FINAL REPORT
2010-2011
CIVIL GRAND JURY

COUNTY OF
LOS ANGELES

County of Los Angeles
CIVIL GRAND JURY

CLARA SHORTRIDGE FOLTZ CRIMINAL JUSTICE CENTER
210 WEST TEMPLE STREET • ELEVENTH FLOOR • ROOM 11-506 • LOS ANGELES, CALIFORNIA 90012
TELEPHONE (213) 893-1047 • FAX (213) 229-2595
http://www.grandjury.co.la.ca.us/

June 30, 2011

To the Citizens of Los Angeles County:

One year ago a diverse group of 23 Los Angeles County citizens was sworn in as the 2010-2011 Los Angeles County Civil Grand Jury by the Assistant Supervising Judge of the Los Angeles Superior Court Criminal Division. The Judge administered our oath and charged us with our obligation. We were to serve as a citizens' "watchdog" group with the power to investigate and report on operations of local government.

To focus our efforts, we drafted a Mission Statement:

> *In an endeavor to hold local government accountable to the People . . . enhance the performance of public agencies . . . provide vehicles for change . . . giving voice to fellow citizens . . . We pledge to: draw attention to serious issues facing greater Los Angeles, identify wrongdoing, inefficiencies and willful misconduct, guide ourselves by professional and personal ethics, create a collaborative, cooperative environment with fellow jurors, and produce a clear, factual, concise and actionable Report. We, the Los Angeles County Civil Grand Jury of 2010-2011, embrace this challenge. Together we will make a difference.*

We began our year educating ourselves about various municipal governmental functions which included listening to 34 speakers and visiting 20 facilities as a group. Many of the places visited are not normally accessible to the general public. As one of our speakers opined, we received a master's degree-level course in civics with an opportunity to make a difference.

Each Jury has 3 primary tasks to perform. First, inquire as to the condition and management of the public prisons. Second, review and investigate citizen complaints submitted to the Jury. Finally, examine aspects of County, municipal, and special districts governmental entities to ensure that they are being governed honestly and efficiently.

We divided ourselves into 18 Investigative and 7 Standing committees to more efficiently complete the tasks. We enlisted the assistance of professional experts allowing us to expand the breadth and depth of several investigations.

At first glance, the 2010-2011 Jury appears to have selected an eclectic set of topics to investigate. They actually fall into broad categories of current concern including: municipal financial distress, transparency and good governance, law and order, improved efficiency and voice for the voiceless.

Some investigations cover several of the above categories.

The 24 Reports in this document are divided into 3 sections:

Investigative reports are the primary result of the CGJ efforts. I hope you find each report informative and useful. The intent is to act on behalf of our fellow citizens on topics that will make a positive difference in our communities.

Areas of Review are brief summaries of issues explored where no recommendations were warranted.

Standing committee reports include summaries of the results of our jail visits and reviews of the inner workings of the Jury that enabled this Report to be prepared and published.

My experience as foreperson has been an honor and a privilege. I found it personally rewarding to guide this team as we grappled with issues, resolved differences and sought solutions.

I would like to thank:

- Judges Peter P. Espinoza and Patricia M. Schnegg and their fellow Los Angeles Superior Court judges for providing each of us the opportunity to serve,

- Our legal advisor, Principal Deputy County Counsel, Gordon Trask, whose insight and sage legal advice was invaluable,

- Grand Jury staff Rick, Cora and Natalie, without whose day-to-day help the Jury would have been much less effective,

- All of the local governmental officials and staff who educated us on the functions and inner workings of numerous governmental entities, and

- Last, but not least, my fellow Jurors who each devoted a year of their lives to this effort and without whose tenacity this book would not have been published.

I encourage interested, qualified citizens of the County to follow in the tradition of service and apply to be a Civil Grand Juror. It is truly an opportunity of a lifetime.

After reading this report, I hope you will agree that we fulfilled our Mission.

Respectfully submitted,

Joseph H. Safier

Joseph H. Safier, Foreperson
2010-2011 Los Angeles County Civil Grand Jury

Standing: L to R: Laura M. Holmes, John A. Rangel, Solomon Hailpern, Brian J. Twomey, Gloria J. Williams, Max E. Van Doren, Virginia Smith-Rader, James R. Boyd, Susan Stetson, George E. Candler, Jr., Alfred E. Orosco, Meg George (Foreperson Pro-tem), Judy Packer, Kenneth A. Jones

Seated: L to R: Beverly T. Kishimoto, Hazel A. Dial (Sergeant-at-Arms), George A. Lyles, Joseph H. Safier (Foreperson), Leah Markus, Wardah Shakir, Linda Loding, Mitchell Group, Grace Hernandez (Secretary)

HOW TO BECOME A LOS ANGELES GRAND JUROR

PRIMARY FUNCTIONS OF THE CIVIL GRAND JURY

The primary function of the Civil Grand Jury is to investigate County, City, and joint-power agencies. This is a significant civil function. The Civil Grand Jury acts in a "watch-dog" function by examining carefully and completely the operations of various government agencies within Los Angeles County. The Civil Grand Jury cannot investigate State or Federal agencies as they lie outside their jurisdiction. Part of the investigation of governmental agencies includes the ability to audit operations, accounts, and records of officers and departments within the agency under investigation. The Civil Grand Jury is further charged with investigating individual complaints from citizens. By statute, the Civil Grand Jury is required to inquire regarding the conditions and management of all public prisons within the County of Los Angeles.

To carry out this function, the Civil Grand Jury is divided into committees, each of which concentrates on certain areas under investigation. These committees visit facilities, meet with officials, and develop recommendations for improving government operations. The Audit, Citizens Complaints, and Jail Committees are considered essential because of the Civil Grand Jury's mandate to audit the County, examine complaints from individual citizens, and inspect the jails.

CIVIL GRAND JURY – FULL TIME FOR ONE YEAR

Twenty-three citizens of Los Angeles County are sworn each July to serve as Civil Grand Jurors for 12 months. Membership on this body is a full-time commitment, 5 days a week and approximately 30 - 40 hours each week. Los Angeles County, with its large population, its numerous facilities and problems, is so big and complex that the members of the Civil Grand Jury must be prepared to devote their time and energies almost totally to the needs and demands of the Civil Grand Jury.

It is essential that all Civil Grand Jurors be in attendance for every session. A full body of jurors is vital to productive discussion of issues and decision making; therefore, only the most pressing emergency or a juror's illness are considered reasons for legitimate absence.

Anyone who is nominated to serve on the Civil Grand Jury must be fully cognizant of time involved. Each prospective Civil Grand Juror should sincerely and thoughtfully weigh any and all family, personal, and business obligations before accepting nomination to the Civil Grand Jury.

WHO IS ELIGIBLE FOR CIVIL GRAND JURY NOMINATION?

By law, a person is eligible if that person is: a citizen, 18 years of age or older, a resident of the County for at least one year, of ordinary intelligence and good character, and has a working knowledge of English. A person is not eligible if the person has served on a Grand Jury within the past 12 months, is an elected public official, or has been convicted of a felony.

HOW ARE CIVIL GRAND JURORS SELECTED?

Each year every Superior Court judge may nominate two persons that he/she deems qualified to serve as Civil Grand Jurors. Any interested citizen who wishes to be considered for nomination may submit an application before the deadline in November to the Superior Court, Criminal Justice Center, 210 West Temple Street, 11th Floor, Room 11-506, Los Angeles, CA 90012. Those who apply will be interviewed by the Grand Jurors Committee to determine each person's qualifications. The applications of qualified individuals are then made available to all Superior Court judges for possible nomination. The First Drawing is held in April to randomly select 40 prospective Grand Jurors and 30 alternates from the pool of nominees. A thorough background investigation of the prospective Civil Grand Jurors and alternates is conducted by the Sheriff's Department. In June a final drawing is conducted to select 23 Civil Grand Jurors and 17 alternates.

The 23 Civil Grand Jurors and alternates are required to complete financial disclosure forms in compliance with California Government Code Sections 81000 – 91015.

Swearing in for the Civil Grand Jurors is July 1st of each year (or the earliest day thereafter if July 1st falls on a weekend). Jurors are required to be present for the swearing in ceremony in July to receive the Charge to the Civil Grand Jury. In addition, all Civil Grand Jurors must be available during the month of July, a month of organization and training. Civil Grand Jurors unable to be present at the swearing in ceremony and during the balance of July will be permanently replaced by alternates.

FOR FUTHER INFORMATION ABOUT THE CIVIL GRAND JURY

If you have any questions about the nomination procedure, please contact:

County of Los Angeles
Civil Grand Jury
Clara Shortridge Foltz Criminal Justice Center
210 W. Temple Street, 11th Floor, Room 11-506
Los Angeles, CA 90012
Telephone: 213-893-1047

http://www.grandjury.co.la.ca.us

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HOW TO RESPOND TO FINDINGS AND RECOMMENDATIONS

Extracts from the California Penal code related to Grand Jury Reports

Provided here are extracts of California Penal Code §933 that establish the requirements for responding to Civil Grand Jury reports. §933(c) gives the following timetable for responses (underlining added for emphasis):

> No 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... In any city and county, the mayor shall also comment on the findings and recommendations. All of these comments and reports shall forthwith be submitted to the presiding judge of the superior court who impaneled the grand jury.

In addition, §933.05 gives explicit instructions for how public agencies (including county departments and agencies, and all public agencies geographically situated within county borders, e.g., cities and their police departments) must respond to a grand jury report:

(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 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 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 therefore.

(c.) 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…

Written responses should be mailed to:
Presiding Judge
Los Angeles Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, California 90012-3210

INVESTIGATIVE REPORTS

ADOPTIONS
Where Are You?

Committee Members

Chair - Linda Loding
James R. Boyd
Mitchell Group
Judy Packer

POST ADOPTION SERVICES
WHERE ARE YOU?

SUMMARY

Adoptees and their birth parents are, by definition, separated by adoption. Either the adoptee or one or both of the birth parents may decide to search for each other at some point during their lives.

This Report addresses the concerns and dilemmas of both adoptees who are searching for birth parents or other relatives, as well as birth parents (mother, father, or both) who want to locate their child placed for adoption. This Report addresses procedures used by the Los Angeles County Department of Children and Family Services (DCFS), Post Adoption Services (PAS), and identifies the possible solutions to facilitate timely reunifications.

PURPOSE

This inquiry was conducted to evaluate the DCFS post adoption procedures for the reunification process which uses the Birth Parent/Adult Adoptee Consent for Contact. The scope of the investigation consisted of:

1. Determining whether effective processes have been implemented to ensure compliance with established policies, procedures, and regulations
2. Determining whether effective processes and adequate internal controls are in place to provide reasonable assurance in minimizing error and maximizing service efficiency while protecting confidentiality
3. Making recommendations that may improve controls and overall processes in general and the reunification process specifically, such as:
    a. Obtaining birth and/or adoption records
    b. Searching for and reuniting birth relatives

BACKGROUND

Los Angeles County DCFS Adoption Division (the Division) has been a licensed adoption agency since 1949. The Division has placed a particular emphasis on reunification, kinship, and adoption.

Adoption is a life-long process and, as such, the needs of children and their families do not end when an adoption is finalized. The Division is a resource for ongoing information and services related to adoptions. The Division created a specialized unit to provide services and support to adoption triad members (adoptive parent, adoptee, birth parent) after adoption finalization. PAS was also created to strengthen and empower adoptive families, respond to information inquiries from adult adopted persons and birth families, and provide information about and access to resources for adoption triad members.

PAS provides services for adoptions which were finalized after a six (6) month period. The family is directed back to the Adoption and Permanency Resources Division (APRD) Children's Social Worker who handled their adoption within the first six (6) months after the adoption was finalized. The PAS units provide:

1. Non-identifying information about the birth families to adoptees
2. Non-identifying information about the adoptive families to the birth families
3. Assistance with reunions between the birth family, the adoptee and siblings:
    a. Reunions between adoptees and birth families (if adoptee is at least 18 years old)
    b. Reunions between adoptees and adult siblings (if both adoptee and sibling are at least 21 years old)
4. Assistance with referrals to Adoption Promotion Support Services (APSS), Wrap Around and Residential Treatment Centers (RTC)
5. Processing of Adoption Assistance Program (AAP) reassessments and requests for increases
6. Support groups open to all adoptive parents

Adoptees may request their birth family history anytime after reaching age eighteen (18).

APSS is federally funded through the Promoting Safe and Stable Families Act. The specific goal of the APSS program is to increase permanency for children. This resource is available to all Children Social Workers (CSW). APSS agencies provide support to children and adoptive families to nurture lifetime commitments, to ensure permanency for children, to expedite the adoption process and to reduce disruption of adoption.

Community based agencies located in each Service Planning Area (SPA) provide coordinated services. There are eight (8) APSS agencies and twelve (12) APSS contracts that provide coverage. The specific services are individual, group or family therapy, mentors, and support groups for children and/or adults. There are currently twenty-five (25) APSS support groups throughout the County who are available when the concern of the child or family is adoption related. The family can be considering adoption, in the process of adopting, or finalizing an adoptive family (post adoption).

The outcome of APSS services is expected to decrease the number of children remaining in out-of-home care and increase the number of finalized adoptions. APSS agencies provide referrals for linkage services that include child care, health care, mental health physical and developmental services, educational, adult role model substitutions, income support and transportation services. Targeted populations are:

a. Children with an alternative permanent plan of adoption for whom adoption recruitment efforts are underway
b. Children in long-term foster care who may benefit from a permanent plan of adoption
c. Children who may have a reluctance about being adopted

d. Families pursuing adoptions by becoming a resource family through participation in Partnering for Safety and Permanence-Model Approach for Partnership in Parenting
e. Families involved in the adoption process including pre-adoption activities and adoption home study
f. Children and families in need of support and services before, during and after adoptive placement
g. Families in need of post-adoption support services to strengthen the family and reduce risk of adoption disruption after finalization
h. Families adopting a sibling group

METHODS AND PROCEDURES

The 2010-2011 Civil Grand Jury (CGJ) conducted interviews with a number of individuals to obtain pertinent information. Members of the CGJ met with DCFS personnel. In preparation for this inquiry, the CGJ reviewed prior CGJ Final Reports, internet information, newspaper articles, and a wide variety of documents, including practices and procedures as well as other data provided by DCFS. In addition, the CGJ contacted and reviewed practices and procedures from several other counties' adoption services used for reuniting biological parents and adopted children.

FINDINGS

1. Since 1949, every adoption processed by DCFS has a permanent associated case file. Case files for adoptions completed prior to December 16, 2003 are paper based, while those completed on or after December 16, 2003 are stored electronically as well as by case file. Birth parents can sign Consent for Contact forms while siblings use Waiver Confidentiality forms. Consent forms are then filed in the case files in the event the adoptee contacts PAS to reconnect with the birth family.

2. Although California is a Closed Adoption state, Family Code 8616.5 allows for a Post Adoption Agreement where parties agree in advance as to the amount and nature of contact between the adoptee and birth family. Family Code Section 9204 allows an adult adoptee and the adult adoptee's birth parents, who have each filed a written consent with DCFS, to request that PAS provide contact.

3. When a child is being placed for adoption, the birth parent(s) is given State Form AD 908 to sign, informing them of confidentiality rules. By signing Form AD 904 (Consent for Contact), the birth parent(s) voluntarily gives consent to disclose their names and addresses to their adult biological child who was adopted. AD 904A and AD 904B are utilized for confidentiality rules and siblings requesting Consent for Contact.

4. As stated in Family Code Sections §9203 and §9204, when an adult adoptee requests the identity and most recent addresses of their birth parent(s), the information may be disclosed if the birth parent(s) had signed AD 908 and AD 904. It is unclear why the adoptee age requirement is twenty-one (21) if the birth parent signs AD 908 (Adoption

Information Act Statement) and eighteen (18) if AD 904 (Consent for Contact) is signed by birth parent.

a. The above process applies to an adult adoptee with language, “My birth parent(s) may contact me.”

b. If the biological parent(s) had a consent on file, all parties would have consented to share information; and PAS may facilitate a reunion if both parties agree.

Refer to the listing at the end of this Report for the forms utilized in the above process.

The CGJ contacted Orange County’s PAS, to review their adoption services and practices and found that they do not utilize an automated data system to track and store adoption information. The files are paper documents dating back to 1967. Prior to that, the files were kept and maintained by the State.

Currently, some Orange County files are kept offsite in a storage facility, while more recent ones are kept in house. This appears to be basically the process used by Los Angeles County DCFS prior to December 16, 2003.

The current APRD Adoption Information System (AIS) tracking system is client based, not service based and can only seek data about specific clients served, not number of documents or reunifications completed.

5. The CGJ found that DCFS Adoptions and Permanency Resources Division (APRD) delegates PAS to provide information and referrals to adoptive families after adoption. In this capacity, PAS has been charged with providing services to all members of the adoption triad. The following describes the PAS services, procedures and possible reunification barriers:

   a. PAS utilizes AIS to track and store specific adoption information. The AIS is a stand-alone system used to track post-adoption requests for services, as well as the filing of received documentation in the adoption case record.

   b. If a biological parent/adopted child has submitted the consent forms prior to the AIS being installed (December 16, 2003), the paper files are kept in a storage facility.

   c. Adoptees’ cases (Consents or Waivers) received more than ten (10) years ago are not filed or indicated in the AIS system. The only means of research for retrieving paper case files are from storage.

   d. The AIS tracking system is client based, not service based, and can only seek data about specific clients served.

6. The CGJ found that the primary issues are:

   a. Staffing Levels - The PAS unit in the past ten (10) years is budgeted for fifteen (15) social workers and have 13 at the present time due to budget cuts; however, there is a wait list for requests to receive medical information, non-identifying information about the birth parents or a summary of the case record. In addition, the number of ongoing post-adoption support groups at various locations throughout the County is approximately twenty-five (25) while service requests are increasing. There is still a need for adoption-related resources in the community.

b. Backlogs - PAS units currently have a backlog of both PAS and Adoption Assistance Program (AAP) cases. These cases were generated from three (3) flyers issued to twenty-three thousand (23,000) AAP recipients in July 2008, August 2008 and January 2009. In May 2010, PAS units identified approximately one thousand six hundred thirty-four (1,634) AAP backlog cases as a result of the three (3) flyers. Approximately eight hundred (800) of these were completed in 2010; and the remaining eight hundred thirty-four (834) were completed in January 2011. The CGJ noted that the PAS Waiver Book is utilized to identify paper waivers which have not been matched with the actual paper files. In addition, the CGJ learned that when PAS moved from Vermont/Wilshire to Normandie/Wilshire, files could have been misfiled or lost. Of particular concern, no statistics were kept on the number of pre-AIS requests made or completed.

c. Relative to Pre/Post Computer (AIS) Processing:

   i. The process for ensuring information is matched correctly with the paper/computer file is inadequate.

   ii. There is no system in place to determine how many documents have been misfiled.

   iii. No statistics of any kind have been kept for pre or post-computer adoption cases.

7. The documenting of consents for contact of adoptees and birth families has improved because of the AIS computer system. It appears that the paper files (pre-December 16, 2003) are not afforded the same priority.

RECOMMENDATIONS

Given the complexity of adoption files and regulations, as well as the amount of time since the implementation of the AIS, the CGJ recommends the following:

1. DCFS provide for a management audit to evaluate PAS work procedures as related to adoptive reunions with particular focus on the conversion of post adoption information into the electronic database (AIS). This audit includes, but is not limited to, the following:

   a. Evaluation of the reunion program, its organizational structure, service levels, written policies, procedures and regulations, along with key processes. To determine whether processes have been effectively implemented to ensure compliance with policies, procedures, and adoption regulations

   b. Determination as to whether effective and adequate internal controls are in place that provide reasonable assurance of minimal errors and maximize service efficiency

   c. Tracking the number of Consents for Contact (for birth parents), waivers of confidentiality (for siblings), and Consents for Contact (for adoptees) over a certain period of time. This allows for the number of reunion requests made and successful reunifications processed by PAS on a historical basis. The CGJ suggests a fourteen-year (14) time frame seven (7) years before and seven (7) years after December 2003).

   d. Estimation of the number of consents and reunion requests misfiled or lost by using a sampling method

2. In order to move forward with the matching of pre/post computer AIS adoption information processes, consider charging a "reunification fee" to assist in defraying the cost of locating information in the files.

3. Establish a method to reach out to adoptees and their birth parents and educate the general public regarding the pre-computer/post-computer processes, which would allow for pre-computer adoptees and their birth parents to update their files for entry into the post-computer process.

4. Address the need for additional PAS Social Workers to facilitate adoption support (APSS) other services in the community.

REQUEST FOR RESPONSE

California Penal Code Sections[1] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1a	Los Angeles County Department of Children and Family Services (DCFS)
1b	Los Angeles County (DCFS)
1c	Los Angeles County (DCFS)
1d	Los Angeles County (DCFS)
2	Los Angeles County (DCFS)
3	Los Angeles County (DCFS)
4	Los Angeles County (DCFS)

[1] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

ACRONYMS

AAP	Adoption Assistance Program
APSS	Adoption Promotion Support Services
AIS	Adoption Information System
APRD	Adoption and Permanency Resources Division
CSW	Children Social Worker
DCFS	Department of Children and Family Services
PAS	Post Adoption Services
RTC	Residential Treatment Centers
SPA	Service Planning Area

FORMS

AD 904	Consent for Contact – signed by birth parent or adoptee (must be at least 18)
AD 904A	Waiver of Rights to Confidentiality for Siblings - Over Age 18
AD 904B	Waiver of Rights to Confidentiality for Siblings - Under Age 18
AD 908	Adoptions Information Act Statement to be signed by birth parent
ADOPT 330	Request for Appointment of Confidential Intermediary - seeking contact with sibling

A WHISTLEBLOWER'S COMPLAINT

Committee Members

Chairperson: James R. Boyd
George E. Candler, Jr.
Linda Loding
Wardah Shakir

A WHISTLEBLOWER'S COMPLAINT

SUMMARY

This Report addresses a Citizen's Complaint submitted to the 2010-2011 Civil Grand Jury (CGJ). The subject was related to the filing of a complaint with the 2009-2010 CGJ. The Citizen alleges to have been subjected to retaliation, harassment and intimidation. This Report contains the results of the inquiry/investigation of these allegations of improper actions by the City of Long Beach officials since the initial 2009-2010 CGJ filing.

PURPOSE

As a result of a complaint regarding the City of Long Beach City Manager, Deputy Chief of Police, and Human Resources Director, the CGJ conducted multiple telephonic and in-person interviews to inquire into the issues raised by the complaining party (Complainant). The inquiry was conducted pursuant to California Penal Code Section 925a. The focus of the inquiry was limited to the issues raised in the complaint addressed to the 2010-2011 CGJ.

NOTE:
A separate inquiry was previously conducted by the 2009-2010 CGJ on the safety issues and public official malfeasance relative to the mismanagement of Long Beach 911 operations (Whistleblower). This Report addresses those allegations made by Complainant associated with the 2010-2011 CGJ filing only.

BACKGROUND

Since the synopsis of the complaint filed with the 2009-2010 CGJ, the Complainant alleges to have experienced retaliation and harassment in the forms of:

- Threatening memos
- Removal from duties
- Additional intimidating factors

The Complainant indicated that he felt the processes used by the City of Long Beach officials were inconsistent with standard practice and designed to prevent or inhibit his involvement in the 2009-2010 Grand Jury investigation. Refer to Figure 1 (Foldout) during the remainder of this Report.

METHODS AND PROCEDURES

1. Process

   From September 2010 through January 2011, the CGJ interviewed the Complainant, personnel from Human Resources (HR), City Management (CM), Long Beach Police Department (LBPD) and other witnesses. In addition, the CGJ reviewed pertinent information on the City's website, organizational data, and HR processes, policies and procedures relevant to the complaint. Data provided by the Complainant was stratified in chronological order. CGJ members recognized and emphasized that COLLATION does not equal CAUSATION (Fig. 1; Items 1 and 2) and conducted the inquiry accordingly.

2. Research

The Complainant submitted fifteen (15) attachments with his complaint elaborating on the items listed in BACKGROUND. The attachments consisted of correspondence between the Complainant and City officials. Specific reference was made to those incidents that occurred since the original (2009-2010 CGJ) filing.

a. The first principal attachment was a REORGANIZATION memorandum (memo) from the Deputy Chief, Support Bureau, dated December 16, 2009. In this memo, it was noted that Complainant was relieved of his duties as Communications Coordinator and assigned new duties as Dispatch Consolidation Study Lead. Complainant's previous duties were absorbed by a Police Department Lieutenant who was also to have management oversight of the CONSOLIDATION study. In addition, the Complainant was ordered to follow the chain of command for all issues related to work within the Center.

b. The second principal attachments were a series of memos between Complainant and HR dated May 4, 2009 concerning clarification of HR investigation. In these memos, it was indicated that the findings associated with each allegation were discussed with Complainant and HR on April 15, 2010. These memos indicated that HR's initial concern was returning Complainant to his previous position. The brokering of a meeting with Complainant and the LBPD was also discussed.

c. The third principal attachment was a Proposed Fiscal Year 2010 Budget from the City Manager for Community Review dated August 1, 2009 and Government Reform, which contained FY 11 Proposed Budget. These plans listed efforts to be conducted in the process of realignment of organizational functions by the City to maximize resources and improve customer service.

3. Interviews

At the conclusion of each interview, the CGJ summarized comments and discussions made during the interviews to ensure accuracy. This was accomplished to check and confirm the correctness of statements made and verify crucial information.

a. In the interview with HR Department personnel, employee complaint procedures were discussed. It was indicated that City employees may present their complaints to the HR department, within their own department, or to external agencies, such as the Department of Industrial Relations. The Complainant's issues were addressed by HR. At the conclusion of the investigation, the Complainant and HR conducted a closure meeting with results being formalized in a letter to Complainant.

b. In the interview with CM personnel , it was stated that CM and City Council do not get involved in complaints and investigations. In addition, the special CONSOLIDATION project was assigned by CM as the result of recommendations from a 2004 or 2005 study performed by a consultant.

c. In the interview with LBPD, it was indicated that CM conveyed to the Police and Fire Departments (FD) a desire to CONSOLIDATE the two (2) Centers (911 functions and FD) in order to realize cost savings. Basically LBPD reiterated what had been said by CM as it applied to the CONSOLIDATION efforts, and that the REORGANIZATION memo describing the project was given to Complainant in December 2009. The possibility of reorganization was also mentioned sometime in October 2009. It was also stated that the Complainant was the best qualified person to take on the assignment.

d. In a follow-up interview with the Complainant, additional information was obtained. The Complainant also stated that he was willing to waive any ramifications to the City of Long Beach relative to reporting his concerns.

4. Source Data

   a. In a memo dated 10/27/2009 to CM, it was noted that the Complainant's concerns were to be investigated and that appropriate protection would be provided. In this memo, the Complainant was told his concerns would be investigated by City Hall. The Complainant was later informed that the investigation and resolution would be handled within the LBPD. After completion of the investigation, the findings were presented to Complainant by LBPD. In two (2) meetings between Complainant and LBPD, the CGJ noted that the Complainant's concerns were to be investigated by HR. However, in the second meeting, Complainant was informed that HR would not be investigating his concerns.

The following is a summary of Interview Questions asked and Answers from LBPD

QUESTIONS (abbreviated)	**ANSWERS** (abbreviated)
Procedures for handling employee complaint	HR does
Method used to inform employee of results	Done by HR
Summary of Complainant's evaluations	Good
Who/when was contact with LBFD initiated	Sometime in March 2010
Describe timeline/staff informed of REORGANIZATION	Not done in advance
REORGANIZATION memo to Complainant	Sometime in December 2009
Revised chain of command	Not revised/only additional duties added
Number of prior CONSOLIDATION/ justification for current studies	Two (2)/CM ordered
Why Complainant not reassigned during previous studies but this current study	Complainant not reassigned, only additional duties were added
Was LBPD part of investigation/closure meeting	Never involved in anything relevant to complaint
When was CM and City Council (CC) informed of Investigation	CC not involved; CM very involved
What were results and who initiated the investigation	Results given to Complainant/ HR initiated
Who/when was Complainant informed of LBFD contact	Probably around February or March 2010
Were results of investigation given to Complainant	Yes in writing
Prior to Complainant's 2009-2010 CGJ filing of his concerns regarding 911 inadequate staffing and tardy cell phone conversion was he a "complainer"?	No

b. On Nov. 2, 2009, the Complainant filed a complaint with the 2009-2010 CGJ alleging the City of Long Beach failed to properly deploy and manage the 911 project (Whistleblower).

c. A memo to the Administration Bureau Chief dated 11/03/2009 indicated that the 911 Center employees were ordered by LBPD to carry out their assignments and to not share this information with their direct supervisor, the Complainant. In addition, a memo dated 10/31/2009 was provided to the Administration Bureau Chief wherein Complainant expressed his concerns regarding the matter not being investigated by someone other than LBPD. In this memo, it was also indicated that City Council, Human Resources, and the City Attorney Office were to be consulted to assist in filings with the CGJ.

d. In the interview with a witness, a memo from Complainant to CM dated 11/03/2009 was discussed. This memo addressed the confiscation of files by the LBPD that had been held by Complainant. The witness confirmed that the Complainant informed the LBPD that these files had been referenced in a recent complaint to the 2009-2010 CGJ. A summary of the interview with the witness follows:

    - REORGANIZATION was not done in the normal manner. A two-week notice is standard practice after first discussing it with the affected party. This notice was given to Complainant approximately forty-five (45) minutes prior to Complainant's scheduled meeting with the 2009-2010 CGJ. In addition, members of the staff were informed that no work related data was to be discussed with Complainant.

    - Three (3) prior CONSOLIDATION studies had been held with no removal of duties occurring. These studies were performed by consultants with additional internal and external personnel, not just one (1) person.

e. Of particular concern to the CGJ was that, although City complaint procedures and processes exist, the witness was not fully apprised of where to access them and follow up actions to be taken.

5. Conclusion

The crux of this complaint appears to be three pronged:

- Whether the City's HR Department had adequate processes and procedures in place to address "Whistleblower" complaints submitted by employees

- Not having these processes and procedures in place impeded Complainant's rights as a Citizen to report what he perceived as a violation of Federal, State and local laws

- Whether CM, HR and LBPD actions were designed to impose retaliation and harassment due to Complainant's reporting actions (Whistleblower) and his concerns to the 2009-2010 CGJ

FINDINGS

Refer to Figure 1, Item 3, "CORRELATION of FINDINGS."

The CGJ found that the primary issue was the City's "customs and practices" when a Citizen files a complaint. The FINDINGS of the CGJ are as follows:

1. In the Complainant's 2009-2010 CGJ filings, he was given an initial hearing date by the 2009-2010 CGJ of December 17, 2009. The meeting was scheduled to be held at the Long Beach 911 facility.
2. Less than an hour before the meeting with the 2009-2010 CGJ, the LBPD arrived and served the Complainant with a REORGANIZATION memo. The CGJ found that this memo was inconsistent with the standard practice of LBPD, in that personnel affected by reassignment memos are normally afforded a two-week notice and do not include a threat of discipline.
3. After being removed from original duties, the LBPD met with the Complainant's staff and gave specific instructions to limit contact with him. The staff objected to these directions, and the LBPD rescinded some of them.
4. Prior to the Complainant's 2009-2010 CGJ filing, there was never any discussion or planning relative to a REORGANIZATION of Police Communication. In addition, it is questionable that LBPD would consider a REORGANIZATION of a particular unit without the unit leader having knowledge of the effort in advance.
5. In the REORGANIZATION efforts, the CGJ found that the City had previously conducted three (3) CONSOLIDATION studies and never removed the Communication Center Coordinator from the position as head of Police Communications. In addition, CM published a long-term plan for CONSOLIDATING City services, but the dispatch CONSOLIDATION never appeared in this plan. It was also found that approximately seven (7) months were required for the Complainant to facilitate a meeting with the FD after repeated requests were made via his chain of command. Also, the first contact with the FD occurred after the initial project due date had passed.
6. The CGJ then found that the REORGANIZATION efforts were inconsistent with the City's current budget efforts to reduce cost through civilianizing police-sworn positions with civilian positions. The current CONSOLIDATION effort was also noted to consist of Complainant and the FD only, whereas the previous efforts involved:
    a. A team of high-level experts specific to this field
    b. An outside consulting firm with CONSOLIDATION expertise
    c. Project Management provided by the CM's office
7. In addition, it was noted that in the City's FY 2010 Plan, the associated Government Reform, FY 11 Proposed Budget, and the LBPD issuance of REORGANIZATION memo lacked:
    a. A budget item for the "special CONSOLIDATION project"
    b. A schedule with milestones for the project
    c. A staff (other than Complainant) to perform this project. This is reflected by the importance and high profile that the project was characterized to be by CM and the LBPD.

8. It was also found that after the Complainant's 2009-2010 CGJ filing, the City of Long Beach assigned the LBPD to investigate the Complainant's concerns. This was found to be the same person whom the Complainant alleged was involved in the 2009-2010 CGJ filing.
9. The Complainant alleges that the HR Department met with him and offered to broker a meeting with LBPD to discuss the possibility of returning the Complainant to his normal duties as the Head of Police Communication. The Complainant states that HR specifically asked, "… if they were to return him to his regular position, would he discontinue current activities and involvement with the 2009-2010 CGJ"? After his refusal to accept this offer, the meeting to discuss his return to previous duties was cancelled.

RECOMMENDATIONS

The CGJ referred to the contents of their CHARGE which, in part, states, "The Court and the people of LA County anticipates that you will carry out your duties diligently, impartially, promptly, and carefully, and the public is entitled to no less." Consequently, the following recommendations were based upon the Complainant's allegations that the CGJ deemed to be true and honest (Refer to Figure 1, Items 4, 5, and 6):

1. Update existing City of Long Beach Human Resource Complaint procedures to include addressing protection afforded an employee who discloses information to a government agency where the employee has reasonable cause to believe that information discloses noncompliance with Federal, State, and local rules and regulations.
2. Provide training of HR personnel to ensure these procedures are followed
3. Ensure that City employees are aware of these policies and procedures and have access to them
4. Establish a process for complaints submitted to HR that ensures no person or entity referenced in a complaint is involved in the resolution of same

While not necessarily relevant to this specific complaint, but certainly of interest to the City's overall processes, it appears that the City would benefit if there was an established process of interfacing among all City Departments dealing with related Citizens' concerns.

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COLLATION

①

- Arranging in a methodical, orderly, or organized way
- Compare critically in order to verify

DOES NOT EQUAL TO

≠

→→

CAUSATION

②

- Act or process of causing
  - Reason
  - Motive
  - Grounds
- A reason for and action being performed or a condition to come into being

CITY OF LONG BEACH HR DEPARTMENT

Our Mission is …To provide leadership and operational support to City Departments to enhance ... We take this mission very seriously … Great Services to the Community

↓
↓

= (EQUALS TO)

↓
↓

CORRELATION of FINDINGS

③

- Either of two things so related that one directly implies or complements the other
- Occur together in a way not expected on the basis of chance alone
- Compare, connect, or be connected systematically
- The result of an investigation

→→

RECOMMENDATIONS

④

- To present as worthy of acceptance

↑
↑

→→→ →→→

→→→

JUSTICE

⑤

- Having a basis in fact or reason
- Impartial adjustment of conflicting claims
- Conformity to truth, fact, or reason
- INJUSTICE ANYWHERE and in any form is A THREAT TO JUSTICE EVERYWHERE and in all forms

⑥

That which affects one directly affects all indirectly.

Figure 1

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REQUEST FOR RESPONSE

California Penal Code Sections[1] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1, 2, 3 and 4	City of Long Beach

[1] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

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E-SUBPOENA
ONE WAY TO END THE PAPER CHASE

Committee Members

Chairperson: Joseph H. Safier
John A. Rangel
Susan Stetson

E-SUBPOENA
ONE WAY TO END THE PAPER CHASE

SUMMARY

Annually, Los Angeles County prosecutorial and defense agencies serve hundreds of thousands of subpoenas on law enforcement agency personnel. The e-Subpoena system automates this process including tracking of receipt, thereby saving time, money and resources. This Report describes the system, summarizes its implementation to date and makes recommendations to advance the program.

PURPOSE

The 2010-2011 Civil Grand Jury (CGJ) examined the electronic subpoena distribution process (e-Subpoena) for law enforcement agencies (LEAs). The objective was to understand the process, the current state of implementation and the costs and benefits for the Los Angeles District Attorney's Office (DA) and related LEAs.

BACKGROUND

During calendar year 2010, the DA issued 358,900 subpoenas to law enforcement personnel to appear in court. Approximately 35% were served on Los Angeles Police officers and 26% on Los Angeles Sheriff's deputies. Personnel in one hundred sixty-five (165) different agencies received subpoenas. The volume of paper and associated tracking involved time consuming manual effort, both for the DA as well as the agencies receiving the subpoenas.

When an arrest is made, prosecutors have a limited time to charge, arraign and conduct a preliminary hearing. Generally, arraignments must be held within forty-eight (48) hours of arrest with the preliminary hearing conducted within ten (10) days of arraignment. The arresting and investigating law enforcement officers must testify at the preliminary hearing. Subpoenas are the legal document requiring an officer to appear in court. In the event an officer does not appear in court, the defendant must be released unless the prosecuting agency files a new set of charges. Most of the problems with subpoenas deal with preliminary hearings where the time window for reaching an officer is limited. In addition, civilians and some law enforcement personnel are served with paper subpoenas.

One of the law enforcement agency complaints is that many officers are being subpoenaed. When paper subpoenas are delivered and hand distributed, the DA has no timely confirmation of who is served. For example, if six (6) officers investigate a crime, unless the prosecutor knows the lead officer receives their subpoena, the DA often sends to all six (6) officers involved. E-Subpoena increases accountability by ensuring the specific officer is served, thereby obviating the need for the other five (5) officers to appear in court. This new system also permits law enforcement management to track offending officers with a history of missed hearings or who intentionally run up court appearance overtime. Previously, such officers could not be disciplined, as the agency had no knowledge of officers who were abusing the system. In addition, e-Subpoena eliminates delays and missed deliveries if an officer moves between departments or offices within an agency.

METHODS AND PROCEDURES

The CGJ reviewed DA prepared e-Subpoena presentation materials, an overview of the County's Information Systems Advisory Board (ISAB), Proactive Information Exchange (PIX) system, and several LEA e-Subpoena Policy/Procedure statements. The CGJ analyzed statistics of subpoenas issued by the DA during 2010 and prepared a Report of LEAs in descending order of number of subpoenas received. In addition, CGJ members met or spoke with representatives of the DA, ISAB and the following LEAs and City Attorneys to discuss the system:

1. Los Angeles Sheriffs Department (LASD)
2. Los Angeles Police Department (LAPD)
3. City of Alhambra Police Department
4. City of Bell Police Department
5. City of Bell Gardens Police Department
6. City of Beverly Hills Police Department
7. City of Burbank Police Department
8. City of Covina Police Department
9. City of Culver City Police Department
10. City of Gardena Police Department
11. City of Glendale Police Department
12. City of Glendora Police Department
13. City of Huntington Park Police Department
14. City of Inglewood Police Department
15. City of Inglewood City Attorney
16. City of Long Beach Police Department
17. City of Los Angeles Fire Department
18. City of Los Angeles Unified School District School Police
19. City of Manhattan Beach Police Department
20. City of Monrovia Police Department
21. City of Monterey Park Police Department
22. City of Pasadena Police Department
23. City of Redondo Beach Police Department
24. City of San Fernando Police Department
25. City of San Gabriel Police Department
26. City of South Pasadena Police Department
27. City of Torrance Police Department
28. City of West Covina Police Department
29. City of Whittier Police Department

FINDINGS

1. The e-Subpoena system provides prosecutorial and defense agencies with an automated means to serve law enforcement officers. Currently, the following agencies use the system:

    a. District Attorney's Office

    b. Alternate Public Defender (APD)[1]

    The Los Angeles Public Defender is developing this capability.

2. The Los Angeles City Attorney and Long Beach City Prosecutor also electronically subpoena officers, but their requests are sent internally with their respective cities' systems. To the CGJ's knowledge, most other City Attorneys/City Prosecutors are using paper based subpoenas.

3. E-Subpoena is a means of delivering subpoenas to law enforcement personnel throughout the County electronically and receiving "proof of service" automatically. Prior to development of e-Subpoena, subpoenas were either mailed, hand carried or sent to the Justice Data Interface Controller (JDIC) printer at the law enforcement agency. This method was slow and did not provide the DA with proof that the officer/deputy was served.

4. The e-Subpoena process begins when a Deputy DA or APD inputs in their respective Case Management System (CMS) when an officer is needed in court on a specific date and time. CMS generates an electronic message to the officer. Although more complicated, this is essentially an e-mail. The message is sent to PIX, which then routes the message to the law enforcement agency. Depending upon the technology used by the law enforcement agency when delivering the message to the officer, a "proof of service" is returned via PIX to the originator when:

    a. The officer opens their e-mail

    b. The officer positively responds that they received it

    PIX provides the secure system for sending and receiving messages among agencies.

    The system is also used to notify an officer when they are no longer needed to appear and/or for rescheduling.

    JDIC-received and paper subpoenas are manually logged and tracked by the law enforcement agency, and no automated "proof of service" is returned to the originator.

    An overview provided by the DA describes the system benefits:

    a. More reliable than paper and regular e-mail

    b. Complete logging of delivery and receipt

[1] The Alternate Public Defender is Court-appointed counsel for indigent defendants who cannot be represented by the Public Defender because of a conflict of interest.

c. Improved control using case management systems versus ad hoc e-mail

d. PIX ensures reliable delivery/return receipt and a standard interface to different law enforcement agency systems

All DA, Public Defender, APD, and City Attorneys/City Prosecutors in the future can use the same message formats and delivery mechanisms.

