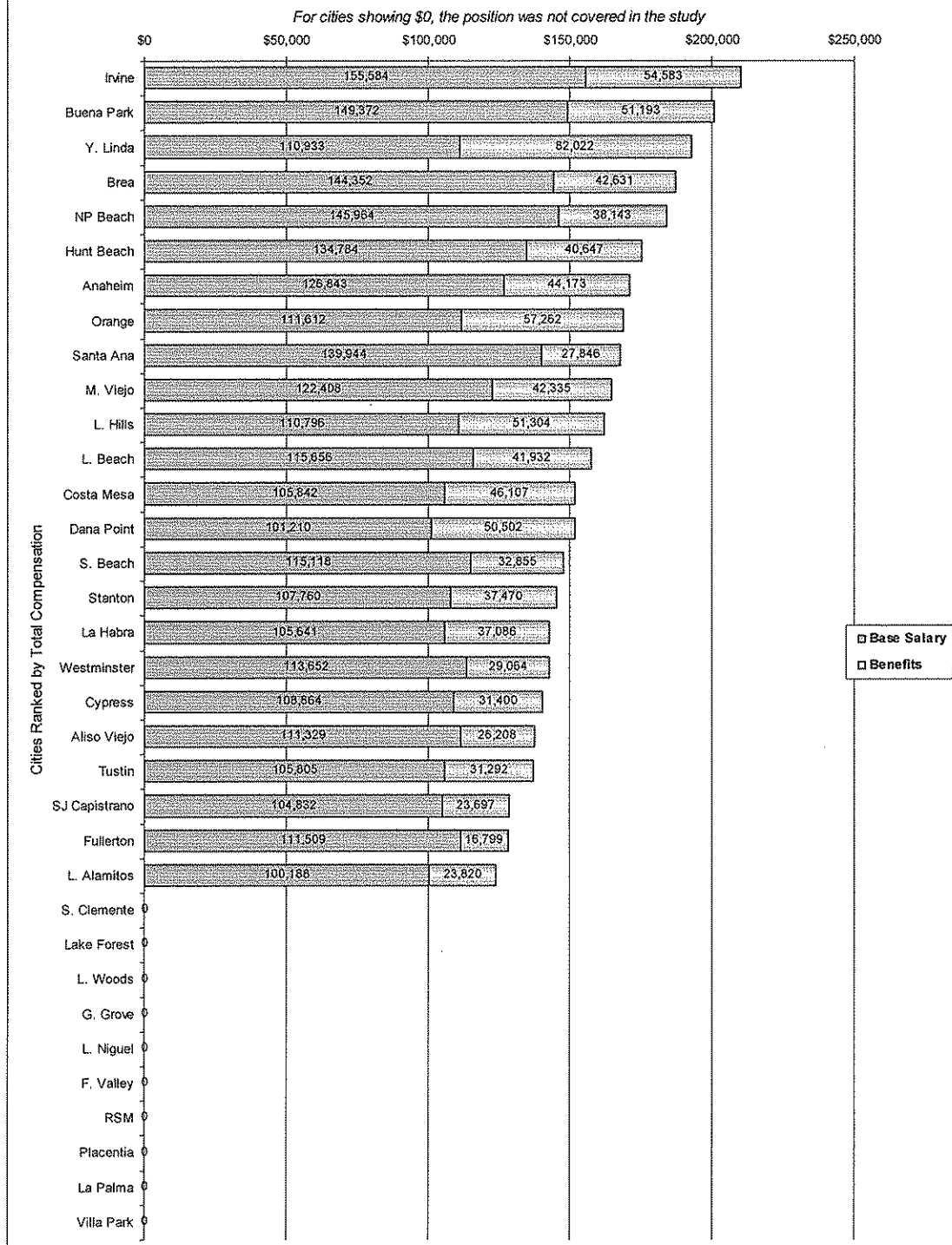
Appendix 2(a) City Council Compensation



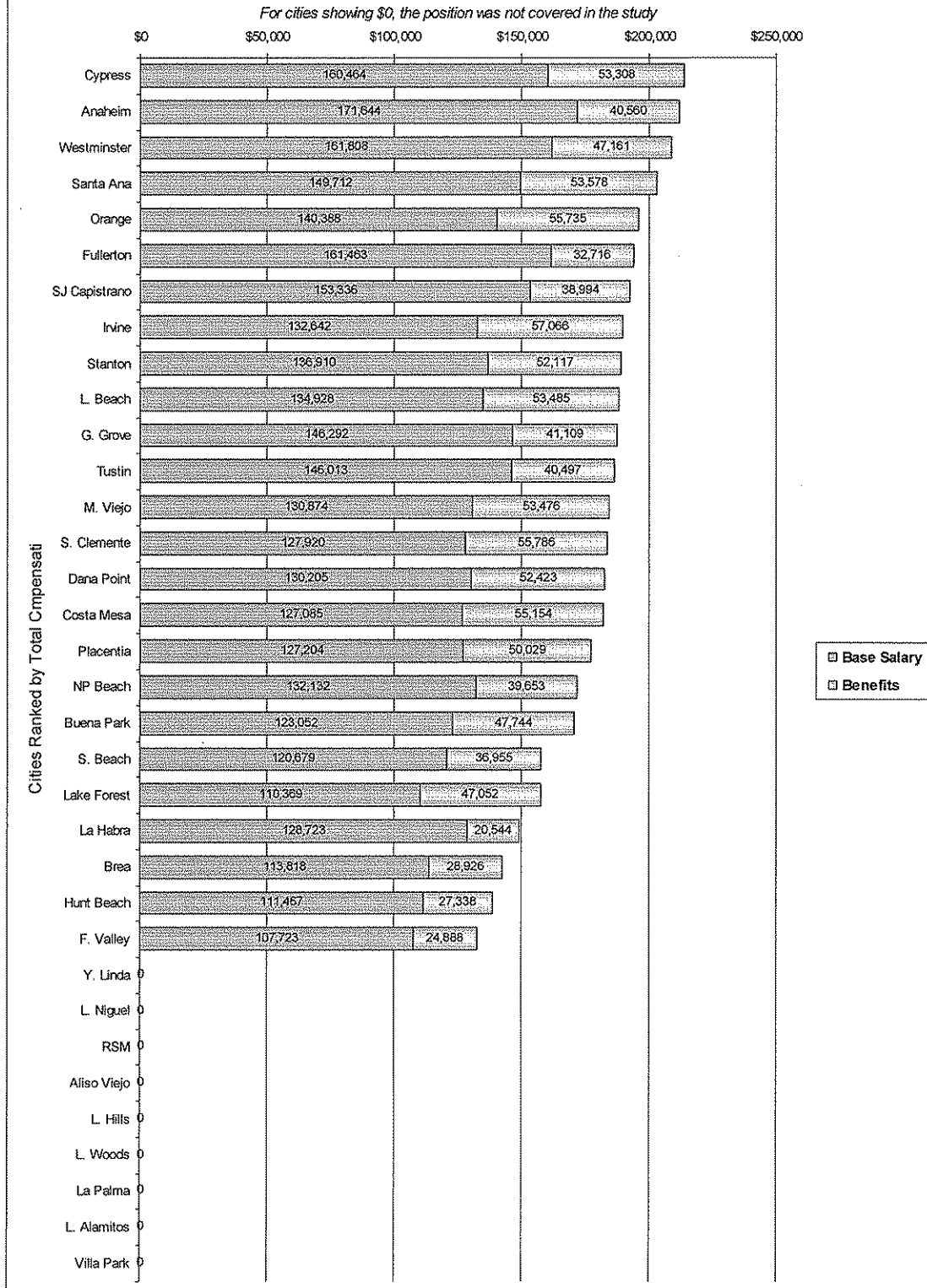
