



CITY OF NEWPORT BEACH

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August 15, 2011

The Honorable Thomas J. Borris
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, California 92701

RE: Report of the Orange County Grand Jury – "Compensation Study of Orange County Cities."

Dear Judge Borris:

The attached is the City of Newport Beach's formal response to the above-noted Grand Jury Report.

If you or any members of the Grand Jury have questions about our response, please do not hesitate to ask.

Sincerely,

MIKE HENN
Mayor of Newport Beach

from judge

RE: Report of the Orange County Grand Jury - "*Compensation Study of Orange County Cities*"

FROM: City of Newport Beach, California

DATE: August 15, 2011

The Report obligates the City to respond no later than September 7, 2011 to:

- Findings F.4, F.5, and F.7; and
- Recommendations R.1, R.2, and R.3.

City Manager Dave Kiff was instructed to respond to the Report on the City's behalf. His comments follow.

FINDINGS

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

Response: Responding as to our own City, we see that the Grand Jury awarded us two "Ds" and a "C." However, our salary and benefit information remains highlighted on our website in two locations (see Exhibits 1 and 2 below, which are direct cut-and-pastes from our website). There is a possibility that there may be a demographic technology divide between Grand Jury members and an average reader. That said, we will take the Grand Jury at its word and **agree partially** and will, as always, continuously work to improve the content, clarity, and accessibility of this same information.

Finding 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.

Response: Acknowledging that we assume we are not literally being asked to comment on a finding about other cities' position levels, we **disagree** as it relates to Newport Beach. The Grand Jury's per capita ("commensurate with ... population") analysis and its methodology (what positions are included, what are excluded) is a common one in part because it's easy. But it is misleading, too. Here are our more specific concerns:

- First, the finding is based on 2009 data. It does not take into account positions that were retired in late 2009, 2010, and 2011.
- The second concern is that the report, while noting that it excluded "Police and Fire" positions, erred and didn't do that for Newport Beach's positions (p. 43). It actually included some.

- Thirdly, the reasoning behind excluding police and fire (p. 2: “Several cities do not have any police and/or fire positions because they contract with the County for such services”), while somewhat reasonable on its face (yet again in error – the Orange County Fire Authority is not a County agency and Yorba Linda contracts with Brea for Police Services), begs further questions that the report-writers should ask themselves about other services not consistent across jurisdictions – why not exclude legal counsel? Why not library administration? Why not water and wastewater utility staff?

Wherever one lives in Orange County, a resident likely receives the same menu of basic municipal services – drinking water delivery, wastewater collection, fire suppression, legal services, police protection, and access to public libraries, parks, senior services and community centers. That same resident pays taxes or commodity rates for each and in many if not most cases, public employees are providing the services. In Newport Beach, the city government provides most of these services plus lifeguarding, trash collection, disaster preparedness, and a number of other services due to our coastal location and the expectations of our citizens.

If you live in a “contract city” such as Lake Forest or Aliso Viejo, the city government provides fewer of these services, but public employees and public agencies (ones possibly not yet scrutinized by the Grand Jury) still earn tax dollars to provide many (not all) of the menu of services. The Grand Jury may wish to consider whether the difference between **contract cities** and **full-service cities** is more determinant of upper-level positions than population.

There is even a difference between cities that regularly accommodate **large numbers of workers and/or tourists and those that do not**. Newport Beach has an influx of visitors across several months that can add 100,000 or more people a day to our community. This past July 4th, more than 135,000 came to our beaches in one day. Some of these daily visitors contribute well to our tax base, but also add more impacts to things like traffic engineering and public works, to patrol and traffic in Police, to fire and EMS, beach cleaning, and even to our libraries (our library system, ranked among the highest in the nation, is also our second most visited asset behind our beaches). This additional service base, not counted in our resident population, makes the Grand Jury’s per capita-based conclusion less meaningful.

Finding F.7 – There currently is no disclosure of written employment contracts on the majority of cities’ websites.

Response: Acknowledging the same caveat in our previous responses (literally being asked to comment on a finding about other cities’ websites), we **disagree** as it relates to our own City website. Major employment contracts that go before the City Council are on our website as a part of Council Agenda packets. Modern search engines can be beneficial here. A recent attempt to see the City Manager’s employment contract using a common search engine (Google) brought the contract up on the City’s web page in less than 10 seconds.

RECOMMENDATIONS

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

Response: This recommendation has been implemented well before the Grand Jury's report. Compensation information is and has been on the City's website (see below) since summer 2010. That said, we will continue to consider ways to improve any and all information on our website.