5. E-Subpoena was started approximately five (5) years ago with LAPD.

6. Electronic notice of delivery and receipt occurs between PIX and the following agencies:

    a. LASD

    b. LAPD

    c. Long Beach Police Department

    d. Inglewood Police Department

    e. Culver City Police Department

    f. Montebello Police Department

    The last three (3) agencies on the preceding list use a third-party vendor that supply and maintain the technology for LEA delivery and receipt. At least one LEA reported that the implementation took one (1) month followed by a two (2) month period of running the systems in parallel. The biggest implementation problem encountered was officer resistance to change.

7. Additional benefits are:

    a. Electronic service reduces officer overtime from having to subpoena more officers than actually needed (blanket subpoenas) since the DA can now verify which officer(s) were served.

    b. With planned court closures, travel time as well as court overtime are reduced.

    c. Because the officer is positively served and will appear, the DA, Public Defender, and APD reduce their case continuance costs.

    d. Accuracy is improved through officer validation; the sender ensures that the correct officer is served.

    e. The law enforcement agency’s subpoena control personnel can review and manage multiple requests more efficiently.

    f. Risk of loss of JDIC-printed or paper subpoenas is reduced.

    g. Follow-up phone calls are minimized.

    h. Formal audit trail of service is provided.

i. Management follow-up and auditing statistics are available.

8. E-Subpoena results in fewer continuances/dismissals, swifter justice for crime victims, decreased criminal case backlog, and potentially reduces incarceration time and costs.

9. Different internet standards are used by various agencies and a third-party vendor. For example, messaging protocol and identification standards exist but are not used consistently by all departments. Currently, PIX must convert e-subpoenas into at least four (4) different technologies in order to send them to different law enforcement agencies.

10. Although the CGJ could not locate the source of the information, it noted from public statements that e-Subpoena resulted in significant savings to LAPD in court overtime. LAPD representatives explained that due to the different components of court overtime (number of cases filed, number of officers subpoenaed, etc.), these savings could not be calculated precisely.

11. Several departments reported that court affairs/subpoena control personnel time spent performing subpoena control was reduced by 50%, freeing personnel to work on other critical department functions. In addition, the volume of paper and postage was reduced 50-65%.

12. Less manpower is needed to generate mail and manually track each subpoena. In larger departments, less time is spent locating officers who have been transferred.

13. Less time is spent attempting to determine if an officer was served.

14. In this time of municipal budget constraints, whatever can be done to streamline the process and reduce court overtime is desirable.

15. Ten (10) cities within the County use the City Attorney/City Prosecutor to prosecute misdemeanors[2]. In cities where e-Subpoena is installed, some City Attorneys/City Prosecutors are still issuing paper subpoenas.

16. Several departments that have implemented e-Subpoena encourage their officers to check e-mail on their days off, although requiring that may violate Fair Labor Standards Act de minimus rules.

17. One LEA that has not implemented e-Subpoena was concerned about the actual direct and indirect costs of the system.

18. A concern raised was the situation where an officer is subpoenaed at the last minute. In these cases, the subpoena control officer would be required to contact the subpoena recipient regardless of whether the department was using paper copies or e-Subpoena.

19. At least one LEA was concerned that their city was behind the technology curve and may not have the infrastructure to handle e-Subpoena.

[2] The District Attorney prosecutes misdemeanors, as well as felonies, for the remaining 78 cities as well as the unincorporated areas of the County.

20. The following is a Table of law enforcement agencies receiving at least one hundred fifty (150) subpoenas from the DA during the period October through December 2010 and their e-Subpoena implementation status:

LOS ANGELES DISTRICT ATTORNEY-ISSUED LAW ENFORCEMENT SUBPOENAS AGENCIES RECEIVING AT LEAST 150 SUBPOENAS FOR THE PERIOD OCTOBER THRU DECEMBER, 2010		
Agency	**No. Issued**	**e-Subpoena Status**
CALIFORNIA HIGHWAY PATROL	2,128	Interested
PASADENA POLICE DEPARTMENT	988	
GLENDALE POLICE DEPARTMENT	903	
HUNTINGTON PARK POLICE DEPARTMENT	685	
BURBANK POLICE DEPARTMENT	612	
HAWTHORNE POLICE DEPARTMENT	604	Interested
WHITTIER POLICE DEPARTMENT	593	
SANTA MONICA POLICE DEPARTMENT	537	In process
LASD - VARIOUS	515	Implemented
GARDENA POLICE DEPARTMENT	501	
DOWNEY POLICE DEPARTMENT	490	Interested
EL MONTE POLICE DEPARTMENT	474	Interested
POMONA POLICE DEPARTMENT	456	Interested
ALHAMBRA POLICE DEPARTMENT	433	
L. A. CITY FIRE DEPARTMENT	422	
SOUTH GATE POLICE DEPARTMENT	421	Interested
TORRANCE POLICE DEPARTMENT	403	
MONTEREY PARK POLICE DEPARTMENT	366	
WEST COVINA POLICE DEPARTMENT	364	
L. A. UNIFIED SCHOOL DISTRICT PD	318	
L. A. COUNTY CORONER	300	Interested
EL SEGUNDO POLICE DEPARTMENT	274	Interested
MONTEBELLO POLICE DEPARTMENT	271	In process
L. A. COUNTY PROBATION	255	Interested
SAN FERNANDO POLICE DEPARTMENT	216	
MANHATTAN BEACH POLICE DEPARTMENT	189	
BEVERLY HILLS POLICE DEPARTMENT	182	
COVINA POLICE DEPARTMENT	176	
MONROVIA POLICE DEPARTMENT	168	
GLENDORA POLICE DEPARTMENT	163	
SAN GABRIEL POLICE DEPARTMENT	163	
BELL GARDENS POLICE DEPARTMENT	159	
REDONDO BEACH POLICE DEPARTMENT	159	
BELL POLICE DEPARTMENT	157	
LAPD – VARIOUS	155	Implemented
SOUTH PASADENA POLICE DEPARTMENT	154	

RECOMMENDATIONS

1. Implement e-Subpoena as a cost saving and operational efficiency measure for local law enforcement agencies receiving at least one hundred fifty (150) DA subpoenas quarterly.
2. Encourage the City Attorney/City Prosecutor to use the system in cities where the Police Department is using e-Subpoena.
3. LASD and LAPD evaluate electronically transmitting other documents such as police reports and probable cause determinations[3] among law enforcement agencies, prosecutors and the Court.
4. LASD to expand implementation of filing Pitchess motions electronically. A Pitchess motion defines those portions of a deputy's personnel file which may be made available to defense counsel.
5. The DA staff is encouraged to conduct an e-Subpoena training class for court liaison/subpoena control officers and encourage departments still receiving paper subpoenas to implement e-Subpoena.

REQUEST FOR RESPONSE

California Penal Code Sections[4] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Alhambra (Police Department) City of Bell (Police Department) City of Bell Gardens (Police Department) City of Beverly Hills (Police Department) City of Burbank (Police Department)

[3] Probable Cause determination is a LEA prepared, Court approved document which permits an agency to detain a suspect.
[4] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

	City of Covina (Police Department) City of Gardena (Police Department) City of Glendale (Police Department) City of Glendora (Police Department) City of Huntington Park (Police Department) City of Los Angeles Fire Department City of Los Angeles Unified School District (School Police) City of Manhattan Beach (Police Department) City of Monrovia (Police Department) City of Monterey Park (Police Department) City of Pasadena (Police Department) City of Redondo Beach (Police Department) City of San Fernando (Police Department) City of San Gabriel (Police Department) City of South Pasadena (Police Department) City of Torrance (Police Department) City of West Covina (Police Department) City of Whittier (Police Department)
2	City of Inglewood (City Attorney)
3	City of Los Angeles (Police Department) County of Los Angeles (Sheriffs Department)
4	County of Los Angeles (Sheriffs Department)
5	County of Los Angeles (District Attorney)

Acronyms

APD	Alternate Public Defender
CGJ	Los Angeles County Civil Grand Jury
CMS	Case Management System
DA	Los Angeles District Attorney's Office
ISAB	Los Angeles County Information Systems Advisory Board
JDIC	Justice Data Interface Controller
LAPD	Los Angeles Police Department
LASD	Los Angeles Sheriffs Department
LEA	Law enforcement Agency
PIX	Proactive Information Exchange

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HIGH TECH FORENSICS AND CYBER SECURITY CRIME FIGHTING IN THE DIGITAL AGE

"We have to do better at what we do.
Our public deserves it."

Committee Members

Chairperson - Meg George
Grace Hernandez
Beverly T. Kishimoto
Max E. Van Doren

HIGH TECH FORENSICS AND CYBER SECURITY
CRIME FIGHTING IN THE DIGITAL AGE

"We have to do better at what we do.
Our public deserves it."[1]

SUMMARY

The use of digital evidence to successfully prosecute crimes is becoming critically important. In part, this is due to the proliferation in the use of digital devices. Specific training in the collection and processing of digital evidence is needed, as is the acquisition of the hardware and software required to analyze the evidence.

Computers, cell phones and other digital devices are increasingly intertwined with the commission of crimes, raising the importance of the resources and priority that must be given to cyber security, cyber investigations and high tech forensic[2] examinations to provide public safety. These cyber and forensic services are provided within Los Angeles County (LAC) and its cities by regional high tech crimes task forces (RTFs) (RTFs cover more than one county.), local high tech crimes task forces, police department high tech forensic labs or through private companies. In addition seventeen (17) municipal police agencies have some in-house high tech forensic crime capability. LAC is home to critical infrastructure, businesses and industries that are vulnerable to cyber attack. It must be in a position to provide response support to such attacks, so that such business and industry will identify Los Angeles as a safe and welcoming place to locate.

Those who harm us (be it crooks, cyber terrorists, or nation-states) are highly motivated and continuously improving. To counter this assault effectively we must be highly motivated and continuously improving to be effective in the efforts to: provide public safety, catch the perpetrators and successfully prosecute them. This requires vision, commitment, equipment, training and resources.

Technology is evolving at a rapid pace requiring frequent upgrades to equipment, software and training. Funding of high tech forensics, cyber investigation and cyber security in LAC has largely been through government transfers (grants from State and Federal programs). This source of funding has been decreasing and continues to be under pressure due to continuing cuts and constraints.

Borrowing the endowment concept from the University system, a possible new source of funding might be the establishment within law enforcement of a High Tech Forensics Examination – Cyber Investigations – Cyber Badge Endowment Program (Endowed Badge). The Endowed Badge (EB) would be awarded on a rotating basis. Funding of each EB would be through a public private partnership, and the EB could be named by the benefactor; e.g., Port of Los Angeles EB, Apple EB, Harry Potter EB, Warner Brothers EB, Wells Fargo EB, Exxon EB, DWP EB, etc. Business and industry has a vested interest in a safe City/County in which to do business; hence, there may be interest from many sectors to participate in funding an EB and

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[1] Graham, Gordon "Affairs in Government 2010. Some Thoughts on Risk Management," December 3, 2010
[2] In the Report, High Tech Forensics concerns digital information; it does not include DNA or fingerprint analysis

naming one of the EBs. Eight (8) initial Endowed Badges are visualized. The eight (8) are comprised of five (5) EBs where each LAC Board of Supervisors District sets up and oversees the public-private partnership funding; plus three (3) EBs, where each of the City of Los Angeles Proprietary Departments (Department Of Water and Power, Port of Los Angeles, Los Angeles International Airport (LAWA)) sets up and oversees the public-private partnership funding for a total of eight (8) EBs.

The EB concept is to use a combination of government and private funds to pay for training of sworn officers in the arena of high tech forensics-cyber investigations and cyber security. There are legal issues to explore and logistical issues to analyze. The example of the partnership between Los Angeles and Microsoft in the area of fighting piracy may provide insight of a process to be followed.

PURPOSE

The Civil Grand Jury (CGJ) investigated the level of engagement and commitment of government entities within LAC in the prevention and prosecution of high tech crimes, as well as in the use of digital evidence in crime fighting efforts. Computers, cell phones and other digital devices are increasingly intertwined with the commission of crimes, raising the importance of resources and priority that must be given to cyber security, cyber investigations and high tech forensic examinations to provide public safety. In view of the shrinking budgets at all government levels, this Report recommends how to sustain the current level of cyber security, cyber investigations and high tech forensic examinations in the County and cities, while further developing the capability and staying ahead of the curve.

BACKGROUND

The amount of data storage available on a thumb drive, cell phone, iPad, laptop computer or desk top computer, is huge and growing. Cell phones alone can store upwards of eight (8) gigabytes of data; hard drives have moved into the realm of terabytes (Appendix A). Text, accountings, data, photographs, video, GPS (global positioning system), contacts and more information may be stored on these devices. Additionally, there are mainframes and clouds.

<u>Task Forces and Forensic Laboratories</u>

In 1998 the State of California established five (5) RTFs to address the growing threat of high tech crime. California is home to many industries which are vulnerable to theft of trade secrets, copyrights, patent infringements, and pirating (think bank accounts, credit cards, medical history, software, music, film, auto engineering, energy, defense, fashion, etc.). Statistics indicate that California is also home to many perpetrators of cyber crime including, but not limited to, child pornography, cyber stalking, cyber bullying, cyber preying on children, consumer fraud, cyber intrusion, pirating, and identity theft. Commonly, digital evidence is available for collection and use in cyber crimes and "old school" crimes as well. Murderers, arsonists, rapists, burglars, robbers and drunk drivers, to name a few, regularly own and use cell phones and computers. Criminals use the same digital devices in both their daily routines and illegal enterprises.

Use of digital devices[3] in the perpetration of crime facilitates the commission of crimes across jurisdictional boundaries. The RTF model embraces this aspect by creating a structure in which local detectives (sheriff, police) work in a structure that includes State law enforcement (Highway Patrol, California Department of Justice) and Federal law enforcement (U. S. Department of Justice (DOJ) and U.S. Department of Homeland Security (DHS)[4] including the Secret Service, Federal Bureau of Investigation (FBI)). Prosecutors from the local, State and Federal level are also a part of the mix. In addition, a partnership with industry through regular forums facilitates the flow of information. This RTF structure facilitates mutual aid, learning, and the leveraging of limited resources to maximum advantages.

The joint task force model provides a framework for a collaborative crime fighting environment. In this way, the resources of the participants are combined to effectively and efficiently make a significant impact on electronic crimes. Digital evidence is used to fight high tech crime and solve "old school" crime. These pockets of expertise also place an emphasis on prevention and education, in addition to traditional law enforcement measures. This blend of law enforcement agencies brings additional criminal enforcement jurisdiction and resources to the task force while representatives from private industry bring a wealth of technical expertise.

Cyber Security, Cyber Investigations and High Tech Forensic Examinations

An FBI official has said that disruption of the internet was the greatest active risk to the U.S. "other than a weapon of mass destruction or a bomb in one of our major cities." According to a Los Angeles (LA) Times,[5] article, "US officials say China already has laced the US power grid and other systems with hidden malware that could be activated to devastating effect."

In the LA Times article, it was reported that a large Southern California water system hired a Los Angeles based hacker to probe the vulnerability of its computer network. The "hacker" and his team "seized control of the equipment that added chemical treatments to the drinking water - in one day." The "door" they used to get into the system was there because employees had been logging on to the water system computers from their home computers. This simple convenience left a "gaping security hole." This commandeered system is the same or similar to systems controlling electrical grids, pipelines, chemical plants and other infrastructure. This type of threat can be viewed as having the potential for a "virtual" war.

Attacks via the internet on infrastructure to compromise secure information, or to "crash" a site and cause "denial of service" are the realm of cyber security.[6] (See Appendix B for a brief description of "WEB or Internet How it Works.") Being proactive and preventing the intrusion is the goal. Reacting, limiting and fixing the damage is also a reality. Besides trying to identify, catch and prosecute such intrusion perpetrators (hackers or cyber terrorists) responses usually entail detection of the intrusion, stopping the progress of the intruder, mitigating damage done, and improving defenses to prevent a similar breach. Attacks via the internet pose a tricky

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[3] Cell phones, computers, pads, gps, etc.

[4] Departments, funding and training formally part of DOJ may have moved to DHS

[5] Los Angeles Times, *It's Warfare at the Click of a Mouse*, page A1, March 28, 2011, Ken Dilanian

[6] When WikiLeaks released classified U.S. Government documents in December 2010 it sparked several rounds of online conflict. WikiLeaks became the target of denial of service attack, lost the support of its posting and payment providers. This in turn inspired sympathizers to counterattack, briefly bringing down the sites of MasterCard and a few other companies. Sites related to the hackers were then attacked. Mirror sites sprang up claiming to host copies of the wikileaks documents--some were said to carry viruses ready to take over the machines of those who downloaded copies. (Scientific American, March 2011, J. Zittrain).

problem in that it is often impossible to trace an attack back to its instigator. This instigator may be in the building, down the street, in another county, state, or country.
Cell phones differ. With cell phones, the telecom operator can tell which phone placed a call and to whom the phone is registered. Even with “throw away” cell phones some information is available. Establishing the same level of identity on the internet is a far harder charge.

Whether in high tech crimes or “old school” crimes, digital evidence is relevant. Collection, chain of custody, targeted analysis and expert witness testimony all require specialized training. Analysis requires special equipment and software which must be regularly updated. Digital evidence, like a smoking gun or DNA, should be collected and used in fighting crime, not left unused.

What has the CGJ to offer with its limited jurisdiction of government entities within the County boundaries? Indeed! All crime has a victim, and that victim(s) is located somewhere. LAC and its cities, businesses and industry rely on and provide critical infrastructure, from the basics of water and power to banking, ports, refiners, healthcare, and justice. When the cyber breach or crime occurs in LAC, first responders may well be local law enforcement agencies.

When a crime is committed in LAC, it is likely that local patrol officers and detectives investigating the scene collect both physical and digital evidence for further evaluation. If this first step leaves the digital evidence uncollected, it is then unavailable to help solve the crime, get the perpetrator(s) off the street before they commit additional crimes and provide justice to the victim(s). If evidence is collected, but not analyzed in a timely manner which maintains a chain of custody and preserves the evidence integrity for use in court, again the use and benefit of the evidence is lost. In order for punishment, and therefore deterrence, to be even possible digital data must be collected, processed, analyzed, and used.

If there is a cyber security breach, are the protocols, policies and procedures in place for rapid response by the most able cyber security resources available? Is it sufficient in some places, better in others and mediocre to poor everywhere else? This type of information, by its nature, is highly classified and is not available to the CGJ for investigation. This is as it should be. However, cyber attacks have the potential to ”blow up city blocks, erase bank data, crash planes and cut power to large areas of the country.”[7] Hence the question: Is there a plan? Does LAC have protocols, policies and procedures facilitating timely, efficient rapid response by the most able cyber security resources available and ancillary emergency response by other agencies if warranted? Are there regular reviews, updates, and modifications in this fast moving area? Is there a clear blueprint as to who is accountable for what?

Complacency in this arena is dangerous. According to a 2011 article in the Federal Times[8] the 2002 Federal Information Security Management Act (FISMA) is in need of updating. The article opines that agencies that rely on “old” law compliance as a measure of sufficient preparedness are embracing a false sense of security. In 2002 most “cyber attackers were teenagers looking for amusement or notoriety”[5] ... In 2011 most cyber “attackers are criminal organizations and nation states that work hard to evolve their methods.”[5]

For example, in October 2010, the Nasdaq[9] computers were breached. This breach was not disclosed to the public until February 2011. Then, in March 2011 it was announced that NSA was joining the FBI and Secret Service in the investigation. See Appendix C for more on this

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[7] ibid., LA Times
[8] Federal Times, p. 23, *Outdated FISMA Threatens Cyber security*, March 7, 2011
[9] Nasdaq, formally known as "**N**ational **A**ssociation of **S**ecurities **D**ealers **A**utomated **Q**uotations" (NASDAQ)

cyber intrusion. Cyber threats have evolved since 2002 and so too must our planning and defenses.
There are six (6) traditional funding sources for government:

1. Sales tax
2. Property tax
3. Fees
4. Government transfers (grants)
5. Reserves
6. Bonding

Most of these funding sources are shrinking as of the writing of this report. Some of the existing fees and taxes, such as land line phone taxes and fees, cell phones or internet access fees or taxes might be better purposed in the twenty-first century to high tech forensics cyber security and forensic examination program support. Grant funds to support this ever growing need must be given high priority.

High Tech Crimes Task Forces and Labs

Los Angeles County and its cities host three (3) regional high tech crime task forces (RTFs). (RTFs cover more than one county.) In addition LAC based law enforcement agencies can avail themselves of high tech forensics support from the FBI Regional Computer Forensics Laboratory in Orange County. Regional task forces are comprised of officers from multiple jurisdictions, frequently including officers from Federal, State and local agencies. In addition, the LAC District Attorney has a High Tech Crime lab and seventeen (17) municipal police agencies have in-house high tech forensic crime investigation capability.

Regional High Tech Crimes Task Forces

1. The Southern California High Tech Task Force (SCHTTF):
    a. SCHTTF is one of five (5) RTFs established by The California State legislature. These RTFs are located throughout the State of California:
        i. California High Technology Crimes Task Force strategy was created through Senate Bill 1734 in 1998. Five (5) task forces were created and located strategically throughout the state, they are:
            - Northern California Computer Crimes Task Force (NC[3]TF) Lead Agency: Marin County District Attorney's Office
            - Sacramento Valley Hi-Tech Crimes Task Force (SVHTCTF) Lead Agency: Sacramento Sheriff's Department
            - Rapid Enforcement Allied Computer Team (REACT), Lead Agency: Santa Clara District Attorney's Office
            - Southern California High Tech Task Force (SCHTTF), Lead Agency: Los Angeles Sheriff's Department
            - Computer and Technology Crime High-Tech Response Team (CATCH), Lead Agency: San Diego District Attorney's Office

    ii. These five (5) California task forces were originally primarily funded through a State grant that requires a 25% match from local members.

    iii. Has funding through State grant funds (which have been decreasing) and forfeiture funds

  b. LAC Sheriff is the lead agency of SCHTTF.

  c. Performs both high tech forensics and cyber investigations

2. Los Angeles Electronics Crimes Task Force (LAECTF[10]):

  a. U.S. Secret Service is the lead agency.

  b. Established by the Patriot Act, there were twenty-five (25) Electronics Crimes Task Forces (ECTFs) in 2008 across the country.

  c. Performs both high tech forensics and cyber investigations

  d. Has funding through US Congress and forfeiture funds

3. Orange County Regional Computer Forensics Laboratory (OCRCFL):

  a. There are twelve (12) participating Agencies (including FBI-Los Angeles Field Office, most of the Orange County (OC) Police Departments, OC Sheriff, OC DA, California Department of Toxic Substance Control) and twenty-five (25) examiners.

    i. FBI is the lead Agency with a Local Executive Board of member parties directing operations.

    ii. Is the fifteenth (15th) such lab in the nation and one of the last two[11] "legacy" Regional Computer Forensics Laboratories (RCFL)

  b. RCFLs do high tech forensics examinations only. The FBI's cyber investigation work is done by their Computer Emergency Readiness Team (CERT). CERT teams are housed at other FBI facilities.

  c. RCFL provides approximately $13,000 in training during the first year, $9,800 during the second year and approximately $8,900 in subsequent years for continuing education and provides the equipment.

    i. All forensic examiners must earn Computer Analysis and Response Team (CART) certification, which takes an average of fifteen (15) months.

    ii. Every examiner/trainee receives individualized training based on their background.

  d. RCFL offers IMAGESCAN methodology that they developed and provides free training on IMAGESCAN to law enforcement.

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[10] With the passage of the USA PATRIOT Act, the U.S. Secret Service was authorized to establish a nationwide network of electronic crimes task forces.

[11] The sixteenth and final legacy RCFL is located in Albuquerque, NM

e. OCRCFL offers a cell phone kiosk (CPIK), a self service tool to facilitate obtaining digital evidence from cell phones. This is available to anyone in law enforcement.

f. OCRCFL has a system whereby they do the imaging, and the detective assigned to the case can come in and examine the digital data on a RCFL computer for evidence supporting his investigation.

4. Internet Crimes Against Children (ICAC) Task Force:
   a. This task force focuses on protecting children.
   b. Los Angeles Police Department (LAPD) is the lead agency.
   c. ICAC uses both high tech forensics and cyber investigations to thwart, apprehend and stop:
      i. Online predators of children
      ii. Child pornography
      iii. Human trafficking
      iv. Bullying

Other High Tech Crimes Task Forces and FLs

1. The LAC District Attorney's (DA) office has a High Tech Crime Division and FL:
   a. It conducts both high tech forensic examinations and cyber investigations.
   b. The DA is the lead agency.
   c. It is a member of both SCHTTF and ECTF
   d. Experts from this lab and office teach courses on cyber investigation and high tech forensics
   e. These courses are both POST and MCLE approved and taught worldwide
   f. A set of short training modules is being planned for Roll Call training

2. Municipal Police Departments in the County:
   a. Some do one or more of the following:
      i. Have in-house High Tech FLs
      ii. Participate in one or more of the regional task forces
      iii. Collaborate with neighboring Police Departments High Tech labs to create a local task force
   b. Others take all of the digital evidence they collect to SCHTTF or other regional task forces or to a neighboring Police Departments FL
   c. Some may not have embraced the inclusion of digital evidence in their crime fighting efforts either because:

i. Usable turnaround was not received when they tried

ii. Department has not realized its value.

METHODS AND PROCEDURES

This investigation involved tours of Task Forces and high tech forensic laboratories (FL), interviews with various law enforcement agencies, government entities, private companies and literature reviews. Several High Tech forensic labs were toured including: Arcadia Police Department (PD), Beverly Hills PD, City of Los Angeles PD, Culver City PD, Downey PD, FBI Regional Forensic Crime Lab in Orange County, Glendale PD, LAC District Attorney, LAC Sheriff, Monrovia PD, Redondo Beach PD, Santa Monica PD, Secret Service Electronics Crime Task Force, Torrance PD, Whittier PD.

The most recent District Attorney's annual law enforcement high tech crime survey, sent out in January 2011, included five (5) questions drafted by the CGJ regarding high tech FLs. This survey was sent to the forty-five (45) police departments in the County. The CGJ used the answers to the FL questions to determine which departments had a high tech forensics lab or used one of the regional labs in the County. The CGJ received responses from 91% of those surveyed. Of those responding, 38% had sworn personnel assigned to high tech forensic positions. Of the remaining 62%, most stated that they occasionally sent digital evidence to a neighboring or regional lab for analysis, which would typically take six (6) months to over one (1) year to receive results. This was often after the case had been completed.

FINDINGS

The high tech FLs and cyber security staff are part of a small cadre of highly motivated sworn and non-sworn men and women. All staff interviewed in the course of this Report are continuously improving and providing valuable services to support the safety of LAC and its cities and communities. However, their efforts are hampered by insufficient funding for training, staffing and resources.

<u>FL Models</u>

There is not a one-size-fits-all answer to the FL needs for the greater Los Angeles area at this time. Several successful FL models are moving forward in different parts of the County. What is clear is that additional FL resources are necessary, as well as more trained sworn personnel, more training, more hardware and software. Further, continuous improvement is a necessary part of this high tech arena. Ongoing training, hardware and software updating, software licensing, best practices development and redevelopment in the face of the ever changing technology and tactics being deployed by the crooks, nation-states, and cyber terrorists is required.

During tours, the CGJ observed that four (4) approaches or models of FLs currently operate in LAC. These models, briefly described below, provide alternative ways to tackle incorporating high tech forensics into local police work and bringing FE and CI to bear for the safety of the public.

1. Regional Joint Task Force Model:
    a. RCFL, ECTF, SCHTTP and ICAC are each excellent examples.
    b. Provide for easy collaboration, flexibility of staff allocation, leveraging of multi-agency funding and resources and mentoring
    c. Membership may be formalized through a Memorandum of Understanding (MOU) or an informal agreement.
    d. Improved service on a regional scale
    e. Maximize Federal, State and County resources

2. Localized Joint Task Force Model:
    a. A well structured example of this model included:
        i. Three (3) neighboring cities with the FL located in the Police Department of one (1) of the cities
        ii. Four (4) sworn officers from the three (3) cities
        iii. Two (2) sworn officers from two (2) RTFs
    b. Membership may be formalized through an MOU or may be informal.
    c. Supported by the citing city's Information Technology (IT) Department
    d. This FL is a member of SCHTTF and TF
    e. Provides for easy collaboration, flexibility of staff allocation, leveraging of multi agency funding and resources and mentoring
    f. Improved service to participating cities constituents

3. Loosely aligned group of single jurisdiction FL:
    a. The FLs are located in the Police Department of each of the cities.
    b. The FL is a one-officer or one- tech shop.
    c. Association is loosely structured and based on a mutual aid model.

4. Single jurisdiction FL with membership in Regional Joint Task Force(s).
    a. The FL is located in the Police Department of that city.
    b. The FL has one (1) to five (5) trained staff, generally a combination of sworn and tech.
    c. Is available to other law enforcement agencies on a mutual aid model

FL Skills and Equipment Considerations

1. A well equipped high tech forensics lab should include these skills:
    a. Collecting and seizing digital evidence
    b. Duplication, storage and preservation of digital evidence
    c. Impartial examination of digital evidence
    d. Personnel trained in high tech forensics and/or cyber investigation
    e. Investigators trained in courtroom testimony
2. FL equipment and layout:
    a. It is beyond the scope of this Report to recommend equipment. However, existing labs within LAC and OC are excellent resources for this type of information.
    b. Equipment requirements fall into several broad categories, including hardware, software, storage, software licensing, cabling, fiber optic networks, firewalls, encryption, etc.:
        i. Should be housed in a secured area
        ii. Workstation area can be common or individual
        iii. Should include a server closet and/or removable hard drive storage
        iv. Evidence intake area
        v. Evidence storage area
        vi. Some area that allows for a static free work space

Risk Management Approach

The high tech forensic arena, like a mine field, is rife with risk. Whether dealing with cyber security, cyber investigation or forensic examination, applying the tenets of risk management to the discipline and effort will facilitate achieving best results and best practices.

The basic rules of risk management are Recognize, Prioritize, Mobilize (RPM)[12] The list below includes some of the components that support RPM implementation for high tech forensics:

1. Continuous Improvement
2. Crafting the vision and political will to prioritize and reallocate budgets to address crime fighting needs in the digital age
3. Have a sufficient number of equipped and trained FE and CI to do the job in a timely manner
4. High quality training
5. Highly motivated staff
6. Highly qualified staff
7. Improved service to constituents as a goal

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[12] Graham, ibid.

8. Procurement guidelines that recognize and take into account the rapidity with which technology is changing
9. Systems to monitor best practices, compliance and changing technology and to reward performance

Training

In employing the RPM approach in any field, including high tech forensics, training is a core ingredient. The purpose of training must be to create officers who are prepared, equipped, and ready to perform and respond to any situation that presents itself. Anyone can train personnel after something goes bad[13]. The real challenge is delivering training proactively to prevent problems prior to occurrence.

If trained personnel are not available to utilize a FL, then it is largely an expensive box with equipment and software that is lying fallow and becoming obsolete. Whether it is a State of the art new regional FL or a small FL in a converted area of an existing facility, it requires well qualified and well trained personnel.

High tech is a fast evolving field; continuous improvement is the name of the game. Today's new "thing" may be out of date tomorrow. Today, most hard drives are magnetic, but the trend is towards switching ceramic hard drives. Storage is moving to the "cloud." And so on. The cyber intruders, terrorists and crooks are continuously improving their mode of attack, trying and developing new tactics, software and hardware. Our forensic examiners and cyber investigators have to be continuously improving as well. Training is critical and MUST be ongoing as the technology is always evolving.

1. The CGJ heard from several sources that it takes about three (3) years to bring someone new up to speed, one (1) year of training, one (1) year of mentoring and one (1) year of seasoning. Somewhere between mentoring and seasoning, more training is probably needed due to technology developments.
2. There are insufficient funds to train existing detectives.
3. There are not enough trained forensic detectives to process all the digital evidence in a timely manner.
4. Some excellent training is available in the Cyber Security, cyber investigations, and high tech examiner arenas by both government and the private sector. Some of the government agencies offering high tech training classes include: US DOJ, DHS, SS, and California DOJ. The DOJ training attendance is awarded through a nationwide lottery. The training is excellent.
5. Training in the seizure, handling and analysis of digital evidence, should be made a part of the Commission on Peace Officer Standards and Training (POST) training programs for sworn personnel. This allows the use of the available training dollars to support the high tech aspect of sheriff, police and detective training and expertise.
6. Only some of FE and CI training, as of the writing of this Report, is part of POST training programs for sworn personnel. This places limits on the training dollars that are available to support this aspect of sheriff, police and detective training and expertise.

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[13] Graham, ibid

7. High tech forensic training is not currently part of basic training for police or sheriff recruits in LAC, and may or may not be included in detective training. It is not required training for DAs or judges either. It should be.

Promotion, and Succession Planning

1. To promote in law enforcement departments currently, you have to leave high tech forensics/cyber investigations and return to patrol. Those trained and skilled in high tech must leave the discipline, resulting in a loss of the continued benefit of their expertise and skills, which lie dormant and atrophy when they return to patrol in order to move up in the organization. In addition, the department must incur the costs of training someone new to fill the then-vacated high tech position.
2. Succession planning is highly valuable in the high tech arena so that the new examiner/investigator gains knowledge through receiving mentoring from the sitting expert(s) before they move on.

Digital Evidence and Procedures to Address Detected Intrusions

1. Digital evidence is critical in solving "high tech" crimes:
    a. Digital evidence is always available in high tech crimes and almost always available in "old school" crimes[14], and may be critical to reaching a successful conclusion to a case.
    b. While difficult to quantify, it is possible that digital evidence, by closing a case and getting a criminal off the street, may be cost effective simply by preventing a criminal from re-offending, getting arrested again and processed repeatedly before finally being convicted.
2. Procedures to address detected intrusions into government[15] infrastructure computers are in place; however, better policies and procedures for a coordinated response and updating of procedures are needed:
    a. Protocols for notification of internal breaches are formalized in both the County and the City.
    b. The City of Los Angeles has a formalized protocol for calling in the best available resources to respond to a threat.
    c. In LAC, there may be a need for periodic reassessment of the best internal resources to bring to bear for responding to and investigating high level threats.
    d. In areas where critical infrastructure is provided by private industry/third parties, LAC either has no formalized notification, response protocols or MOU in place, or it was classified in a way to which the CGJ was not made privy.
    e. A formalized protocol is critical to a timely effective response.
        i. It is important from a succession planning standpoint to document the institutional knowledge because, while the current personnel may know whom to call and what resources are available, a change in personnel risks allowing such informal knowledge to slip through

[14] Murder, arson, rape, kidnapping, burglary, robbery, battery, assault, etc.
[15] Los Angeles County and the City of Los Angeles (no other cities were queried on this subject):

the cracks. Communications at a critical juncture might then fail or be too slow.

ii. Policies and procedures must be developed and reviewed so that they support a continuously improving ability to detect intrusions and protect critical infrastructure and data.

RECOMMENDATIONS

1. The District Attorney, being the nexus of all law enforcement in the County as prosecutor of felonies, should take the lead role and become the central repository for coordination of high tech information by doing the following:
    a. Establish and keep up to date a list of all training available for high tech forensics examination, cyber investigation and cyber security, including local, State and Federally sponsored training, as well as private training opportunities. It is likely the DA's high tech Forensic Division is already doing this internally and could, with little effort and cost, make this information available to the Task Forces, the LAC Sheriff and the municipal police departments.
    b. Provide outreach to all police departments and the sheriff on a regular basis regarding the value of and training in high tech forensics in crime fighting in Los Angeles County.
        i. This could be done through seminars for groups of law enforcement officers organized geographically by Supervisorial District or area; e.g., South Bay, San Gabriel Valley, West LA, San Fernando Valley, etc.
        ii. Individual department "roll-call" training should also be part of this program.
    c. Keep a log of the use of digital evidence in the prosecution of cases, both high tech crimes and "old school" crimes. The log should indicate the nature of the digital evidence (cell phone photo, location info, contact info, computer file, GPS, etc.); its importance to the case (useful, important, critical); and the role it played (allowed case to settle, critical to achieving a guilty verdict, sentence enhancements, freed an innocent person, enabled the return of stolen property to rightful owner, etc.). The DA should encourage municipal departments to do this for misdemeanors as well. This will build a body of evidence to help inform decision makers in the budgeting process and persuade law enforcement agencies with no in-house capability to see a need.
    d. Establish a program for all deputy DAs to acquire the basic knowledge and skills necessary to develop their cases using digital evidence in a manner a judge and jury can understand
    e. Develop and conduct seminars to educate the judges in digital evidence use in the criminal justice process

2. Arcadia PD, Beverly Hills PD, City of Los Angeles PD, Culver City PD, Downey PD, Glendale PD, LAC District Attorney, LAC Sheriff, Santa Monica PD, Monrovia PD, Redondo Beach PD, Torrance PD, Whittier PD.

a. Establish a "High Tech Forensics Bureau." This will facilitate:
    i. Promotions and career opportunities for those who are trained and skilled in this area without having to leave the discipline
    ii. Succession planning and transfer of high tech expertise, preserving the investment made in creating the expertise.

b. Update regular law enforcement recruit and detective training to include orientation, procedures, protocols and other training with respect to digital evidence

c. Include training in digital evidence collection, analysis and use in "roll call" training.

d. Take steps to acquire the POST certification for High Tech training courses for forensic examiners and cyber investigators to allow for reimbursement of the costs.

3. LAC Chief Information Office and Internal Services Department should conduct internal reviews concerning cyber security and infrastructure protection from Cyber attacks and terrorism:

    a. LAC must have protocols, policies and procedures facilitating timely, efficient rapid response by the most able cyber security resources available and ancillary emergency response by other agencies, if warranted, in the event of a cyber intrusion, fire wall breach or other cyber attack.

    b. These should include coordination with key third party vendors. Many basic services within the LAC are provided by third party vendors. The Metropolitan Water District and California Edison are two (2) examples.

4. The LAC Board of Supervisors should task their lobbyist in Sacramento and Washington with looking at opportunities to redirect fees and taxes on land line phones, cell phones or internet access services to provide funding allocated to the support high tech forensics, cyber security and forensic examination programs

5. LAC and the City of Los Angeles establish a "High Tech Endowed Badge Program" to support the training and equipping of FE and CI throughout local law enforcement. Initially, establishment of eight (8) EBs could be evaluated. Setting up five (5) EBs by the LAC Board of Supervisors District one for each Supervisorial District; and setting up three (3) EBs by the City of Los Angeles one for each of the Proprietary Departments (Department Of Water and Power, the Port of Los Angeles, Los Angeles International Airport (LAWA)) for a total of eight (8) EBs.

    <u>Funding Training through an Endowed Badge – A Concept</u>

    Borrowing a concept from the University system, the CGJ believes there is a future in establishing, within law enforcement, a High Tech Forensics Examination – Cyber Investigations – Cyber Security Endowed Badges Program. If possible, these could be "named" endowed badges (EB). It is in the interest of business to have a safe City/County in which to do business. There may be interest from many sectors to participate in this EB public private partnership.

The idea is to use private funds to pay for the training of law enforcement sworn officers in the arena of high tech forensics-cyber investigations and cyber security. There are legal issues to explore and logistical issues to analyze before establishing the program and looking for partners to fund these endowed badges. The example of the partnership between Los Angeles and Microsoft in the area of fighting piracy may provide insight to the process to be followed. Below are some of the CGJ suggestions for consideration in establishing the EB program. If successful in the high tech area, it might be expanded to other specialties in the future:

a. Eight (8) initial EBs might be a good starting point:
   i. Five (5) EBs, one (1) for each LAC Board of Supervisors District
   ii. In Los Angeles, the three (3) City of Los Angeles Proprietary Departments (Department Of Water and Power, the Port of Los Angeles, Los Angeles International Airport (LAX)) could each fund an endowed badge
   iii. All eight (8) would be made available to all LAC Sheriff and city police departments' sworn officers; however, for the four (4) proprietary funded chairs a preference might be given to that department's city sworn officers
b. The EB would promote training of High Tech Forensic Examiners (FE) and Cyber Investigaors (CI).
c. As envisioned by the CGJ, this would be a rotating award available to local law enforcement. It would provide funds to cover salary and benefits for a sworn officer while training through the EB program in the field of high tech forensics, as well as all training and equipment costs.
d. EB would allow the sponsoring agency to train or continue to train one of its own in the field of high tech forensics without reducing current staffing.
e. The EB awardee's time commitment is:
   i. For new FE or CI officers there would be a two (2) to three (3) year commitment: with one (1) year of training, one (1) year of mentoring and one (1) year of performing examinations/investigations in a task force setting where the synergies of being in a group of high tech forensic experts would provide both mentoring and the opportunity to hone skills.
   ii. For continuing education needs of existing FE or CI, the time frame might be variable and much shorter.
f. At the end of the EB rotation, the FE/CI trained officer would return to his local department and either set up a high tech lab in-house or move into a position in that department's high tech lab. This might be in-house or in a regional lab, depending on the department's approach to high tech forensics.
g. EB selection criteria policy should:
   i. Prevent the larger law enforcement departments from dominating the EB positions
   ii. EBs should be open to both new high tech officers and continuing education of existing experts. EB recipients should have two (2) or more years of remaining service post EB completion so that a

return on investment to the Department supplying the officer is guaranteed.

iii. Eligible recipients would be sworn officers from any police departments or the sheriff within Los Angeles County.

iv. Selection could be competitive or lottery style.

v. A given department should be limited to one (1) or two (2) EB positions in any given year.

vi. An agreement that the trainee will return to the sponsoring department upon completion of this EB training might be desirable.

h. EB Funding:

i. Funding for each EB could be from a private company, a private endowment or non-profit organization or from government grant funds or revenues or a combination thereof.

ii. In the cities of Los Angeles, the proprietary departments (The Department of Water and Power, the Port of Los Angeles, LAWA) might be a good source of funding for EBs, given their reliance on issues of cyber security and infrastructure protection.

iii. The legal requirements for using privately sourced funds for such a purpose might include moving the funds to the EB through a non-profit organization.