Appendix 2(b) City Manager Compensation



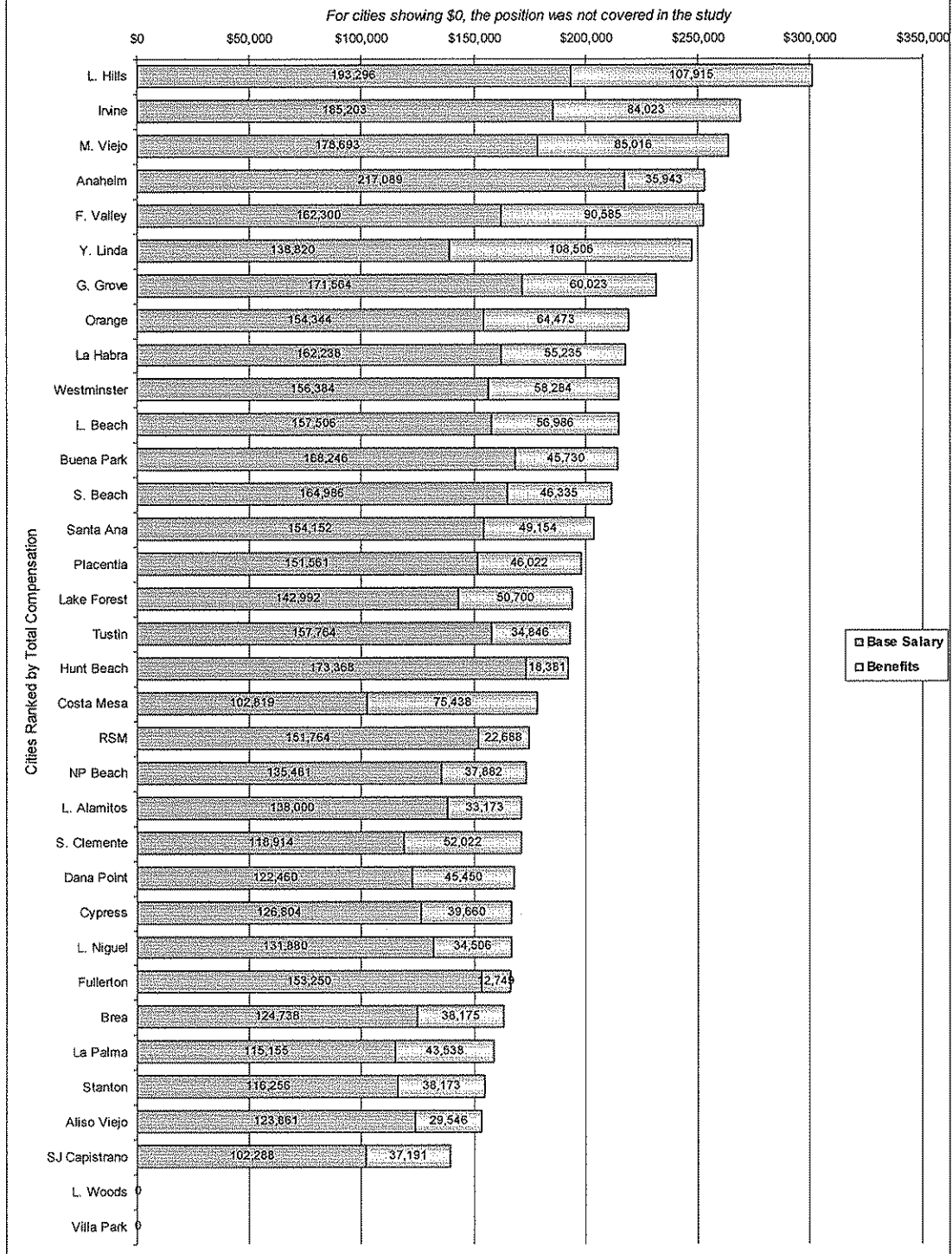
Appendix 2(c) City Clerk Compensation



Appendix 2(d) City Engineer Compensation