Exhibit 1 – Main Web Page – City of Newport Beach

The screenshot shows the main web page of the City of Newport Beach. At the top, there is a navigation bar with links for HOME, ABOUT, CITY GOVERNMENT, DEPARTMENTS & SERVICES, RESIDENTS, VISITORS, BUSINESS, and ONLINE SERVICES. Below the navigation bar is a large banner image of a coastal scene with trees and a building. The main content area is divided into three columns: NEWS, MEETINGS & EVENTS, and AGENDAS & MINUTES. The AGENDAS & MINUTES column is circled in red, highlighting the 'BUDGET & SALARY INFORMATION' link. Other links in this column include JOBS, MAPS, NBTV, ONLINE PAYMENTS, PROJECTS & ISSUES, RECREATION CLASSES, SERVICE REQUESTS, and STAFF DIRECTORY. The NEWS column contains three articles, and the MEETINGS & EVENTS column contains a list of upcoming meetings.

NEWS

- Meet the Mayor Saturday Morning
Mayor Mike Henn will visit the West Newport Community Center this Saturday, June 11, from 9 a.m. to 10:30 a.m. to meet and talk with community members about the City of Newport Beach.
- Public Hearing Notice: Urban Water Management Plan
The public hearing is scheduled for June 14, 2011, at 7:00pm in the City Council Chambers. The Urban Water Management Plans are prepared by California's urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands.
- Back Bay Trail Slope Repair
The Back Bay bike trail will be

MEETINGS & EVENTS

- Coastal Bay Water Quality Committee
6/9/2011 3:00 PM - 5:00 PM
- Special Events Advisory Committee
6/9/2011 3:00 PM
- City Arts Commission Meeting
6/9/2011 5:00 PM
- Planning Commission Meeting
6/9/2011 6:00 PM
- Meet the Mayor
6/11/2011 9:00 AM - 10:30 PM

AGENDAS & MINUTES

- BUDGET & SALARY INFORMATION**
- JOBS
- MAPS
- NBTV
- ONLINE PAYMENTS
- PROJECTS & ISSUES
- RECREATION CLASSES
- SERVICE REQUESTS
- STAFF DIRECTORY

Exhibit 2 – Next Link - Budget Web Page

City Departments & Services > Administrative Services > Accounting Division > Financial Information

CITY BUDGET DOCUMENTS

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Budgetary Documents (Please Note: Fiscal Year = July 1 - June 30)

Budget documents labeled as Preliminary represent the proposed budget prior to City Council review, and are subject to change prior to the City Council's approval. Department budget presentations are based on the preliminary budget and do not represent the final approved budget.

Budget Detail

- [Fiscal Year 2011-12 \(Proposed\) - Access Current Salary Information Here*](#)
- [Fiscal Year 2010-11](#)
- [Fiscal Year 2009-10](#)
- [Fiscal Year 2008-09](#)

Recommendation R.2 – Each city reveal any individual employment contracts in an easily accessible manner.

Response: This recommendation has been implemented. For those employees who have contracts, they generally are on the City's website associated with City Council agendas and packets – search engines can quickly find them.

Recommendation R.3 – 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.

Response: Notwithstanding our assertion that (again), the Grand Jury's resident population-based comparison is fundamentally flawed, we continuously review all of our positions. We do this as a part of every budget process and with every retirement or restructuring. In Newport Beach, we take personnel numbers and costs very seriously. In fact, the City Council has reduced overall City positions from a high of 833 full-time two years ago at this time to about 760 full-time positions in the budget year that began on July 1, 2011. That's 73 positions (about a 9% reduction) all done without significantly impacting the quality of services that Newport Beach residents (and those uncounted 100K+ visitors) have come to expect.

Additionally, base compensation has been impacted (generally lowered since 2009) thanks to additional pension contributions from employees that are directly deducted from base salary. Non-safety employees will pay 8% of their salary towards pension costs in January 2012. Some safety employees

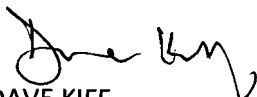
already pay 9% (up from 3.5%) of their base salaries in July 2011. This is more than \$3.7 million in FY 2011-12 coming off of base salary that is not part of the Grand Jury's analysis.

The Council itself adopted a new "total compensation" philosophy at its June 14, 2011 meeting – a philosophy grounded in private-sector and public-sector comparisons, greater cost sharing for pensions, and that looks at the more useful "total compensation" metric versus comparing just salary.

In closing, I would respectfully recommend that the Grand Jury continue to thoughtfully evaluate issues it might like to study given the resources at its disposal. I find that quality Grand Jury reports and analyses are valued and valuable to local governments and their residents – respectfully, I did not find this Report to be of the same discipline and value as others that the Orange County Grand Jury has produced. The multiple hours that Grand Jury members may have spent on this report, as well as the multiple hours that individual cities like our own spend in responding to it formally and informally (including media calls), arguably decrease that value even further.

I welcome any views to the contrary or concerns that the Grand Jury might have about this response. I can be reached at 949-644-3001 or dkiff@newportbeachca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Kiff", written in a cursive style.

DAVE KIFF

City Manager, City of Newport Beach