REQUEST FOR RESPONSE

California Penal Code Sections[16] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1 a	Los Angeles County (District Attorney)

[16] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

Recommendation Number(s)	Responding Agency
1 b	Los Angeles County (District Attorney)
1 c	Los Angeles County (District Attorney)
1 d	Los Angeles County (District Attorney)
1 e	Los Angeles County (District Attorney)
2 a	Arcadia PD Beverly Hills PD City of Los Angeles PD Culver City PD Downey PD Glendale PD LAC Sheriff Santa Monica PD Monrovia PD Redondo Beach PD Torrance PD Whittier PD
2 b	Arcadia PD Beverly Hills PD City of Los Angeles PD Culver City PD Downey PD Glendale PD LAC Sheriff Santa Monica PD Monrovia PD Redondo Beach PD Torrance PD Whittier PD
2 c	Arcadia PD Beverly Hills PD City of Los Angeles PD Culver City PD Downey PD Glendale PD LAC Sheriff Santa Monica PD Monrovia PD

Recommendation Number(s)	Responding Agency
	Redondo Beach PD Torrance PD Whittier PD
2 d	Arcadia PD Beverly Hills PD City of Los Angeles PD Culver City PD Downey PD Glendale PD LAC Sheriff Santa Monica PD Monrovia PD Redondo Beach PD Torrance PD Whittier PD
3 a	Los Angeles County (Chief Information Office Internal Services Department and Auditor-Controller)
3 b	Los Angeles County (Chief Information Office Internal Services Department and Auditor-Controller)
4	Los Angeles County (Board of Supervisors)
5	Los Angeles County (Board of Supervisors) City of Los Angeles

ACRONYMS

CART	Computer Analysis And Response Team
CATCH	Computer and Technology Crime High-Tech Response Team
CERT	Computer Emergency Readiness Team
CGJ	Los Angeles County Civil Grand Jury
CI	Cyber Investigator
CPIK	Cell Phone Kiosk
DA	Los Angeles County District Attorney
DHS	Department of Homeland Security
DHS	Department of Homeland Security
DOJ	Department of Justice
EB	Endowed Badges
ECTF	Electronic Crimes Task Force
FBI	Federal Bureau of Investigation
FE	Forensic Examiner
FISMA	Federal Information Security Management Act
FL	Forensic Laboratory
GPS	Global Position System
ICAC	Internet Crimes Against Children Task Force
IT	Information Technology
LA	Los Angeles
LAC	Los Angeles County
RCFL	Regional Computer Forensic Laboratory
LAPD	Los Angeles Police Department
LAWA	Los Angeles International Airport, aka LAX
MOU	Memorandum of Understanding
NSA	National Security Agency
OC	Orange County
OCRCFL	Orange County Regional Computer Forensic Laboratory
POST	Peace officers Standards And Training
RPM	Recognize, Prioritize, Mobilize
RTF	Regional Task Forces
SCHTTF	Southern California High Tech Task Force
SS	U.S. Secret Service
TB	Terabyte
NC^3TF	Northern California Computer Crimes Task Force
REACT	Rapid Enforcement Allied Computer Team
LAECTF	Los Angeles Electronic Crimes Task Force
SVHTCTF	Sacramento Valley Hi-Tech Crimes Task Force
SCHTTF	Southern California High Tech Task Force

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Federal Times, March 7, 2011, p. 23, Outdated FISMA Threatens Cyber Security, March 7, 2011

Los Angeles Times, It's Warfare at the Click of a Mouse, March 28, 2011, Ken Dilanian

news.cnet.com

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Graham, Gordon "Affairs in Government 2010. Some Thoughts on Risk Management," December 3, 2010, presentation materials.

www.whatsabyte.com

APPENDIX A

(February 1, 2011, http://searchstorage.techtarget.com/sDefinition/)

A terabyte (TB) is a measure of computer storage capacity that is 2 to the 40th power or approximately a trillion bytes that is a thousand gigabytes. The prefix tera is derived from the Greek word for monster.

Hitachi began selling 1-terabyte hard drives to consumers in 2007. (Today, consumers can purchase a 2-terabyte external hard drive for around $180.) A one terabyte drive can hold: 472 hours of broadcast video; 150 hours of hi-definition recording; According to futurist Raymond Kurzwell in "The Singularity Near," the capacity of a human being's functional memory is estimated to be 1.25 terabytes.

Megabytes, Gigabytes, Terabytes… What Are They? (www.whatsabyte.com)

These terms are usually used in the world of computing to describe disk space, or data storage space, and system memory. . . According to the IBM Dictionary of Computing, when used to describe disk storage capacity, a megabyte is 1,000,000 bytes in decimal notation. But when the term megabyte is used for real and virtual storage, and channel volume, 2 to the 20th power or 1,048,576 bytes is the appropriate notation. According to the Microsoft Press Computer Dictionary, a megabyte means either 1,000,000 bytes or 1,048,576 bytes. According to Eric S. Raymond in The New Hacker's Dictionary, a megabyte is always 1,048,576 bytes on the argument that bytes should naturally be computed in powers of two. So which definition do most people conform to?

When referring to a megabyte for disk storage, the hard drive manufacturers use the standard that a megabyte is 1,000,000 bytes. This means . . . an 80 Gigabyte hard drive you will get a total of 80,000,000,000 bytes of available storage. This is where it gets confusing because Windows uses the 1,048,576 byte rule so when you look at the Windows drive properties an 80 Gigabyte drive will report a capacity of 74.56 Gigabytes and a 250 Gigabyte drive will only yield 232 Gigabytes of available storage space . . . The 1000 can be replaced with 1024 and still be correct using the other acceptable standards.

Processor or Virtual Storage	Disk Storage·
· 1 Bit = Binary Digit	1 Bit = Binary Digit
· 8 Bits = 1 Byte	· 8 Bits = 1 Byte
· 1024 Bytes = 1 Kilobyte	· 1000 Bytes = 1 Kilobyte
· 1024 Kilobytes = 1 Megabyte	· 1000 Kilobytes = 1 Megabyte
· 1024 Megabytes = 1 Gigabyte	· 1000 Megabytes = 1 Gigabyte
· 1024 Gigabytes = 1 Terabyte	· 1000 Gigabytes = 1 Terabyte
· 1024 Terabytes = 1 Petabyte	· 1000 Terabytes = 1 Petabyte
· 1024 Petabytes = 1 Exabyte	· 1000 Petabytes = 1 Exabyte
· 1024 Exabytes = 1 Zettabyte	· 1000 Exabytes = 1 Zettabyte
· 1024 Zettabytes = 1 Yottabyte	· 1000 Zettabytes = 1 Yottabyte
· 1024 Yottabytes = 1 Brontobyte	· 1000 Yottabytes = 1 Brontobyte
· 1024 Brontobytes = 1 Geopbyte	· 1000 Brontobytes = 1 Geopbyte

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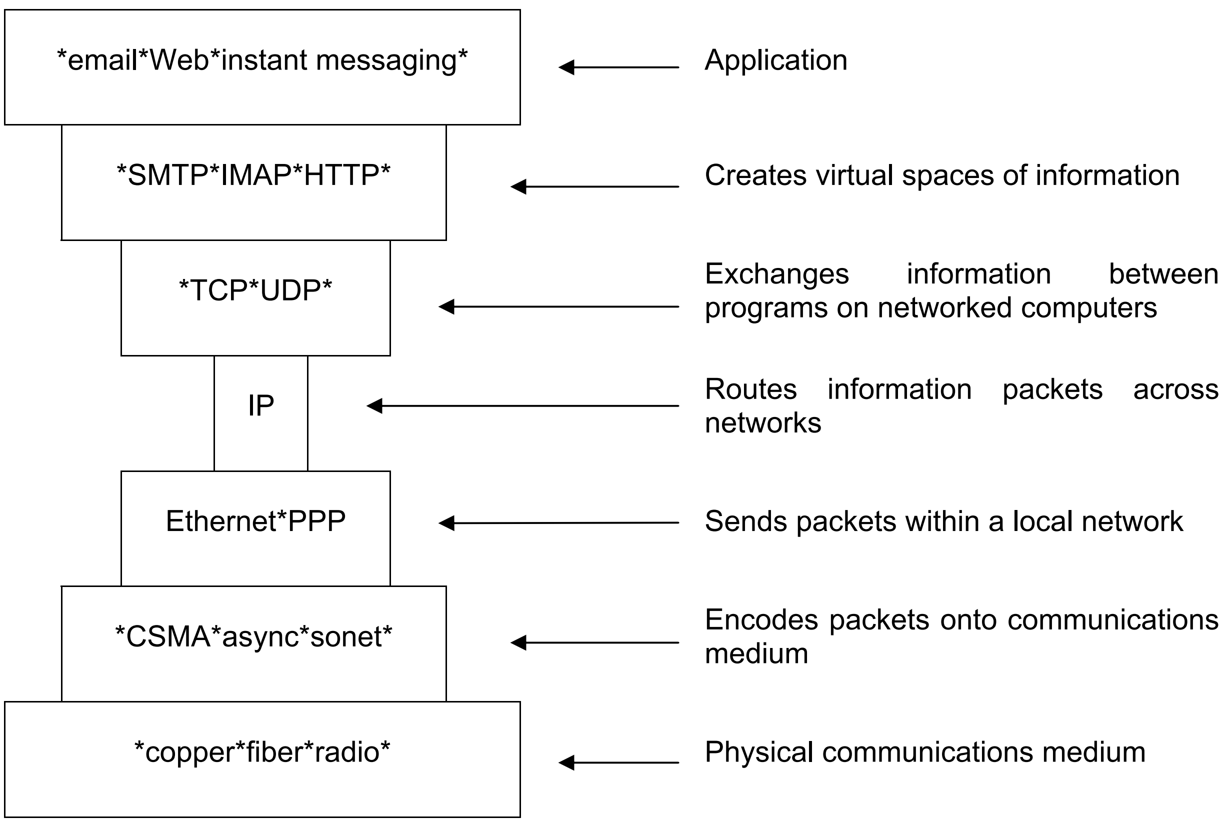
APPENDIX B

WEB or Internet How it Works (from "Long Live the Web" by Tim Berners-Lee)[23]

The WEB is an application that runs on the Internet. So is instant messaging. The internet is an electronic network that parcels application information into packets and ships them among computers over wires and wireless media, according to simple protocols (rules) known by various acronyms. The Internet and applications can be thought of as a stack of conceptual layers; each layer uses the services of the one below. Applications can be thought of as home appliances that tap into the electrical network in a standard way.



[23] Scientific American, December 2010, Long Live the Web, Tim Berners-Lee, p. 80-85

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APPENDIX C

For additional background on the Cyber Attack on NASDAQ see:

Cyber Attack on NASDAQ - NSA Joining the Probe

From: http://news.cnet.com/8301-1009_3-20048996-83.html#ixzz1I8xrARDo, March 30, 2011

"Threat Landscape: The National Security Agency has joined the investigation into last October's cyber attack on the computer network of the company that runs the Nasdaq stock exchange, according to a Bloomberg report…"

and

From Bloomberg News, March 30, 2011

"The National Security Agency, the top U.S. electronic intelligence service, has joined a probe of the October cyber attack on Nasdaq OMX Group Inc. (NDAQ) amid evidence the intrusion by hackers was more severe than first disclosed…"

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APPENDIX D
MUNICIPAL POLICE DEPARTMENTS IN LOS ANGELES COUNTY

Department	Officers	Number of Residents per Officer	Address & Telephone
Alhambra	83	1,036	111 S First St, 91801; (626) 570-5107
Arcadia	68	832	250 W Huntington Dr, 91007; (626) 574-5150
Azusa	60	785	725 N Alameda Ave, 91702; (626) 812-3200
Baldwin Park	75	1,034	14403 E Pacific Ave, 91706; (626) 960-1955
Bell	31	1,182	6326 Pine Ave, 90201; (323) 585-1245
Bell Gardens	48	932	7100 Garfield Ave, 90201; (562) 806-7600
Beverly Hills	133	259	464 N Rexford Dr, 90210; (310) 550-4951
Burbank	160	645	200 North Third Street, 90502; (818) 238-3333
Claremont	39	914	570 W Bonita Ave, 91711; (909) 399-5411
Covina	56	838	444 N Citrus Ave, 91723; (626) 858-4409
Culver City	108	357	4040 Duquesne Ave, 90232; (310) 837-1221
Downey	119	904	10911 Brookshire Ave, 90241; (562) 861-0771
El Monte	127	964	11333 Valley Blvd, 91731; (626) 580-2110
El Segundo	70	232	348 Main St, 90245; (310) 322-9114
Gardena	89	659	1718 W 162nd St, 90247; (310) 217-9670
Glendale	258	765	131 N Isabel St, 91206; (818) 548-4840
Glendora	53	932	150 S Glendora Ave, 91741; (626) 914-8250
Hawthorne	99	852	12501 S. Hawthorne Bl., 90250; (310) 970-7976
Hermosa Beach	36	540	540 Pier Ave, 90254; (310) 318-0360
Huntington Park	71	857	6542 Miles Ave, 90255; (323) 584-6254
Inglewood	189	596	One West Manchester Blvd, 90312; (310) 412-5210
Irwindale	28	51	5050 Irwindale Ave, 91706; (626) 962-3601
La Verne	46	752	2061 Third St, 91750; (909) 596-1913
Long Beach	955	486	400 West Broadway, 90802; (562) 570-7301
Los Angeles	9,980	386	100 West First St, 90012; (213) 485-3205
Manhattan Beach	64	577	420 15th St, 90266; (310) 802-5100
Monrovia	53	712	140 E Lime Ave, 91016; (626) 256-8000
Montebello	83	745	1600 W Beverly Blvd, 90640; (323) 887-1288
Monterey Park	77	797	320 W Newmark Ave, 91754; (626) 307-1212
Palos Verdes Estates	25	544	340 Palos Verdes Dr W, 90274; (310) 378-4211
Pasadena	244	590	207 N Garfield Ave, 91101; (626) 744-4501

Pomona	178	861	490 W Mission Blvd, 91766; (909) 620-1241
Redondo Beach	87	773	401 Diamond St, 90277; (310) 379-2477
San Fernando	36	663	910 First St, 91340; (818) 898-1254
San Gabriel	56	723	625 S Del Mar Ave, 91776 ; (626) 308-2828
San Marino	26	492	2200 Huntington Dr, 91108; (626) 300-0720
Santa Fe Springs	---	---	Contract with Whittier PD. See Whittier; (562) 409-1850
Santa Monica	203	434	333 Olympic Drive, 90401; (310) 395-9931
Sierra Madre	17	639	242 W Sierra Madre Bl, 91024; (626) 355-1414
Signal Hill	34	325	1800 E Hill St, 90755; (562) 989-7200
South Gate	84	1,151	8620 California Ave, 90280; (323) 563-5400
South Pasadena	35	699	1422 Mission St, 91030; (626) 403-7270
Torrance	226	624	3300 Civic Center Dr N, 90503; (310) 328-3456
Vernon	53	2	4305 S Santa Fe Ave, 90058; (323) 587-5171
West Covina	113	937	1444 W Garvey Avenue, 91790; (626) 939-8500
Whittier	125	657	7315 S Painter Ave, 90602; (562) 945-8250

EDUCATION BASED INCARCERATION
HOPE FOR TOMORROW

Committee Members

Chairperson: Judy Packer
Mitchell Group
Susan Stetson
Brian Twomey

EDUCATION BASED INCARCERATION

HOPE FOR TOMORROW

SUMMARY

Education Based Incarceration (EBI) is a comprehensive educational program focused on deterring and mitigating crime by providing inmates education and rehabilitation during incarceration. The EBI program is provided by the Los Angeles County Sheriff's Department (LASD). Some County inmates take advantage of this opportunity to improve their lives. Holding lawbreakers accountable for their actions and providing a safe, stable community for citizens is the responsibility of the incarceration system. A core goal of EBI is to reduce recidivism and improve success rates for inmates upon release into society. This ultimately has the potential to reduce costs to taxpayers who bear the financial burden of the Los Angeles County inmate population.

PURPOSE

This Report summarizes the components and value of the EBI program and addresses the following:

1. Challenges of increasing the number of inmates participating in and completing the EBI program

2. Recidivism and ongoing success statistics for inmates who complete coursework versus the general population who do not participate

3. Employment shortages and improvement of job opportunities for EBI graduates

BACKGROUND

There are currently five (5) LASD operated jail facilities offering educational programs to inmates. Different courses are offered based on inmate security levels. Learning while in jail is part of an innovative program where inmates can have access to education while incarcerated to prepare for life upon release. EBI offers vocational job training skills, as well as in depth curriculum dealing with life in society as law abiding citizens.

Academic and job training offered through EBI includes, in part:

- Basic reading, writing, math, science, social studies and fine arts within the State of California's framework and content standards

- Preparation for General Education Development (GED) State equivalency test

- English as a Second Language (ESL)

- Automotive body service and repair

- Bicycle repair

- Construction, painting, welding, masonry, woodworking, carpet and flooring installation
- Custodial building maintenance
- Culinary arts and hospitality
- Pet grooming and animal caretaking
- Commercial sewing and embroidery
- Office occupations, computer operations, telecommunications
- Landscaping and grounds keeping
- Graphic arts and sign fabrication
- Printing and plastic bag manufacturing

Life Skills and Behavior Modification Programs are designed to correct and improve social skill deficits, as well as increase ability to problem solve and make sound decisions. Offerings include:

- Domestic violence prevention/anger management
- Parenting
- Drug education and recovery
- Moral recognition
- Personal interactions
- Job fairs
- Teaching and Loving Kids (TALK) – teaches parents how to talk with and strengthen bonds with their children in a relaxed, child centered environment
- Returning Hearts – helps men understand their roles as fathers, husbands and family leaders
- Women in Transition Support (WITS) – a sixteen (16) week life skills and empowerment program for incarcerated women
- Veterans programs

Community based organizations are available to assist inmates in an effort to improve their chances for success upon release. These organizations, some of which are listed below, can play an integral role in assisting Merit graduates IF they make the choice to take advantage of these services and IF funding is available to these organizations:

- Hollywood Impact Studios – offers training and employment in the entertainment industry to graduates, funded almost entirely by individual founders working in the industry

- Homeboy Industries – offers case management, legal assistance, counseling and recovery meetings to at-risk and former gang involved youth

- United States Veterans Initiative

- Volunteers of America

- One Stop Career Centers

- Friends Outside – serves as a bridge between families, inmates and community to break the cycle of crime

- Covenant House – largest privately funded crisis care agency in America

- Bridges – provides transitional and long-term residential care programs

- Dream Center – non-profit agency dedicated to providing tangible and spiritual needs to inner city residents

- Other addiction recovery, mental health and homeless assistance organizations

METHODS AND PROCEDURES

The 2010-2011 Civil Grand Jury (CGJ) toured and observed classes conducted at the North County Correctional Facility (NCCF) at Pitchess Detention Center (Pitchess) for men in Castaic and the Century Regional Detention Facility (CRDF) for women in Lynwood. The program observed at Pitchess is known as Maximizing Education Reaching Individual Transformation (MERIT). The program observed at CRDF is called Women Investing in Success through Education (WISE).

These tours included viewing inmates housed in units not participating in classes as well as the units where all members were actively involved in a broad offering of educational and life skill classes.

One of the LASD's publicly stated goals is a strong focus on moral rehabilitation of incarcerated inmates. A presentation to the entire CGJ included rationale for development of EBI components and continuing efforts being made to enhance program offerings.

CGJ members also met with and interviewed the following:

- Senior LASD officials

- Correctional division advisory personnel

- MERIT program coordinator and instructors

- Alumni support group of program graduates

- External community agencies and program partner corporations

FINDINGS

As a result of the CGJ inquiry, the following was found:

1. According to the LASD, inmates released from jail are rearrested at a rate of 42.2% within the first six (6) months. After six (6) months of release, the recidivism rate for rearrest increases to 57.4%. Two (2) of the strongest, most consistent predictors contributing to recidivism among County jail inmates are lack of employment and substance abuse. Data indicates there is a high likelihood inmates will return to jail if not provided with guidance and direction within eight (8) hours of release.

2. At Pitchess, the CGJ observed a marked difference in the environment, interactions and activities in housing units where classes were and were not being held. Inmates not involved in classes were in crowded dormitory facilities, playing cards, watching TV, pacing or engaged in minimal constructive activities. In contrast, inmates enrolled in the MERIT program who are housed separately were in classrooms filled to capacity or engaged in listening to dynamic motivational speakers' presentations. Several CGJ observers were moved to tears by the sincerity and focus demonstrated by these inmates.

3. According to the Los Angeles District Attorney's website, the County of Los Angeles has approximately fourteen hundred (1,400) known street gangs. External community support organizations note that gang leaders are recruiting new members at a younger age with some new members being fourth generation gang members. It is estimated that of the 85,000 gang members in Los Angeles County, approximately:

4. 90% will be arrested by the age of 18

5. 75% will be arrested twice by the age of 18

6. 95% will not finish high school

7. 60% will be in prison or dead by the age of 20

8. Research shows that before you can prepare parolees for a job by teaching job skills, it is imperative that you prepare their minds for a new and different way of thinking when they reenter society upon release. According to a 2010 publication by the LASD on EBI, the LASD recognizes that inmates who are better prepared mentally, psychologically and educationally for transition and reentry into the community have a much higher success rate. The principles of EBI are designed specifically to assist inmates in their transition from custody to civilian life.

9. LASD previously had a long-term contract with a school district for instructors to provide EBI training to inmates. Negotiations are underway for a new contract that is expected to be finalized by mid-2011. At that time, instructors will teach EBI courses through the contracted organization. Ultimately, the goal over the next two (2) years is to develop an educational program to administer EBI course work to inmates in conjunction with a Federal workforce investment program.

10. Custody Assistants (CAs) are LASD employees working in the jail system to manage inmates. Some CAs have been provided limited training to instruct inmates in various programs such as parenting and anger management. The amount of time spent in training varies from ten (10) hours to thirty-two (32) hours with additional workbook and video instruction. This limited training appears to be inadequate in contrast to four (4) year bachelor degrees and teaching credentials required by school district teachers. The effectiveness of the CA instructors is measured and may need to be assessed for effectiveness. This issue did not appear to be a concern with females at CRDF as much as the male population at other jails.

11. Concerns were expressed during this investigation from various organizations about limited access of inmates to civilian, non-sworn personnel if CAs are being charged with teaching and acting as case managers. As case managers, they seek to ensure participants have tools needed to reintegrate into the community. The concern was whether inmates will relate to and confide in LASD employee instructors with the same level of trust as they would to a civilian teacher. While the CGJ understands the security and safety issues related to uncontrolled access of inmates to civilians, questions were raised about the LASD attempting to limit external involvement with inmates. Of particular concern was whether an inmate's needs to connect with family, make contact with their attorneys and receive meaningful assistance was adequately met.

12. The Inmate Welfare Fund (IWF) is a fund derived from revenue sharing contracts such as inmate phone calls, vending machines and commissaries where inmates can purchase food and personal items with money put into an account by their families. The fund generates approximately $47 million a year and is "to be expended for the benefit, education and welfare of inmates." The IWF allocates 51% for inmate programming and services (which includes EBI courses) and 49% for jail maintenance. The Inmate Welfare Commission is an advisory body which makes recommendations about the use of these monies. However, the final authority for expenditures rests with the LASD. Questions were raised about whether this allocation is being adhered to and the extent to which the EBI program actually benefits from this fund.

13. In addition, the CGJ found that the EBI program faces four (4) major obstacles:

14. Inability to effectively translate course material for the Spanish speaking population

15. Lack of adequate exposure to program benefits by the Board of Supervisors and other influential sectors of County government

16. Effectively marketing the program internally to local government leaders and externally to potential corporate partners

17. Apprehension of participation by male inmates due to internal jail house politics and gang peer pressure

RECOMMENDATIONS

1. LASD Community Transition Unit to increase network with community service groups and local businesses to gain employment opportunities for inmates who have

completed the EBI program. This can be achieved by attendance at community service clubs such as Rotary, Kiwanis and Chamber of Commerce meetings. LASD representatives are encouraged to be proactive and attend these meetings fully prepared with names and experiences of EBI graduates.

2. Assign LASD community outreach staff to actively and consistently network with corporations to acquire corporate support. In addition to financial contributions, seek to acquire access to corporate inventory of excess computers, training equipment and classroom furnishings for use in EBI classrooms. Seek expertise of potential guest speakers and enlist assistance for much needed computer training.

3. Procure inventory of translation equipment to effectively communicate course content to the Spanish speaking population and increase the number of Spanish speaking instructors. Seek funding approval from the Board of Supervisors for translation equipment and/or utilize funds from the IWF.

4. Evaluate effectiveness of the current level of communication with the Board of Supervisors and all local city councils to increase awareness and support of EBI programs. A strong "circle of influence" in local government is imperative for the ongoing success of the EBI program. Consistent exposure is advised through attendance and agenda input at the Board of Supervisors and countywide city council meetings by high level LASD officials. Ensure funding is sought for specific needs such as computers, translation aids and other classroom equipment.

5. Identify and address obstacles that exist in jails that deter inmates from participating in educational programs due to gang peer pressure. While it is recognized there is no quick or easy fix, the fact remains that this is a major obstacle to increase participation in this valuable program. LASD should actively enlist support from organizations like Home Boy Industries, Communities in Schools and other gang experts; i.e., ex-gang members to assist in identifying solutions to this major challenge.

6. Review the usage of the IWF expenditures to determine what portion is being used for EBI versus other jail expenses such as capital expenditures. Is there a clearly defined budget allocated for educating inmates and providing recovery programs? Is it being adhered to? Is an appropriate level of funding being allocated to external agencies which can aid in bridging communication gaps that may exist between inmates and uniformed personnel? Ensure adherence to California Penal Code §4025[1] as it relates to expenditures of the approximate $47 million in the Inmate Welfare Fund.

---

[1] Following is the pertinent portion of Penal Code Section 4025(e) that sets forth the guidelines for administering these funds:

> The money and property deposited in the inmate welfare fund shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff.

REQUEST FOR RESPONSE

California Penal Code Sections[2] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	Los Angeles County (Sheriff's Department)
2	Los Angeles County (Sheriff's Department)
3	Los Angeles County (Sheriff's Department)
4	Los Angeles County (Sheriff's Department)
5	Los Angeles County (Sheriff's Department)
6	Los Angeles County (Sheriff's Department)

[2] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

Acronyms

CA	Custody Assistant
CGJ	Civil Grand Jury
CRDF	Century Regional Detention Facility
EBI	Education Based Incarceration
ESL	English as Second Language
GED	General Education Development
IWF	Inmate Welfare Fund
LASD	Los Angeles Sheriff Department
MERIT	Maximizing Education Reaching Individual Transformation
NCCF	North County Correctional Facility
TALK	Teaching and Loving Kids
WISE	Women Investing in Success through Education
WITS	Women in Transition Support

UNCOLLECTED MEDICAL BILLS IN THE COUNTY'S THREE MAJOR MEDICAL FACILITIES
FREE COUNTY HEALTHCARE – EASIER THAN YOU THINK!

Committee Members

Chairperson: Leah Markus
Co-Chairperson: Solomon Hailpern
Brian J. Twomey
John A. Rangel

UNCOLLECTED MEDICAL BILLS IN THE COUNTY'S THREE MAJOR MEDICAL FACILITIES

FREE COUNTY HEALTHCARE - EASIER THAN YOU THINK!

SUMMARY

Federal law prohibits hospitals from denying or delaying treatment to a patient in the emergency room (ER). Providing health care to the uninsured who rely on the ER for general care is an expensive endeavor for Los Angeles County (LAC). The level of uncompensated health care continues to rise. The County hospitals must also operate within the confines of a consent decree, which constrains the County's ability to ensure the reimbursement of its medical costs for service to the uninsured. This 2010-2011 Civil Grand Jury (CGJ) investigation focused on assessing the Los Angeles County Department of Health Services' (DHS) ability to cover the costs of health care provided to the uninsured and low-income populations, with particular emphasis on the Self-Pay collection system.

Within this context, the investigation found that the County's hospital/health care system is vulnerable to public abuse. However, it is not possible to quantify the level of public misuse. A 2001 County internal audit of the Self-Pay collections process found low collection rates on these unpaid Self-Pay accounts. However, the CGJ found that while collection efforts on most accounts will not result in patient payment, the DHS focuses on obtaining local, State and Federal reimbursements of the County's actual costs for providing health care services to these unpaid accounts. The CGJ made several recommendations to decrease non-critical medical visits in the emergency room, increase medical care reimbursement levels to the County and standardize policies and procedures across the hospital facilities.

PURPOSE

This CGJ investigation focused on assessing the DHS' ability to cover the costs of health care provision to the uninsured and low income populations, with particular emphasis on the Self-Pay collection system. The scope of this study encompassed three (3) County public hospitals: Los Angeles County USC Medical Center (LAC+USC) in Los Angeles, Harbor-UCLA Medical Center (Harbor-UCLA) in Torrance and Olive View Medical Center (Olive View) in Sylmar. The investigation's objectives were to:

- Determine the policies and processes for collecting monies due from Self-Pay accounts
- Determine the scope of collected and uncollected funds from Self-Pay accounts
- Document the patient intake/admission, medical triage and financial screening processes at County emergency rooms
- Document and assess the County's accounting policies and procedures for uncollected Self-Pay accounts and the County's efforts in securing reimbursement for health care provision to the uninsured

- Document the laws governing Self-Pay collections and the provision of health care to the uninsured in ERs

BACKGROUND

Los Angeles County is a large jurisdiction; in fact, the County is larger both in square miles and population than many U.S. states. It is home to more residents without health insurance than any other county in the State of California. Compared to the State, Los Angeles County has a higher proportion of uninsured residents (17% compared to 14.5% in the State), small businesses (which are unlikely to provide health insurance to their employees), and low income families, young adults and Latinos (all of whom are more likely to be uninsured).[1] Furthermore, since the beginning of the economic recession in 2007, Los Angeles County's population and unemployment level have grown. The County's population grew by 2.2% (compared to a 3.1% increase in the entire State) between July 2007 and July 2010, while the County's annual unemployment rate increased from 5.1% in 2007 to 13.1% in 2010 (compared to 5.3% and 12.4%, respectively, in the State).[2]

These demographic characteristics and economic realities have had a significant impact on the County's public health care delivery system, the "safety net" of health care for those who are uninsured. Patients who do not have third-party resources; e.g., Medi-Cal, Medicare, private insurance, etc., are responsible for the cost of the medical care provided at DHS facilities. These patients (and their related charges) are referred to as "Self-Pay" and comprise approximately one-fifth of DHS inpatients. However, many of these Self-Pay accounts are left uncollected. Exacerbating this health care system's capacity is the financial crisis faced by the County. Los Angeles County's fiscal year (FY) 2010-2011 budget represented the third consecutive year of budget curtailments for the County. For FY 2010-2011, all County departments, with the exception of DHS, were required to submit 9.0% spending reduction proposals. DHS was faced with its own budget shortfall of nearly $400 million and was tasked with finding solutions to mitigate this deficit.[3]

<u>Emergency Medical Treatment and Active Labor Act (EMTALA)</u>

The Social Security Act's Section 1867(a), also known as the Emergency Medical Treatment and Active Labor Act, restricts hospitals' inquiries into a patient's ability to pay if the patient has an "emergency medical condition." EMTALA essentially stipulates that a medical screening exam may not be delayed for inquiries about payment, even if the patient enters the hospital's emergency room. EMTALA was established to prevent "patient dumping," which could mean refusing to treat people because of their inability to pay or insufficient insurance coverage, or transferring or discharging emergency patients on the basis of anticipated diagnosis and high treatment costs. While EMTALA has improved health care access to the uninsured, there has been a significant cost impact of the Act. According to the Centers for Medicare and Medicaid Services, 55% of U.S. emergency care now goes uncompensated.

[1] Data from: 2009 California Health Interview Survey; County Snapshot, Los Angeles 2001, California Employment Development Department; California Finance Department; and U.S. Census Bureau.
[2] California Employment Development Department and California Finance Department.
[3] Los Angeles County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010, Auditor-Controller Department.

Etter Consent Decree

In 1985, the Legal Aid Foundation filed a class action lawsuit against the LAC, known as Etter vs. Board of Supervisors, which, along with restitution for the plaintiffs, alleged that there was inadequate notice to patients regarding the reduced cost health care options and requested improved access to these options. In 1987, the California Superior Court approved a Consent Decree finding in favor of the plaintiffs. As part of this Consent Decree, LAC was ordered to implement several low-cost/no-cost policies and programs: Ability-to-Pay (ATP) Plan, Outpatient Reduced-Cost Simplified Application (ORSA), and Pre-Payment Plan. These changes meant increased access to medical care for those who had no medical benefits and lacked the financial ability to pay for service and increased simplification of the patient application/financial screening process. In combination with EMTALA, the Etter Consent Decree makes it more difficult for LAC to screen the patient's financial status and secure reimbursement dollars for medical care.

Low-Cost/No-Cost Programs

To apply for low-cost/no-cost programs, patients must demonstrate financial need. For ORSA, the net family income must be below 133% of the Federal Poverty Level (FPL). The Decree requires that verification of income is declaratory only. Dependent on the declared information, a patient may incur a liability, but only a small fraction of ORSA patients end up being held responsible for any of their health care costs. Proof of income is not required at the time of application, but may be subject to verification at a later date if a patient is randomly included in the 10% audit sample. If the patient appears to be Medi-Cal eligible, but does not complete the application for Medi-Cal, the patient will not be able to apply to ORSA but may still use the Pre-Payment Plan.

ATP informational materials recommend that the patient bring documentation that shows identity, residential address, and income. However, if the patient does not provide some or all of the requested documents as required by the Decree, the ATP worker can accept an affidavit as statement of proof. Like ORSA, if the patient appears to be Medi-Cal eligible, but does not complete the application, the patient will not be able to apply to ATP, but may still use the Pre-Payment Plan.

The Pre-Payment Plan is used for outpatient services only. The Pre-Payment Plan allows patients to submit a payment amount based on their received outpatient services. If the patient chooses this payment plan, the patient would be responsible solely for the designated amount the program outlines. Table 1 below lists some of the services and costs associated.

Table 1. Per Visit Pre-Payment Plan Costs

Service	Amount
Emergency Room	$120
Outpatient Surgery	$400
Outpatient Clinic	$80

The patient is not responsible for any additional payments, regardless of the amount of charges incurred and the frequency of service usage. Patients are not obligated to prove income or family size. This plan is only eligible for LAC residents. If patients do not comply with the Medi-Cal application, they are still able to use this program for their outpatient services. Note that the estimated average outpatient account charge is approximately $1,000 per visit. After the Pre-Payment Plan payment from the patient for the specific service, the remaining portion of the hospital bill is no longer the patient's responsibility. The hospital administration then claims the residual charges as uncollectible. This issue is discussed later in this Report.

Patient Flow and Financial Screening

The financial screening process for the Emergency Room (ER) is dependent on the severity of the patient's medical condition. If the patient is critical and needs immediate attention, they bypass the waiting room to be treated by doctors. For a lower-risk patient, the Initial Contact Nurse (ICN) collects preliminary identification, including name, date of birth; and if the patient is a returning patient, their medical record number (MRUN). The patient waits to be seen in the triage area. Nurses record the patient's vitals, refer the patient to the Triage Nurse, and ultimately to the Nurse Practitioner. If the patient is not in critical condition but needs prompt attention, this process is hastened. The hospitals must provide these medical assessments before a patient is financially screened.

After the preliminary medical evaluation, patients wait for the doctor's assessment while the Registration Patient Resource Worker (PRW) conducts the financial application. This information aids the PRW in establishing possible eligibility for Medi-Cal. Otherwise, patients receive pamphlets regarding low-cost/no-cost programs – including Pre-Payment and ORSA.

The obstacle with financial screening is that patients are under no obligation to provide the necessary information: birthplace, parents' names, mother's maiden name, spouse, social security number, and residential status.

The questions multiply. Will the patients follow through with any of the payment options? Will they return to complete the lengthy ORSA application? Will they send in their payment in the Pre-Payment billing envelope? Will they pay at the ER Cashier's Office?

Using Public-Private Partnership as an Alternative to Using ER for Non-Emergency Care

The Public-Private Partnership (PPP) Program is a collaborative effort between DHS and private, community-based providers (Partners) to provide medical and dental services to the indigent. This program is part of a Medicaid Demonstration Project designed to provide DHS with Federal relief to preserve vital community clinic capacity. PPPs provide medical, dental and specialty care coverage at over one hundred (100) privately operated primary care sites in LAC.

Extended Payment Plan

Although DHS has a standard policy regarding Extended Payment Plans (EPPs) to patients with a delinquent bill, the hospitals do not publicly encourage patients to utilize this policy/program. Instead, they wait until the patient requests further information. It is the patient who must request that the hospital initiate the EPP. The PRW then discusses the requirements and procedures with the patient. Once agreed upon, the PRW establishes a monthly minimum payment, due dates, default ramifications and a payment period not to exceed eighteen (18) months.

Collection Process

The process to collect payment or reimbursement for unpaid charges begins at patient discharge and is consistent within the three (3) facilities. For inpatient services, the facility sends the first bill to the patient fifteen (15) days after discharge. If the patient has not responded, the facility sends a second bill thirty (30) days after the initial attempt. If by seventy-five (75) days after discharge, the patient does not respond, the account is sent to a private outside vendor for collection. Table 2 summarizes the inpatient timeline:

Table 2. Timeline for In-Patient Accounts Collections

Account Location	Timeline (Day Range)	Number of Days in Possession
Individual Facility	Day 1-75	75 days
First Collection Agency	Day 75-226	151 days
Second Collection Agency	Day 226-435	209 days
Account Write-Off	Day 436	

The United States Credit Bureau Inc., (USCB) retains the account for one hundred fifty (150) days. The account is then transferred to the LAC Treasurer and Tax Collector (TTC) if USCB fails to collect the debt. TTC then contracts with outside agencies to collect these accounts for approximately two hundred nine (209) days. If the amount is still uncollected, TTC initiates approval from the County Board of Supervisors to declare the account as uncollectible. The amount is then reflected in monthly reports provided to DHS which initiates efforts to obtain funds from various State and Federal reimbursement pools to restore each facility's lost revenue. The approximate number of days from patient discharge to TTC final attempt to collect is four hundred thirty-six (436) days.

Outpatient debt collection is similar to the inpatient process, but with a longer timeline. At patient discharge, the facility sends the first service bill approximately fifteen (15) days after patient discharge. The facility repeats this process thirty (30) days after the first service bill. If the patient does not respond to the hospital's service bill by day seventy-five (75), the facility attempts soft collection, which involves the facility's usage of outside collection vendors' written correspondence. The account still remains in the facility, but the bill letterhead mirrors more of a collection agency rather than that of the hospital facility. If the amounts are collected, the outside agencies charge a nominal fee for issuing these soft collection letters. The soft collection letter is sent at day 75, 105 and 135 after patient discharge. They are sent in thirty (30) day cycles. If the debt collection fails after one hundred sixty-five (165) days of facility collection attempts, the facility transfers the account to USCB. Table 3 summarizes the outpatient timeline:

Table 3. Timeline for Out-Patient Accounts Collections

Account Location	Timeline (Day Range)	Number of Days in Possession
Individual Facility	Day 1-75	75 days
Facility Soft Collection	Day 75-165	90 days
First Collection Agency	Day 165-346	180 days
Second Collection Agency	Day 346-525	179 days
Account Write-Off	Day 526	

After one hundred eighty (180) days at USCB, TTC initiates their collection efforts of the unpaid accounts. When the account is declared uncollectible, the process parallels that above and TTC reports written off accounts to DHS. The total number of days from patient discharge to TTC account termination is approximately five hundred twenty-six (526) days.

METHODS AND PROCEDURES

To complete this program assessment, the investigation involved the following analytical methods and procedures:

- Interviewed staff and management from LAC+USC, Harbor-UCLA, Olive View, and DHS
- Conducted site visits and shadowing of emergency room personnel and patient resource/financial staff
- Reviewed comparative information regarding Self-Pay collection processes and policies, and researched hospital Self-Pay and service reimbursement
- Collected and reviewed data and information, including: collection policies and procedures for tracking and monitoring Self-Pay collection; financial data regarding Self-Pay accounts receivables/collections and health care reimbursement at the County hospitals; past reviews and audits of the DHS collection process; applicable laws and regulations

FINDINGS

1. **County Comprehensive Health Clinics (CHC) are limited in patient capacity and hours of operation. This results in overburdened ERs.**

   A substantial number of patients enter the ERs of LAC public hospitals with non-critical medical issues. These patients resort to the ER in part due to the limited capacity of the CHC clinics.

   During site visit interviews, several nurses, staff and patients mentioned that CHC clinics often do not have an available appointment for months, or do not have adequate receptionist staff support to regularly answer telephone calls from patients. Consequently, non-critical patients overcrowd the ER. One hospital staff member mentioned that, at times, non-critical patients who have been waiting in the ER for a long period of time (because of the lower criticality of their medical condition) would intentionally leave the facility and call 911 to have an ambulance bring them into the ER to bypass the patient priority wait list to receive immediate attention.