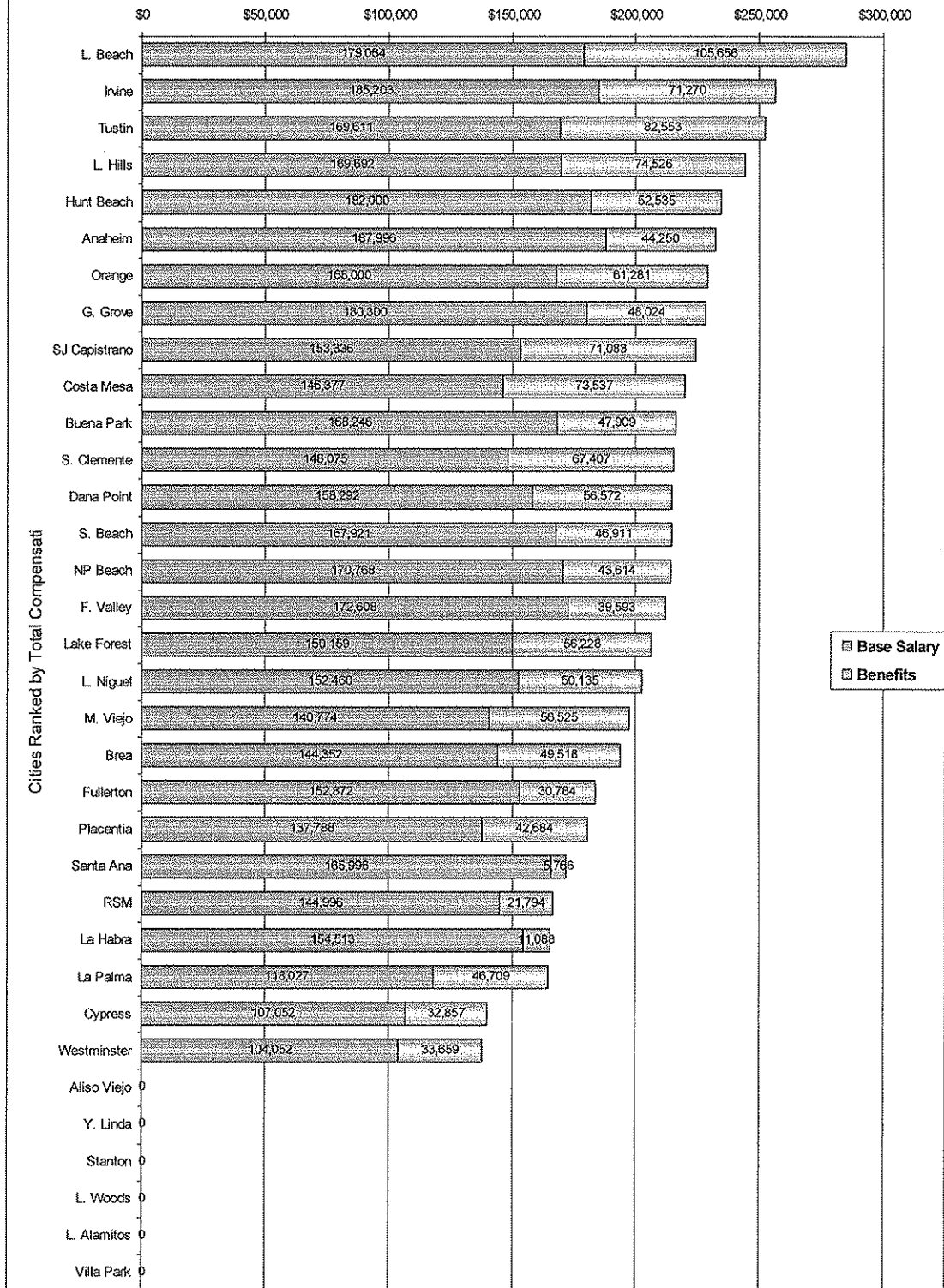


Appendix 2(e) Finance Compensation



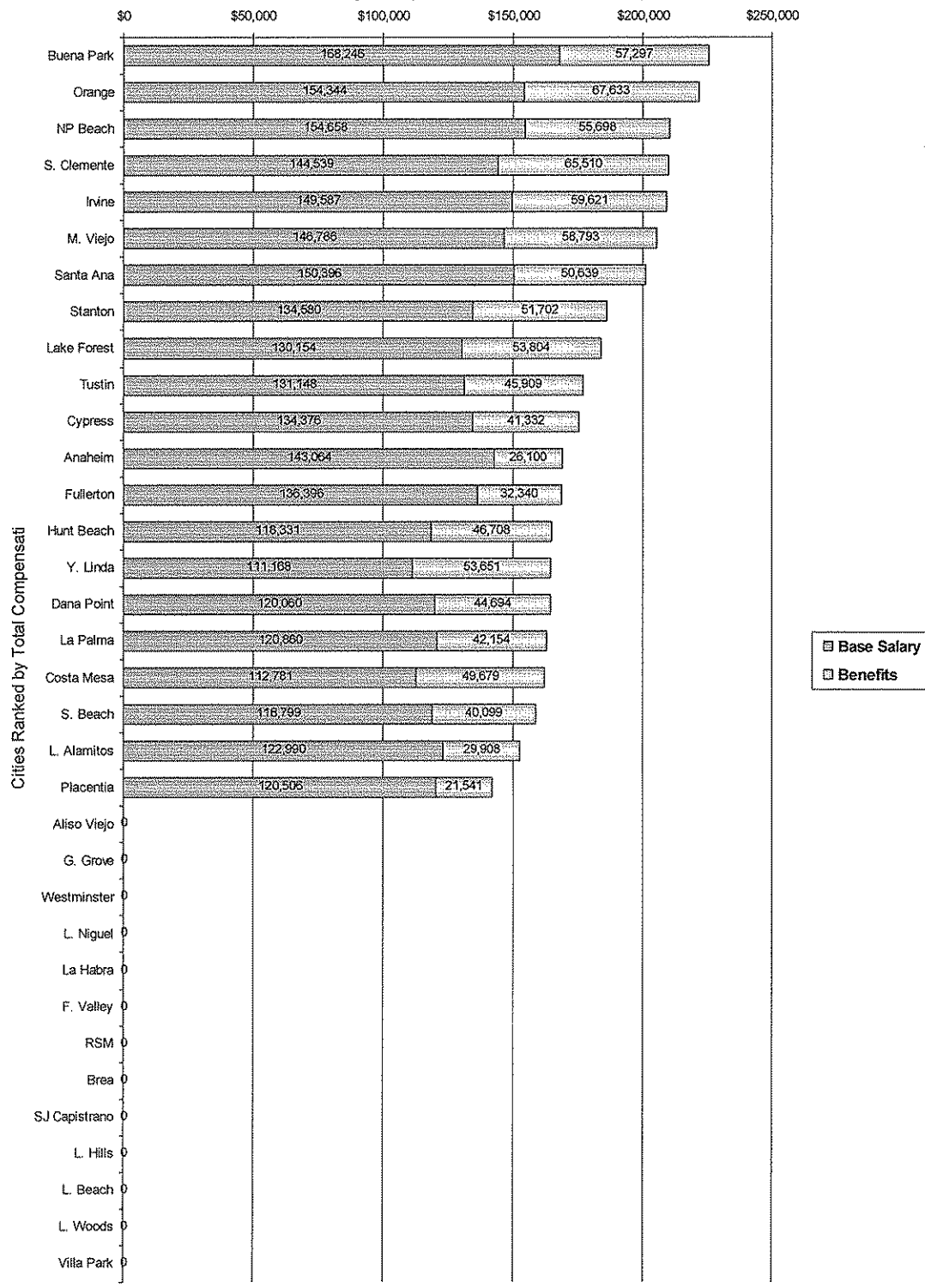