   Furthermore, each facility in this investigation has a policy that allows patients entering the ER to be seen in the Urgent Care division. A limited number of appointments are available for Urgent Care during business hours. If appointments are no longer available or if Urgent Care is closed, the non-critical patients are seen in the ER. Table 4 provides the number and percentage of those patients seen in Urgent Care:

Table 4. Number of Urgent Care Outpatient Visits Entering through ER, FY 2009-2010

Facility	Total ER Patients	ER Patients Referred to Urgent Care	Percent Referred to Urgent Care
LAC-USC	196,250	14,788	7.50%
Olive View	77,216	22,696	29.40%
Harbor-UCLA	102,016	22,034	21.60%
Total	375,482	59,518	15.90%

These numbers also represent the number of patients who could have potentially accessed the CHC clinics. LAC+USC offers a limited number of Urgent Care appointments, which are often filled by midday. This results in the low percentage of patients who could have been treated in Urgent Care but end up being treated in the ER instead. As Table 4 shows, 15.9% of patients who entered the ER in FY 2009-2010 could have potentially visited CHC for non-critical medical needs. For these hospitals, patients' ER bills can range widely, but the average outpatient account is $1,000 per visit. The 15.9% of total referred Urgent Care patients, who could have been potentially treated in the CHC, produces approximately $60 million in service charges.

2. **Patients are often unaware of primary care Comprehensive Health Clinics and Public-Private Partnerships (PPPs).**

The patients may not be aware of these primary care community health facilities that provide a better alternative to using the ER. Extending the hours of the community clinics and expanding the PPP to include more community partners could alleviate the ER backlog. The CGJ recognizes that funding and capacity of CHCs/PPPs may be limiting factors. By increasing awareness and participation in alternative facilities, the number of non-critical ER visits may decline over time. There could also be significant cost savings by having more non-critical patients visit the CHCs and community-based partners rather than the ERs and Urgent Care divisions. As the average cost of a clinic visit is less than half that of an ER or Urgent Care visit, the goal of the ICN would be to inform patients of available medical resources and services outside the ER, which may be more efficient in fulfilling their non-emergency needs. The PPPs and CHCs are not being fully utilized.

3. **Etter Consent Decree is holding Los Angeles County hostage.**

The Etter Consent Decree was created twenty-four (24) years ago outside of today's budgetary constraints and healthcare realities. The economic recession has impacted all levels of government, yet more and more uninsured people are relying on public hospitals for primary care.

Currently, DHS is attempting to implement a two-phase approach that alters some of the Etter Consent Decree provisions and encourages more patient applications to insurance reimbursement programs. Phase One was implemented in early March 2011 requiring patients in the inpatient division to apply for low income insurance programs, which require proof of income before applying to ATP. Similarly, DHS' proposed Phase Two of this approach will require outpatients to apply for two (2) income insurance programs before applying for ORSA. However, due to the larger outpatient volume DHS must submit budget requirements to better evaluate the cost benefit of Phase Two which outlines the additional staffing and associated hiring and training costs required to implement this phase. Both phases should increase the County's ability to recoup more of the costs of service and to lessen its financial burden on a long-term basis, while maintaining its ability to provide needed care to the uninsured.

To recover the increasing costs of medical care, particularly to the County's low income and uninsured populations, it is time for the requirements of the Etter Consent Decree to be revised.

4. **Lack of a uniform pre-payment billing process throughout the facilities adversely affects the level of ORSA enrollment.**

ORSA is preferable because reimbursements are higher for the uninsured ORSA population from the State and Federal cost reimbursement pools.

The Registration PRW provides patients with information regarding available low-cost/no-cost programs during the patients' financial screening. While the process from preliminary medical evaluation up to the PRW registration is generally consistent across the facilities, each hospital's practices differ after the PRW registration.

At LAC+USC Pre-Payment billing envelopes are distributed only if the patient returns after they are seen by the doctor and requests this information from the Registration PRW. At Olive View, Pre-Payment envelopes are not provided at any time. If patients would like to use this form of payment, they must visit the cashier and request this information. For these two facilities, patients who specifically request the Pre-Payment plan typically are aware of the program before their hospital visit as noted by facility staff. Since the Registration PRW does not provide the envelopes unless requested, this indirectly encourages a greater number of patients to apply to ORSA. From a program reimbursement perspective, Table 5 shows LAC+USC and Harbor-UCLA Pre-Payment population as compared to the ORSA population in Fiscal Years 2007- 2010.

Alternatively, Harbor-UCLA automatically issues Pre-Payment billing envelopes with discharge materials to each patient with a LAC address. In this facility, patients decide between immediate remuneration or returning to the financial office and applying for ORSA, Medi-Cal, or other low income insurance programs. This method of distribution indirectly encourages more Pre-Payment applications. From an in-house billing and collection perspective, Pre-Payment is preferable, as the facility initially collects more than ORSA (until DHS seeks reimbursement funds). However, these methods influence patients with adequate financial means to apply for the Pre-Payment plan as income verification is not required. Table 5 shows that the number of patients at Harbor-UCLA claim Pre-Payment is significantly higher, despite a considerably larger LAC+USC patient volume:

Table 5. Pre-Payment Plan and ORSA Visits, LAC-USC and Harbor-UCLA UCLA, FY 2007-2010

Year	Facility	Total Visits	Prepayment - Number of visits and percentage of total visits		ORSA - Number of visits and percentage of total visits	
FY 2009-10	LAC-USC	691,046	16,271	2.35%	311,702	45.11%
	Harbor-UCLA	344,401	27,239	7.91%	94,664	27.49%
FY 2008-09	LAC-USC	521, 960	19,124	3.66%	190,636	36.52%
	Harbor-UCLA	337,992	31,907	9.44%	94,508	27.96%
FY 2007-08	LAC-USC	505,881	25,380	5.02%	207,105	40.94%
	Harbor-UCLA	317,708	43,138	13.58%	99,571	31.34%

5. **Facilities have different practices and procedures regarding the Extended Payment Plan Policy causing difficulties in collections.**

Establishing more EPP usage can potentially improve overall collection rates. Patients would rather pay off their debt incrementally than have their accounts transferred to debt collectors.

Increasing the use of EPP appears also to be an incentive for hospitals. Hospital staff noted that EPP allows the hospital to recoup some of the cost of service (an estimated average of $0.60 for every dollar of cost according to staff). Furthermore, it is important that patients are aware of all payment and coverage options, particularly ones that encourage patient responsibility for service payment.

The hospitals' practice of the EPP varies.[4] LAC+USC reviews contracts and monthly minimums with the patient but then transfers the account to outside collection agencies. These outside vendors will communicate with the patients to receive their monthly payments and levy a service surcharge of 15-20% of the funds collected. Alternatively, Olive View manages and collects these EPP payments in-house and limits their use of outside collection agencies. Harbor-UCLA follows a similar method and sends the EPP accounts to collections only if the account becomes delinquent.

Currently, County hospitals limit their efforts to educate patients regarding the EPP option. The CGJ's interviews revealed that the collection levels for EPP accounts appear to be relatively higher than other types of accounts. (For example, Olive View staff indicated that over 80% of EPP accounts are successfully collected.)[5]

6. Patient accounts classified as "Self-Pay" may be a misnomer; they may never pay.

At the initial financial screening, the Registration PRW first categorizes patients as Medi-Cal or Self-Pay. If the patient is approved for a low-cost/no-cost program, the categorization changes according to the accepted programs.[6] However, if the patient does not pay their share of cost, their account becomes delinquent and is transferred to collection. The categorization then shifts to Self-Pay. Although current write-offs include the Self-Pay population, there are a variety of residual account types that fail to be collected in-house. Table 6 outlines the types of patients who are initially classified as Self-Pay patients, and the accounts that are referred to the Self-Pay population.

Table 6. Self Pay Patient Characteristics

Classified Self-Pay Patients	Homeless
	Ineligible for programs
	Out of county residents
	Insurance co-pay
	Patients who have not received financial screening
	Non-compliant (undocumented immigrants, patients reluctant to provide insurance information to avoid deductable, and patients disinclined to provide information that disqualifies them for low-cost/no cost programs.)
Residual Accounts that Shift to Self-Pay	Pending and denied Medi-Cal applications
	Residual costs from patient responsibility or share of cost (Medi-Cal, Pre-payment, ORSA, ATP)

While the hospital system, molded by policy and regulation, is designed to provide low income populations with more access to medical care and to prevent hospital facilities from making medical decisions based on economic reasons alone, it is vulnerable to public misuse. There are numerous anecdotal references about patients who have the

[4] See page 4 Extended Payment Plan
[5] Note that the hospitals' staffs were not able to provide detailed data on the volume and charge totals of the EPP accounts
[6] ATP, ORSA, Medi-Cal, Medi-Care, Self-Pay

financial means to pay for their own medical care. However, they opt to withhold critical information and, at times, even provide false information to avoid paying their medical bills. Quantifying the level of fraud or public abuse of the medical system is difficult and beyond the scope of our investigation. But in the CGJ's analysis, it appears there are areas within the public hospital medical care system that are vulnerable to public abuse.

7. **Although there has been confusion as to the difference between the total service charge and actual cost of service, the bottom line is: a significant loss to the County.**

There is a difference between the actual cost and the charged amount for rendered services. The actual cost represents the direct cost to the hospital providing treatment. The charged amount represents the service cost plus overhead. During patient billing and collection, the facilities and collection agencies seek payment for the service charge.

If the account becomes delinquent and ultimately declared by the County Treasurer and Tax Collector (TTC) to be uncollectible, the service charge is written off. The total service charge written off is the amount reported and released publicly. However, the actual service cost is lower, estimated by management to be approximately 53% of the service charge. Table 7 lists the total service charges for the three (3) hospitals, as well as the estimated actual costs for service based on this reported cost-to-charge ratio:

Table 7. Estimated Total DHS Medical Care Service Charges and Costs

Year	Total Charges for Service	Estimated Actual Cost of Service (Approx. 53% of Total Charge)
FY 09-10	$733,685,430	$395,676,552

Note: These costs include the ORSA, ATP, Medi-Cal and Self-Pay accounts. DHS then uses Federal and State funds to reimburse the hospital facilities for their actual costs.

8. **After writing off the uncollected Self-Pay accounts, the County still attempts to obtain reimbursement from several State and local sources to cover a portion of the actual cost of services.**

TTC reports the charges to be written off to DHS. DHS then attempts to pull from several reimbursement pools to help cover the actual service costs of the uncollected accounts. This process balances the debit caused by the uncollected Self-Pay account. First, the Disproportionate Share Hospital (DSH) pool reimburses the ATP and ORSA costs that were written off at patient discharge. Note that the Self-Pay accounts must go through the account collections process described above. The reimbursement ratio is approximately 87 cents per dollar.

The Safety Net Care Pool (SNCP) is the second program which provides reimbursements. DHS receives 50 cents in reimbursement per dollar of actual cost. Lastly, the Health Care Coverage Initiative broadens Medi-Cal eligibility. Though the funding program will not be fully implemented until 2014, LAC currently receives 50 cents per dollar. In 2014, reimbursement rates will cover 100% of the Medi-Cal costs for providing services to the newly eligible population. Table 8 summarizes the total amount from each reimbursement pool for each facility for the last two (2) fiscal years.

Table 8. Reimbursements per Program
FYs 2009-2010 (in millions)

Year	Facility	Disproportionate Share Hospital	Safety Net Care Pool	Health Care Coverage Initiative	Other (South LA Preservation Fund)	Total Reimbursements	Approximate Write-Off Costs
FY 09-10	LAC-USC	$216.911	$87.701	$24.544	-	$329.156	$395.676
	Olive View UCLA	$54.259	$27.944	$14.090	-	$96.292	
	Harbor-UCLA	$101.847	$38.533	$9.899	-	$150.278	
	Other (MLK)	-	-	$2.555	$84.308	$86.863	
	Other (RLA)	$39.974	$14.223	$1.563	-	$55.759	
	Total	$412.990	$168.400	$52.650	$84.308	$718.348	
FY 08-09	LAC-USC	$193.508	$74.898	$23.535	-	$291.941	$75.170
	Olive View UCLA	$53.026	$24.624	$15.704	-	$93.353	
	Harbor-UCLA	$89.239	$30.857	$9.395	-	$129.490	
	Other (MLK)	-	-	$2.265	$90.588	$92.853	
	Other (RLA)	$39.409	$9.437	$1.129	-	$49.976	
	Total	$375.182	$139.816	$52.027	$90.588	$657.613	

RECOMMENDATIONS

1. Increase the hours and staffing at Urgent Care and Community Clinics to better meet the needs of the community

2. LAC+USC to increase their Urgent Care patient referral rate from 7.5% to 25% - the average patient referral rate of Olive View and Harbor-UCLA

3. Increase ER referrals to Community Clinics and Public-Private Partnership Program

4. The Initial Contact Nurse to provide a referral list of nearby low cost County Community Health Centers and private community-based providers to those patients who request prescription refills, or treatment for minor medical issues and primary care

5. Support the effort to change the Etter Consent Decree allowing the County to increase its medical cost reimbursement levels

6. Establish a policy for Pre-Payment billings and collection that is consistent in all three (3) major medical facilities in LAC

7. Develop and implement a staff policy and procedure that ensures patient awareness of the availability of the Extended Payment Plan option

8. Establish a directive to expand the use of EPP by uninsured patients who have the means to pay for services

9. Design and implement a program to analyze and prosecute abuse of the LAC public hospital medical care system

10. Change the classification from Self-Pay to Financial Liability because currently it is not a self-pay system but a financial liability for the County

REQUEST FOR RESPONSE

California Penal Code Sections[7] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury published its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, Ca 90012

All responses for the 2010-2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business September 30, 2011.
Responses are required from:

Recommendation Number(s)	Responding Agency
1	LAC DHS
2	LAC DHS
3	LAC DHS
4	LAC DHS
5	LAC DHS
6	LAC DHS
7	LAC DHS
8	LAC DHS
9	LAC DHS
10	LAC DHS

[7] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

ACRONYMS

ATP	Ability to Pay
CGJ	Civil Grand Jury
CHC	Comprehensive Health Center
DHS	Department of Health Services
DSH	Disproportionate Share Hospital
EMTALA	Emergency Medical Treatment and Active Labor Act
EPP	Extended Payment Plan
ER	Emergency Room
FPL	Federal Poverty Level
FY	Fiscal Year
Harbor-UCLA	Harbor-UCLA Medical Center
ICN	Initial Contact Nurse
LAC+USC	Los Angeles County Medical Center
MLK	Martin Luther King Jr. Multi-Service Ambulatory Care Center
MRUN	Medical Record Number
Olive View	Olive View Medical Center
ORSA	Outpatient Reduced-Cost Simplified Application
PPP	Public-Private Partnership Program
PRW	Patient Resource Worker
RLA	Rancho Los Amigos National Rehabilitation Center
SNCP	Safety Net Care Pool
TTC	Los Angeles County Treasure and Tax Collector
USCB	United States Collection Bureau, Inc.

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CITY OF LOS ANGELES DEPARTMENT OF WATER AND POWER

Who's Really In The Dark?

Committee Members

Chairperson - Mitchell Group
Grace Hernandez
Kenneth A. Jones
Linda Loding
Judy Packer
Virginia Smith-Rader

LOS ANGELES DEPARTMENT OF WATER AND POWER

WHO'S REALLY IN THE DARK?

SUMMARY

The Civil Grand Jury (CGJ) undertook an investigation of the Governance and Oversight of the Los Angeles Department of Water and Power (LADWP or Department). A major impetus for this review was the transfer discussion and public relations battle that took place among various Mayor's Office, Board of Commissioners (Commission), Los Angeles City Council (Council), Department, and International Brotherhood of Electrical Workers Local 18 (IBEW or Union) personnel in the spring of 2010. There were many additional issues that became apparent during the CGJ preliminary investigations that contributed to this focused investigation.

PURPOSE

The purpose of the review was to analyze four (4) distinct and separate areas of interest as identified by the CGJ. The project scope and objectives identified for this review are:

1. Review the governance structure of LADWP and potential associated costs of existing Succession Planning processes and practices.

2. Review Union involvement in LADWP policies, rates, etc. and contingency plans if workers strike. Describe Union involvement in City elections and campaigns.

3. Review rate setting and General Fund transfer events in the spring of 2010. Determine if sufficient and accurate information is being provided to City officials and the public to ensure transparency of LADWP's financial condition and to facilitate decision making.

4. Determine whether the current ballot measure to provide a Public Ratepayer Advocate has the necessary oversight authority to warrant official support by the CGJ. (A decision has recently been made for the Public Rate Advocate issue to go before the voters. This Report was scheduled for completion prior to the election, there was consensus that this issue should only be reviewed in high level. Update: The Public Ratepayer Advocate measure presented to the voters passed on March 8, 2011 with a large majority.)

Following the brief Background of the Department, and Methods and Procedures Sections, these four (4) objectives will be discussed in four (4) separate chapters:

1. Governance Structure of LADWP. This chapter also includes separate sections on "Pension Issues and Impact of Employee Transfer" and "Succession Planning" within the Department.

2. Union Involvement in City and LADWP

3. City Transfer and Energy Cost Adjustment Factor (ECAF) Discussion. Each of these items is discussed in separate sections.

4. Ratepayer Advocate Discussion

Each of the four (4) sections (I through IV) provide a summary statement indicating the overall conclusion for each of these areas, a discussion of relevant Background, a brief description of the Methods and Procedures used for that section, and Findings and Recommendations for improvement.

BACKGROUND OF THE DEPARTMENT

LADWP is the nation's largest municipal utility. It was established in 1902 to deliver water to the City of Los Angeles. Electric distribution began in 1916.

The Department serves an area of about four hundred sixty-five (465) square miles and provides service to 4.1 million residents. The number of Power business customers is about 1.4 million with 6,303 DWP employees. The number of Water business customers is about 666,000 with 3,188 DWP employees. (All numbers are from the 2010-2011 Budget Presentation.)

Note: Since the genesis of this review was the issues surrounding the transfer of DWP-Power funds to the City and discussion of transparency of that transfer in the spring of 2010, the focus in this CGJ Report is on the Electric operations; except for some general financial information, Water operations and comparisons are not included.

Included in this section is a brief presentation of comparative information, a brief presentation of financial information, a brief presentation of the distribution of water and power bills, and general employee information.

<u>Comparative Information</u>

In general, the Department provides a reliable source of electricity at a fair price, when compared to other California utilities. As shown in **Exhibit 1. Historical Comparison of Electric Service Rates and Rate of Growth,** the Department provides rates lower than almost all other major California utilities. Historically, through 2008 (the last year comprehensive data is available), only Sacramento Municipal Utility District (SMUD) has a consistently lower rate for service among California Electric providers.

Exhibit 1

Historical Comparison of Electric Service Rates and Rate of Growth (Nominal $/kWh)

Utility-wide Weighted Average Retail Electricity Prices					
	PG&E	**SCE**	**SDG&E**	**LADWP**	**SMUD**
1982	0.07803	0.07801	0.11132	0.06388	0.02974
1983	0.06673	0.0783	0.1227	0.06099	0.02767
1984	0.06794	0.08031	0.11862	0.06339	0.03734
1985	0.08078	0.0846	0.1314	0.06644	0.04754
1986	0.08473	0.0876	0.12532	0.07527	0.05477
1987	0.08161	0.08755	0.11825	0.07134	0.06799
1988	0.08569	0.09257	0.11164	0.07804	0.07405
1989	0.09047	0.10156	0.10182	0.08403	0.07596
1990	0.09854	0.10566	0.09943	0.08715	0.07821
1991	0.10937	0.11497	0.10517	0.091	0.07842
1992	0.11204	0.11874	0.10652	0.09481	0.07755
1993	0.1128	0.11601	0.10766	0.0999	0.07701
1994	0.11088	0.12089	0.10976	0.10171	0.0762
1995	0.11215	0.12171	0.10781	0.10001	0.07731
1996	0.10274	0.11173	0.10736	0.09979	0.0751
1997	0.10592	0.11669	0.11543	0.10321	0.07465
1998	0.10022	0.11002	0.1094	0.10458	0.07574
1999	0.10023	0.11005	0.10998	0.10446	0.07574
2000	0.10023	0.11004	0.14253	0.10446	0.07574
2001	0.12105	0.13933	0.15131	0.10385	0.08801
2002	0.13413	0.13728	0.12454	0.12726	0.09652
2003	0.15112	0.15909	0.09832	0.14101	0.10365
2004	0.14689	0.13089	0.16261	0.10446	0.0889
2005	0.12934	0.1334	0.16738	0.10446	0.09361
2006	0.12927	0.15267	0.16583	0.10451	0.09416
2007	0.12925	0.13649	0.16648	0.10812	0.09368
2008	0.13085	0.13753	0.16227	0.11526	0.10019
Rate of Growth	**68%**	**76%**	**46%**	**80%**	**237%**

Source: California Energy Commission

Additionally, as shown in **Exhibit 2. Average Service Interruptions per Customer**, the reliability of the Electric system compares favorably with investor-owned utilities providing service in California, shown in the following comparative statistics:

Exhibit 2

Average Service Interruptions per Customer

Company	10 years ago	5 years ago	Today
LADWP	0.50 times/yr	0.85 times/yr	0.78 times/yr
PGE	1.39	1.38	1.33
SCE	1.08	1.13	1.07
SDGE	0.70	0.62	0.55

Source: LADWP Budget Presentation 2010-2011

Financial Information

LADWP's operations are financed solely through the sales of Water and Electric services. Capital funds are partially funded through the sale of bonds. No tax support is received. General financial information for the Department is provided in **Exhibit 3. Summary Financial Statement for 2010-2011**.

Exhibit 3

Summary Financial Statement for 2010-2011
(in Millions)

Revenue	
Power	$3,298
Water	929
Total Revenue	**$4,227**
Purchased Power	907
Purchased Fuel	433
Purchased Water	173
Total Purchased Power, Fuel and Water	**$1,513**
Labor	977
Materials	325
Depreciation	536
Total labor, materials and depreciation cost	**$1,838**
Other	4
Interest	385
Total Expenses	**$3,740**
Net Income	**$ 487**
City Transfer	**$ 254**
Capital Investment	
Power	$1,017
Water	568
Total Capital Investment	**$1,585**

Source: LADWP Budget Presentation 2010-2011

Distribution of Monthly Payments for Power and Water

Exhibit 4. Distribution of Customer Bills describes the distribution of the typical customer payment to the Department for the Power and Water bills. This exhibit shows each category of expense and the portion of each monthly bill that is used to pay for them, in both real dollars and percentage. For example, the largest component in the typical Electric bill is for "purchased power" which represents about $18.64 or 28% of the average $67.77 monthly Electric bill. The City Transfer adds about $5.22 to the average monthly Power bill. Labor is the largest component in the water section which accounts for about $10.73 or 31% of the average monthly water bill of $57.63.

Exhibit 4

Distribution of Customer Bills

POWER SECTION

Power Section: Percent Expenditure	**Power Average Monthly Bill ($67.77)**	**Power FY 2011 Projected Rev $3,298 (Millions)**
Purchased Power 28%	$18.64	$907
Labor 21%	$14.24	$693
Depr. 13%	$8.51	$414
Interest 7%	$4.93	$240
Materials 7%	$4.75	$231
Net Income 4%	$2.59	$126
City Transfer 8%	$5.22	$254
Fuel 13%	$8.89	$433

WATER SECTION

Water Section: Percent Expenditure	**Water Average Monthly Bill ($57.63)**	**Water FY 2011 Projected Rev $929 (Millions)**
Purchased Water 19%	$10.73	$173
Labor 31%	$17.62	$284
Depr. 13%	$7.57	$122
Interest 16%	$9.24	$149
Materials 10%	$5.83	$94
Net Income 12%	$6.64	$107
City Transfer	NA	NA

Source: LADWP Budget Presentation 2010-2011

Employee Information

The Department currently employs about 9900 employees, which has grown by approximately 19% in the last five (5) years. (The number of employees may vary throughout this Report depending on the use of fiscal year or calendar year information.) There are a variety of employee categories, the vast majority (about 88%) of which are represented by one Union, IBEW-Local 18. The division of employee categories, growth numbers and percentage for each are shown in **Exhibit 5. Employee Categories and Employee Growth.**

Exhibit 5

Employee Categories and Five Year Growth Numbers and Percentages

	2006	2011	Five YR Growth	Percent Change
Blue Collar Supv *	555	608	53	9.55%
Assoc of Conf. Empl	8	8	0	0.00%
Mgmt Empl Assc	276	334	58	21.01%
Prof Supr Unit *	132	162	30	22.73%
Unrepresented	3	2	-1	-33.33%
Unrepresented (MEA)	18	21	3	16.67%
Admin and Cler Supv *	145	167	22	15.17%
Not subj to representation	282	508	226	80.14%
Security Unit (Local 721)	173	259	86	49.71%
Daily Rated Bldg Trades	2	2	0	0.00%
Tech. Unit *	449	570	121	26.95%
Prof Unit *	692	1023	331	47.83%
Admin Unit *	254	350	96	37.80%
Stm Pl/Wtr Supply *	377	421	44	11.67%
Clerical Unit *	1211	1241	30	2.48%
Oper Mtnc & Srvc Unit *	3698	4144	446	12.06%
Load Disptchrs Unit	44	54	10	22.73%
TOTAL EMPLOYEES	8319	9874	1555	18.69%
*** Total IBEW**	7513	8686	1173	15.64%
*** Percent IBEW**	90.31%	87.97%		-2.34%

Employee Salaries

LADWP employees make an average of $85,900. (The range of salaries is $40,011 for a Messenger Clerk to $264,904 for an Assistant General Manager.) Additionally, as shown in **Exhibit 6. Summary of Annual Salaries**, the majority of Department employees, about 67% make between $60,000 and $100,000 per year and 82% make between $60,000 and $120,000). Only about 8% of employees make in excess of $120,000 per year.

Exhibit 6

Summary of Annual Salaries

Salary Range from September 2010	Number of Employees	Percent of Employees
$40,000-$60,000	913	10%
$60,000-$80,000	3269	36%
$80,000-$100,000	2889	31%
$100,000-$120,000	1385	15%
$120,000-$140,000	467	5%
$140,000-$160,000	125	1%
$160,000-$180,000	58	Less than 1%
$180,000-$200,000	20	Less than 1%
$200,000-$220,000	17	Less than 1%
$220,000-$240,000	28	Less than 1%
Over $240,000	6	Less than 1%
$788,501,944	**9177**	

Source: LADWP Summary of Annual Salaries by Job Title, September 2010

METHODS AND PROCEDURES

The CGJ used a variety of methods and procedures during its review to identify issues and develop recommendations:

1. Interviews were conducted with members of the LADWP management team, LA City Council members and staff, as well as staff from the Mayor's office. Interviews were also conducted with personnel having interests in LADWP issues, such as consumer advocates and Union management personnel.

2. Many documents such as previous consultant or staff reports were provided to the team from LADWP personnel. Additionally, internet searches provided substantial documentation of LADWP-related issues[1]. Each of these reports was reviewed in detail for this Report.

3. Surveys were conducted of the largest municipal utilities regarding their governance structure, bargaining unit workforce, use of fuel adjustment factors and existence of a ratepayer advocate function. **Exhibit 7. Large Municipally Owned Utilities** provides details of the utilities surveyed relative to LADWP. Specific information is shown in the appropriate sections of the Report.

[1] "Governance in a Changing Market", Rand Enterprise Analysis; "Money and Power in the City of Angels", Center for Governmental Studies; "City of Los Angeles Independent Fiscal Review of the Los Angeles Department of Water and Power Energy Cost Adjustment Factor and Residential Rate Design Proposals" prepared by PA Consulting, 2010.

Exhibit 7

Large Municipally-Owned Utilities

Utility	Number of Customers
LADWP Los Angeles, CA	1.4 million electric 640,000 water
CPS Energy San Antonio, TX	707,000 electric 322,000 gas
Sacramento Municipal Utilities District (SMUD) Sacramento, CA	592,000 electric
Memphis Light, Gas & Water (MLGW) Memphis, TN (Note 1)	430,000 electric 320,000 gas 257,000 water
Jacksonville Electric Authority (JEA) Jacksonville, FL	417,000 electric 305,000 water
Austin Energy Austin, TX	400,000 electric
Colorado Springs Utilities (CSU) Colorado Springs, CO	208,000 electric 184,000 gas 132,000 water

Note: MLGW is supplied with electricity by the Tennessee Valley Authority (TVA), a federal agency that sells electricity on a nonprofit basis to 159 distributors. MLGW is TVA's largest customer, representing 11% of TVA's total load. MLGW does not generate electricity. While other areas of the country operate in a deregulated electric market, MLGW is required by federal law to purchase all of its electric power from TVA.

I. GOVERNANCE OF LADWP (INCLUDING EMPLOYEE TRANSFER AND SUCCESSION PLANNING)

SUMMARY

There is ample evidence that LADWP is treated more like a City Department, than as a stand-alone utility serving the ratepayers of the City. It is clear that political involvement of the city has had a negative impact to the efficient and effective management of the utility. Examples of this include:

1. Substantial Commission and General Manager turnover in the past ten (10) years.

2. Transfer of money from the Power section which is basically required by the City. While these are officially based on a "surplus," the amount is included in the Department's budget of the previous year. Only mismanagement by the Department or some extraneous event would cause the funds not to be available and transfers made.

3. Employees are transferred from the City to the Department to avoid City layoffs without adequately considering the financial ramifications to the Department or its pension system.

4. Various political requirements, including Executive Order 4 and Proposition 245, allow the Mayor and City Council greater control over the Department by having access to Department issues to make corrective actions.

5. Civil service within the City makes evaluations and promotion of personnel more in line with City structure than it would if the utility were to stand alone.

6. Political power and involvement of the Union representing the Department with elected City officials.

PURPOSE

The purpose of reviewing the Governance of LADWP is to identify the numerous groups or personnel who are involved in managing the Department and to gain insight into how the Department is being managed by those individuals or groups.

BACKGROUND

Basic to the review of governance is whether the LADWP should be managed as a public business emphasizing reliable service, low consumer rates, and cash transfers to the City, while still providing local economic development and environmental leadership. Or should it serve a broader social and political agenda as established by elected officials, especially the Mayor? For example, at what point does a political goal of a "green city" with substantial investment (at a higher cost to the ratepayers) be the direction of the Department? Should the ratepayer be expected to pay for political goals or should they be expected to pay for the most efficient service? What voice does the ratepayer have in these discussions? How involved should the Mayor, or other elected officials, be in controlling the direction and operations of the Department? These are difficult questions confronting the Department and the City. A confusing and overlapping governance structure only make the decisions more difficult and less transparent to the public.

METHODS AND PROCEDURES

The CGJ interviewed management personnel from each of the entities discussed in Finding Number 1 below. Additionally, the CGJ conducted internet searches and reviewed documents prepared by the Department, utility and governance consultants as well as other interested parties.

FINDINGS

1. **The governance of the LADWP is distributed among several different groups including the Board of Water and Power Commissioners, the Mayor, the City Council, the City Attorney and the IBEW.**

Although the Water and Power Commission initially had strong executive power over the Department, a series of changes since the 1960s have reduced its authority and increasingly placed it and the LADWP under the control of the City's elected officials. Each entity that has input or involvement into the management and governance of the Department is briefly described below:

Board of Water and Power Commissioners

Established by City Charter in 1925, a five-member Board of Commissioners heads the LADWP. The Commission selects its own officers from among its members, chooses the General Manager, and generally is empowered to oversee the Department. Specifically, the Commission establishes policy for LADWP and is generally identified as the primary governance agency for the Department. The Board members are appointed by the Mayor and confirmed by the City Council for five (5) year staggered terms. Currently there are four (4) members of the Board with one (1) vacancy:

> "The board of each Proprietary Department shall appoint the general manager subject to confirmation by the Mayor and Council, and shall remove the general manager subject to confirmation by the Mayor" (New Charter, 1999, Section 604 (a).) However, the General Manager may appeal his/her removal and be reinstated by a two-thirds vote of the Council within ten (10) days of the appeal (Section 508 (e).)

Because the LADWP generates its own revenue from Water and Power sales, the 1925 Charter established it as a "proprietary department" with more autonomy than other City departments. The LADWP has its own budget that is separate from the City's General Fund, can hold property separate from the City, and can issue debt backed by its own revenue rather than rely on the City's general obligation bonds. For more than fifty (50) years, the commission could set salaries for LADWP employees covered under the City's civil service system, but this authority passed to the Council in 1977.

Mayor

As "CEO" of the City, the Mayor exerts principal authority by appointing and removing Water and Power Commissioners and establishing the "vision" for the City and the Department. Originally, the Council had power to confirm each appointment and removal by majority vote, but under the new Charter amendments, the Mayor may remove a commissioner without Council approval (New Charter, 1999, Section 502(d)). Equally important, it has become customary for newly elected mayors to appoint their own commissioners. While justified politically as the way for the City's top elected official to establish control over the LADWP and other City departments, this effectively has vitiated the commission as an independent, nonpolitical governing board.

Additionally, the Mayor also holds tight rein over the Commission through "advice" from his staff and by requiring "Executive Review and Approval of Departmental Requests for the Proprietary Departments." Commonly known as Executive Directive 4, issued by the Mayor in October 2005, this Directive takes precedent over previous Executive Directive 39 (issued by a previous Mayor). As stated in the Executive Directive:

> "Sections 230 and 231 of the City Charter designate the Mayor as the Executive Officer of the City, with responsibility for exercising management authority over all departments. Consequently, it is necessary that I be kept informed of all matters that may significantly affect City operations or the general public, and have the opportunity to review matters related to the supervision, regulation and management of your departments.
>
> Unless otherwise exempted by law, all matters requiring City Council consideration are matters of consequence. You are directed to submit to my Office for review all proposals requiring City Council consideration prior to submittal to or consideration by your Board of Commissioners."

The Directive goes on to list thirteen (13) separate items for submittal to the Mayor's Office including:

> "12. A copy of your Board action and supporting documentation, as soon as possible, when the City Council assumes jurisdiction over an action of your Board under Charter Section 245.
>
> 13. Matters of policy or financial significance to City operations or the public."

It is clear from the wording in these items that all major issues must be presented to the Mayor's office before consideration by the Board of Commissioners.

City Council

The Los Angeles City Council is the legislative body of the nation's second largest city. Los Angeles has fifteen (15) full-time City Council members who meet three (3) days per week. California's local elections, including City Council elections, are non partisan. Los Angeles City Council members are subject to term limits and may serve a maximum of three full four-year terms in office. Every two years, during odd-numbered years, half of the City Council members are up for election.

Los Angeles City Council is comparatively smaller than other large cities, such as New York with fifty-one (51) City Council members and Chicago with fifty (50) members. The Council has nineteen (19) committees dealing with issues such as budget and finance, planning and land use management and public safety. Los Angeles members currently receive the highest City Council salary in the nation, just under $179,000 per year. The City Council enacts City ordinances, levies taxes, ratifies City contracts and adopts or modifies the City budget. City voters also elect a Mayor, City Attorney and Controller, all of whom serve four (4) year terms. These officials may serve three (3) terms.

As the City's legislative body, the Council has both oversight responsibility for LADWP and direct authority under the Charter to approve rates, set job classifications and compensation under the City's civil service system. They also approve property sales and approve contracts of more than $150,000 or more than three (3) years in duration. Council ordinances further specify procedures for hiring and other personnel actions, issuing debt, contracting, negotiating long-term customer contracts, and many other operational matters. However, the most controversial of the Council's authorities over LADWP comes from a Charter amendment known as Proposition 245 (Prop 5 in Old Charter), which allows the Council to reconsider essentially any decision made by the Commission. The threat of Prop. 245 vetoes may undermine the Commission's ability to exercise independent judgment in overseeing the LADWP and may potentially result in additional bureaucratic paperwork and delays in decision making.

<u>City Attorney</u>

The elected City Attorney serves as legal advisor to the Commission and LADWP. The City Attorney's office provides the Department's legal staff and is responsible for making personnel and work assignments. Attorneys working on LADWP legal matters report to the City Attorney rather than to the LADWP General Manager or the Commission. Moreover, the City Attorney must approve any use of outside counsel. Upon recommendation by the Commission, and with the written consent of the City Attorney, "the city may contract with attorneys outside of the City Attorney's office to assist the City Attorney in providing legal services" to LADWP (New Charter, 1999, Section 275).

In the past, this arrangement had led to conflicts about who is the real client on LADWP legal matters: the Commission and Department or the City as a whole. City Attorneys, who are elected by the voters, have typically taken the position that they and their staff represent the City at large. But commission and LADWP General Managers contend that the City Attorney must represent them as clients on LADWP legal matters. The new Charter focuses on LADWP, stating that the "boards of Proprietary Departments…..shall make client decisions in litigation……..shall have the authority to approve or reject settlement of litigation exclusively involving the policies and funds over which charter gives those boards control." (New Charter, 1999, Sections 272 and 273)

<u>IBEW</u>

While not a formal governing relationship, one Union (IBEW) represents the vast majority, about 88% of the employees' and, in the opinion of the CGJ plays a significant part in the governance structure. They obtain their influence by representing 88% of all LADWP employees. IBEW contributes significant time and money to approved candidates with the hope that they will be successful in Mayoral, Controller, Councilmember or City Attorney elections (to be discussed later). They currently have a continuity of management that goes back to 1993 when the current IBEW Business Manager was chosen to head the Local 18 branch of IBEW representing LADWP. As such, the Business Manager and his staff have vast knowledge of the operations of both the City and the Department and can generate political pressure on varying decisions made that may concern the Department. (Most of the issues about IBEW involvement are discussed in a later chapter of this Report.)

2. **There has been a significant turnover in both Commissioners and General Managers for the LADWP, especially in recent years, which diminishes the overall governance continuity.**

Under both the old and new Charters, Commissioners are appointed by the Mayor and are confirmed by the Council. However, they seldom serve out their full terms unless the current Mayor wants them to. The Mayor can remove Commissioners at any time under the new Charter. Additionally, Commissioners customarily offer their resignations after a Mayoral election so that a new Mayor can appoint his or her own Commission.

Commissioners are appointed for a five-year term. However, as shown in **Exhibit 8. Commissioner Length of Service,** the average time served has been 1,192 days or about 65% of a five-year term. The average length of service for present Mayor's appointees (other than current members) is less than the historical average of 1,192 days. Under the present Mayor, the members of the Board of Commissioners have served an average of 1,071 days or 59% of full term.

As mentioned previously, the Commission is responsible for establishing policy and providing governance for the Department. The lack of continuity of governance for the Department is problematic and is not conducive to a long-term perspective for managing the Department or serving the ratepayers.

Exhibit 8

Commissioner Length of Service

Name of Commissioner	Years Served	Number of Days Served
M.J. Gage	1990-1993	1069
D. Green	1990-1993	1216
M.D. Nichols	1990-1992	714
C.L. Rice	1992-1995	917
A. Willoughby	1993-1993	147
J.J. Legaspei	1994-1997	1453
J.M. Miller	1993-2001	2867
D.A. Tito	1993-1996	1120
N.F. Volpert	1993-2000	2502
C.L. Green	1995-1997	780
R.J. Caruso	1996-2001	1690
K.T. Lombard	1997-2003	2256
M.I. Keston	2000-2001	384
M.E. Leslie	2001-2003	575
L. Wong	2003-2004	277
A.E. Cho	2001-2005	1462
G. McMallum II	2003-2005	633
S. Saucedo	2004-2005	449
D.W. Rubalcava	1997-2005	2757
S.C. Stolper	2001-2005	1414
M.D. Nichols	2005-2007	664
H.D. Nahai	2005-2007	742
N. Patsaouras	2005-2008	1131
E. Ramirex	2005-2010	1617
F. Hogan-Rowles	2005-2010	1672
W. Knox	2007-2009	560
L.K. Alpert	2007-2010	1109
J. Parfrey*	2009-present	586
T.S. Sayles*	2009-present	623
E. Holoman*	2010-present	1284
C. Noonan*	2010-present	203
Avg. since 1990		1192
Avg. Villaraigosa appointments		1071

*Currently serving Commissioners and, therefore, not included in the averages

Source: Office of the Board of Commissioners

Further, as shown in **Exhibit 9. Commissioners Serving Full First Term Service,** only four (4) of the twenty-seven (27) Commissioners have served their full first term since 1990; and only one of fifteen (15) Commissioners appointed since 2000 have served their full first terms. None of the present Mayor's appointees (since 2005) have yet to serve a full five (5) year term.

Exhibit 9

Commissioners Serving Full First Terms

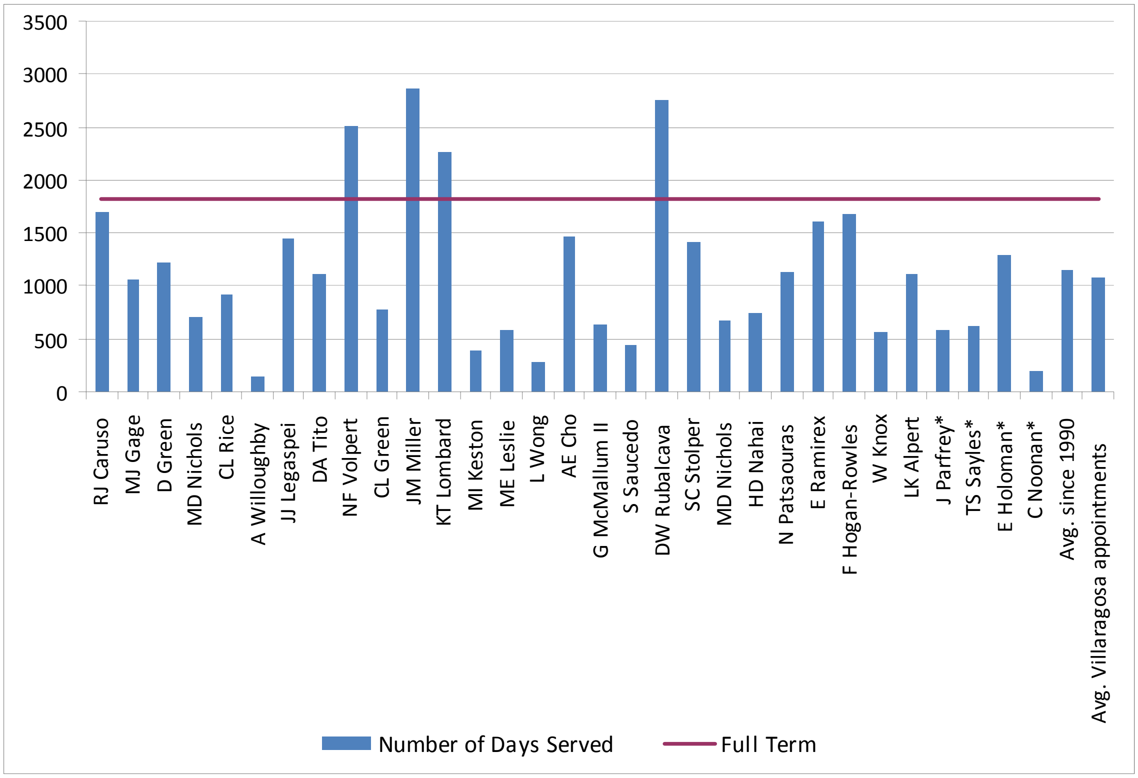

Exhibit 10. Number of General Managers at LADWP since 1990 shows a substantial lack of long-term leadership within the Department. In addition to the substantial Commissioner turnover discussed above, there have been fourteen (14) permanent, interim or acting General Managers since 1990, and six (6) serving since 2005 under the present Mayor. Three (3) of the six (6) General Managers have been in "acting" or "interim" roles. The average tenure of all General Managers from 1990 to 2007 was 22.7 months. The average tenure of General Managers serving under the current Mayor is 10.5 months. This lack of General Manager continuity, and especially in the last five (5) years, contributes to the overall lack of continuity of governance and management at the Department.

Exhibit 10

Number of General Managers at LADWP since 1990

General Manager	GM Status	Dates	Months Served
Daniel W. Waters	Permanent	July 1990-March 1994	44
Kenneth S. Miyoshi	Interim	March 1994-July 1994	5
William R. McCarley	Permanent	August 1994-February 1997	31
Harry Sizemore	Interim	March 1997-August 1997	6
S. David Freeman	Permanent	September 1997-May 2001	44
David H. Wiggs	Permanent	May 2001-February 2004	33
Frank Salas	Acting	February 2004-July 2004	5
Enrique Martinez	Acting	July 2004-December 2004	5
Ronald F. Deaton	Permanent	December 2004-July 2007	31
Robert K. Rozanski	Acting	July 2007-December 2007	5
H. David Nahai	Permanent	December 2007-October 2009	22
S. David Freeman	Interim	October 2009-April 2010	6
Austin Beutner	Interim	April 2010-January 2011	9
Ronald O. Nichols	Permanent	January 2011-Present	

Source: Office of the Board of Commissioners

While it may be unreasonable to assume that all Commissioner and General Manager departures were the sole decision of the Mayor at the time, the point is that LADWP is a large, important utility and deserves improved and consistent management at the General Manager and Commissioner levels.

Governance or leadership turnover since 2007 has caused the utility to go from one environmental strategy to the next: wind was the focus of one General Manager while solar was the focus of another. Time and money were invested on projects, only to see them scrapped or changed. A strong planning function focused on cost-effective processes that have been fully vetted and approved by the entire governance structure and transparent to the public in terms of long-term rate projections, will help to reduce the impact of high turnover.

Additionally, a fully developed and priced out long term plan is essential to provide guidance for the Department. Of course, this plan cannot be politically driven or perceived as a jobs program for the Union, similar to the perception of Measure B, The Solar Initiative, that was rejected by the public, or a specific person's desire to see wind over solar, etc. This has to be a well thought out plan that has been vetted for operational efficiency, rate impact and overall effectiveness. Once vetted and approved, the developed plan should stand alone and survive governance changes and political pressures.

3. **There is a perception that political contributions rather than specialized skills or experience may play a primary part in the decision to appoint personnel to the Commission or other governance positions.**

Although there are no formal guidelines available, there are undoubtedly many factors that go into the thought process of who to appoint to a Commissioner spot. Hopefully, the factors include the individual's ability to make a long-term time commitment, to have a strong commitment to the City and the Department, and possess a special skill or interest that would be beneficial to managing a large utility. However, currently it would appear they may even "voice" their commitment through the political contribution process.

Nonetheless, it is interesting to note, as shown in the following exhibit, that 97% of all Commissioner appointees since 2000, also made political contributions. **Exhibit 11. Political Contributions by Commissioner**, shown on the following page, provides a list of the commissioners since 2000 and the amount of money they have contributed to various (Mayor, Council, Controller or City Attorney) campaigns. Only one of the nineteen (19) individuals appointed to the Board of Commissioners have not made any political contributions.

Additionally, four (4) of the recent General Managers (Wiggs, Freeman, Nahai, and Beutner) and at least two (2) of the recent Chief Operating Officers (Salas and Raj) have directly contributed to various City political campaigns.

This analysis is not to suggest that the political contribution was the only reason that the individual received the appointment, but it does contribute to the possible perception that the appointments are political in nature and perhaps not always sufficiently based on specific utility or functional knowledge or expertise. It is this perception of "cronyism" that concerns many ratepayers and the public.

Exhibit 11

Political Contributions by Commissioner

LADWP Commissioners--since 2000	Amount Contributed (1)
M.I. Keston	$6,000
M.E. Leslie	$13,450
L. Wong	$4,100
A.E. Cho	$3,350
G. McMallum II	$1,000
S. Saucedo	$3,300
D.W. Rubalcava	$26,500
S.C. Stolper	$0
M.D. Nichols	$9,750
H.D. Nahai	$1,600
N. Patsaouras	$10,392
E. Ramirez	$400
F. Hogan-Rowles (not including loans to her campaign)	$500
W. Knox	$5,550
L. Alpert	$9,000
J. Parfrey	$550
T.S. Sayles	$750
E. Holoman	$1,000
C. Noonan	$1,500
Average total	$5,194
Average-Villaraigosa appointment (2)	$3,727

(1) Contributions are to Mayor, Controller or Council races.
(2) Contributions to various races from Villaraigosa appointees.
Source: City of Los Angeles, Ethics Office

4. **There are a variety of governance structures in place at other municipal utilities; there is no one structure that meets all needs.**

There are a number of governance models in effect among municipally owned utilities:

a. Direct reporting to the City Council (e.g., Colorado Springs, Austin Energy)

b. Independent City agency (e.g., Jacksonville, Knoxville)

c. City-owned corporation

d. Municipal Utility District (e.g., SMUD)

Exhibit 12. Other Representative Governance Structures provides the governance structure for other large municipally-owned utilities.

Exhibit 12

Other Representative Governance Structure

Utility	Structure	Discussion
CPS Energy San Antonio	Board of Trustees five members	Board of Trustees consists of four citizens (geographic) and the Mayor of San Antonio who serves as an ex-officio member. Trustees must reside within the CPS Energy quadrant that they represent. Board members serve for a term of five years and are eligible to serve an additional term. Members are elected by a majority vote of the members of the Board, including the Mayor and approved by the City Council. There are no specific legal requirements for the skills or experience of the Board members; however, the selection process guideline suggests Board members may wish to look for the following sample experience: financial expertise, strategic planning and management, a minimum 10-15 years business experience (corporate and energy industry experience preferred), corporate governance, public policy and related issues, leadership and communication skills, general business skills, and a BA in business, finance or accounting, MBA or Masters in finance
SMUD Sacramento	Municipal Utility District seven directors	SMUD is governed by a Board of Directors elected by the public. The seven directors are elected to staggered four-year terms, and each represents a different geographic area, or ward, within SMUD's service area. The Board of Directors determines policy for the District and appoints the General Manager who is responsible for the District's operations. The Board has autonomous authority to establish the rates charged for all SMUD services. Changes in such rates require formal action, after public hearing, by the Board.
MLGW Memphis	Board of Commissioners five members	MLGW is governed by a five-member Board of Commissioners who are appointed by the Mayor and approved by the City Council. The members of the Board serve staggered terms of three years each. There are no term limits.
JEA Jacksonville	Independent City Agency seven members	The JEA Board of Directors is comprised of seven members who are appointed by the Mayor and approved by the City Council. Members are appointed for four year staggered terms and are expected to serve their entire term. Removal requires a two-thirds Council vote.
Austin Energy	City Council seven members	The Austin City Council sets Austin Energy's budget and electric rates. There are seven members on the Austin City Council: one Mayor and six Council Members. The entire Council is elected at large by the voters of the City. Each member serves a staggered three-year term.

Utility	Structure	Discussion
CSU Colorado Springs	City Council nine members	There are nine members on the Colorado Springs City Council: one Mayor and eight Council Members. Council member serve a four year term and may serve up to three consecutive terms. After sitting out, they may again be re-elected. Council members typically serve long terms. The Council sets policies which are communicated to the Executive Director who has operational responsibility.

RECOMMENDATIONS

Recommendation 1. The LADWP's governance needs clarification and simplification. A stronger, independent Commission system may be warranted.

Establishing a single governing board, with clear authority and considerable independence from day-to-day political influences, is an appropriate place to start. Strengthening the governance structure is essential to ensuring reliable electrical supplies, low rates, and adequate payments to the City, as well as to maintaining Los Angeles' leadership among the nation's municipal utilities.

The LADWP should return to a commission system that restores integrity by balancing independence and accountability. A plan to decrease political involvement by the Mayor and Council would allow the LADWP to operate for the benefit of the ratepayers.

Consider separating the policy making function of the Mayor and Council from the operational responsibilities of the Board and General Manager. The Council and Mayor could set policies and communicate them in writing to the Board which, in turn, would transmit them to the General Manager. It would require the Mayor or Council not give instructions to individuals who report directly to the Board or General Manager, directly or indirectly. Board policies should set out the utility's purpose and ends to be achieved. They should also designate what actions of the General Manager are considered unacceptable to the Board, both general and in specific. The General Manager may then make all decisions and carry out any activities not expressly prohibited by the Board, without seeking further approval.

Recommendation 2. Establish guidelines for Commissioner appointments, and reduce the politics of appointment, real or perceived.

Examples of guidelines to be written and agreed upon might be to appoint Commissions based on specific levels of expertise (financial, utility operations, corporate governance, education level, or geographic representation). Also ensure that the candidates have the time, inclination and ability to stay the entire five years.

It is important that "politics" (or political contributions) be taken out of the choice for Commissioners. There are a variety of ways to deal with this issue. One is to have a Citizens Council choose the Commissioners or have Commissioners themselves choose a replacement for a member whose staggered term is up. Another example might be to have the Mayor choose two (2) members, the Council chooses two (2) members and the Neighborhood Councils choose one (1) member. Whatever the approach, the perception and the reality must be that money does not buy a Commission position.

Recommendation 3. Expect LADWP Commissioners to serve full five-year terms.

LADWP needs a historical and continuous level of knowledgeable and experienced Commissioners who can make decisions primarily based on their independent judgment. The Commission may remain responsible to the Mayor and Council, but it should be insulated from undue political influences on normal LADWP business matters.

To maintain independence and continuity, LADWP Commissioners should be expected to serve out their terms unless there is cause for their removal. They should not resign when succeeding Mayors are elected. An amendment returning to the previous Charter language allowing for removal by the Mayor with Council approval or for cause by a two-thirds vote of the Council, may be warranted.

Recommendation 4. Reduce the bureaucratic impact to the Department due to Mayor or Council involvement.

While citywide coordination of the Department is an important function of the Mayor's office, the current wording of Executive Order 4 is all encompassing. Regular, informal consultation with the Mayor's office rather than formal ED 4 submittals would potentially speed up and improve the decision making processes of the Commission.

Likewise, the threat of Prop 245 fosters bureaucratic delay, takes up scarce management time, encourages more paperwork to justify decisions and adds uncertainty to normal business dealings.

Pension Issue and Impact of Employee Transfers Finding and Recommendation

5. **Although there was originally some concern that personnel were taking higher paying jobs at LADWP for only a short time (pension spiking) in order to increase lifetime pensions, such does not appear to be the case. However, the number of transfers from the City to the Department may have a negative impact on the pension funding for the Department.**

The City has taken advantage of the Department's ability to accept additional personnel and provide pension coverage to them (eventually through increased rates) by transferring up to 1600 employees in the last five (5) years. Those transfers were part of a larger effort to keep City workers from losing their jobs in departments hit hard by the budget crisis. While it is a noble goal to protect employees from layoffs, it is unfair to place the financial burden (both salary and pension costs) on the backs of the LADWP ratepayer.

The Segal Company performed an analysis of the Reciprocal Arrangement between the Water and Power Employee's Retirement Plan (WPERP) and the Los Angeles City Employee's Retirement System (LACERS) due to the financial impact the Reciprocity Program has had on the WPERP during the period from April 1, 2004 through March 31, 2010.

Currently, when a former City employee transfers to the LADWP the WPERP recognizes prior service with LACERS, provided the member agrees to have their employee contributions transferred into WPERP. Under the Plan's Reciprocity Program, when a member transfers, full credit for service is established in WPERP, but only their employee contributions are transferred from LACERS to WPERP; employer contributions made to LACERS associated with their service are not transferred to WPERP. Since only employee contributions are transferred, WPERP incurs an additional unfunded liability when an employee transfers to LADWP from the

City. (The Department makes a 110% contribution into WPERP after the employee contributions have been transferred from LACERS. This has the effect of providing immediate employer funding for part of the actuarial loss caused by the transfer but that contribution may eventually impact rates.)

The Segal Company found a large unfunded actuarial accrued liability (UAAL) as a result of these transfers. The total of the increases in UAAL, determined as of each valuation date due to the 1,331 members whose service and employee contributions has already been transferred to the WPERP as of March 31, 2010, is approximately $128.4 million. These amounts, accumulated with 8% interest to July 1, 2010, total $152.4 million. The average age for these members, years of service and average employee contributions transferred are 41.3, 6.9 years and $28,400 respectively.

In addition, The Segal Company received partial information for 292 members that were identified by the Retirement Office as transfers but whose service and employee contributions were not yet transferred to WPERP as of the end of the observation period. The UAAL as of each valuation date due to these members is about $30.5 million. The average age for these members, estimated average amount of service and average employee contributions to be transferred are 40.7, 7.8 years and $37,900 respectively.

The grand total of the increases in UAAL for LADWP accumulated to July 1, 2010, including both groups, is about $183.1 million.

Worried about the cost of those transfers, LADWP officials moved to suspend full retirement benefits for any new worker who comes to the utility from another City agency. The City Council vetoed that measure.

Recommendation 5. The City and LADWP should come to an agreement to rescind the reciprocity agreement until such time as the number of employees transferred back and forth between the City and LADWP reaches equilibrium. Personnel should only be transferred as required by LADWP and then only with full financial contribution to the pension fund.

Succession Planning Finding and Recommendation

6. **Succession planning does not take place within LADWP to any meaningful extent.**

Given the high turnover of senior management, it is essential that the next several layers of management have the necessary tools, including trained professionals as replacements, to accomplish their functions. Additionally, there are many positions that will be in need of replacement in the next several years; and succession planning will assist the Department in meeting those needs.

This is a City-wide concern. The Los Angeles City Controller conducted a performance audit regarding the City of Los Angeles' hiring practices and determined that "The City of Los Angeles does not strategically plan for its workforce needs." In a department where so many people who serve the citizens of the City are eligible to retire in the next several years, this is also an intolerable situation for LADWP.

It is difficult in a civil service environment to accomplish succession planning for specific positions. Because employee selection in the City of Los Angeles is based on a well established civil service system in place for well over 100 years, LADWP relies on the Civil Service Commission and the City Personnel Department to assist in meeting their hiring needs.

Although filling entry-level positions is important, succession planning to fill supervisory and managerial positions is even more important and must be a priority for the Department. Once identified, a substantial amount of training and leadership development will be required. The key is the successful transfer of technical and operational knowledge to adapt to the current environment.

According to the Department, as of January 1, 2010, approximately 40% of LADWP's workforce was fifty (50) years of age or older. Within the next five (5) years, approximately 20% of the workforce will be eligible for retirement. LADWP must determine how to continue to deliver its services in the future with decreased staff due to upcoming retirements.

To ensure that LADWP has the appropriate resources and positions needed to meet the business goals and objectives, there must be a sufficient number of candidates available to be considered for each job classification, especially those that are critical or have been difficult to fill. This issue alone will require collaborating internally as well as with the Personnel Department's various divisions to consider ways to address this, such as allocating positions, consolidating job classifications, submitting examination requests and pursuing regular and executive recruitment activities.

Additionally, a specific manager may not identify a replacement prior to departure. This does not provide an opportunity for training in the specifics of any job. Personnel are thrown into a job situation that may be new to them and, given all the other personnel scheduled to depart, the institutional knowledge necessary for effective performance may not be available. A change in the civil service rules may be necessary on at least a temporary basis to allow personnel to train their replacements.

The Department has responded to some of these challenges by creating a Workforce Planning Group within the Human Resources Section of the LADWP. This is a good beginning to ensure that services continue to be provided to the citizens of Los Angeles. The Department's Human Resources Manager appears to have a strong grasp of what is required to accomplish this goal and has developed a well thought out initial plan. But the process will need more resources than the current four (4) individuals assigned to assist him. Additionally, some changes in the current methods of hiring and promoting personnel may be required to ensure continuity of knowledge and ability.

Recommendation 6. Fully staff and fund the Workforce Planning Group to encourage a full review of options for future LADWP employment. Also work with City Personnel Department and the Civil Service Office to allow some changes in hiring and promotional practices for high level essential jobs.

An example would be to allow a process whereby individuals could be chosen for certain jobs prior to the departure of a senior or highly essential position. Current methodology for position listing, testing and choice could be followed, but the timing of the replacement may differ. That way, the individual could have access to the current incumbent's knowledge, techniques and contacts to ensure a seamless transition. It may also provide reduced costs since it would not be necessary to potentially hire the incumbent to return as a consultant to assist in the transition. It is clear, given the immediate nature of this issue, that "out of the box" thinking will be necessary within LADWP as well as support provided by City and civil service personnel.

II. IBEW POLITICAL INVOLVEMENT

SUMMARY

The IBEW has substantial involvement in both the operations and governance of the Department and in the political issues facing the City. They achieve this by monetary political contributions and by involving their members into the political and governance processes.

In addition, there is a personal level of involvement between the IBEW Business Manager and the Mayor and other politicians. Although this involvement has been criticized as "heavy handed" by many in the City and the Department, it should be remembered that the Union representatives and management are only doing their job by watching out for their members. Many of the people we interviewed felt that the Union's involvement may be too heavy handed or disruptive. It is the responsibility of City politicians and Department management to stop it.

BACKGROUND

While there is little quantitative evidence that campaign contributions impact legislative voting, there can be little doubt that campaign contributions provide contributors with a benefit that average voters do not get access to decision makers. Access provides major contributors with powerful tools to engage in the policy process. Access to candidates and the policy process provide contributors with the opportunity to "educate" policy makers about how supporting or opposing certain types of legislation might impact their organization and community.

Candidates for municipal offices obtain funds from several sources: direct contributions; independent expenditures by individuals or organizations; matching funds; and ballot measure committees.

In 2009, thirty-two (32) candidates for Los Angeles municipal offices received $14 million in direct contributions, and $1.7 million in matching funds, with the bulk of these contributions, about $10 million, going to the sixteen (16) citywide candidates for Mayor, City Attorney and Controller. Organizations and individuals spent $1.77 million in independent expenditures on these races. Of this amount, organizations spent more than $1.7 million compared to just three (3) individuals spending only $48,000 in independent expenditures.

Ten (10) candidates received $1.7 million in public matching funds, most of which went to citywide candidates. (Under Proposition H, enacted in 1990, City Council candidates are eligible for public matching funds once they have raised $25,000 in contributions of $250 or less. Mayoral candidates must raise $150,000 in contributions of $500 or less, and City Attorney and Controller candidates must raise $75,000 in contributions of $500 or less. Matching funds eligibility is also contingent upon a candidate's agreement to limit spending and whether an opposition candidate has qualified for matching funds or has raised, spent or has $50,000 or more in cash.)

The relationship between candidates, ballot measures and candidate controlled ballot measure committees also play a significant role in the political process, as illustrated in a 2009 ballot measure offered to voters. Measure B, Green Energy and Good Jobs Los Angeles, received over $200,000 in contributions from candidate committees and candidate controlled ballot measure committees. Some suggested that Measure B was a "power grab" by City Council members, while others suggested that a history of union support of political candidates encouraged politicians to support the measure that would have provided LADWP with a near monopoly on solar power in Los Angeles.

Under existing law, candidates can control ballot measure committees and raise additional contributions and make expenditures through them. Until recently, California law did not require candidates to disclose and identify the ballot measure the committee was formed to support. While new regulations on candidate controlled ballot measure committees require candidates to disclose what measure it was formed to support, these committees are still not subject to contribution limits. Candidates may utilize this loophole in campaign finance laws to raise and spend unlimited amounts of money on ballot measure campaigns.

Between 2006 and 2009, three (3) Los Angeles municipal candidates raised over $9 million for candidate controlled ballot measure committees. Mayor Villaraigosa controlled three (3) ballot measure committees and nearly all of the $9 million, $145,000 of which he contributed to the Measure B campaign.

METHODS AND PROCEDURES

The CGJ interviewed management personnel that have an involvement in the management of the Department, personnel from IBEW and personnel from the Los Angeles Ethics Office. Additionally, the CGJ conducted internet searches and reviewed documents prepared by the Department, utility consultants, and other interested parties.

FINDINGS

7. **The IBEW is very active in local and State elections, local and State legislation and ongoing City politics. It also contributes substantial time and money to the election of City politicians, including various Council members, the Mayor, and the City Attorney, which potentially allows for a substantial amount of power in the day-to-day governance of the Department.**

While this level of involvement is a cornerstone of American democracy and certainly the right and obligation of IBEW management, it is incumbent upon City management to ensure that Union involvement does not cause operational inefficiency nor increase the cost to the Department and all citizens/ratepayers.

Some of the largest contributors to municipal races are the unions. In the 2009 Los Angeles municipal races, unions were responsible for almost $800,000 (45%) of the $1.77 million in independent expenditures. Specifically, the IBEW Local 18 Water and Power Defense league spent $166,825 to support two (2) separate Council candidates and one controller candidate in 2009 and $35,625 to oppose one (1) Council candidate.

Additionally, in the most recent 2011 municipal elections, IBEW and other unions reportedly spent about $1 million in an unsuccessful attempt to unseat a current City Councilmember whose views are divergent with the Union's views.

The IBEW locals were also heavily involved in numerous ballot initiatives over the past several years. Two (2) of these dealt with utility related issues.

a. IBEW opposed California Proposition 7 (2008): Prop 7 would have required California utilities to procure half of their power from renewable resources by 2025. It also would have required California utilities to increase their purchase of electricity generated from renewable resources by 2% annually to meet Renewable Portfolio Standard (RPS) requirements of 40% in 2020 and 50% in 2025. It would also have allowed penalties for non-compliance to be waived. Under current law, investor-owned utilities (but not municipals) must comply with an RPS of 20% by 2010 and there is no waiver for non-compliance. Prop. 7 was defeated garnering 35.4% of the vote.

b. LA Measure B, also known as the “Green Energy and Good Jobs for Los Angeles Act” or “Solar B” was a proposed City ordinance to install 400 megawatts of solar panels around the City of Los Angeles. The Measure was proposed by the group Working Californians, which includes the Business Manager for Local 18 representing LADWP employees. Under the terms of Measure B, LADWP workers would be required to do all the solar panel installations. The Measure was on the March 3, 2009 ballot and was narrowly defeated by a margin of 50.5% to 49.5%.

   The strong financial support from unions associated with LADWP raised concern among community activists and opponents of the Measure who believed that the Measure would provide LADWP with a monopoly on solar projects, increase taxes, hurt the California economy and benefit unions at the public’s expense. LA Weekly reported that “the unusual speed of the decision, apparent lack of transparency, huge costs to Los Angeles residents and virtual absence of serious public debate drew instant criticism from local media, the City Controller and concerned citizens.” The Los Angeles Times told voters to reject Measure B, calling it “a power grab…by the City Council and the Union that represents LADWP.” Of the $1.4 million in total contributions in excess of $25,000, the IBEW (represented by IBEW Local 18 Water and Power Defense League Issues, IBEW Educational Committee and the Working Californians Issues Committee) spent $235,500 to support the bill.

The unions are also very involved in getting out the vote campaigns and in attending City Council meetings to rally support or opposition to various issues. One small example occurred during the October 26, 2010 City Council meeting when hundreds of utility workers showed up to denounce the attempt by the Council to take over the LADWP retirement benefits (which is separate from the City retirement programs). After previously voicing support, the actions of hundreds in the audience helped to change several Council members’ minds.

8. There is considerable belief that the unions are increasingly involved in the operations and management of the Department.

Although impossible to verify without being privy to private conversations, the CGJ believes based on multiple interviews that Union management has a substantial level of influence at the City political and Department management levels. This is obviously a concern for DWP management and potentially for ratepayers. For example, after a previous appointee was chosen to be the new General Manager, a number of senior DWP managers reported that a Union official called the Mayor to ensure that a previously fired manager sympathetic to Union causes was rehired as Chief Operating Officer

In the CGJ’s opinion this action sends several wrong messages to the employees. First, the best person for the job was not chosen from within the Department by Department management. Second, a person who has previously been terminated for good cause can be brought back for political reasons. Imagine the negative impact to employee morale for the employees who watched this happen. (Several employees expressed these concerns.) Hard work and ability should be the road to success, not political contributions and involvement.

9. **The public sector unions, especially the IBEW, have been successful for its members by accomplishing a higher level of salary and benefits than other employees. This information is of concern to many ratepayers since it will increase the rates developed to pay for services.**

Although it has often been argued that governments must pay greater benefits to their employees because they cannot pay salaries as high as those in the private sector and they need to offer greater benefits and job security to effectively compete, it does not appear to be true in today's environment. According to the U.S. Department of Labor's Employer Costs for Employee Compensation report for December 2009, state and local government employees earned a total compensation of $39.60 an hour, compared to $27.42 an hour for private industry workers, a difference of over 44%. Data from the US Census Bureau, for example, also show that in 2007 the average annual salary of a California state government employee was $53,958, nearly 32% greater than the average private sector worker pay of $40,991. (Source: How California's Public Pension System Broke and How We Can Fix It, The Reason Foundation, June 2010)

The public sector pay advantage is most pronounced in benefits. The Bureau of Economic Analysis data show that average compensation in the private sector was $59,909 in 2008, including $50,028 in wages and $9,881 in benefits. Average compensation in the public sector was $67,812, including $52,051 in wages and $15,761 in benefits. (Source: Public Sector Unions and the Rising Cost of Employee Compensation, CATO Journal Winter 2010)

The public is becoming increasingly concerned about the cost differences in union pay and benefits. According to the "Californians and their Government" prepared by the Public Policy Institute of California in January 2010:

a. Three (3) of every four (4) Californians view the amount of money being spent on the public employee pension systems as a problem.

b. The percentage calling it a big problem has grown ten (10) points since January 2005

c. About four (4) in ten (10) across income groups hold this view, while their perception increases with age.

d. Two (2) of three (3) Californians would favor changing the pension system for new public employees from defined benefits to a defined contribution system similar to a 401 (K) plan. Support increases with rising income.

e. Of those who call the current pension system a big problem, 79% favor this change, signaling a strong correlation between believing it's a big problem and wanting to change the current system.

In general, IBEW members have enhanced health and dental benefits, higher salaries than their City counterparts and class specific salary enhancements/premiums. LADWP has other "benefits" that not all City departments, including tuition reimbursement, fitness facilities, life insurance, child care and extensive disability coverage.

As mentioned previously, 82% of LADWP employees make between $60,000 and $120,000 per year, for an average of about $85,000. Additionally, a fifty-five (55) year old LADWP employee who retires after thirty (30) years with a salary of $100,000 will receive a $69,000 annual pension. This amount increases with each year the individual stays past age fifty-five (55).

10. The IBEW represents about 88% of all LADWP employees which, as shown below, is an unusually high percentage for utilities.

This percentage also represents a challenge for LADWP since a large number of personnel in supervisory positions are in the same union as those they supervise. Clearly, pressure to avoid disciplinary actions would be increased if both parties are in the same union.

As shown in **Exhibit 13. Union Representation at Other Municipal Utilities**, the percent of employees in a single union is substantially higher at LADWP than it is at the comparable municipal utilities we contacted and higher than at any utility of which we are aware.

Exhibit 13

Union Representation at Other Municipal Utilities

Utility	Percent of Work Force Represented	Discussion
CPS Energy San Antonio	37% three unions	• International Brotherhood of Electrical Workers (IBEW) – 1,237 members • National Association of Public Employees (NAPE)- 99 members • Service Employee International Union (SEIU)- 1 member Total: 1,337 Union members CPS Energy Headcount: 3,636
SMUD Sacramento	Slightly less than 67% of employees are represented by two unions.	• Industrial Relations Association of Northern California • International Brotherhood of Electrical Workers (IBEW), Local 1245, representing the physical workforce (about one-third) • Organization of SMUD Employees (OSE) – a local, internal union representing the clerical and administrative workforce (about one-third) • Professionals, analysts, human resources, etc. are underrepresented (just over one-third)
MLGW Memphis	65% one union	IBEW, Local 1288, is MLGW's only union, representing 1,800 of the 2,800 employees.
JEA Jacksonville	85% five unions	As of September 2009, 1,843 of JEA's 2,158 employees (exclusive of the Power Park) were covered by collective bargaining agreements with five unions: • American Federation of State, County, and Municipal Employees • IBEW, Local 2358 • Northeast Florida Public Employees, Local 630, • Laborer's International Union of North America • A professional employees' association and a supervisors' association that have no AFL-CIO affiliation. The terms of these collective bargaining agreements expired in September 2009.

Utility	Percent of Work Force Represented	Discussion
Austin Energy	None See discussion	Texas is a “right to work” state which means that employees do not have to be a part of a union. As part of the city, Austin Energy employees are all municipal city workers. They have a union, and some managers and executives are part of it, but they do not have collective bargaining rights (cannot set wages or strike). The union just has “influence” and the union and management work together in a partnership. If employees have concerns regarding a job classification or the progressive discipline process they could go either to management or to the union who would then go to management. In the end, it is up to management to decide.
CSU Colorado Springs	None	No CSU employees are covered by a collective bargaining agreement.

The most recent addition to the IBEW ranks was in July 2003 when the Engineers and Architects Association (EAA) members chose to go with the IBEW in the middle of their contract year. EAA members are those in the Technical unit, Professional unit, Supervisory Professional, and Supervisory Technical and Administrative (entry-level through supervisory). Classes are engineers, administrative, technical staff, information technology, etc.

11. **Although the LADWP and the IBEW engage in “mutual gains bargaining” through a Joint Labor Management Resolution Board (JRB), the bargaining results are reportedly more in favor of the Union. The number of grievances filed by the Union has not materially changed as a result of this process.**

According to Article 36 of the Memorandum of Understanding (MOU), “Mutual Gains Bargaining is the process to be used to resolve various issues brought to the JRB. Any person appointed to the JRB, or any other joint labor/management committee, shall be trained in the mutual gains bargaining process prior to participating in the process. In addition to this training, all Union shop stewards and all levels of management beginning with first level supervisors shall be trained in the mutual gains bargaining process.”

Also, according to Article 36 of the MOU, the scope of the Joint Labor/Management Resolution Board (JRB) is to “deal with items typically brought up in the meet-and-confer process and other issues as mutually agreed to by Union and Management. The JRB and the Labor/Management Committees are not intended to subordinate or abrogate in any way the collective bargaining rights and obligations of either party.”

The JRB has the authority to make recommendations which are submitted simultaneously to the General Manager of Water and Power (or his representative) and the Business Manager of Local 18 for their joint consideration and response.

Any Union or Management JRB member may bring an issue to the JRB. Although Department management did not have time to prepare a detailed analysis of recent JRB issues, their opinion is that the issues they are trying to resolve were more Union requests over the past six (6) months than management concerns raised at the meetings. Generally the requests are resolved in favor of the Union.

While it is not known if the number of grievances would be larger without a mutual gains bargaining approach, its existence has not had a reduced effect on the grievances over time. As shown in **Exhibit 14. Grievance History at the Department**, the number of grievances filed has not diminished materially as a result of the JRB. The exhibit shows the number of employees for each of the last seven (7) years, the number of grievances filed each calendar year, and the number of grievances per one hundred (100) employees.

Exhibit 14

Grievance History at the Department

Period*	**Number of Employees**	**Number of Grievances**	**Number of Grievances/ 100 Employee**
2004	7932	155	1.95%
2005	7888	161	2.04%
2006	7823	179	2.29%
2007	7994	177	2.21%
2008	8690	129	1.48%
2009	9200	126	1.37%
2010	9307	174	1.87%

* Employee numbers are shown for Fiscal years ending in the date shown, while the number of grievances is shown for the calendar year.

12. **The LADWP is at risk by having a high percentage of essential personnel in the same union and does not have a current "strike plan" to continue operations and serve the citizens of Los Angeles in case of a work action.**

Not only does IBEW represent the vast majority of personnel in the Department, they also represent many of the middle level management, professional staff and technical staff. Only a few members of management remain outside the union and their ability to run the Department for an extended period of time in case of a work stoppage would be questionable. The MOU does not contain a "no strike" clause.

The Department should never have allowed so many personnel to be under the direct representation of a single union and certainly should not have allowed as many essential management and technical personnel to belong to the same union.

No member of Senior Management we interviewed knew of the existence of a current "strike plan" and had not participated in any strike preparation in the unfortunate situation that a strike is called by the IBEW. The Union management is aware that a current strike plan does not exist. This is intolerable.

RECOMMENDATIONS

Recommendation 7. Determine if the current state of union/management relations is equitable and not favorable to one side at the expense of the other.

LADWP management personnel can only accomplish what they try to accomplish. If they continue to allow the Union to "win" the majority of issues, they only have themselves to blame for future problems.

Elected officials should strongly consider an effort to reduce continuing union involvement in the management of the Department, other than through normal channels. Of course, this may impact the level of support and money provided to the elected officials but efficient and effective management of the Department should be the overwhelming goal. The ratepayer should be the primary concern.

Recommendation 8. Immediately develop a confidential strike preparation plan and ensure that cross-training and documentation of essential functions is included in the process and plan.

It is incumbent on management to ensure that operations continue under a variety of circumstances, including a work stoppage. Additional attention from management to the possible contingency of a work action is warranted and ratepayers need to be assured that the Department management is looking out for their interests.

III. CITY TRANSFER AND ECAF ISSUES

SUMMARY

The City has benefited substantially from the transfer of "surplus" funds from the DWP. However, it was the "Transfer Issue" in the spring of 2010 that caused substantial concern among City politicians, DWP officials and the public. Over the past twelve (12) years, the City has received over $2.2 billion from the LADWP based on the City Transfer. The transfers of money from the Department to the City each year are basically required by the City and are based on an amount that has been budgeted by the Department rather than a determination of "surplus" funds.

The discussion of the Transfer Issue also caused many to question the rate setting process within the Council and specifically the components of Departmental rates, especially the Energy cost Adjustment Factor (ECAF) "rate," and the visibility/transparency of what is included in the various rates among ratepayers. The CGJ finds that the application of the ECAF rate may be convoluted and not a transparent process which, understandably, leads various constituencies to question its accuracy and appropriateness.

BACKGROUND

This section provides general background about the amount of money transferred from the Department to the City (City Transfer), the importance of the Department's bond rating (Bond Rating) and the cash position at the Department (Cash Position).

<u>City Transfer</u>

The LADWP has a long reputation as a respected provider of Water and Power to the citizens of Los Angeles. Part of this is due to the strong and consistent financial performance of the Department and the fact that the Electric rates provided to the citizens are lower than would be the case for other investor owned and municipal utilities (comparison of rates was provided in Exhibit 1 of this Report.)

The largest revenue transfer to the City of Los Angeles' General Fund comes from the Power revenue of the LADWP. Charter Section 344 allows the Council, with the consent of the Board of Water and Power Commissioners, to direct by ordinance the transfer of surplus revenue to the General Fund. Historically, this transfer has equaled approximately 5% of the total operating revenue of the Power revenue fund in the preceding fiscal year. This transfer was increased to 7% beginning in 2002-03 and to 8% in 2010. Transfers from the Water Department stopped in 2006.

It is not unusual for municipal utilities to provide money to the cities in which they operate. **Exhibit 15. Monetary Transfers at Other Municipal Utilities Surveyed** summarizes City payments made by the survey participants.

Exhibit 15
Monetary Transfers at Other Municipal Utilities Surveyed

Utility	Transfer/City Contribution
LADWP	8% of electric revenues
CPS Energy	13%-14% of gross revenues
SMUD	None – stand alone agency
MLGW	Effectively 2 ½%-3% of revenues
JEA	About 6% to 7% of budget – included in customer bill in the Electric or usage charge
Austin Energy	9% transfer
CSU	Payment-in-lieu of taxes of about 3% of CSU's budget, which is recovered in base rates.

However, recently the Department has been challenged (as have all California utilities) by a series of issues including access to capital for significant capital projects, maintaining a good Bond Rating, increased scrutiny from rating agencies and other stakeholders, responding to price volatility, unfunded pension liabilities, meeting RPS goals (as established by the Mayor in LA), reducing dependence on current low cost coal generation in advance of AB 32 (California's Global Warming Solutions Act of 2006) and implementing energy efficiency targets as outlined in AB 2021. Meeting these requirements will require substantial additional money and, most likely, significant increases in the rates charged to residential and commercial customers in the future.

It is this affordability issue that was the key issue that arose last year around the LADWP transfer to the City of an expected amount of money and the ability of the Department to make that transfer, given current and expected financial obligations. This section looks at some of the issues that arose from that experience and makes recommendations to reduce future public relations, financial and transparency issues.

Bond Rating

It should be noted that the bond ratings of several other California municipal utilities have recently been downgraded or are on a watch list for downgrade. This is primarily because they refused to raise rates in response to significant financial pressures, some within their control and some external to their control. But it is important that a department the size of LADWP, and facing the substantial RPS goals and other challenges, keep a strong Bond Rating for the purpose of keeping borrowing costs under control and not having excess interest costs which would contribute to further rate increases.

To avoid a possible downgrade issue similar to other utilities, the Department established and communicated a variety of financial targets to the rating agencies and the City, including maintaining a Debt Service ratio of 2.25X, an unrestricted cash balance of $300 million (increased from the previous $150 million), and a capitalization ratio of no more than 60% debt. It was felt that the $300 million liquidity level would be adequate to cover short-term costs incurred due to fluctuating fuel prices or unit outages.

While maintaining LADWP's financial target ratios are important criteria for maintaining the strong (AA) Bond Rating, other risk factors could cause a possible downgrade. Specifically, exposure to fuel price volatility, increasing costs under an aggressive RPS program, and possible costs associated with California's AB 32 initiative could cause actual values to fall below forecasts. With some key financial targets near historical lows and ratings agency medians, LADWP would no longer have an additional financial cushion to help compensate for these risks. It was essential that the Department's willingness to address any changes would be an important element in maintaining the AA rating.

Cash Position

Although LADWP had sufficient cash to make the transfer payment, the cash was already identified for other uses. The Department has a Debt Reduction Trust Fund with about $547 million in it to provide for the payment of principal and interest on long-term debt obligations and purchased Power obligations. Those funds are restricted as additional insurance against a potential debt default.

According to both LADWP financial advisors and Council Consulting Firm (CCF), a company hired by the City Council to review the transfer and rate issues, the $300 million, if taken alone, is a relatively low liquidity position that corresponds to slightly less than fifty (50) days of cash given projected 2010 expenses. This can be compared to a median in excess of twice that level of coverage for peers reviewed by CCF. However, when taken together, the $547 million and the $300 million bring LADWP's minimum targeted liquidity levels to "well over" one hundred (100) days, more in line with comparable peers. (This liquidity level is not meant to address longer term changes in cost structure, which can be measured via the Debt Service Coverage ratio. The Department felt these measures would assure the continued strong Bond Rating.)

The Department has made annual transfers to the City of "surplus funds" based on net income for each year in recent history:

1. The City depends on that transfer for its own purposes, keeping its own Bond Rating stable. This balance between the financial needs of LADWP and the City is a difficult and ongoing process.

2. The Department uses an ECAF rate that consists of many items that are not typically included in an energy adjustment factor, which causes confusion and perceived lack of transparency to the rate oversight personnel and the public. A discussion of this rate is important since it was the under collection of that rate that caused the Department to reject the transfer of funds to the City.

    i. There is a current cap of 0.1 cents per kWh on quarterly rate changes which is a potential liability that limits the ECAF from adequately serving its function.

    ii. The Department had not requested nor received increases in the ECAF rate leading to a substantial under collection of monies to be used for operation.

    iii. That under collection, along with other issues, was a financial concern to the Department and to the rating agencies that rate the Department's bonds for future bond sales.

3. Keeping a strong Bond Rating is extremely important for the Department to ensure adequate access to working capital at a rate that would allow for "reasonable" interest costs and, therefore, a reduction of interest payments and potentially a reduced cost requirement for repayment. With plans to issue over $3 billion in long-term debt over the next five (5) years, a downgrade could have a substantial and increasing impact on

LADWP's cash position and could impact the perception of the Department as a desirable project partner. In general, it was estimated that a downgrade would cumulatively cost the Department and its customers in the range of $200-$300 million in the next five (5) years.