Appendix 2(f) Public Works Compensation

For cities showing \$0, the position was not covered in the study

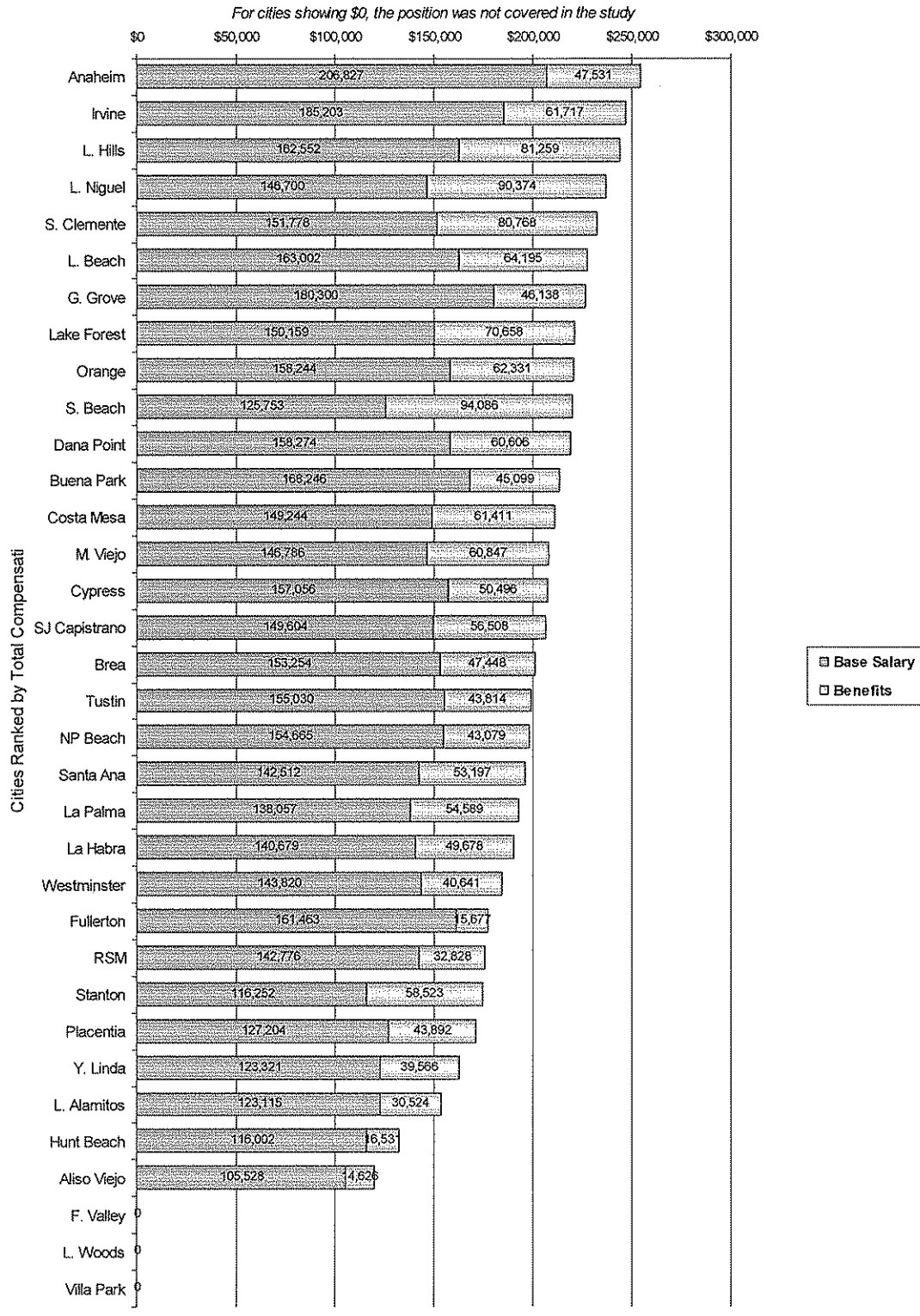