4. Rating agencies place several burdens (such as reserves and additional cash on hand) on utilities and others to increase their comfort level to ensure bonds are safe for repayment within the proper time.

METHODS AND PROCEDURES

Many Department management personnel were interviewed as well as representatives from City Council and the Controller's Office. Additionally, various consultant reports and letters from Department and City personnel were reviewed and analyzed. A survey of transfers from other large municipal utilities to the cities in which they operate was conducted and the results analyzed.

FINDINGS

13. **The Department has provided substantial funds to the City of Los Angeles in the form of Power and Water transfers for many years.**

The Power system alone has provided over $2 billion to the City in the last twelve (12) years with another $204 million from the Water system (up to the time the transfer was stopped by the Courts). **Exhibit 16. Summary of Power and Water Transfer Amounts** shows the money received by the City of Los Angeles for the last twelve (12) years.

Exhibit 16

Summary of Power and Water Transfer Amounts

Year	Power Transfer	% of Operating Revenues	Water Transfer	% of Operating Revenues
1998-1999	$108,145,800	5	$16,252,500	5
1999-2000	$112,000,000	5	$22,200,000	5
2000-2001	$119,800,000	5	$25,500,000	5
2001-2002	$179,153,000	5	$27,247,000	5
2002-2003	$185,358,000	7	$27,523,000	5
2003-2004	$210,214,000	7	$27,649,000	5
2004-2005	$160,166,700	7	$29,815,100	5
2005-2006	$157,894,300	7	$27,914,300	5
2006-2007	$174,747,200	7	0	0
2007-2008	$182,003,900	7	0	0
2008-2009	$222,505,900	7	0	0
2009-2010	$220,475,000	8	0	0
TOTAL	**$2,032,463,800**		**$204,100,900**	

Source: LADWP Summary of City Transfer Declarations for Fiscal Years 1999-2010

14. **Although the Department had numerous reasons for not wanting to make the transfer without a rate increase, the Department felt it deserved, holding the City "hostage" under these circumstances was inappropriate. The Department had the cash to make the transfer, stating they had it reserved for other uses.**

The Department said it could not afford the transfer. This caused a substantial argument from the Council on their need for the money and a public relations nightmare with the public, who was told that the Department was unreasonable by requiring a rate increase before making the transfer. In reality, the money had previously been budgeted for the transfer. But since the Department had doubled its unrestricted cash balance to $300 million, it felt that it could no longer afford to make the scheduled transfer to the City without rate relief. Saying they did not have the cash was inappropriate and set off a series of events and negative public and Council perceptions that will take many years to correct.

What is uncertain is whether the doubling of the amount of cash (from $150 million to $300 million) was "overkill" and whether or not a smaller increase to $225 million, for example would have satisfied the bond agencies and still have money left for the almost $75 million transfer. What is known is that by refusing to make the transfer, the Department's credibility and reputation as a good "citizen" was in jeopardy. The real question is whether a cash position of $225 million (which would have been the $300 million less the transfer) in addition to the $547 million would have sufficed for the rating agencies, since that would also have brought LADWP's minimum targeted liquidity levels to over one hundred (100) days, also in line with comparable peers. That difference would potentially have allowed the transfer without the ensuing problems. That will never be known for sure.

Newspaper articles were relentless on the "greed" of the LADWP management. In reality, the Department was only trying to protect themselves and the ratepayer; but they had a poor way of explaining that to the satisfaction of the public. What then transpired was a battle between the Mayor, the Council and the Controller (all publicly elected officials) on who would be the greater friend of the public. The Department was caught in the middle of a situation that should never have gotten that far.

RECOMMENDATIONS

Recommendation 9. Take steps to ensure that this transfer problem doesn't recur. Some steps to be taken include:

a. Develop an earlier budgeting process so Council will know what transfer funds to expect ahead of any grandstanding.

b. Provide a presentation of the budget to the Council in clear and concise terms that are not "technical engineering oriented".

c. Conduct a proactive review of RPS and capital project alternatives including goal extension or reduction.

d. Develop long-term projections of costs associated with RPS and major projects to ascertain if additional transfers will impact consumer costs.

BACKGROUND

ECAF Issue

In general, utilities meet their revenue needs through the application of base rates and additional "cost adjustment" charges. Base rates are derived to cover fixed operating and capital costs (mostly controllable costs), while cost adjustment charges are applied to cover special programs and/or more volatile costs. Typically, all cost adjustment charges are separated from the cost component included in the base rates, with the goal of making the cost of certain special programs and/or the most volatile and variable costs (including fuel costs) distinct and transparent from the base rates. Increased transparency into the charges that comprise a customer's bill, in combination with the ability to smooth the impact of volatile charges to the customer, make cost adjustment mechanisms commonplace among utilities. (A comparison with other municipals will be discussed later.)

An important element is demonstrating the willingness of rate makers to support appropriate revenue increases if required to maintain key ratios. One mechanism in demonstrating the ability to meet financial targets should be the ECAF. Automatic changes in the ECAF can play an important role in mitigating the risks associated with volatile and unpredictable fuel pricing and in lending confidence that financial targets will be met. However, the current cap of 0.1 cents per kWh on a quarterly rate is a potential liability limiting the ECAF from adequately serving that function.

The most likely source of volatility to the cash forecast is a sharp increase in purchased power or fuel costs, either due to commodity price increases or an unexpected outage at one of LADWP's low-cost coal or nuclear facilities. This fuel cost increase poses a risk due to delays and caps in passing through short-term increases.

The report prepared by the consulting firm hired by the City Council (previously referred to as CCF) describes the history of ECAF at LADWP:

> "As of 1997, the ECAF was designed to pass through the cost of fuel, purchased power and energy conservation. In 1998, the existing ECAF was frozen at 1997 levels in an attempt to prepare for deregulation……
>
> The ECAF remained frozen for the following eight years. During that time, the Department absorbed fluctuations in actual ECAF costs from year to year while keeping the ECAF rate fixed. However, in 2006 the ECAF was unfrozen to "stabilize LADWP finances in the face of a highly volatile natural gas market." It was noted that continuing to absorb ECAF fluctuations would "potentially contribute to an erosion of the financial integrity of LADWP."
>
> "At the same time that the ECAF was unfrozen, several other new categories of charges were introduced to the ECAF account. Most notable was the inclusion of renewable energy costs……Inclusion of renewable energy is also consistent with the 2003 City Council action conceptually approving a pass-through for renewable energy expense."

<u>Explanation of Fuel Adjustment Charges Used Elsewhere</u>

Fuel adjustment charges are widely used throughout the Electric and Gas utilities industry. "Most states with traditional retail electric markets (i.e., states in which retail service is provided by a regulated electric utility with an exclusive franchise service area) regulate the price of electric utility services using mechanisms that separate the review, approval, and recovery of certain frequently changing costs, such as fuel and purchased power costs, from the corresponding scrutiny of the more fixed and predictable capital and operating costs associated with financing and maintaining the assets of the utility. The more variable, unpredictable costs are recovered in rate components that are allowed to change periodically—at least every year and in many cases more frequently—without the need for a full rate case that reviews all of a utility's cost of service. Instead, these rate components are allowed to change roughly contemporaneously with changes in the utility's underlying related costs. The remaining fixed or more predictable costs are recovered in "base rates" that are typically modified only every few years in formal rate cases." (Source: Electric Utility Automatic Adjustment Clauses: Benefits and Design Considerations", Edison Electric Institute, November 2006)

The California Investor Owned Utilities (IOUs): Pacific Gas and Electric (PG&E), Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E), have a very complex mechanism for recovering variable fuel and purchased power costs; however, like LADWP, each IOU's tariff allows for the inclusion of a variety of other costs. The California IOUs all use an Energy Resource Recovery Account (ERRA) which was established by the California Public Utilities Commission (CPUC) in Decision 02-10-062. This decision also required the Electric utilities to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism, and a schedule for semi-annual ERRA proceedings. The first semi-annual proceeding (the forecast application) consists of an application by the utility to establish annual fuel and purchased power forecasts for the upcoming twelve (12) months. During the second semi-annual proceeding, a compliance review of the utility's prior period energy resource contract administration, least cost dispatch, and ERRA balancing account is conducted. An IOU must request a rate adjustment when the balance in the ERRA balancing account exceeds 5% of the electrical corporation's actual recorded generation revenues for the prior calendar year. The 5% may be an over collection or an under collection. In general, California ERRAs included over a dozen cost categories and over two dozen utility-specific costs.

In contrast, the municipally owned utilities surveyed generally have a less complex accounting structure. **Exhibit 17. Comparison of Municipal Fuel Adjustment Clauses** provides information on the fuel adjustment clauses of the municipally owned utilities.

Exhibit 17

Comparison of Municipal Fuel Adjustment Clauses

Utility	Clause	Components
CPS Energy San Antonio	Unit Fuel Cost Factor	Difference between the current month's unit fuel cost factor and a base cost of $0.01416 per kWh. The unit fuel cost factor includes: fuel costs, any offsetting credits or additions resulting from judicial orders or settlement proceedings affecting fuel costs incl. taxes and transportations costs, recovery of energy efficiency and conservation program dollars spent above those in base rates and taxes
SMUD Sacramento	No traditional fuel adjustment clause, but something conceptually similar.	SMUD's largest resource is hydro power from the Sierra Nevadas. They have a factor which adjusts rates up and down based on rainfall. In a dry year SMUD will have to buy purchased power. In a wet year, they will have excess production and rates will drop.
MLGW Memphis	TVA's Fuel Cost Adjustor	MLGW is required by federal law to purchase all of its electric power from TVA and passes TVA's FCA on to its customers. The FCA reflects TVA's cost of fuel for electricity generation and purchased power costs
JEA Jacksonville	N/A	N/A
Austin Energy	Fuel Adjustment Clause	Fuel costs and related expenses including Independent System Operator (ISO) charges
CSU Colorado Springs	Energy Cost Adjustment (ECA)	Fuel and related expenses, purchased power, off-system sales

FINDINGS

15. The ECAF as currently constituted at LADWP contains several elements that typically would not be found in a cost adjustment factor.

The CCF report does an excellent job of discussing the ECAF at LADWP, as follows:

The ECAF operates as a 'pass-through' of renewable energy costs, fuel/natural gas costs, purchased power costs and energy conservation costs as well as providing rate stabilization requirements. Fuel costs and purchased power costs represent the traditional Fuel Cost Adjustment (FCA). These costs are dependent on market prices. While a utility can follow best-practice procurement and hedging plans, it cannot completely control the market price of fuel and purchased power.

Some renewable energy costs are also dependent on market prices (long-term renewable Power contracts whose prices are indexed to gas prices or power prices) but others, such as long term fixed-price Purchase Power Agreement costs, prepaid energy costs, transmission costs or the capital costs of LADWP-built renewable resources, are not dependent on market prices and, therefore, would not typically be part of an FCA.

Energy conservation costs such as the costs of energy efficiency programs are also not part of the typical FCA. On the other hand, revenue losses due to Demand Side Management (DSM) are often considered unpredictable and out of the utility's control. Therefore, in many cases, including that of the California IOUs, these losses are passed through by an adjustment mechanism (revenue decoupling) similar to an FCA.

The ECAF also contains a separate element that accounts for the City Transfer payments that are made as a percentage of total revenues. This adds 8% to all other ECAF costs such that the Department is essentially kept whole on the 8% of ECAF revenues that are transferred to the City as ECAF costs rise and fall. While this makes sense given the way City Transfer payments are calculated today, the fact that City Transfer payments are tied to volatile ECAF revenues at all introduces additional volatility both to customers and to the City, as well as adding additional complexity to the ECAF balancing account.

The ECAF is intended to limit the speed at which rates grow. Cost increases in excess of the cap are accumulated in the ECAF account and deferred until the quarterly cost increase would otherwise be less than the cap. While this provides a limited amount of rate stabilization, it is at cross purposes with the role of the ECAF in enabling a quick response to uncontrollable cost increases. During times when the cap prevents revenues from increasing as quickly as costs, an under collection of ECAF costs accumulates. This under collection must be financed by the Department, negatively impacting cash levels as well as debt- coverage ratios. A well designed rate stabilization plan usually includes a method to amortize under collections within a defined time horizon; the ECAF cap can prevent timely amortization.

In addition to renewable energy costs, a decoupling mechanism for energy efficiency improvements was introduced that incorporated into ECAF a charge for revenues lost due to energy efficiency improvements. This allowed LADWP to maintain base revenue levels while reducing overall electricity demand. Additional language changes created a small rate stabilization fund, updated language to reflect a 7% City Transfer (now 8%), expanded decommissioning costs from nuclear facilities to all generation facilities, and specifically included emissions fees, interest expense above 4%, uncollectible bills, asset write-offs, and extraordinary expenses.

The ECAF rate is calculated on a quarterly basis by estimating the following twelve (12) months of costs, described above, adding any previous under or over collection of ECAF, and dividing by the estimated energy demand for the following twelve months. From this rate, an amount of 1.25 cents/kWh is subtracted to yield the ECAF rate to be charged to customers over the next quarter. This 1.25 cents is meant to reflect a portion of the ECAF charge that is included in base rates, implying that current base rates are higher than needed to cover base operations. In FY 2009, costs booked to the ECAF account totaled slightly over $1.3 billion.

In summary, there are now six (6) distinct categories of expenses currently included in the ECAF rate:

a. Fuel - Includes all costs associated with natural gas, coal, and nuclear fuel procurement, including emissions, greenhouse gas reduction and retirement costs

b. Purchased Power - Includes all purchased power costs, including associated transmission, short-term energy market purchases as well as long-term purchased Power

c. RPS costs - Includes all charges associated with renewable resource energy, capacity, RPS related prepayment expense, operations and maintenance, depreciation, and interest expenses for generation and transmission

d. DSM expenses - Includes qualified DSM costs, defined as costs incurred for the acquisition and installation of devices and systems, including incentive payments, audit costs related to DSM, and administrative costs, which are part of those programs or projects designed to lower and control power system demand or consumption (limited to 10% of three (3) items above)

e. DSM Revenue Loss Recovery - Includes lost revenue due to the implementation of DSM programs, helping to preserve LADWP's rate base as demand is reduced through energy efficiency

f. City Transfer - Includes a factor of 8% added to all ECAF expenses to cover the portion of the City Transfer associated with ECAF revenues. (This does not include the City Transfer component associated with base rate revenues, which is built into the existing base rate structure.)

In effect, only a few of these costs are considered "uncontrollable" and, therefore, should be included in ECAF: fuel, some renewable costs tied to fuel and DSM revenue losses.

16. The current ECAF design does not provide for adequate oversight and transparency into long-term commitments made by the Department, particularly with respect to Renewable Portfolio Standard (RPS) and Demand Side Management (DSM).

The presence of so many elements into a single cost adjustment factor reduces transparency into the cost drivers behind ECAF increases. Understanding the causes of ECAF increases today requires a detailed decomposition and analysis that is difficult for policy makers and customers to understand.

The act of bundling market-driven elements with less volatile costs that lie within the Department's control can limit overall transparency and potentially lead to a lack of accountability for those costs. Under the current system, ECAF increases are passed through to customers automatically without detailed rate review.

Long-term commitments have predictable costs and, as such, they can be made with specific consideration for their impact on costs. Under the current structure, commitments that are both predictable and within the Department's control can be passed through to ratepayers without review. This includes major capital project commitments that represent strategic (and therefore changeable and not operational) decisions.

Finally, rate responses to volatile fuel and purchased power costs should not be constrained by the presence of a very tight cap on ECAF changes. Exposure to market prices should be passed through uncapped to the ratepayer to avoid the potential for financial distress.

CCF concluded that the costs associated with ECAF are set to increase rapidly over the next two (2) years. Without a significant increase in the ECAF rates, this will put significant pressure on LADWP's debt ratios, with the potential that ratios in 2011 will be well under target levels.

At the same time, a cap on market-based drivers presents a significant risk to the Department in the event of a market price shock, providing support for the argument that the ECAF should be decomposed into separate elements with their own individual mechanisms for rate review. Any effort to reconstitute the ECAF won't be simple. Any effort to promote transparency must not be at the expense of expediency, and care must be taken to prevent disproportionate impacts on individual classes of ratepayers.

RECOMMENDATIONS

Recommendation 10. The CGJ agrees with the CCF recommendation that a "new proposal for rate restructuring should be drafted and analyzed. One aspect of this proposal would be to split the current ECAF into several separate rate components. This will provide the Council (and the public) with greater visibility of LADWP's cost structure and of the justification for any rate increases."

CCF goes on to state that:

a. Costs that are clearly out of LADWP control should remain in the ECAF.

b. At an appropriate frequency, Council should approve an LADWP procurement plan. As long as procurement has been in accord with the plan, ECAF cost recovery should be a pure, uncapped pass through.

c. Costs that are predictable, such as long-term contract costs or energy efficiency costs, should be removed from the ECAF.

d. Revenue losses attributable to DSM should be passed through without a cap but as a separate bill component in addition to ECAF.

e. The City Transfer should not be tied to fluctuating ECAF revenues but rather entirely to more stable base rate revenues. This will create greater certainty of City Transfer payments and remove elements of the City Transfer from the current ECAF structure.

While such a change means that the City Transfer will fluctuate as a percentage of total revenue as ECAF revenues change, it will result in lower volatility in rates as well as in payments to the City.

f. The Council should separately define a rate stabilization program that will mitigate or spread out rate increases. Rate stabilization has the effect of financing a cost increase and its impact on City finances and LADWP capital adequacy should be explicitly considered.

g. Develop a clearer, more pure, definition of the ECAF rate (for review by Council and the public).

h. An automatic rate change based on a pure ECAF rate should be approved.

It should be pointed out that the Department has received this type of recommendation previous to the CCF Report. In July of 2007, a Revenue Requirements Study prepared for the Chief Legislative Analyst and the City Administrative Officer states, "Energy Services has bundled several different cost recovery elements in the ECAF…….neither the Board nor management are presented the ECAF budgeted revenues by element." The recommendation made in that report was to "Unbundle the ECAF into its elements for presentation to management and to the Board." In their response to the report, LADWP agreed that all future presentations to management and the Board would unbundle the ECAF elements.

Recommendation 11. Increase the transparency of the cost of each current ECAF item by showing the item and amount on the ratepayer's monthly bill.

The CGJ suggests following the CCF recommendation with an additional recommendation intended to provide transparency, not just to Council but to the public at large. Print on each residential bill a statement indicating the costs associated with any "controllable" large expenditure that was previously in the ECAF. A statement showing the cost to the consumer for the RPS program, DSM program and the City Transfer (separately) should be clearly available to the public for their review and ultimate approval. Statements might read as follows:

> "The portion of your bill collected by LADWP for the City of Los Angeles to support government services not related to LADWP (City Transfer) is $XXX or XXX%. The City contribution shown here reflects the amount of your bill that goes toward government transfers. However, on your actual bill, this charge is included in the Electric or usage charge."

In addition to City transfer costs, the Department should also present similar information for "Renewable Program Charges" or "DSM charges" to the ratepayer. This provides the ultimate level of transparency to the public and allows for discussion of each element at the Board and Council meetings.

IV. RATEPAYER ADVOCATE ISSUES

SUMMARY

The strength of the ratepayer advocate measure is more a function of the future actions of the City Council, rather than the passage and implementation of the proposed measure. As important to what the ratepayer advocate will do are the issues that the ratepayer advocate should not do. It is not reasonable to assume that the existence of the ratepayer advocate will solve all of the various management, political or personnel deficiencies in existence at the Department. It can and should, however, shine a light on current and projected future costs for programs proposed by the Department and/or political entities, and ensure that the rates being charged to the public are fair, prudent and affordable under existing economic conditions.

BACKGROUND

Partially as a result of the “City transfer” issue from the spring of 2010 and a number of other concerns about LADWP management by various LADWP critics, a proposal to approve a Charter amendment to hire a Ratepayer Advocate was placed on the ballot for March 8, 2011. This ballot measure passed with a large majority.

Charter Amendment I creates an Office of Public Accountability at the LADWP. Backers of that measure say a Ratepayer Advocate will be needed as the Department carries out a plan for spending billions of dollars on system upgrades and environmental initiatives. At least one City Council supporter points out that, although the City Council reviews rate increase requests, “there is no guarantee you will have a City Council that will be vigilant and aggressive in making sure that information regarding rate increases is fully vetted on the public record.” Several City Council members said they did not know whether the spring 2010 rate increase was permanent or temporary. Greater attention to cost details or rate changes is warranted.

Some business leaders (and others) disagree, saying a new oversight office would be expensive and redundant, at a minimum $1 million per year. They point out that LADWP’s actions are already reviewed by a Board of Commissioners appointed by the Mayor to oversee the Department, the City Council, and the City Controller. They continue their argument by pointing out that the Council is capable of performing their role by refusing to support three (3) of four (4) rate hikes sought last year by the Mayor. The thought is that another level of bureaucracy would be just that - bureaucratic - without any tangible benefits.

As it stands now, the Council is charged with filling in most of the details of this measure later, such as who appoints the advocate and to whom he or she reports. Apparently, the Council plans to empower local residents by involving voluntary Neighborhood Councils in the decisions. The Mayor, along with the Council, would also be charged with confirming the nominee for Ratepayer Advocate.

One recent editorial (LA Times, February 18, 2011) summed up a feeling that may be common within the City. “We hope the Council will also help ensure that the advocate selected is a well-regarded professional with deep expertise in utility operations; voters and lawmakers need solid advice on balancing the LADWP’s need to invest in clean power with its need to keep rates under control, not a populist interested solely in blocking rate hikes. We have misgivings about whether a ratepayer advocate can do much to fix the LADWP. The advocate would be charged with examining proposed rate increases and reporting back to the utility’s board, the City

Council and neighborhood Councils about their fiscal necessity. But it is unclear whether the advocate would be more successful in opening up the LADWP's impenetrable finances and practices than past auditors and consultants have been…….Measure I, if properly implemented, might bring a degree of transparency to the utility's operations that could build public trust."

The Ratepayer Advocate would be part of a newly proposed Office of Accountability and would act as a watchdog for the public with respect to utility rates and would also include an Executive Director and an Inspector General. According to the Chief Legislative Analyst, the role for the Office of Accountability would not exist solely for the purpose of lower rates, "but shall be to provide expert advice on rate actions and strategies which most economically accomplish the city's policy goals and the LADWP's long-term interests." At least one Councilmember also voiced support for an Inspector General position that would not just look at proposed rate increases but also identify waste and fraud within the agency.

<u>Department Efforts</u>

Supporters of the Ratepayer Advocate say it has been part of the public debate since 2008, when the Mayor's appointees at the LADWP Commission killed a proposal to create the post. However, events from the spring of 2010 (dealing with the City transfer and proposed rate increases in the Council) apparently caused the Board to reconsider their opposition.

On June 10, 2010, the Board of Water and Power Commissioners approved the establishment of an independent Ratepayer Advocate and recommended the formation of an expert panel to provide input and recommendations on how the position should be structured to ensure maximum effectiveness and neutrality. The Advisory Group was comprised of five (5) personnel from consumer advocate organizations: Natural Resources Defense Council (NRDC), Neighborhood Councils and various business and civic leaders.

The group was charged with defining the specifics of the Ratepayer Advocate's office and function, including structure, role and responsibility as well as how the office will be funded and staffed as well as where it should be located to ensure complete neutrality. The group agreed that the central responsibility of a Ratepayer Advocate is to review, analyze and provide expert independent advice to policy makers regarding utility rates and proposed rate changes and provide ongoing review and analysis regarding rate-related and budgetary issues.

During initial meetings, there was some debate over exactly what a Ratepayer Advocate's role and responsibilities should be. The Consumer Advocate representing the NRDC believed that "a pure ratepayer advocate, with a mandate to focus narrowly on cents per kilowatt-hour rates, instead of what is in the best interests of the customer, could be a waste of money and a distraction from the important decisions LADWP has to make in the next few years. What LADWP customers need is a 'Customer Advocate," with a clear mission to ensure that the customer has an independent voice at the table advocating for lower bills and better service…..A ratepayer advocate may fight to keep rates down even if that means LA remains dependent on dirty coal…….In order to continue that progress (getting off coal), LADWP has to keep investing in clean energy technologies. This is something that you may care about. This is not something, however, that an advocate focused exclusively on short-term rate impacts will care about, which may put them at odds with LADWP's efforts to move towards a new clean energy future." This same Consumer Advocate continues by saying "A ratepayer advocate won't care about creating new job opportunities in LA and stimulating our struggling local economy. Investing in clean energy, including energy efficiency and rooftop solar, creates good jobs, right here in LA. That might be something that you, a customer of LADWP and resident of LA care about, but a pure ratepayer advocate would not." She concludes with "If LADWP is going to spend your money to pay for an advocate, that advocate's mandate should be to represent you, the customer."

While the CGJ completely understands the point made by the Consumer Advocate and firmly believes that a party should be responsible for looking out for the consumer's best long-term interest in areas such as clean environment, new jobs, etc., the CGJ believes that party should be the elected representatives of the City. It should not be the job of a Ratepayer Advocate who will have sufficient responsibilities to perform without debating the "policy" issues.

METHODS AND PROCEDURES

The ballot measure, as well as previous iterations, was reviewed. Additionally, many Department managers, City staff and IBEW management were interviewed. Consumer Advocate input was solicited. Substantial internet searches provided various reports and news articles on the pros and cons of the position. Finally, a survey was conducted of other large municipals to ascertain their involvement with Ratepayer Advocate positions.

FINDINGS

17. The implementation of a Ratepayer Advocate at LADWP would be unusual in the municipal utility industry.

While the majority of states have Ratepayer Advocate positions or groups, those organizations monitor rates imposed by IOUs, not for publicly owned utilities. The concept is that public utilities are owned by the people, and the people's representatives (the elected City Council) would ensure that the people were protected and would do what the people want.

However, in many locations including Los Angeles, Council members have complained that they could not get the information that they needed from the utility and that, at times, the information was not consistent, informative or transparent. There is also concern in many jurisdictions, including many in Los Angeles, that special interest groups, such as unions (who have substantial political power due to their monetary contributions) have greater input into the reviews and decisions of elected representatives than they have in the public at large. For example, it might be in the City's best interest and the utility's best interest to have an immediate focus on solar or wind power, but a Ratepayer Advocate could provide a transparency on the cost of such proposal and present alternatives in terms of focus or timing that might benefit the consumer.

As shown in **Exhibit 18. Ratepayer Advocate Organizations at Surveyed Municipal Utilities**, there are very few "official" Ratepayer Advocate organizations in other municipal utilities that could found.

Exhibit 18

Ratepayer Advocate Organizations at Surveyed Municipal Utilities

Utility	Ratepayer Advocate Organizations
LADWP	Office of Public Accountability recently passed during the municipal Election
CPS Energy	No indication of Ratepayer Advocate. They have a newly formed Citizens Ratepayer coalition but it is not independent or government (it is non-profit). They ask for donations to help with legal costs on the website.
SMUD	No indication of Ratepayer Advocate function.
MLGW	No indication of Ratepayer Advocate function.
JEA	No indication of Ratepayer Advocate function.
Austin Energy	No indication of Ratepayer Advocate function.
CSU	No indication of Ratepayer Advocate function.

18. Some people believe that the impact of the Ratepayer Advocate ballot measure is minimized because other proposed Charter amendments were not approved for the same ballot.

As the deadline for the March 8, 2011 ballot measure drew closer, there were competing proposals from public advocates and Council members. At one point, the Council voted for three (3) supposed LADWP reforms:

a. Creating an Office of Public Accountability with a Ratepayer Advocate

b. Requiring LADWP's budget to be submitted earlier with a guarantee that "surplus" funds will come to the City of LA for General Fund uses

c. Granting the City Council the authority to remove the LADWP's General Manager or LADWP Commissioners with a two-thirds Council vote. The Council could also override the Mayor's removal of the General Manager or Commissioners with a two-thirds vote.

Only the first two (2) items were on the March 8, 2011 ballot (and both passed with large majorities), with the third being vetoed by Mayor Villaraigosa so that it would not go before the voters. The Mayor's obvious goal was to ensure that he kept control over the appointment and removal of Department management and governance. There were seven (7) votes from the Council to override the Mayor's veto, which was insufficient by one (1). The thought by some of the people who proposed these changes was that as long as the Mayor controlled the appointments of LADWP Commissioners and General Managers, any attempt at serious Ratepayer Advocacy would be minimized.

The end result is that the Office of Public Accountability will be limited to the review of Water and Power rates and will rely on the City Council and Mayor to pass ordinances to ensure the thorough review and analysis of LADWP's strategic plan, operations, finances and management.

As one consumer activist stated, "…the establishment of a Ratepayers Advocate supported by the Office of Public Accountability is a hollow and symbolic gesture unless they are supported by subsequent ballot measures that reform the Commission process and establish a City

Prosecutor…..The last thing LA needs now is oversight reform that consists of more audits and advice with no authority or mandate to enforce the law…..it is important to remember that oversight and accountability mean little, if anything at all, without enforcement authority and a mandate for prosecution."

19. Although the final wording of the Ratepayer Advocate ballot measure may be interpreted as being effective, the implementation of the measure, and therefore its strength, is up to Council ordinance.

There was an original version of the Ratepayer Advocate position which declared "the role of the OPA shall be to (1) promote efficiency and effectiveness of the Department; (2) provide centralized focus on ratepayer protection and consumer complaints; and (3) provide independent analysis of Department actions, particularly as they relate to Water and Electricity rate actions. The OPA shall advocate against excessive rates and shall provide expert advice on rate actions and strategies which most economically accomplish the City's policy goals and protect the Department's long-term interests."

The final wording of the proposed ballot measure indicates that the proposed focus will be on determining if rates are too high, not if LADWP is using revenues to overhaul infrastructure and move towards green energy and a sustainable, local water supply. The issues are if the Ratepayer Advocate should be expected to question whether, for example, the use of wind power (which is substantially higher generation cost compared to any other RPS item) is appropriate or whether, given the decision to go with wind, the rates are minimized and accurate. It is a subtle but very important distinction that will have huge impacts to both the work load of the Ratepayer Advocate and to his/her overall impact and effectiveness.

After numerous motions from various Council members on the wording of a Ratepayer Advocate ballot measure, and after considering a higher level of funding (0.1% rather than 0.025% of annual revenues), the following was the actual wording decided upon and the wording that went to the public for voting on March 8, 2011.

Section 683. Office of Public Accountability

(a) The role of the Office of Public Accountability (OPA) shall be to provide public independent analysis of Department actions as they relate to water and electricity rates.

(b) The OPA shall be headed by an Executive Director, who shall be exempt from civil service. The Executive Director shall be appointed by a citizens committee to a five-year term, subject in appointment to confirmation by the Council and Mayor. The Council shall by ordinance provide for the removal of the Executive Director in a procedure similar to that set forth in City Charter Section 575 (e), and only for the reasons provided by ordinance. The Council by ordinance shall prescribe the composition and manner of selection of the citizens committee.

(c) The Executive Director shall (1) report directly to, but shall not be instructed by, the board; (2) have full charge and control of all work of the OPA; (3) be responsible for the proper administration of its affairs; (4) appoint, discharge, suspend, or transfer all of its employees, subject to the civil service provision of the Charter; (5) issue instructions to OPA employees in the line of their duties, subject to the civil service provisions of the Charter; (6) prior to the beginning of each fiscal year and in accordance with a schedule prescribed by ordinance, submit to the City

Administrative Officer a proposed annual budget covering the anticipated expenditures of the OPA; (7) expend funds of the OPA (including without limitation, awarding contracts) in accordance with the provisions of the budget appropriations or of appropriations made after adoption of the budget; and (8) perform such other duties as may be prescribed by ordinance.

(d) The City Council shall by ordinance establish provisions for the administration and operation of the OPA, which provisions shall include at a minimum: (1) reporting requirements and schedules and (2) consumer protection and complaint procedures.

(e) The OPA shall have access to information to fulfill its responsibilities.

(f) The employees of the OPA shall include a Ratepayer Advocate and additional positions as prescribed by ordinance. The OPA shall periodically issue public reports.

(g) The Department shall include a budget for the OPA as shall be set by ordinance at a level not less than 0.025% of Department annual revenues from the sale of water and electric energy for the previous fiscal year.

(h) Nothing contained in this section shall reduce or otherwise affect the authority of the City Controller to conduct fiscal and performance audits of the Department.

(i) The Section shall be operative on July 1, 2011.

RECOMMENDATIONS

Recommendation 12. Ensure that the Ratepayers function is clearly defined and that the function is not captured by politicians or a bureaucracy that will stagnate their independence and ability.

It is important to identify what the function will be focused on and, as importantly, what it will not be focused on. The Ratepayer Advocate will have enough work to do without taking on the "savior of LADWP operations and public perception" role. The position should not be involved in the management of the Department or have the right to veto management decisions or set rates.

The OPA should not be involved in holding LADWP accountable for meeting the City's or Mayor's goals, some of which will be extremely expensive to the ratepayer. That should be the job of the Board of Commissioners, City Council and the Mayor. They should, however, have input into various rate alternatives and timing differences prior to the policy decision being made so that the impact to the ratepayer is known.

The OPA should take a long-term perspective on its review of rates. For example, it should shine the light on long-term plans that will have massive implications for residential and commercial rates, not just on the rate increase that may be mentioned for next year. It is important that the position provide advice and counsel to lawmakers on balancing LADWP's plans to invest in clean power, as one example, with its need to fulfill Charter responsibility to keep rates lower than others. The primary focus should be what is best for the ratepayer.

The Advocate can highlight the long term implication of these decisions. This long term perspective and visibility is more important than just blocking specific rate hikes, which may be desired by many, but may not be in the long term best interest of the City or the ratepayer. In summary, the function should provide visibility to the public and guidance to the Council on various anticipated rate increases, and provide expert advice on rate actions and strategies which will protect the ratepayer by identifying the most economical method to accomplish the City's policy goals and the LADWP's long-term interests. The ratepayer should be placed first in implementing the Advocate's responsibility.

The Advocate can also be instrumental in ensuring that large categories of costs, such as DSM, RPS and the City Transfer, have visibility on the customer bills. (Also see Recommendation 10.)

Recommendation 13. Ensure that the public has primary input into the appointment of the Ratepayer Advocate. The "citizen's committee" should have ample representation from Neighborhood Councils and other citizen-based organizations.

It is only with broad based input that the public will have the confidence that the position won't bend to any specific political will. As important as the actual information provided by the Ratepayer Advocate is the fact that the existence of the position itself should be viewed by the public to be honest, independent, trustworthy and knowledgeable. This is probably the single best opportunity for the City and Department management to improve the perception of LADWP with the rate paying public.

Summary of Report Findings and Recommendations

FINDINGS

1. The governance of the Department of Water and Power is distributed among several different groups including the Board of Water and Power Commissioners, the Mayor, the City Council, the City attorney and IBEW.

2. There has been a significant turnover in both Commissioners and General Managers for the LADWP, especially in recent years, which diminishes the overall governance continuity.

3. There is a perception that political contributions rather than specialized skills or experience may play a primary part in the decision to appoint personnel to the Commission or other governance positions.

4. There are a variety of governance structures in place at other municipal utilities; there is no one structure that meets all needs.

5. Although there was originally some concern that personnel were taking higher paying jobs at LADWP for only a short time (pension spiking) in order to increase lifetime pensions, such does not appear to be the case. However, the number of transfers from the City to the Department may have a negative impact on the pensions for the Department.

6. Succession planning does not take place within LADWP to any meaningful extent.

7. The IBEW is very active in local and state elections, local and state legislation and in ongoing City politics. It also contributes substantial time and money to the election of City politicians, including various Council members, the Mayor and the City Attorney which potentially allows for a substantial amount of power in the day-to-day governance of the Department.

8. There is considerable belief that the unions are increasingly involved in the operations and management of the Department.

9. The public sector unions, especially IBEW, have been successful for their members by accomplishing a higher level of salary and benefits than other employee unions. This information is of concern to many ratepayers since it will increase the rates developed to pay for services.

10. The IBEW represents about 88% of all LADWP employees which is an unusually high percentage for utilities.

11. Although the LADWP and the IBEW engage in “mutual gains bargaining” through a Joint Labor Management Resolution Board (JRB), the bargaining results are reportedly more in favor of the Union. The number of grievances filed by the Union has not materially changed as a result of this process.

12. The LADWP is at risk by having a high percentage of essential personnel in the same Union and does not have a current “strike plan” to continue operations and serve the citizens of Los Angeles in case of a work action.

13. The Department has provided substantial funds to the City of Los Angeles in the form of Power and Water transfers for many years.

14. Although the Department had numerous reasons for not wanting to make the transfer without a rate increase that it felt it deserved, holding the City “hostage” under these circumstances was inappropriate since the Department had the cash to make the transfer, although they had it reserved for other uses.

15. The ECAF as currently constituted at LADWP contains several elements that typically would not be found in a Cost Adjustment Factor.

16. The current ECAF design does not provide for adequate oversight and transparency into long-term commitments made by the Department, particularly with respect to Renewable Portfolio Standard (RPS) and Demand Side Management (DSM).

17. The implementation of a Ratepayer Advocate at LADWP would be unusual in the municipal utility industry.

18. Some people believe that the impact of the Ratepayer Advocate ballot measure is minimized because other proposed Charter amendments were not approved for the same ballot.

RECOMMENDATIONS

1. LADWP’s governance needs clarification and simplification. A stronger, independent Commission system is warranted.

2. Establish guidelines for Commissioner appointment and reduce the politics of appointment, real or perceived.

3. Expect LADWP Commissioners to serve full five-year terms.

4. Reduce the bureaucratic impact to the Department due to Mayoral or Council involvement.

5. The City and LADWP should come to an agreement to rescind the reciprocity agreement until such time as the number of employees transferred back and forth between the City and LADWP reaches equilibrium. Personnel should only be transferred as required by LADWP and then only with full financial contribution to the pension fund.

6. Fully staff and fund the Workforce Planning Group to encourage a full review of options for future LADWP employment and work with City Personnel Department and the Civil Service Office to allow some changes in hiring and promotional practices for high level essential jobs.

7. Determine if the current state of union/management relations is equitable and not favorable to one side at the expense of the other.

8. Immediately develop a confidential strike preparation plan and ensure that cross training and documentation of essential functions is included in the process and plan.

9. Take steps to ensure that this transfer problem doesn't happen again.

10. The CGJ agrees with the CCF Recommendation that a "new proposal for rate restructuring should be drafted and analyzed. One aspect of this proposal would be to split the current ECAF into several separate rate components. This will provide the Council (and the public) with greater visibility of LADWP's cost structure and of the justification for any rate increases."

11. Increase the transparency of the cost of each current ECAF item by showing the item and amount of the ratepayer bill.

12. Ensure that the Ratepayer Advocate's function is clearly defined and that the function is not captured by politicians or a bureaucracy that will stagnate their independence and ability.

13. Ensure that the public has primary input into the appointment of the Ratepayer Advocate. The "citizen's committee" should have ample representation from Neighborhood Councils and other citizen-based organizations.

REQUEST FOR RESPONSE

California Penal Code Sections[2] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Los Angeles (LADWP Board of Commissioners)
2	City of Los Angeles (LADWP Board of Commissioners)
3	City of Los Angeles (LADWP Board of Commissioners)
4	City of Los Angeles (LADWP Board of Commissioners)
5	City of Los Angeles (LADWP Board of Commissioners)
6	City of Los Angeles (LADWP Board of Commissioners)
7	City of Los Angeles (LADWP Board of Commissioners)
8	City of Los Angeles (LADWP Board of Commissioners)
9	City of Los Angeles (LADWP Board of Commissioners)
10	City of Los Angeles (LADWP Board of Commissioners)
11	City of Los Angeles (LADWP Board of Commissioners)
12	City of Los Angeles (LADWP Board of Commissioners)
13	City of Los Angeles (LADWP Board of Commissioners)

[2] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

ACRONYMS

LADWP	Los Angeles Department of Water and Power
CCF	Council Consulting Firm (PA Consulting)
CSU	Colorado Springs Utilities
CPS	City Public Service
CPUC	California Public Utilities Commission
DRTF	Debt Reduction Trust Fund
DSM	Demand Side Management
ECA	Energy Cost Adjustment
ECAF	Energy Cost Adjustment Factor
EAA	Engineers and Architects Association
ED	Executive Directive
ERRA	Energy Resource Recovery Account
FCA	Fuel Cost Adjustment
IOU	Investor Owner Utilities
IBEW	International Brotherhood of Electrical Workers
ISO	Independent Systems Operator
JEA	Jacksonville Electric Authority
JRB	Joint Labor Management Resolution Board
LACERS	LA City Employees Retirement System
MEA	Management Employees Association

MLGW	Memphis Light, Gas and Water
MOU	Memorandum of Understanding
NAPE	National Association of Public Employees
NRDC	Natural Resources Defense Council
OPA	Office of Public Accountability
OSE	Organization of SMUD Employees
PGE	Pacific Gas and Electric
RPS	Renewable Portfolio Standard
SEIU	Service Employees International Union
SMUD	Sacramento Municipal Utility District
SCE	Southern California Edison
SDGE	San Diego Gas and Electric
TVA	Tennessee Valley Authority
UAAL	Unfunded Actuarial Accrued Liability
WPERP	Water and Power Employee's Retirement Plan

SUB-ACUTE HEALTH FACILITIES IS THE FOX INSPECTING THE HENHOUSE?

Committee Members

Chairperson: Brian Twomey
Judy Packer

SUB-ACUTE HEALTH FACILITIES

IS THE FOX INSPECTING THE HENHOUSE?

SUMMARY

The County of Los Angeles (LAC) has three hundred ninety-two (392) healthcare facilities operating as nursing homes. Forty-eight (48) of these participate in the Medicare/Medi-Cal Sub-Acute (Program). These facilities are normally licensed by the California Department of Health Care Services (DHCS). The County of Los Angeles Department of Public Health (DPH), Health Facilities Inspection (HFI) Division has the authority and responsibility for licensing and certifying of health facilities and ancillary health services including Skilled Nursing Facilities in LAC. [1] Through a contract LAC has with the State, it is the only county to license and inspect its own healthcare facilities. The 2010-2011 Los Angeles County Civil Grand Jury (CGJ) investigated this possible conflict of interest.

PURPOSE

The purpose of this investigation was to:

1. Ascertain if Sub-Acute facilities in Los Angeles County are in compliance with State and Federal laws and regulations
2. Determine if HFI is sending inspectors/surveyors to sub-acute facilities without proper qualifications addressing requirements of the health facility being inspected

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[1] See www.publichealth.lacounty.gov/hfd/indes.htm

BACKGROUND

Established in July 1983 by the DHCS, the Program makes provisions for patients who meet Sub-Acute care criteria as defined in the Welfare and Institutions Code, Section 14132.25 as outlined below:

1. DPH, Health Facilities Inspection Division, has the authority and responsibility for the licensing and certification of health facilities and ancillary health services, including Skilled Nursing Facilities in LAC. Sub-Acute facilities are Skilled Nursing Facilities. [2]

2. The HFI Division enforces State and Federal laws and regulations in State licensed and Federally certified health facilities. Their mission is to improve the quality of health care in the facilities it regulates through standards enforcement. The term "Sub-Acute care" has been applied to a broad range of medical and rehabilitative services and settings that provide care to post-acute patients. The earliest literature on the topic used the term "Sub-Acute care" to refer to patients who did not meet established criteria for medically necessary acute care but who remained in hospital beds licensed for acute care, largely due to a lack of suitable alternative placements. Long Term Care (LTC) Nursing Homes may or may not participate in the Sub-Acute Program.

3. In addition to being licensed, nursing homes that choose to participate in the Medicare and Medi-Cal programs must be certified by the Federal government in order to qualify for payments from these programs. Federally certified facilities must meet Federal standards as well as the California requirements. Most California nursing homes are certified to participate in both Medicare and Medi-Cal.

4. All nursing homes are not alike. There are several types of licensing and certification categories for nursing homes, which are described below:

   a. Most nursing homes in California are licensed as Skilled Nursing Facilities (SNFs), which California broadly defines as a health facility that provides skilled nursing and supportive care to persons who need this type of care on an extended basis.

   b. Medicare also uses the term "skilled nursing facility" for nursing homes that are certified to receive its payments. Medi–Cal uses a similar term, "nursing facility (NF)," for nursing homes that are certified to receive Medi–Cal payments. Most, but not all, licensed skilled nursing facilities in California are certified to participate in Medicare and Medi–Cal.

   c. Medi–Cal contracts with certain skilled nursing facilities to provide Sub-Acute care to adults and children who need specialized care. Sub-Acute care is a Medi–Cal program (not a licensing or certification category) that pays higher rates for Medi–Cal beneficiaries (patients) who have exceptional needs, such as pulmonary care and brain trauma.

5. HFI has licensed approximately 1,964 health facilities, 392 nursing/convalescent facilities, referred to as Long Term Care and 48 Sub-Acute facilities under the regulation of the State of California. These Sub-Acute facilities can stand alone as a

[2] cdph.ca.gov/certlic/facilities/pages/aacounties.aspx

SNF or act in concert with LTC facilities. The fulfillment of this licensing responsibility requires inspections of health care facilities in order to evaluate compliance. It also requires written reports which document the Division's findings. These inspections are performed by "surveyors" or "evaluators" employed by the Los Angeles County Health Facilities Inspection Division. Inspectors conduct routine inspections or "surveys" and investigate complaints. LAC is the only county in the State that is authorized to conduct its own surveys/inspections and to monitor itself. State inspectors are responsible for all other counties.

6. To qualify for the Program, the patient must need one of the following criteria. The inspector must possess qualifications necessary to conduct this part of the inspection:
    a. Tracheostomy care with continuous mechanical ventilation for at least 50% of the day
    b. Tracheostomy care with suctioning and room air mist or oxygen as needed, and one of the six (6) treatment procedures listed below
    c. Administration of any three (3) of the six (6) treatment procedures
        i. Total parenteral nutrition
        ii. Inpatient physical, occupational, and/or speech therapy, at least two (2) hours per day, five (5) days a week
        iii. Tube feeding (nasogastric or gastrostomy)
        iv. Inhalation therapy treatments every shift for a minimum of four (4) times per 24-hour period
        v. Intravenous (IV) therapy involving: the continuous administration of a therapeutic agent, the need for hydration or frequent intermittent IV drug administration via a peripheral and/or central line (for example, with a Heparin lock)
        vi. Debridement, packing and medicated irrigation with or without whirlpool treatment

METHODS AND PROCEDURES

The CGJ reviewed documents from the following agencies:

1. California Department of Health Care Services, Health and Human Services Agency
2. California Department of Health Care Services, Sub-Acute Care Unit
3. California Department of Public Health, Sacramento
4. County of Los Angeles Department of Public Health, Health Facilities Inspection Division
5. State of California Health and Safety Code, Section 1569.2
6. Title 22 of the California Code of Regulations, Section 87101
7. Centers for Medicare Services (CMS)
8. Ten (10) Form 2567 CMS surveys
9. California Watch.org
10. State of California, Department of Justice, Office of the Attorney General
11. State of California Operations Manual, Appendix P
12. California Advocates for Nursing Home Reform (CANHR)

In addition, the CGJ interviewed representatives from the following:

1. Long Term Care Advocate of the California Advocates for Nursing Home Reform (CANHR)
2. Health Facilities Inspection Division Staff members, Los Angeles County Public Health
3. Center for Medicare Services officials in San Francisco
4. Los Angeles County Supervisor

FINDINGS

Research conducted by this CGJ for the period 2007 - 2009 indicated the following:

1. State surveys/inspections of nursing homes resulted in seventy-three (73) AA citations (the most severe) not including LAC.
2. LAC surveys/inspections of licensed nursing homes resulted in eleven (11) AA citations by HFI in LAC.

   The population of California is roughly 37,000,000 with approximately 10,000,000 living LAC. 27% of California's population resides in LAC.[3] The number of AA citations in LAC does not correlate to the population percentage when compared to the State of California. Based on population comparison for State vs. LAC, HFI should have issued twenty three (23) AA citations. LAC issued eleven (11) AA citations, less than one half of what the State issued. There appears to be a reluctance or negligence to issue AA citations. The number of AA citations issued by the State is much higher when compared to those issued by LAC[4]
3. The CGJ reviewed a random selection of Sub-Acute nursing home surveys provided by employees from the Los Angeles County Health Facilities Inspection Division in Norwalk, California. While these inspections appear to be very extensive they seemed to lack intensity and due diligence. For example, an employee working in Sub-Acute must be trained in CPR or on the proper use of oxygen. The survey does not show if the facility being inspected is in compliance. Personnel records were not inspected for this due to privacy issues. Basically, the section of the nursing home providing Sub-Acute care is inspected in the same general manner as is the LTC section of the nursing home even though their roles are distinctly different. If the patient must meet Sub-Acute criteria to qualify for the Sub-Acute Program, it would stand to reason that the inspector's qualifications must meet the same criteria as the patient being inspected.
4. Of particular concern to this CGJ is that after the death of a patient at a convalescent hospital in LAC an investigation was requested. The initial investigation stated that the convalescent hospital was in compliance. Not satisfied with the result of that investigation, a second investigation was conducted[5].
   a. On October 2, 2007 a ninety (90) year old resident of a sub-acute unit died because a system was not in place to prevent the tracheostomy tube from disconnecting from the ventilator. This failed to activate the remote alarm system designed to alert staff to such emergencies because an employee had turned off the alarm.
   b. On February 4, 2008, an unannounced visit was made to the facility to investigate a complaint of alleged gross negligence. Based on interviews and review of records, it was determined the licensed nurses and respiratory therapists failed to provide adequate supervision and assistance devices.
5. The second investigation resulted in a AA citation and fine issued to the facility of $100,000 and one (1) or two (2) other minor citations. The facility failed to:

[3] quickfacts.census.gov
[4] CANHR
[5] Class AA Citation number 95-1313-0005435F

a. Have a system in place to prevent resident's tracheostomy tube from disconnecting from the ventilator tubing, which was a direct proximate cause of the residents death

b. Monitor that the remote alarm (located directly outside the resident's room on the wall) was in the ON position after care was provided

The above violations jointly, separately or in any combination, presented either an imminent danger that death or serious harm would result or a substantial probability that death or serious physical harm would result. These cited violations were a direct proximate cause of death.

6. It appears that:

   a. Inspectors are not properly trained in Sub-Acute care.

   b. Inspectors are not certain the facility being inspected is a participant in the Sub-Acute Program.

   c. LAC is not sending inspectors with the proper qualifications.

   d. LAC is remiss in issuing appropriate AA citations. This may result in exposing patients to further neglect.

   e. Sub-Acute patients in LAC convalescent hospitals or SNFs are in immediate jeopardy of losing their lives unless a policy is enacted to address Sub-Acute inspections, surveys and/or recertifications conducted by DHS.

RECOMMENDATIONS

1. Ensure that a Sub-Acute facility being inspected has a separate and distinct Sub-Acute policy in place. All Sub-Acute personnel must be trained in that policy
2. Ensure that during each inspection a policy is in place and used consistently for the Remote Ventilator Alarms Connecting and Usage. The policy must state that the Remote Ventilator Alarm must remain ON at all times. Stipulate that it may be turned off when the nursing home employee is in the room with the ventilator patient; however, it must be turned back to the ON position before the employee leaves the patient's room
3. Ensure that each licensed facility has a policy regarding proper procedure in handling tracheostomy tubes, ensuring it is not disconnected from the ventilator tubing
4. Ensure that each licensed facility has a policy is in place for use of a "crash cart" [6.] and that it is enforced
5. Ensure that each licensed facility has a policy for the administration of oxygen and is followed judiciously
6. Require evaluators inspecting a health facility participating in the Sub-Acute program have the same qualifications as required by the State of California to administer the following:
    a. Tracheostomy care with continuous mechanical ventilation for at least 50% of the day
    b. Tracheostomy care with suctioning and room air mist or oxygen as needed, and one of the six (6) treatment procedures listed below
    c. Administration of any three (3) of the six (6) treatment procedures listed below:
        i. Total parenteral nutrition
        ii. Inpatient physical, occupational, and/or speech therapy at least two (2) hours per day five (5) days a week
        iii. Tube feeding (nasogastric or gastrostomy)
        iv. Inhalation therapy treatments every shift for a minimum of four (4) times per 24-hour period
        v. Intravenous therapy involving: the continuous administration of a therapeutic agent; the need for hydration; and frequent intermittent INTR drug administration via a peripheral and/or central line (for example, with a Heparin lock)
        vi. Debridement, packing and medicated irrigation with or without whirlpool treatment
        vii. Inspections are required to include Recommendations 1 through 6 above when a survey or recertification is performed.

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[6] A **crash cart** is a set of trays/drawers/shelves on wheels used in hospital emergency rooms for transportation and dispensing of emergency medication/equipment at site of medical/surgical emergency for life support protocols (ACLS/ALS) to potentially save someone's life.

REQUEST FOR RESPONSE

California Penal Code Sections[7] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	Los Angeles County (Department of Public Health)
2	Los Angeles County (Department of Public Health)
3	Los Angeles County (Department of Public Health)
4	Los Angeles County (Department of Public Health)
5	Los Angeles County (Department of Public Health)
6a	Los Angeles County (Department of Public Health)
6b	Los Angeles County (Department of Public Health)
6c	Los Angeles County (Department of Public Health)
7	Los Angeles County (Department of Public Health)

[7] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

ACRONYMS

DHCS	California Department of Health Care Services
DPH	Los Angeles County Department of Public Health
HFI	Los Angeles County Department of Public Health, Health Facilities Inspection Division
LTC	Long Term Care
LAC	Los Angeles County
CMS	Centers for Medicare/Medi-Cal Services
CANHR	California Advocates for Nursing Home Reform
NF	Nursing Facility
SNF	Skilled Nursing Facility
IV	Intravenous

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THE SIX PODS OF MODULE 172

The Most Dangerous Cells in the County
Whaddya' Mean, No Cameras?

Committee Members

Chairperson - Leah Markus
Linda Loding
Virginia Smith-Rader

THE SIX PODS OF MODULE 172

THE MOST DANGEROUS CELLS IN THE COUNTY
WHADDYA' MEAN, NO CAMERAS?

SUMMARY

The Los Angeles County jail system has two remarkable distinctions:

1. It is the single largest system of jails in the United States.
2. Twin Towers "… is the largest de facto mental health facility in the nation." [1]

In August 2010, the Civil Grand Jury (CGJ) was given a tour of Twin Towers Correctional Facility (Twin Towers) which included an unscheduled stop – Module 172. Module 172 is comprised of six (6) Pods.

These pods are part of a tiered system, known as "Step Down." Within this system are the most dangerous mentally ill inmates in the County. The Pods in Module 172 house the most acute cases.

There are no observation cameras.

A capacity of ninety-six (96) inmates and nine (9) deputies exist in a vacuum of visual accountability.

The CGJ launched an investigation, interviewing a full spectrum of officers within the Department. It was concluded that, given the inherent dangers and legal pitfalls of such an environment:

- Installation of cameras is a high priority.

And, to further widen the safety net inside the County's jails, the CGJ concluded:

- Exploration of new technologies as they relate to incarceration is recommended.

PURPOSE

At issue is an environment of severely mentally ill inmates prone to violence at any time. It may be inmate-on-inmate, inmate-on-deputy, deputy-on-inmate, or an inmate's self-inflicted harm – even suicide.

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[1] Education Based Incarceration. LA County Sheriff's Department P. 18.

As there is a complete lack of video surveillance in Module 172, the CGJ determined it would shine a spotlight on the inherent safety and risk-management issues.

The purpose of this Report is to:

- Determine the viability of cameras as a tool for the deputies of Module 172
- Provide evidence that cameras act as a deterrent to violence and as a witness when it does occur
- Provide evidence that the presence of cameras could save the County hundreds of thousands of dollars brought on by inmate litigation, settlements and related legal fees
- Explore new technologies for law enforcement as they relate to security issues throughout the County jails

BACKGROUND

POD: Tiers of cells laid out in an open pattern arranged around a central control station. Individual cells are 8' x 10'.

Located in downtown Los Angeles, Twin Towers was designed to house maximum security inmates, including a large portion of the County's mental health inmates.

Countywide, the mental health treatment population comprises approximately one-third of the inmate population which ranges from fourteen thousand (14,000) to twenty-one thousand (21,000). Those requiring mental health attention reach upwards of seven thousand (7,000).

The question is: How did L.A. County come to be the 'largest de facto mental health facility' in the United States?

<u>Lanterman-Petris-Short Act</u>

"The Lanterman-Petris-Short Act, often abbreviated LPS Act, (Cal. Welf & Inst. Code, sec. 5000 et seq.) concerns the involuntary civil commitment to a mental health institution in the State of California. The Act set the precedent for modern mental health commitment procedures in the United States. It was co-authored by California State Assemblyman Frank Lanterman (R) and California State Senators Nicholas C. Petris (D) and Alan Short (D), and signed into law in 1967 by Governor Ronald Reagan. The Act went into full effect on July 1, 1972…The Act in effect ended all hospital commitments by the judiciary system, except in the case of criminal sentencing, e.g., convicted sexual offenders, and those who were 'gravely disabled', defined as unable to obtain food, clothing, or housing (Conservatorship of Susan T., 8 Cal. 4^{th} 1005 – 1994)."

Fallout

When the LPS Act went into effect, there were to be numerous benefits. One of them would be community-based care that would replace the soon to be shut mental hospitals.

"When Ronald Reagan was Governor of California he systematically began closing down mental hospitals, later as president he would cut aid for federally-funded community health programs. It is not a coincidence that the homeless population in the state of California grew in the seventies and eighties. The people were put out on the street when mental hospitals started to close all over the state."[2]

Unintended Consequences

In another era, thousands of the County's incarcerated mentally ill population would be in mental hospitals. Today, they are inside the walls of Twin Towers.

Module 172 is not an anomaly. It is symptomatic of decades-old government policy. Module 172 does not exist in a vacuum. It is the outgrowth of converging legal, political and societal factors.

The Los Angeles County Sheriff's Department inherited the situation. Cameras are not a panacea, but they would help.

METHODS AND PROCEDURES

In order to evaluate video surveillance for Module 172 and make appropriate recommendations, the CGJ met with a wide spectrum of members from the Sheriff's Department. Numerous interviews were conducted (mostly at Twin Towers) to determine need, practicality and financial justification for cameras.

In addition, members of the CGJ attended a camera demonstration held at Twin Towers, where three (3) different vendors showed the latest technology suitable for detention facilities.

Lastly, the Pods of Module 172 were revisited where in-depth interviews were conducted with deputies.

[2] http/www.dailynugget.com/2004/06ronald-reagan-the-bad-and the-ugly

FINDINGS

Risk Management and Mentally Ill Inmates

As stated previously, Twin Towers houses the largest correctional mental health population in the United States. This fact, compounded by the unpredictable behavior and acute condition of the inmates, creates significant liability for the Sheriff's Department.

Although specially trained personnel are assigned to areas of the facility which house the most acute mentally ill, inmate behavior sometimes requires the use of force. In the past five (5) years, force was necessary on one hundred and eighty-six (186) occasions in Modules 171 and 172 which house the most critically mentally ill.

Anytime Sheriff's personnel are required to use force, it exposes the County to liability and is a risk management concern for the Sheriff's Department managers.

In addition, anecdotal evidence points out the need for cameras:

1. Last year, there were three (3) suicides in Tower 1.

2. An inmate filed suit against a deputy for (allegedly) beating him about the head. But video surveillance revealed that the inmate repeatedly banged his head against the wall! Injuries and bruises had been self-inflicted.

3. Accusations that an inmate was killed by a deputy have been derailed because a camera revealed the inmate actually committed suicide.

The question always is: What could have been prevented had there been cameras? The strong might be less likely to prey on the weak. Members of the Sheriff's Department would be more accountable. Instances of deputies being held responsible for an inmate's self-harm would be reduced.

Lawsuits

Incidents have occurred inside Twin Towers which have caused lawsuits to be filed against both the Sheriff's Department and the County. In the past five (5) years, approximately $345,000 has been paid as a result of lawsuits filed by inmates at Twin Towers.

This figure represents incidents where video surveillance could have been a determining factor – had it been in place.

In addition, it is important to note that, while $345,000 illustrates settlements or judgments, this amount in no way includes the fiscal commitment necessary to defend the Sheriff's Department in litigation. In the past five (5) years, nineteen (19) lawsuits were filed, where cameras might have played a role in affirming or refuting the case, had they been in place. An early affirmation or rebuttal could have significantly reduced the Sheriff Department's defense costs. The same can be said for the forty-nine (49) lawsuits currently pending at Twin Towers. Suffice it to say that the County pays millions of dollars in settlements, judgments and attorney fees, much of which could be mitigated with video surveillance.

Bad Press

Within the past year, there have been accusations of inmate maltreatment by Sheriff's deputies – often toward the mentally ill. Cameras would invite transparency. Transparency would mitigate the inherent dangers of Module 172.

Funding

The overall Sheriff's Department budget is $2.4 billion. However, due to the current fiscal crisis, the Department is in the middle of a $128 million cost reduction. The price tag for installation of video surveillance in Module 172 and the other floors in the tiered system would be approximately $750,000. Monies could come through a grant, or a combination of monies allocated by the County of Los Angeles Board of Supervisors. Even in the current economic climate, it is important to consider risk management issues; costs of litigation could far outweigh the cost of cameras.

Emerging Technologies/Security Enhancements

Emerging technologies will not only improve safety for staff and inmates but also be utilized as risk management tools to reduce the County's exposure to liability.

While start-up costs are relatively high, the goals are to reduce litigation and improve safety. In the long term, this should result in cost savings.

Identified below are two (2) specific additional technological advancements that the Sheriff's Department believes would impact liability, improve safety and inmate control:

1. TRANSMISSION IMAGING – With this low-dose X-ray scanning system, the inmate steps onto a platform, where a monitor performs a scan in seconds. Unlike airport scanners, this does not reveal body details such as breasts or genitalia. This new technology does reveal, however, any articles that have been concealed by the prisoner.

   One of the biggest challenges is the control of contraband entering a jail. Current practices include metal detectors, pat-down and strip searches. The influx of weapons, narcotics, or inmate "kites" (jail slang for informational notes) represents a direct threat to the safety of staff and the inmate population.

   Although there has been significant success with current search methods, the sophistication of smuggling techniques and the inherent liability of strip searches is problematic.

   This technology is not without detractors. While a valid tool, it should not be a complete substitute for physical body searches.

   Proponents believe that transmission imaging would not only increase the discovery of contraband but likely reduce the County's liability, a conclusion reached by Sheriff Department's own research.

2. RADIO FREQUENCY IDENTIFICATION (RFID) – Similar to tracking inventory at big box retailers, a chip would be inserted into the inmate's wristband.

According to the Sheriff's Department, these chips would provide a vast array of management tools. Not only would the chips facilitate the mandatory inmate counts in real time, they would also identify the specific location of each inmate. This is critical for those classified with "Keep Away" status. (Keep Away inmates are those segregated from others for their own safety or the safety of others.)

Managing the inmate population is key. An ancillary benefit would be the reduction of liability.

RECOMMENDATIONS

Given the inherent dangers and legal pitfalls, the evidence clearly supports the need for cameras.

When this CGJ stepped into Module 172 in August of 2010, it entered a world rarely seen by anyone on the outside.

The burden of caring for these inmates has fallen on the Sheriff's Department. Likewise, the burden of protecting deputies and inmates falls to the County.

Cameras are one solution.

NOTE: As of the writing of this Report, the Sheriff has initiated a proposal for cameras to the County Board of Supervisors. This is a Funding Request to provide video surveillance equipment and software, for the purpose of monitoring inmates in mental health housing located in high observation modules.

1. The CGJ recommends that the Board of Supervisors considers both the Sheriff's Proposal along with the CGJ's Report and approve cameras – beginning with the Pods of Module 172.

2. The CGJ recommends that pilot programs for new technologies (Transmission Imaging and RFID) be implemented.

REQUEST FOR RESPONSE

California Penal Code Sections[3] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

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2	Los Angeles County Board of Supervisors (Sheriff's Department)

[3] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

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PORT OF LOS ANGELES

Committee Members

Chairperson: Gloria J. Williams
Co-Chairperson: Virginia Smith-Rader
Solomon Hailpern
George A. Lyles
Alfred E. Orozco

Source: Los Angeles Port Authority

PORT OF LOS ANGELES

SUMMARY

The mandates that affect the Port's relations with its neighboring communities include the California Environmental Quality Act (CEQA) which requires environmental impact reports for Port projects. Other mandates include Board resolutions and judicial orders that require the Port to work with a community-based organization called the Port Community Advisory Committee (PCAC). PCAC was created in 2001 to provide an efficient method for collecting and organizing community input regarding Port operations and projects. PCAC is not a separate entity and functions as an advisory committee to the Board of Harbor Commissioners (BOHC). PCAC also had a role in identifying environmental mitigation projects that would benefit the community.

For the most part, the Port has complied with these mandates. In the intervening years, the PCAC and the BOHC have addressed most community concerns though not always to the satisfaction of the community. PCAC has also registered many successes. It has accumulated issues such as weak attendance, light agendas, entrenched interests, lack of participation from the business community, and inactive member organizations. Either because of these weaknesses, or due to neglect of the Board, the Port has bypassed the PCAC in conducting community relations for certain projects or formed additional organizations for dealing with mitigation projects. While the PCAC has its flaws, it does offer a degree of legitimacy and objectivity that these other avenues lack. This Report contains several recommendations for restructuring PCAC to strengthen its role in providing an independent, objective voice for the community.

The Port is subject to thirty-seven (37) different environmental mandates handed down by twenty-three (23) separate agencies. These mandates cover the impacts from air and water pollution, traffic congestion, hazardous waste, excessive light and noise. The Port is in compliance with these mandates and has adopted a self-imposed mandate called the Clean Air Action Plan (CAAP) with another water-related plan to follow in the next year. The Port should expand the scope of emissions targeted and measured to include total particulate matter ($PM_{2.5}$ and PM_{10}) in addition to diesel particulate matter (DPM).

The Ports of Los Angeles and Long Beach share many resources such as transportation infrastructure, waterways and labor force. The two ports also cooperate widely on a variety of issues and initiatives including the CAAP and the upcoming Water Resources Action Plan (WRAP). As separate entities, the ports have duplicative management structures and governance systems. While the ports do cooperate on certain initiatives, the process is hindered by the separate governance and decision making processes.

Historically, the two (2) ports have not competed much for shipping traffic or lessees, as there was usually a waiting list for leasing terminal space. Recently, and potentially in the future, this has changed with the downturn in cargo volumes. Since the two ports are similar in so many ways there is not enough to differentiate them should the ports have to compete for shippers and terminal lessees. This could result in a transfer of economic value, i.e. subsidy, from the publicly owned ports to privately owned lessees.

For these reasons, BOHC should propose to the City of Long Beach and regional policy makers to commission a study examining the costs and benefits of port consolidation. Consolidation

may result in more efficient use of port properties; more streamlined governance, management and decision making; more effective environmental management; and maximization of the value of port properties and the financial benefits to the citizens and taxpayers of the region.

Mandates related to homeland security are entirely within the jurisdiction of the Federal government. The Port of Los Angeles, through its Port Police, is responsible for enforcement of local and State laws and the Port Tariff. The Port is in compliance with its mandate to enforce these laws. The history of security breaches at the Port is sparse with only two (2) incidents in the last five (5) years, both involving fake Coast Guard-issued identification cards.

PURPOSE

This report has four (4) purposes:

1. Assess the status of community relations between the Port of Los Angeles (POLA) and neighboring communities; e.g., San Pedro, Wilmington. Recommend ways to improve community relations and methods for incorporating neighborhood concerns into POLA decision making.
2. Assess POLA environmental mitigation programs, especially as they pertain to neighboring communities.
3. Evaluate the benefits of port consolidation
4. Assess the integrity of POLA security infrastructure

BACKGROUND

Description of the Port of Los Angeles

POLA is the busiest port in North America and the sixteenth (16^{th}) largest in the world when measured by cargo throughput. Along with the adjacent Port of Long Beach, the San Pedro Bay ports process over 30% of the containerized cargo imported into the U.S. each year. The port complex occupies 7,500 acres along forty-three (43) miles of waterfront. The port is predominantly a container port. Sixty-nine (69) container cranes handled 7.2 million TEUs (a common metric for containerized cargo) in FY 2009-2010. The Port also hosts a major cruise terminal. The Port is a major economic engine for Southern California and helps sustain tens of thousands of jobs in trade, distribution and transportation.

Background on Community Relations

Success in the maritime supply chain has come at a cost for neighboring communities. The advent of containerized cargo has greatly reduced the transportation costs for imports and has been a major factor in the growth of Asian trade in the last thirty (30) years. The growth in number and size of container vessels calling on the Port has prompted the construction of larger container terminals, taller container cranes, bigger, brighter lights for 24-hour operations, and significantly more truck traffic on area roads and freeways to connect the port with rail yards and distribution points throughout the region. The ensuing air, water and visual pollution has steadily eroded the patience of the surrounding communities.

Starting in the late 1990s, local community groups started to advocate for control over the growth of port activities. In 2001 and 2002, advocacy was given structure with the advent of PCAC and City sponsored Neighborhood Councils. This culminated in a 2004 court settlement over the construction of a new container terminal for China Shipping next to San Pedro. As a result of this settlement, the role of PCAC in reviewing Port capital projects, environmental reviews and mitigation projects was formalized. In recent years, however, this role has been diminished and PCAC itself has had organizational challenges.

Community Input Mandates and Level of Compliance

The primary mandate for obtaining community input on Port projects is CEQA (Public Resources Code 21000 et seq.). CEQA mandates that a project owner prepare and file an environmental impact report (EIR) to describe a project's potential impact on the environment for various categories of impact such as air pollution, noise and traffic. The EIR also includes project alternatives that compare each alternative's benefits with the expected impact, a preferred alternative, and mitigation measures to decrease the project's potential impacts. If a proposed project is deemed to have no potential impacts, a Negative Declaration is filed instead of an EIR. Both of these documents are subject to public noticing requirements so that impacted property owners can review the documents and provide their input through organized methods. The public can also challenge the findings of these documents in court and request relief in the form of more mitigation, a reconfigured project or outright rejection of the project in question. The Port files several CEQA documents each year for its various projects and complies with the public noticing requirements.

As mentioned in the Background section, BOHC passed Resolution Number 6039 on September 26, 2001 creating PCAC as a standing committee of BOHC. PCAC was designed to provide a more structured and continuous method of collecting, assimilating, organizing and reporting public input regarding Port projects and operations. PCAC is composed of twenty-eight (28) members that are appointed by twenty-two (22) constituent organizations plus eight (8) additional at-large members. These organizations include Neighborhood Councils sanctioned by the City's Department of Neighborhoods, economic development agencies, business and labor organizations, educational institutions, and homeowner groups and associations. PCAC also includes four (4) active sub-committees assigned to the topic areas of a steering committee, Wilmington waterfront, San Pedro planning and EIR and aesthetic mitigation. PCAC and its sub-committees meet monthly. Motions that are approved by PCAC are forwarded to BOHC at one of its regular meetings.

Resolution 6039 is advisory in nature rather than a true legal mandate, but it does contain directions for both PCAC and BOHC. Resolution 6039 requests that PCAC assess the impacts of Port projects and develop mitigation measures, provide a public forum and take a leadership role in creating balanced communities in the surrounding areas. It named a BOHC member as Co-Chair of PCAC with responsibility for reporting back to BOHC on PCAC recommendations.

A third mandate for the Port with regard to public input is a true legal mandate: the Amended Stipulated Judgment (ASJ), Modification of Stay, and Order Thereon settling case number BS 070017 in Los Angeles County Superior Court between the Port, BOHC and the City and a group of plaintiffs led by the Natural Resources Defense Council. The ASJ, filed on June 14, 2004, ended three (3) years of litigation over a Coastal Development Permit issued by the Port for constructing the China Shipping container terminal in the west basin area of the port. This was the first significant instance where the surrounding communities were able to effect a significant change in a Port project.

Articles IX and X of the ASJ require that the Port provide for the continued existence of PCAC under the governance of BOHC, consider all PCAC resolutions in a timely manner, provide written reasoning for rejected resolutions, and provide a monthly notice to PCAC for all proposed projects. The following Table 1 shows the level of compliance with each element of the Resolution and ASJ.

Table 1. Comparison of PCAC-Related Mandates and BOHC/Port Compliance

Reqt #	Source	Requirement	Action taken	Compliance status
1	Resolution 6039, Sec 1	BOHC establish PCAC	PCAC formed on October 10, 2001	Requirement met
2	Resolution 6039, Sec 2	PCAC assess impacts, provide public forum, review environmental documents	Meetings held since 2001	Requirement met
3	Resolution 6039, Sec 3	Commissioner Townsend-Kocol serve as PCAC Co-Chair	Townsend-Kocol served until replaced as a Commissioner in 2005. Co-Chair position has been unfilled since that time.	Requirement met
4	ASJ, Article IX-A	BOHC adopt resolution providing for continued existence of PCAC	Resolution 6170 passed on 2/26/03	Requirement met
5	ASJ, Article IX-A	BOHC adopt resolution providing for PCAC to operate under BOHC governance	Resolution 6170 passed on 2/26/03	Requirement met
6	ASJ, Article IX-B	BOHC adopt resolution stating that BOHC will consider all PCAC resolutions in a timely manner	No resolution passed	Requirement not met
7	ASJ, Article IX-B	BOHC adopt resolution stating that BOHC will issue written reasoning for PCAC resolutions that are rejected	No resolution passed	Requirement not met
8	ASJ, Article X	Port will provide monthly notice for proposed projects to the PCAC and local Neighborhood Councils	Notices issued regularly	Requirement met

Areas of non-compliance with these requirements are discussed in the following paragraphs.

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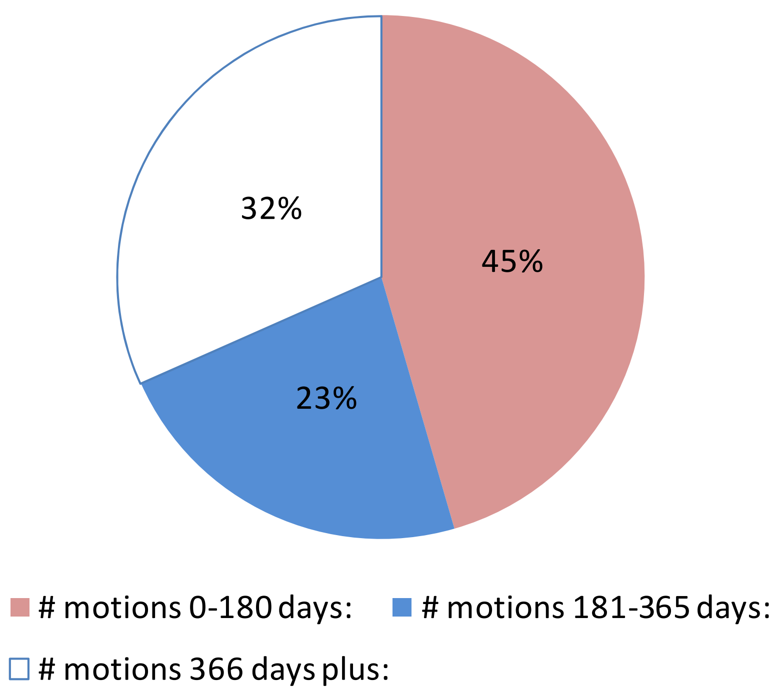
ASJ Article IX-B requires that BOHC adopt a resolution providing that, “the Board will consider all resolutions adopted by PCAC in an expeditious and timely manner.” As indicated in the matrix, this BOHC resolution was never adopted. In addition, BOHC has not always been in material compliance by considering PCAC resolutions in a timely manner. The following chart shows the timeliness with which these resolutions have been considered (as defined by the date that a staff report has been submitted to BOHC). As seen in the chart, 45% of PCAC resolutions have been considered fully within 180 days. Thirty-two percent (32%) have taken longer than a year. Included in this last group of untimely decisions are three (3) resolutions (71, 83 and 84) that date to 2007 and 2008 and have yet to be decided. These three resolutions all address proposed changes to PCAC bylaws. As will be discussed later, this is an area where BOHC has been deficient.

Figure 1. Elapsed Time to Respond to PCAC Motions



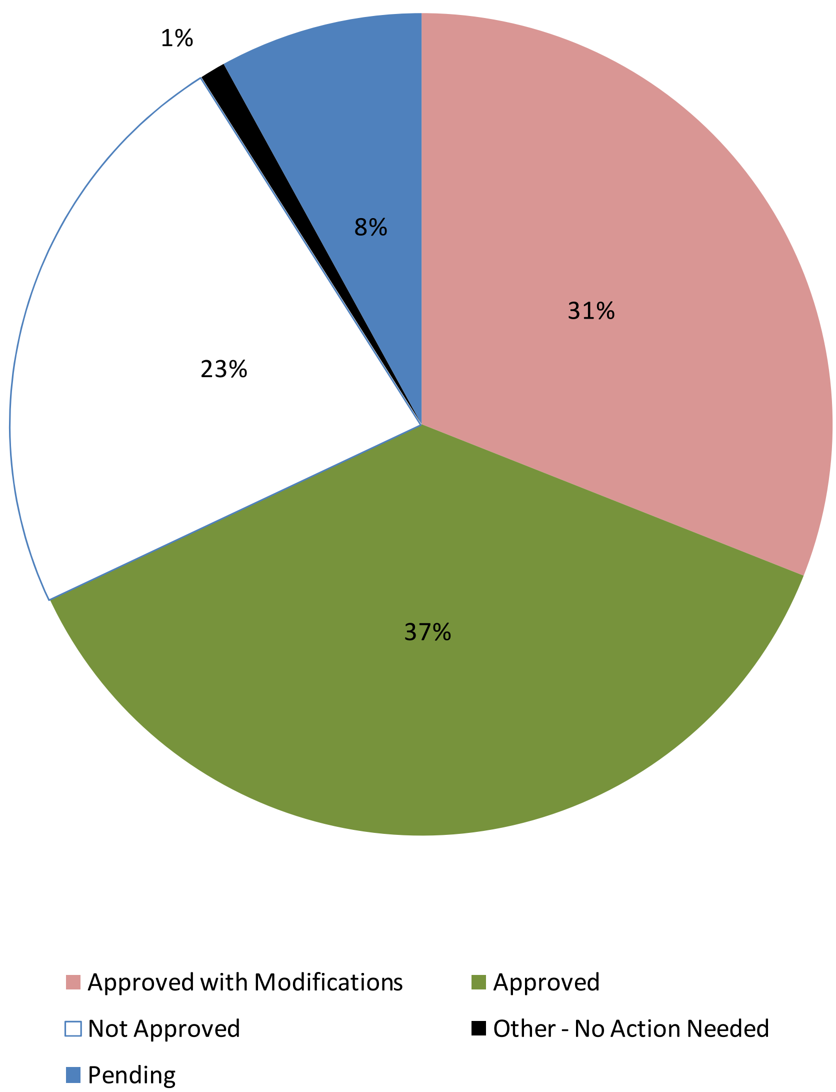
ASJ article IX-A requires BOHC to adopt a resolution providing for “the PCAC to operate under the continued governance of the Board.” While this resolution was passed, BOHC has not complied with the spirit of ASJ. PCAC is a standing committee of BOHC yet no member of BOHC has been appointed a member of PCAC since ex-Commissioner Camilla Townsend-Kocol left BOHC in July 2005. (She was replaced upon the election of current mayor Antonio Villaraigosa.) Ex-Commissioner Townsend-Kocol was the Co-Chair of PCAC in accordance with Resolution 6039 in order to provide a measure of Board governance, a role that has been missing for the last six (6) years. PCAC bylaws also provide for a Commissioner to serve as the Co-Chair of PCAC. Again, this has not been done since 2005.

PCAC has adopted and forwarded resolutions seeking to amend the Committee’s bylaws. These amendments must be approved by BOHC. These resolutions were intended to address organizational issues that had been reducing the effectiveness of PCAC. The resolutions (71, 83 and 84) were forwarded to BOHC for action in 2007 and 2008. To date, no action has been taken on these resolutions. Port staff submitted a staff response to the resolutions in May 2010, two (2) to three (3) years after the resolutions were first forwarded to BOHC. In recent months, the President of BOHC has sought a meeting with PCAC and Port leadership to discuss the resolutions and how PCAC could better serve BOHC. This lack of a timely response also demonstrates deficient governance of PCAC, contrary to the requirements of ASJ. This deficiency is also contrary to ASJ article IX-B that requires timely response to PCAC resolutions.

ASJ article IX-B requires BOHC to adopt a resolution providing that the Board "shall issue a written statement of reasons and appropriate findings for any PCAC resolution rejected by the Board." Though this BOHC resolution was never adopted, BOHC has been in material compliance providing written notice and reason for rejected PCAC resolutions.

PCAC has been successful in achieving approval of motions that it presents to BOHC. The following chart shows the final disposition of all motions forwarded to BOHC for consideration since inception. As seen in the chart, 68% of all motions forwarded to BOHC have eventually been approved to some extent. Twenty-three percent (23%) have been rejected. It should be noted that many rejected PCAC resolutions pertain to properties that are outside the Port (which has a strictly defined district boundary) and, therefore, outside the jurisdiction of BOHC. Furthermore, the terms of the Tidelands Trust Agreement between the City and the State of California prohibit the use of Port resources for anything outside the Port District.

Figure 2. Final disposition of PCAC motions to BOHC



Existing Community Concerns

A key source of community input to PCAC, the Port and BOHC are the Neighborhood Councils established pursuant to Article IX of the Los Angeles City Charter. Four (4) Neighborhood Councils adjoin the Port of Los Angeles:

1. Northwest San Pedro Neighborhood Council
2. Central San Pedro Neighborhood Council
3. Coastal San Pedro Neighborhood Council, and
4. Wilmington Neighborhood Council

The Northwest San Pedro Council has been promoting resolutions and actions for undergrounding utilities, beautification of North Gaffey Street and reducing train noise. Undergrounding utilities was presented as PCAC Motion 55 in 2006. BOHC denied the motion in 2009 (not on a timely basis) and, instead, directed the Port to consider undergrounding on a project-by-project basis. Certain utility lines were undergrounded with mitigation funds from the China Shipping settlement.

Several motions have been forwarded to BOHC from PCAC over the years regarding North Gaffey Street. These motions include proposals to remove billboards, move petroleum storage tanks, purchase properties, etc. Most of these motions have been approved or approved with modifications by BOHC.

The issue of train noise reduction in the Northwest Council area has not been forwarded to BOHC from PCAC, although it has from other Councils, particularly Wilmington.

The Central San Pedro Council has recently advocated for improvements to Front Street and the San Pedro waterfront development including ensuring access to the waterfront from downtown San Pedro. A draft Wilmington Waterfront EIS/EIR was approved by BOHC in 2009 that included the Front Street improvements promoted by the Council, but with a low priority for implementation. A draft EIS/EIR for the San Pedro waterfront was approved by BOHC in 2009. The draft document includes several alternatives for waterfront development.