Appendix 2(g) Parks and Recreation Compensation

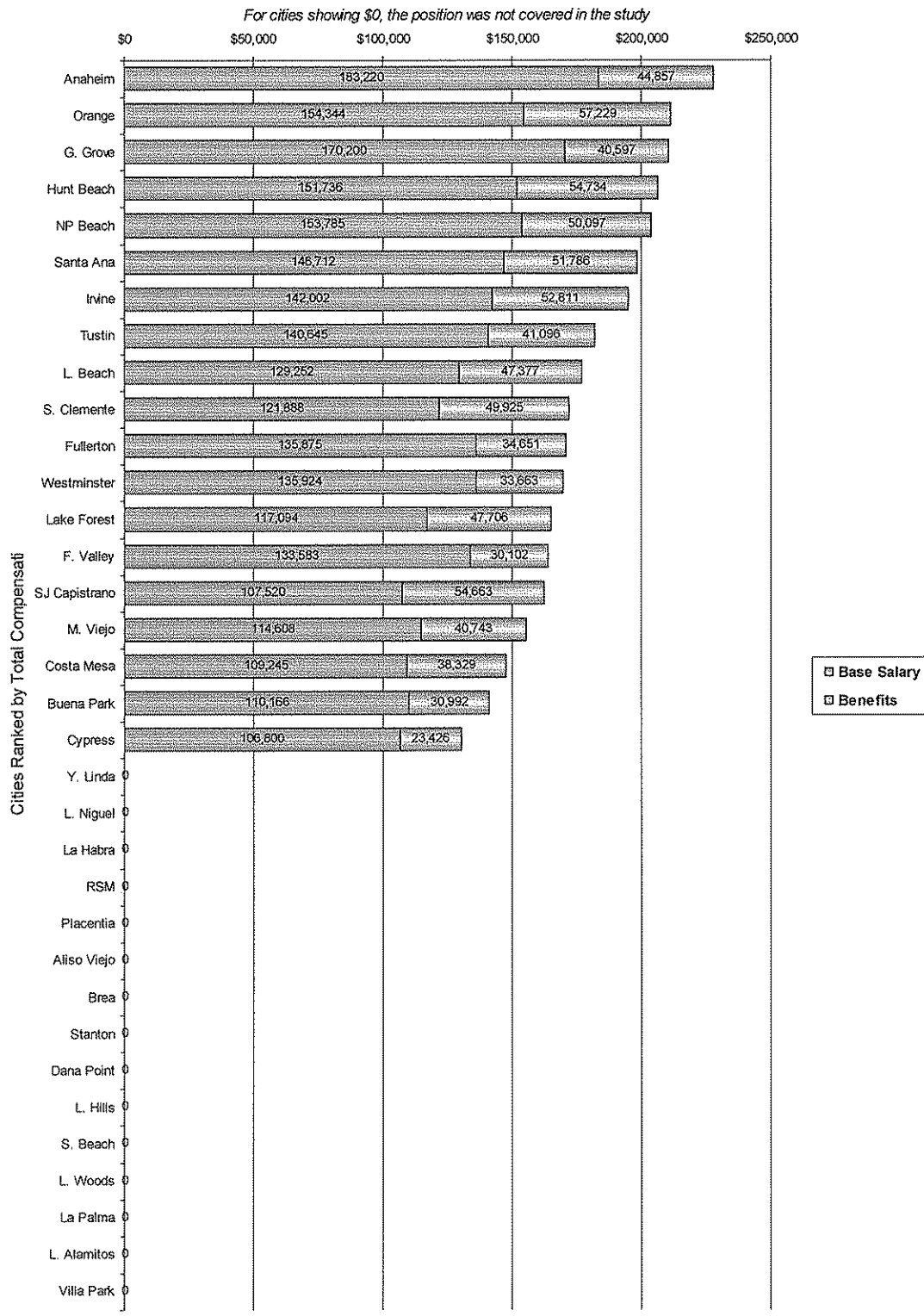
For cities showing \$0, the position was not covered in the study



Appendix 2(h) Community Development Compensation

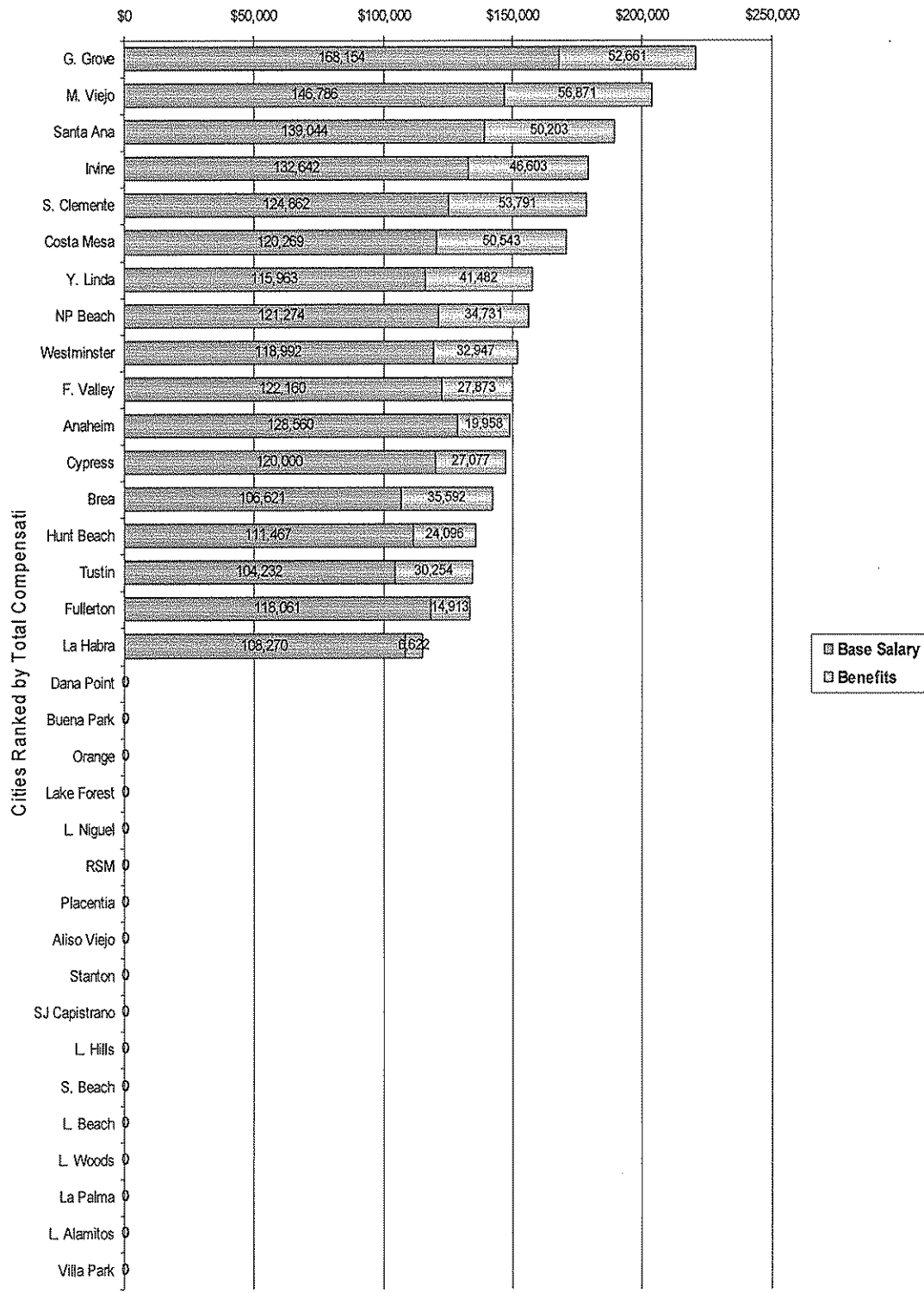


Appendix 2(i) Human Resources Compensation



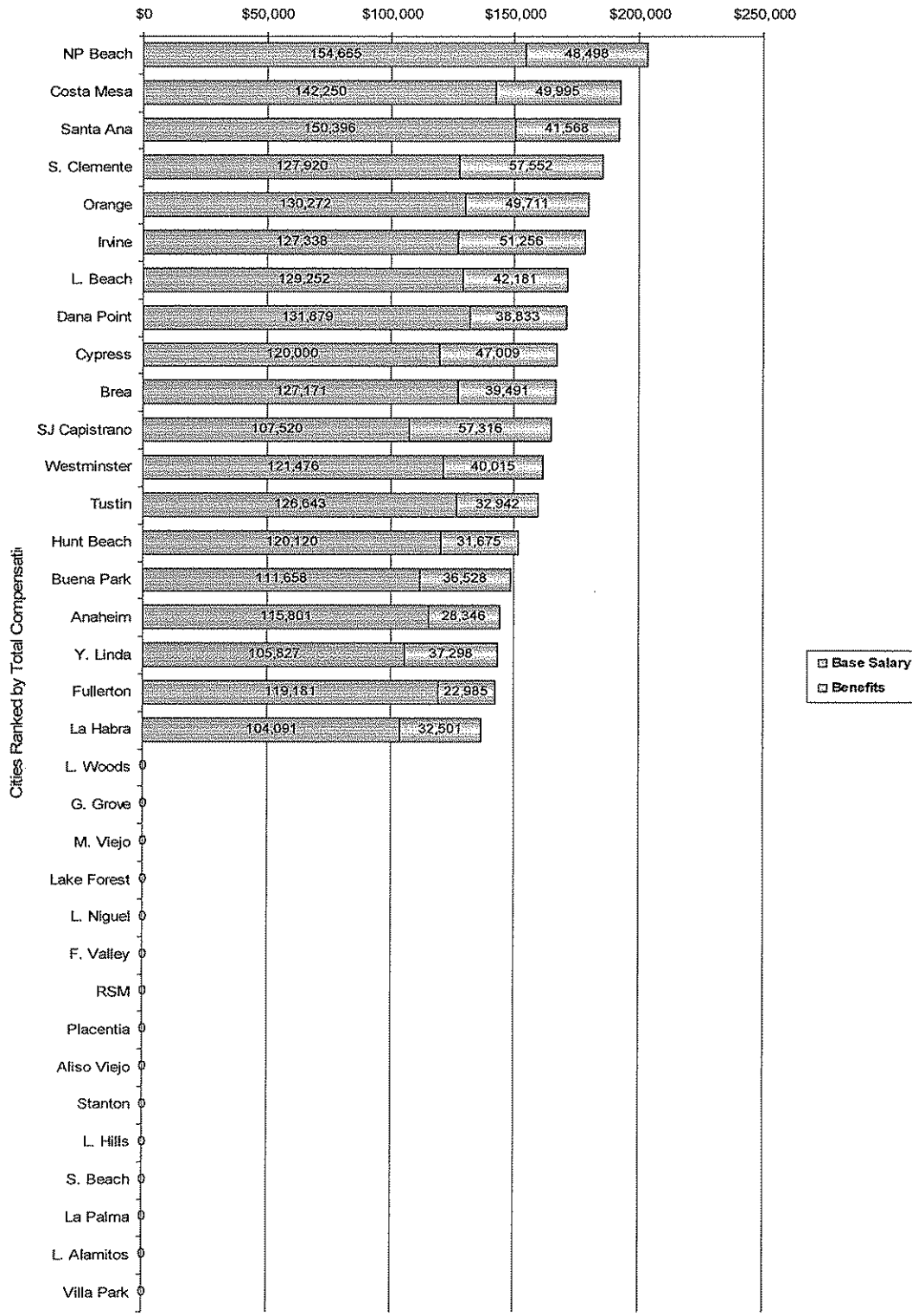
Appendix 2(j) Information Technology Compensation

For cities showing \$0, the position was not covered in the study



Appendix 2(k) Building Official Compensation

For cities showing \$0, the position was not covered in the study



Appendix 3a Number of City Positions Paying over \$100 K

City	Population	No.Positions over \$100K*	No. Positions per 10,000 population
Anaheim	348,467	173	4.96
Irvine	212,793	106	4.98
Huntington Beach	202,480	90	4.44
Santa Ana	355,662	85	2.39
Newport Beach	86,252	60	6.96
Orange	141,634	39	2.75
Costa Mesa	116,479	33	2.83
Garden Grove	174,715	33	1.89
Fullerton	137,624	31	2.25
Tustin	74,825	28	3.74
San Clemente	68,316	25	3.66
Mission Viejo	100,242	23	2.29
Laguna Beach	25,208	22	8.73
Buena Park	83,385	21	2.52
San Juan Capistrano	36,870	18	4.88
Brea	40,176	17	4.23
Westminster	93,284	16	1.72
Cypress	49,647	15	3.02
Fountain Valley	58,309	15	2.57
Dana Point	37,082	14	3.78
La Habra	62,822	14	2.23
Yorba Linda	68,399	14	2.05
Lake Forest	78,344	12	1.53
Laguna Niguel	67,201	11	1.64
Seal Beach	25,913	9	3.47
Stanton	39,480	8	2.03
Placentia	51,932	8	1.54
Laguna Hills	33,434	7	2.09
Aliso Viejo	45,683	6	1.31
La Palma	16,205	5	3.09
Los Alamitos	12,217	4	3.27
Rancho Santa Margarita	49,704	4	0.80
Laguna Woods	18,477	2	1.08
Villa Park	6,276	1	1.59
Average			3.21

* Excludes Police, Fire, Great Park and Electric Utility positions

Appendix 3b Laguna Beach Salaries over \$100K *

POSITION	SALARY
City Manager	238,453
Asst City Manager	179,064
Dir of Public Works	179,064
Dir Community Development	163,002
Dir of Finance and IT	157,506
Asst City Engineer	134,628
Finance Officer	133,120
Personnel Services Mgr	129,252
Planning Mgr	129,252
Building Official	129,252
Zoning Admin	129,252
Dpty Dir of Public Works	129,252
Building Official	129,252
Project Dir	129,252
City Clerk	115,656
Senior Plan Checker	114,053
CAD/RMS Project Mgr	110,676
Dir of Community Services	108,765
Computer Network Admin	108,623
Principal Planner	102,817
Principal Planner	102,817
Principal Planner	102,817

* Excludes Police, Fire, Great Park and Electric Utility Positions

Appendix 3c Newport Beach Salaries over \$100K *

POSITION	SALARY	POSITION	SALARY
City Attorney	220,000	Civil Eng, Sr	118,851
City Mgr	190,747	Civil Eng Sr - Plan Check	118,837
Asst City Mgr	179,424	Civil Eng, Sr	117,149
Public Works Dir	170,768	Civil Eng, Sr	117,149
Gen Services Dir	166,433	Park & Tree Supt	116,875
Asst City Attorney	159,805	Civil Eng Sr - Plan Check	115,181
Dpty PW Dir/City Eng	159,224	Planning Mgr	115,138
Building Dir	154,665	GIS Supv	113,318
Planning Dir	154,665	IT Opers Supv	113,318
Rec & SR Service Dir	154,658	Human Resources Supv	112,060
Human Resources Dir	153,785	Civil Eng Sr - Plan Check	111,821
Dpty Admin Services Dir	145,964	Recreation Supt	111,738
Library Services Dir	145,195	Dpty City Attorney P/T	110,628
Dpty Bldg Official	142,272	Civil Eng, Principal	110,201
Dpty Gen Svcs Dir	138,923	Lifeguard Battalion Chief	108,493
City Traffic Eng	138,778	Apps Coord P.D.	108,056
Asst City Eng	138,778	Telecom/Network Coord	107,588
Asst City Eng	138,778	EMS Mgr	106,756
Revenue Mgr	135,481	PIO-Video	106,142
Finance Officer	135,481	Pers Comp/Network Coord	106,072
Civil Eng, Principal	132,132	Accountant, Principal	104,166
Risk Mgr	128,991	Planner, Principal	104,125
Human Resources Mgr	128,991	Sr Services Mgr	103,303
Public Infor Mgr	123,446	Civil Eng Assoc 5%	102,835
IT Apps Supv	121,274	Construction Inspec Supt	102,835
PW Finance/Admin Mgr	120,910	Civil Eng Assoc 5%	102,106
Civil Eng, Sr	118,851	Human Resources Analyst, Sr	101,650
Civil Eng Sr - Plan Check	118,851	Civil Eng Assoc 5%	101,376
Civil Eng, Sr	118,851	Field Maint Supt	100,581
Civil Eng Sr - Plan Check	118,851	Opers Support Supt	100,581

* Excludes Police, Fire, Great Park and Electric Utility Positions

Appendix 4 Compensation Disclosure Model

[illegible]

*** Includes Fees, Deferred Compensation, Incentive Bonus, Auto Allowance and Pay in Lieu of Time Off.**