The Coastal San Pedro Council has been advocating for an alternative use for the former liquid bulk terminal at Kaiser Point other than a planned cruise ship terminal. A resolution was presented by PCAC to BOHC in 2008. BOHC rejected the proposal and stuck with the original alternative, a cruise ship terminal. Currently, utility and site preparation work is being conducted at the Kaiser Point site.

In recent years, the Wilmington Council has advocated for a buffer between residential areas near the waterfront and West Basin container terminals. The Wilmington Buffer was approved in 2007 and will be completed this year.

More recently, the Wilmington Council has advocated for train and truck noise reduction and improved circulation on Harry Bridges Boulevard. Train and truck noise mitigation measures were proposed by PCAC and approved by BOHC in 2005 and 2009. A more all encompassing ban on any project that would generate additional truck or rail traffic on the Wilmington waterfront was rejected in 2003. A PCAC proposal that opposed a realignment of Harry Bridges Boulevard was rejected.

As shown in the discussion, the Councils and PCAC have achieved several successes in recent years regarding Port projects of concern. In other cases, the wishes of the local councils were denied by BOHC. Proposals were more likely to be successful if they were focused on a specific project or issue and incorporated reasonable alternatives, or involved a property with limited potential for revenue production; e.g., San Pedro waterfront. Proposals were less likely to be successful if they contained blanket prohibitions on certain types of Port activity, involved projects outside the jurisdiction of BOHC; i.e., outside the Port District, or proposed replacing a major terminal improvement with a recreational or passive use. Major revenue producing projects may have been modified or mitigation projects implemented, but the projects usually proceeded.

Background on Environmental Management

The Port has built up its in-house environmental management resources and has promulgated policies and implemented projects to mitigate the environmental impacts of terminal and cargo growth including a self-mandated Clean Air Action Plan and Water Resource Action Plan. Initiatives to retire older, polluting trucks; powering idle ships through the local power grid rather than running heavily-polluting ship engines; and an extensive array of air monitoring stations have been started.

Current Environmental Management Mandates and Level of Compliance

The Port is subject to thirty-seven (37) environmental mandates enforced by twenty-three (23) separate governmental agencies and non-governmental organizations. The majority of these mandates stipulate specific planning protocols such as the elements that are incorporated into environmental impact reports; permitting and/or reporting of certain activities such as liquid discharges into Port waterways; or the installation of specific technologies. With a few exceptions, these mandates do not have quantitative targets that are specific to the Port. The primary enforcement tool for several mandates is the EIR which identifies environmental impacts and mitigation measures on a project-by-project basis. Most significant projects at the Port have approved EIRs. Projects are eventually permitted and conditioned with the selected mitigation measures. The Port is in compliance with the thirty-seven (37) mandates at this time, although compliance with the individual EIRs could not be determined. In many cases, compliance with an EIR is an ongoing process.

The primary environmental impacts of the Port are air and water pollution. Secondary impacts include traffic congestion, noise and light pollution. The thirty-seven (37) mandates cover all these impacts, especially air and water pollution, which is regulated by several agencies at all levels of government. Most of the existing mandates do not include quantitative goals for reducing or capping pollutants, with the exception of CAAP which is a voluntary mandate but is derived from the standards set by the Clean Air Act, a Federal statute, and the State level California Clean Air Act. CAAP sets San Pedro Bay-wide (both ports) quantitative standards for three (3) types of air emissions. The Ports of Los Angeles and Long Beach are currently preparing a Water Resources Action Plan that will operate in a similar manner and have equally ambitious goals and strategies.

Background on Port Consolidation

The Ports of Los Angeles and Long Beach are adjacent to each other, share much of the same transportation and supply chain infrastructure, compete for the same shipping traffic and coordinate on a wide range of infrastructure and environmental programs. In similar circumstances in North America, port organizations have merged to consolidate operations and realize scale economies. This approach has never been explored seriously in San Pedro Bay, but it may yield significant benefits to the region.

Background on Port Security

Along with environmental impacts are concerns and mandates surrounding anti-terrorism as it was determined that the Port is potentially a prime access point for terrorists or weapons of mass destruction. The Port now fields the largest port-dedicated police force in North America. However, concerns remain regarding the ability of the Port to police the waters and terminals under its jurisdiction.

METHODS AND PROCEDURES

During the investigation, the CGJ performed the following tasks and procedures:

1. Interviewed twenty (20) people including Port managers, members of community groups and one member of the Board of Harbor Commissioner

2. Reviewed twenty-eight (28) documents including legal settlements, statutes and regulations, meeting minutes, environmental documents, crime statistics, various Port databases and previous consulting reports

3. Toured the Port's security infrastructure

4. Inventoried the security mandates of the Port and evaluated compliance with those mandates

5. Inventoried the community relations mandates of the Port and evaluated compliance with those mandates

6. Inventoried the environmental mandates of the Port and evaluated compliance with those mandates

7. Inventoried community concerns with Port operations

8. Prepared an analysis of composition of PCAC

9. Prepared an analysis of PCAC attendance

FINDINGS

1. **The community input process in the Port of Los Angeles community has degraded and does not have the organizational strength to be effective.**

<u>Status of the Port Community Advisory Committee (PCAC)</u>

PCAC exists and operates today though there have been several changes made in its funding and organization. The biggest changes occurred in 2009 when the Port (not BOHC) eliminated staff support for five (5) of the nine (9) original PCAC subcommittees. This was accomplished by reducing the overtime budget that allowed Port staff to attend PCAC subcommittees in the evening. The Port also eliminated the funding of private consultants that formerly had performed work on behalf of PCAC and its subcommittees. Finally, the Port eliminated funding for renting space at a hotel in San Pedro for PCAC meetings.

The rationale for these changes was that Port revenues had decreased due to the economic recession, and operating expenses were cut as a result. Also, many subcommittee meetings were lightly attended, often by the same people; and their scopes tended to overlap with other subcommittees. PCAC now has four (4) subcommittees: Steering, Wilmington Waterfront, San Pedro Coordinated Plan and EIR/Aesthetic Mitigation. The scopes of defunded subcommittees that dealt with specific environmental issues such as water, air, and noise have been rolled into the EIR/Aesthetic subcommittee. Though PCAC is a standing committee of BOHC, these changes were never formally vetted nor approved by BOHC.

Another issue with PCAC is the composition of membership. As originally envisioned, PCAC was to include a broad representation of constituents in the harbor community including neighborhood and residential associations, labor and business groups, educational institutions, representatives from local government and economic development agencies. As it has unfolded in the last ten (10) years, certain groups have failed to appoint members and some appointed members have failed to consistently attend. This has resulted in PCAC being dominated by members from the Neighborhood Councils and residential groups. Business groups have been under-represented.

Several constituent organizations either no longer exist or they lack any legal structure as a registered corporation with the State. Lack of a legal structure makes it more difficult to ensure that an organization has bylaws, elects officers, conducts periodic meetings and maintains a legitimate address for notices and agendas. Some of the existing PCAC constituent organizations are reportedly nothing more than a small, informal group of neighbors. Table 2 shows the status of some of these organizations:

Table 2. PCAC Member Organization Status

Organization	Current Status	# of votes
Wilmington Community Advisory Committee	No legal structure	3
Harbor City/Harbor Gateway Chamber of Commerce	Suspended	1
Pacific Avenue Corridor Task Force	No legal structure	1
Wilmington Commercial District/Business Improvement District	Dissolved	1
Crescent Area Residents Association	No legal structure	1
Dana Strand Residents Association	No legal structure; No appointed member	1
Point Fermin Residents Association	No legal structure	1
Rancho San Pedro Residents Association	No legal structure; No appointed member	1
San Pedro & Peninsula Homeowners Coalition	Suspended	3
Wilmington Citizens Committee	No legal structure	1
At large member from Council Dist 15	No appointed member	1
Education at large – LA Harbor College	No appointed member	1
	Total	16

Some of these organizations such as Point Fermin and Crescent are, in fact, active but do not meet regularly lack bylaws. Dana Strand and Rancho San Pedro Residents have not appointed a representative. Representatives from Council District 15 and Los Angeles Harbor College have resigned and have not been replaced. In total, sixteen (16) out of thirty-six (36) voting seats are unfilled, have never been filled, or represent organizations that no longer exist or lack a legal structure. It may be time to address the composition of PCAC to ensure that it has equitable representation from legitimate organizations that have a stake in Port operations and appoint active members.

Existing PCAC bylaws provide for no term limits for PCAC members. This is left up to the appointing organizations. The voting Co-Chair of PCAC is elected for a one-year term but can be re-elected with no term limit. This has resulted in institutional memory among PCAC membership. It has also led to domination by entrenched interests, particularly among representatives of homeowner groups which form the largest constituency within PCAC.

Attendance has been an issue for PCAC for years. PCAC bylaws require a quorum of 50% of the voting membership of eighteen (18) members. Beginning in late 2008, attendance began to decline at the monthly PCAC meetings. In late 2009, attendance declined to the point that a quorum was not present at three (3) consecutive meetings. Meetings that did have quorums were razor thin. The last time a PCAC meeting had twenty (20) or more members attend was in June 2009, a standard that formerly was often achieved.

The sub-committees have been meeting sporadically. The EIR Sub-Committee has met only once since July 2010. The Wilmington Waterfront and San Pedro Planning Sub-Committees have been meeting fairly regularly but sometimes miss a month or two.

Along with declining attendance is the problem of light agendas. Meetings in recent months have featured agendas that were light on substance or major action items. Agendas are often light at the Sub-Committee meetings as well, with agendas featuring more status reports than action items. In 2010 only three (3) motions were approved by PCAC for referral to BOHC, two (2) of those dealing with the Battleship USS Iowa. In contrast, in 2007, twelve (12) motions were approved by PCAC for referral to BOHC. In 2008, fourteen (14) motions were approved. In 2009, nine (9) were approved. Clearly, PCAC is running out of things to do.

This paucity of substantive business is partially the price of success. Many of the projects and mitigation measures that were the focus of PCAC deliberations in earlier years have been completed. As mentioned above, PCAC has notched many successes in how these projects have been shaped or influenced. Many of these projects such as the Wilmington Buffer, San Pedro Waterfront, Pier 300/400, the Plan, etc. are now completed, in development or nearing construction. In recent years, there have not been as many projects with EIRs that required debate. This may change in the future as the Port contemplates a new generation of major projects such as Pier 300 expansion, main channel deepening and development of near-dock intermodal rail facilities. This last project, in particular, may produce new community relation challenges as the rail facilities will be close to residential areas. However, until these new EIRs are at the point where PCAC can review them, monthly meetings may be too often.

Another factor in the declining PCAC agendas is that the Port staff is bypassing PCAC and transferring the Committee's mission of organizing community input and working on environmental mitigation projects either to itself or to newly created entities. The Port has taken upon itself the task of organizing community input related to the development of the San Pedro waterfront. Port staff have successfully organized several workshops to present the project and gather input, something that PCAC may not be set up to do. But whereas PCAC had a role in collecting and shaping community input and presenting recommendations to BOHC in a transparent and inclusive way, the Port controls most aspects of this in-house process; and it lacks the transparency, inclusiveness and deliberative qualities of PCAC.

In 2008, the Port negotiated a settlement with a number of litigants over the expansion of the TraPac container terminal in the west basin area of the Port. This settlement included the establishment of a Port Community Mitigation Trust Fund that would be administered by a yet-to-be established 501(c) 3 non-profit organization. This non-profit would evaluate and recommend mitigation projects that would be funded from the trust fund with an initial funding of $12 million. Projects would still have to be vetted and approved by BOHC. PCAC had a similar role in earlier years with mitigation funds from the China Shipping settlement. Now the Port has opted to create another entity to serve a similar purpose. Unlike PCAC, however, this new entity will not include broad community input; and its deliberations will not have the transparency of PCAC. Instead, it will be governed by a seven (7) member Board, composed of elected officials, public health professionals and two members of the local community.

Nothing in the ASJ or any other mandate gives PCAC a monopoly on Port related community input or access to BOHC. There are no restrictions on the Port creating other avenues for conducting community relations. By many accounts, PCAC can be, and has been, a difficult entity with which to do business; but it does have some major, unique assets that can provide legitimacy to Port efforts to develop and operate facilities in a manner that is sensitive to nearby residents. PCAC is a step removed from the Port staff in providing an independent assessment of Port plans and operations. PCAC operates in an open and transparent way, unlike the Port staff who works in a secured building. When the Port staff gathers community input, as they have done with the community workshops, it is the staff (working behind closed doors) that organize, sifts, analyze, reconcile and shape this input. PCAC would conduct this process in an open, deliberative environment. Both the Port staff and PCAC may come up with the same answers, but the PCAC process is open and transparent. Any tradeoffs and compromises that are made to get to those answers are apparent to any observer. Tradeoffs and compromises made within the Harbor Administration Building may never see the light of day. PCAC represents a broad cross section of the community, while the new non-profit entity is mostly composed of non-residents. Despite the inefficiency of the PCAC process, the Committee does provide a unique service to the Port and the surrounding community.

2. The Clean Air Action Plan Is Not Analytically Sound

Clean Air Action Plan

The Plan was originally prepared and approved by the governing boards of both San Pedro bay ports in 2006 and then updated in 2010. The Plan sets emission reduction goals for three (3) types of pollutants

a. Diesel Particulate Matter (DPM)

b. NOx or Oxides of Nitrogen

c. SOx or Oxides of Sulfur

The Plan also sets a goal of reducing of Particulate Matter less than 2.5 microns in diameter ($PM_{2.5}$) but assumes that DPM reductions will also result in reductions in $PM_{2.5}$. rather than setting a specific target.

The Plan establishes a baseline of 2005 emission levels and emission reduction goals for the years 2014 and 2023. The goals are expressed as percentage reductions such as 77% reduction for DPM, 59% reduction for NOx and 93% reduction for SOx by the year 2023. These goals are not controlled for cargo growth so the reductions have to be achieved irrespective of cargo volumes. These goals also dovetail with overall basin-wide air quality goals established by the South Coast Air Quality Management District (SCAQMD). The Plan, if implemented successfully, will achieve the Port's "fair share" of emission reduction as required by the SCAQMD.

By far the major polluters are ocean going vessels and heavy duty trucks. Technologies and capital investments for achieving reduction goals are heavily weighted toward these polluters. These strategies include:

d. Reducing vessel speeds up to 40 nautical miles from Point Fermin, thereby burning less fuel as they approach the ports
e. Setting emission standards for heavy duty trucks that exceed EPA standards, along with incentives for truck operators to replace older trucks with those running cleaner burning engines
f. Switching fuels on ocean going vessels with cleaner burning fuels
g. Setting standards for cleaner burning engines for ocean going vessels
h. Using shore-based power sources for ocean going vessels when docked at berth, instead of running heavily polluting auxiliary engines
i. Establishing an Emission Control Area (nationwide) that sets pollution standards for ocean going vessels up to two hundred (200) nautical miles off the coast

Table 3 shows the emission reduction targets vs. current emission levels vs. the emissions forecast given the current cargo volume forecast through the year 2023.

Table 3 Emission Reduction Standards and Forecasts (Figures are annual tons of emissions. Deficit number in parentheses means that target reduction is not met.)

Pollutant	2005 Baseline	2009 Actual	2014 Target	2014 Forecast	2014 Deficit	2023 Target	2023 Forecast	2023 Deficit
DPM	2,025	1,004	567	576	(9)	459	527	(68)
NOx	34,444	21,755	26,866	27,865	(999)	14,286	28,244	(13,958)
SOx	12,421	6,358	869	890	(21)	1,010	994	16

As shown in the Table 3, the combined Port effort is forecast to nearly meet the targeted emission reduction standards for each pollutant. A major exception to this is NOx in the year 2023. There is less confidence in the forecast for NOx reductions because of uncertainties regarding the reduction strategies and technologies, particularly for improvements in ocean going vessel engines. As these technologies are tested and proven, the ports may be more confident in upgrading the forecast in future updates to the Plan.

The Plan shows a serious commitment on the part of the ports of Los Angeles and Long Beach to limit the environmental impacts of port operations. The Plan includes ambitious goals for emission reductions and wide ranging and controversial strategies for achieving those reductions. No doubt, implementation of the Plan will result in cleaner air and increased health status for area residents.

The Plan expresses a goal to reduce health risk from Port operations. Increased health risk is assumed to be positively correlated with exposure to DPM, which is considered to be a carcinogen. The Plan further assumes that reducing DPM will reduce the risk of cancer and improve the health status of nearby residents, as cancer is a reliable proxy for many health risks. In fact, health risks are impacted by all particulate matter, not just DPM. Particulate matter in general is highly correlated with respiratory disease and impaired lung development. Most of the emission sources at the Port are diesel engines which explain the reliance on DPM as a marker for particulate matter in the Plan. However, given the enormous costs associated with implementing the Plan, the Port may want to take the extra step of targeting and measuring total particulate matter ($PM_{2.5}$ and PM_{10}) in addition to DPM.

3. Los Angeles County could benefit from a Regional Port Authority consolidating the Ports of Long Beach and Los Angeles.

<u>Existing Coordination Between Ports</u>

The ports of Los Angeles and Long Beach are both municipally controlled by their respective cities. Each port is governed by a Board of Harbor Commissioners. The two (2) ports are adjacent to each other and are roughly the same size both in terms of area and workload. The ports also share much of the same infrastructure, including the outer harbor (the waterways between the breakwater and the piers). The transportation infrastructure such as freeways, railways and rail yards are also shared by the customers of both ports. Both ports are financial guarantors for the Alameda Corridor Transportation Authority (ACTA) which operates a major rail corridor between the ports and the rail yards in east Los Angeles.

In the past few years, the two (2) ports have widely coordinated on environmental programs. This is a recognition that the ports have to implement similar mitigation programs to ensure that costs are shared equitably, and neither port can benefit by foregoing participation. For example, the ports have coordinated in producing a joint Plan. Specific programs from this Plan are implemented jointly. For example, both ports have enacted similar regulations on vessel speed reductions and cleaner fuels, powering ships with shore based power when they are in port and replacing older truck engines with newer, cleaner burning engines. The ports are now working on a joint WRAP that will require the same type of joint effort and coordination.

Both ports are dominated by container terminals. In the past, both ports also served other types of shippers such as liquid bulk, autos, break bulk, and cruise ship operators. In recent years, there has been some consolidation. The Port of Los Angeles has largely gotten out of the liquid bulk; e.g., petroleum business: and this type of cargo has consolidated in Long Beach. Wood products have largely consolidated at the Port of Long Beach as well.

Detriments of Current Port Structure

In the past, the ports did not often compete for shipping traffic. Usually, there was little excess terminal capacity so steamship lines and terminal operators would have little choice in properties. In other cases, the steamship line or terminal operator worked with one port to develop a facility specifically for their requirements. Terminals were never built without a tenant in mind. In the past two (2) or three (3) years as cargo growth has trailed off and even decreased, the ports have started to compete for shipping traffic. For example, Hyundai Merchant Marine recently moved from Long Beach to Los Angeles. This is a concern since both ports serve the same market, use the same landside transportation infrastructure; and longshoremen are covered by the same collective bargaining agreement. The ports do not have many ways differentiating themselves other than lease rates or the configuration of a specific property. Should the ports engage in rate-based competition, it would result in a transfer of economic value from the publicly owned ports to privately held lessees, contrary to sound public policy goals which should preclude this type of subsidy. This may become a larger problem when the Panama Canal expansion is completed in three (3) years as shipping traffic potentially bypasses the West Coast altogether.

There is duplication in some specialized facilities. For example, both ports operate cruise ship terminals (though the Port of Long Beach cruise terminal is technically leased out by another city department). Los Angeles is planning to open yet a third cruise ship terminal at Kaiser Point in the next few years. Should the cruise ship business lessen, there may be temptation to compete for this business resulting in a transfer of economic value from the publicly owned ports to private cruise ship lines.

Finally, the ports compete for the same staff which theoretically increases personnel costs. There are duplicative administrative structures at both ports which precludes the ability to economize by sharing management positions.

Potential Benefits of Consolidation

Consolidating the control and governance of the two (2) ports could realize significant benefits. One major benefit is already being realized. As mentioned earlier, the two (2) ports are coordinating on environmental mitigation efforts such as the Plan and WRAP. This coordination requires negotiations between the environmental management units of each port as well as the approval of the two (2) governing boards. Consolidation would eliminate the need for these negotiations and the potential tradeoffs, compromises and uncertainty that undoubtedly occur with these negotiations. Consolidation would also be an explicit recognition that the two (2) ports share the same ecosystem and the source of pollutants is difficult to trace from one port or another.

Consolidated ports would remove temptation for the two (2) ports to compete for shipping traffic on financial terms. This would ensure that private shipping interests are not being subsidized by publicly owned agencies through favorable lease terms. The consolidated port would still have to compete for shipping traffic with other port authorities in North America; but due to its location, sheer size and access to a vast local market, it could still compete effectively with other

West Coast ports. The distraction of competing with a nearby port authority would be removed. The combined port authority could compete as a united front.

A consolidated port could benefit from a streamlined management structure including a consolidated governing board. This would result in unified decision making over port operations and development. In addition to more streamlined decision making, it would realize economies by reducing the number of management positions needed to staff the consolidated management structure.

Infrastructure decisions may be streamlined through consolidation of ensuring that all facilities are used optimally throughout the port. For example, cruise ship operations could be consolidated at one or two facilities rather than the three that are either in operation or in the construction stage.

Challenges to Consolidation

Port consolidation faces some serious challenges. A major legal hurdle is that the two ports are located on separate land grants from the State. These grants would have to undergo some sort of consolidation which would require an act of the State Legislature. All existing lease contracts would also have to be assigned to the new port entity. Depending on the lease terms, some tenants may want to negotiate new terms.

The consolidated port would most likely be governed through a port authority, a special district dedicated to operating the port. This would also require an act of the Legislature to create this special district. The region has precedents for a special district of this magnitude. The Metropolitan Water District of Southern California or the Los Angeles County Metropolitan Transportation Authority is successful examples of regional special districts. The role of the two (2) cities (Los Angeles and Long Beach) would have to be determined. The two (2) mayors might have appointment powers over the authority's governing board, or the board might be elected region wide.

Consolidation would also require consolidating, assuming or refinancing the existing port revenue bonds that each city has issued. It is conceivable that the bond markets may perceive less financial risk in a consolidated port authority than in the current city controlled structure. This would result in less debt service, reduced financing costs and more rate flexibility.

Perhaps the most serious hurdle would be the loss of local control. A consolidated port authority would mean less control for the cities of Los Angeles and Long Beach unless they retained appointment powers for the governing board. A hybrid structure for the governing board where the mayors appoint some portion of the board while the remaining seats are elected region wide may make the most sense. In any scenario, amendments would have to be made to both city charters.

4. The Port of Los Angeles is adequately secured from external threats.

Current Security Mandates and Level of Compliance

The mandate for security of Port facilities is divided by jurisdiction. The Federal government has jurisdiction for ensuring security in all cargo and cruise terminals. This jurisdiction is further divided as follows:

The U.S. Coast Guard has authority for securing the terminal facilities. This authority is granted by the Maritime Transportation Security Act (as enabled by the Code of Federal Regulations 33 CFR 105). These regulations require operators of deep draft; e.g., container terminals and cruise terminals to prepare a Facilities Security Plan which is approved by the Coast Guard. Each terminal lessee has a plan for their terminal property. The Coast Guard is responsible for enforcing the terms of these plans at the Port and has a small force of armed security staff to respond to violations of the plans. The Coast Guard has the authority to shut down a terminal in the event of a serious violation. A primary enforcement tool for the Coast Guard is the Transportation Worker Identification Credential (TWIC) which is required for access to any Coast Guard secured areas such as container terminals. The Port Police does not have access to the terminals unless requested by the Coast Guard or the terminal operator. The Coast Guard also has shared jurisdiction over the waterways with the Port.

The U.S. Customs and Border Patrol has jurisdiction over the actual cargo. They monitor incoming containers through examination of records and will inspect certain high risk cargoes and containers such as those originating in the Middle East. Customs and Border Patrol also operates gamma radiation detection equipment at the exit gates of all container terminals. This equipment detects the presence of radiation and flags containers for more extensive inspection including opening the container and examining the contents.

Security for other leased facilities at the Port, other than cargo and cruise terminals, is the responsibility of the individual lessees, which can include restaurant and hotel operators, warehouse operators and other industrial property lessees. This responsibility is established in the terms of individual leases and is similar to those found in standard commercial leases.

Security for non-leased Port property is the responsibility of the Port Police. This includes waterways, roadways, common areas, parks and Port operated facilities. The Port Police have no mandate or responsibility for Homeland Security or counter terrorism. Instead, the Port Police is responsible for enforcing the Port Tariff; i.e., rules promulgated by BOHC for Port users, the Los Angeles Municipal Code and the State Penal and Vehicle Codes. The Port Police have a staff of 217, including 131 sworn police officers. The Port Police use an array of cameras, water-born sonar devices and patrol craft to monitor Port property.

The Port Police augments the capabilities of the Federal authorities for certain functions such as water patrol and inspections using divers. Port divers inspect the hulls of ships if warranted. Drugs have been found hidden in hull cavities in the past. Water craft will provide a protective screen around cruise ships as they enter and exit the Port.

History of Security Incidents at the Port

Since 2006, there have been only two (2) security breaches on Port property. Both involved fake TWICs and were investigated by the Coast Guard and prosecuted by the U.S. Justice Department. No further details are available.

The Port Police tracks crimes and arrests on Port property involving violations of State or local laws. Reported crimes are approximately two hundred (200) per year with about two-thirds of these classified as Part I crimes; e.g., violent and property crimes. Theft and vandalism are frequent crimes reported at the Port in addition to traffic infractions. Port Police also make 400-500 arrests each year. About half of these arrests involve apprehending persons with outstanding warrants or for failure to appear. Rather than Homeland Security related issues, Port Police workload is similar to that of a municipal police force with the addition of a sizeable surveillance function.

RECOMMENDATIONS

1. BOHC to restructure PCAC, improving the efficiency and effectiveness of the Committee and refocusing its mission:
   a. Rename PCAC to Port Region Advisory Committee. Note: the committee will still be referred to as PCAC in this recommendation for ease of understanding
   b. Adopt a resolution that fulfills the requirements of the ASJ, Article IX-B and better define the role of PCAC:
      i. Article IX-B requirement is, "(a) the Board will consider all resolutions adopted by PCAC in an expeditious and timely manner; and (b) the Board shall issue a written statement of reasons and appropriate findings for any PCAC resolution rejected by the Board."
      ii. Make the resolution clear and specific in defining the types of actions and decisions in which PCAC should engage, including reviewing CEQA documents, mitigation measures costing more than $1 million, as well as, those vetted by the TraPac related non-profit Board.
   c. Enhance the governance role of BOHC by establishing an annual work plan for PCAC. Require quarterly updates on deliberations through a standing agenda item on the BHS agenda. Furthermore, the BHS resolution should include a requirement that a BOHC member serve as a Co-Chair of PCAC. The role of this Co-Chair would be to ensure that PCAC fulfills its advisory role to BOHC and focuses on mission related activities.
   d. BOHC to amend PCAC's by-laws so that PCAC and its sub-committees meet quarterly instead of monthly.
   e. BOHC to amend PCAC's by-laws regarding composition of PCAC constituent organizations and voting membership to reflect the relative impacts of Port operations on the groups. For example, residential composition should be weighted higher than business composition insofar as Port operations impact residents more than businesses. The by-laws should also reduce the total composition of PCAC by 40%, thereby eliminating groups that are not as

established or lack certification standards, such as a legal structure, elected officers, etc. Table 4 shows how one such restructuring would look:

Table 4 Proposed PCAC Composition

Type of constituency	Organization	# of reps	Total #	Total %
Neighborhoods/Residential	Central SP	1		
	Coastal SP	1		
	Harbor City	1		
	NW SP	1		
	Wilmington	2		
	CD 15 - SP	2		
	CD 15 - Wilmington	1		
	Total Neighbor/residential		9	45%
Civic	Wilmington Comm Advisory	1	1	5%
Business/Econ Dev	Harbor Assoc of industry	2		
	SP C of C	1		
	PMSA	1		
	Wilmington C of C	1		
	Total business/econ dev		5	25%
Labor	ILWU	1		
	Non-ILWU	1		
	Total labor		2	10%
Education	LA Harbor College	1	1	5%
At Large	BHC appointed	1		
	CD 15 appointed	1		
	Total at large		2	10%
	Totals	20	20	100%

f. BOHC to amend PCAC's by-laws to include a certification process for PCAC constituent organizations. These organizations should:

   i. Be registered with the California Secretary of State

   ii. Have their own by-laws or articles of incorporation

   iii. Have a purpose that has a nexus or connection with Port operations or the impacts of Port operations

   iv. Meet at least quarterly in open session

   v. Elect officers

   vi. Organizations should be required to recertify annually. Any organization that has not recertified within six (6) months should be decertified and replaced. This requirement would not apply to governmental organizations or subdivisions such as Neighborhood Councils.

g. BOHC to amend PCAC's by-laws to include a certification process for PCAC voting members. The certification requirement should include:

i. Prospective voting members should have a letter of nomination from their appointing constituent organization. BOHC would then certify their appointment.

ii. Certification should be revoked if the voting member has two (2) unexcused absences or three (3) excused absences during a period of four (4) consecutive quarterly meetings.

iii. Certification should also be revoked if the voting member is charged with code of conduct breaches in two (2) meetings during a period of four (4) consecutive quarterly meetings.

iv. Upon revocation, the voting seat would be filled by the alternate voting member, or the constituent organization could nominate a new member.

v. Existing PCAC members can be granted new five-year terms at the discretion of BOHC.

h. BOHC to amend PCAC's by-laws to limit terms for PCAC Co-Chair (not a BOHC member) and PCAC sub-committee chairs to two (2) consecutive one (1) year terms. Terms for all PCAC members should be limited to five (5) years.

i. BOHC to amend PCAC by-laws to include a code of conduct for PCAC members. This code of conduct should be enforced by an appointed Sergeant-at-Arms. Breaches of the code of conduct should be documented and enforced pursuant to the revocation process as described above.

j. Retain the current roster of sub-committees within PCAC plus the addition of a subcommittee that would assume the responsibilities of the planned non-profit organization to oversee the Port Community Mitigation Trust Fund. This new subcommittee would replace this planned non-profit organization. All recommendations from this subcommittee would then be vetted and approved by PCAC prior to recommendation to BOHC.

k. Continue to assign technical and administrative support staff to PCAC meetings in order to provide expert advice and knowledge. The Port should continue to assign legal counsel to PCAC meetings.

2. Revisit the Plan to ensure that all particulate matter, not just DPM, is being tracked and those reduction goals are included for $PM_{2.5}$ and PM_{10}.

3. BOHC to propose to the City of Long Beach the commissioning of independent study of the costs and benefits of a consolidated Port Authority in San Pedro Bay. The study should be overseen by a commission composed of experts in municipal finance, supply chain logistics, public health, and public policy plus representatives from the governments of Los Angeles County, City of Los Angeles, Long Beach and the State of California, including a representative from the State Lands Commission. Should the study suggest that the region would benefit from a consolidated Port Authority; the Commission would be well advised to develop a legislative action plan to enact the recommendations from the study.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

FINDINGS

1. The community input process of the Port of Los Angeles communities has degraded and does not have the organizational strength to be effective.
2. The Clean Air Action Plan does not include goals for reducing total particulate matter.
3. Los Angeles County could benefit from a regional Port Authority consolidating the Ports of Long Beach and Los Angeles.
4. The Port of Los Angeles is adequately secured from external threats.

RECOMMENDATIONS

1. Board of Harbor Commission to restructure PCAC, improving the efficiency and effectiveness of the Committee and refocus its mission.
2. Revisit the Clean Air Action Plan to ensure that goals and standards are established for total particulate matter ($PM_{2.5}$ and PM_{10}) in addition to DPM.
3. Board of Harbor Commission to propose to the City of Long Beach an independent study of the costs and benefits of a consolidated Port Authority in San Pedro Bay.

REQUEST FOR RESPONSE

California Penal Code Sections[1]§933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the court).

Respond to:

Presiding Judge
Los Angeles County Superior court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010-2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

[1] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

Responses are required from:

Recommendation Numbers	Responding Agency
1	City of Los Angeles (Board of Harbor Commission)
1a	City of Los Angeles (Board of Harbor Commission)
1b	City of Los Angeles (Board of Harbor Commission)
1c	City of Los Angeles (Board of Harbor Commission)
1d	City of Los Angeles (Board of Harbor Commission)
1e	City of Los Angeles (Board of Harbor Commission)
1f	City of Los Angeles (Board of Harbor Commission)
1g	City of Los Angeles (Board of Harbor Commission)
1h	City of Los Angeles (Board of Harbor Commission)
1i	City of Los Angeles (Board of Harbor Commission)
1j	City of Los Angeles (Board of Harbor Commission)
1k	City of Los Angeles (Board of Harbor Commission)
2	City of Los Angeles (Board of Harbor Commission)
3	City of Los Angeles (Board of Harbor Commission)

APPENDIX

Table 1 – Source: BOHC Resolution 6039, China Shipping Amended Stipulated Judgment
Figure 1 – Source: PCAC Motions Recommended to BOHC as of 01-18-11, POLA
Figure 2 – Source: Motions Recommended to BOHC as of 01-18-11, POLA
Table 2 – Source: California Secretary of State
Table 3 – Source: Clean Air Action Plan Update, 2009

ACRONYMS

ACTA	Alameda Corridor Transportation Authority
ASJ	Amended Stipulated Judgment
BOHC	Board of Harbor Commissioners
CAAP	Clean Air Action Plan
CEQA	California Environmental Quality Act
DPM	Diesel Particulate Matter
EIR	Environmental Impact Review
NOx	Oxides of Nitrogen
PCAC	Port Community Advisory Committee
PM	Particulate Matter
POLA	Port of Los Angeles
SCAQMD	South Coast Air Quality Management District
SOx	Oxides of Sulfur
TEU	Twenty-foot Equivalent Unit
TWIC	Transportation Worker Identification Credential
WRAP	Water Resources Action Plan

PREFERENTIAL PARKING

(PERMIT STREET PARKING)

Committee Members

Chairperson - Hazel A. Dial
Co-Chairperson: Wardah Shakir
Beverly T. Kishimoto
John A. Rangel
Gloria J. Williams

PREFERENTIAL PARKING

SUMMARY

What is Preferential Parking? Would it enhance the quality of life in your neighborhood? The 2010-2011 Los Angeles County Civil Grand Jury (CGJ) conducted an inquiry into the City of Los Angeles Department of Transportation (DOT) and the Tenth District Council Office regarding the procedures and rules governing the Preferential Parking Program (PPP). Los Angeles Municipal Code (LAMC) Section 80.58 establishes rules and procedures governing PPPs. Implementation of these requirements limit intrusion of non-residential and commuter parking into residential neighborhoods where such parking practices may negatively impact residential areas.

PURPOSE

The CGJ conducted an inquiry regarding the policies and procedures used in determining which areas receive Preferential Parking Districts (PPDs). PPD requirements and processes to be used in rescinding was the primary focus of this investigation.

BACKGROUND

DOT is responsible for establishing PPDs in neighborhoods to enhance the quality of life by limiting intrusion of non-residential and commuter parking. The requirements of LAMC Section 80.58 establishes rules and procedures to implement efforts of reducing noise, crime, traffic hazards and litter.

In residential areas where employees and customers of regular businesses have a need to park daily for long periods of time, parking for residents becomes difficult and time consuming. PPDs restrict parking for all motorists, but area residents and their guests are exempt from the special parking restrictions when they purchase and display Preferential Parking Permits (Permits).

The CGJ found that requirements to establish a PPD include the following:

1. Proponents of a proposed PPD must submit petitions signed by residents of at least 67% of the dwelling units representing more than 50% of the developed frontage on each of six (6) blocks.

2. If the six (6) block minimum is met, DOT then conducts studies to determine if parking is excessively impacted by non-resident vehicles.

3. DOT identifies the boundaries of the proposed PPD, evaluates the environmental consequences of establishing the district, and schedules a public hearing on the proposed PPD.

4. Based on testimony presented at public hearings and other comments received from the public, DOT Hearing Examiner prepares a report for the City Council recommending whether the proposed PPD should be established.

5. DOT reports are first evaluated by the Transportation Committee and then submitted, along with any additional recommendations, to the City Council for approval.

6. After the City Council adopts a resolution establishing the PPD and its boundaries, authorized preferential parking restriction signs can be installed on any block within the PPD limits. Once DOT has received the petitions requesting the approved restrictions signed by residents of 67% of the dwelling units on the block, restricted signs are then posted accordingly.

7. Within thirty (30) days of receipt of the Hearing Examiner's report, the Department makes a recommendation by written report to the City Council outlining area designations under consideration as PPDs. Times and limitations are to be specified in the report, based on surveys conducted and the record of the public restrictions. Currently a two-year waiting period to obtain Permits has been known to occur.

8. If a proposed district meets all of the program criteria, the Department is to give notice and conduct a public hearing for the purpose of stating boundaries and parking restrictions of the proposed permit parking district under consideration.

METHODS AND PROCEDURES

The CGJ met with members of DOT as well as personnel from the Tenth District Council Office. In addition, the CGJ researched applicable rules and procedures governing the PPP.

FINDINGS

The CGJ made the following findings:

1. It was noted that within thirty (30) days of receipt of a Hearing Examiner's Report the DOT makes a recommendation to the City Council outlining areas under consideration for a PPD. If the proposed PPD meets all of the program's criteria, DOT gives notice to area residents stating boundaries and parking restrictions of the permit parking district. Currently a two-year waiting period to obtain Permits has been known to occur.

2. The following incidents have occurred:

    a. In 2008 a petition for Preferential Parking was initiated by the residents of 1600 Block of Hi-Point Street.

b. After repeated inquiries with DOT for two (2) years, in July 2010 the residents received a letter from DOT stating “preferential parking restriction requirements had been met, and the requested installation of a PPD had been approved.”

c. On August 5, 2010 an additional petition was circulated opposing the establishment of a PPD. Of particular concern to the CGJ is that it took approximately two (2) years for approval of the PPD, and one (1) day for it to be denied.

3. In addition, there have been numerous attempts by area residents to get reasons for rescindment of the PPD, all to no avail.

4. When a PPD is approved, there appears to be no formal process for rescinding such a district or informing residents of same.

RECOMMENDATIONS

1. Decisions regarding approval of PPDs be made on a more timely basis after the determination of the PPD. A two (2) year waiting period is unacceptable.

2. Updates on the status of requested PPDs be readily available on line and accessible upon request.

REQUEST FOR RESPONSE

California Penal Code Sections[1] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
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All responses for the 2010-2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011**.

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Los Angeles (Department of Transportation)
2	City of Los Angeles (Department of Transportation)

[1] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

ACRONYMS

DOT	Department of Transportation
PPD	Preferential Parking District
PPP	Preferential Parking Program
LAMC	Los Angeles Municipal Code

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TRANSITION AGE YOUTH (TAY) JOURNEY

Committee Members

Chairperson - George E. Candler, Jr.
Co-Chairperson: Laura M. Holmes
James R. Boyd
Linda Loding
Wardah Shakir
Susan Stetson

TRANSITION AGE YOUTH (TAY) JOURNEY

SUMMARY

Los Angeles County (LAC) Department of Children and Family Services (DCFS) is charged with providing services and resources to assist Transition Age Youth (TAY) to transition successfully from dependency to self-sufficiency. The Youth Development Services Division (DCFS/PD) receives a budget each year from State and Federal government resources to implement and operate these programs and services. This Report addresses the Findings and corresponding Recommendations of the 2010-2011 Civil Grand Jury (CGJ) for data collection systems and mechanisms needed to effectively provide services to build TAY self-sufficiency.

PURPOSE

The CGJ investigation assessed the effectiveness of DCFS and the LAC's Department of Children and Family Services (PD) programs in establishing TAY self-sufficiency.

BACKGROUND

LAC is the largest foster care system in the United States. The DCFS Youth Development Services Division (YDS) is the principal entity delivering services and programs to assist TAY in the areas of life skills training, education, employment and housing. Primary services are conducted under the Independent Living Program (ILP). ILP is a Federally funded program that offers supplemental services for eligible DCFS/PD foster youth or former foster youth. The Division also offers transitional housing for youth ages sixteen (16) to twenty-four (24). The primary goal of TAY programs is to assist youth in foster care to successfully transition to a life after foster care. These programs and services rely on the coordination of the Deputy Probation Officer, Childrens Social Worker and the Transition Coordinator who are responsible for assisting youth in:

1. Identifying goals and activities that will help them achieve those goals
2. Employment, housing and educational needs

This is accomplished by monitoring progress, maintaining open communication and timely responses regarding available resources and linking the youth to these resources.

TAY Service Systems

1. TAY processes through ILP begins when youth are removed from their homes. Three (3) outcomes may occur:
   a. If DCFS/PD so deems, the youth may reunify with the family. Over 50% of cases result in family reunification.

b. DCFS/PD supervises home placement. In this environment, the youth may return to their homes but Children Social Workers (CSWs) oversee the placement for a finite period of time to ensure youth safety.

c. If after twelve (12) months family reunification or home supervision is unsuccessful, the CSW places the youth in Permanent Placement Mode (PPM). If a youth is put into PPM, the CSW establishes adoption or legal guardianship for the youth. If these options are unsuccessful, the CSW places the youth in long-term foster care.

    i. At 14, the CSW initiates the development of a Transitional Independent Living Plan (TILP). Table 1 shows the timeframe for TAY services and programs. The TILP is updated every six (6) months to outline goals, planned completion date, and progress assessments. During this time, the CSW prepares the youth for ILP participation. Participation in the TILP at 14 is voluntary. If at age 14 or 15 the youth is performing below grade level, ILP tutoring services are available. Up to fifty (50) hours of tutoring may be provided by three (3) outside contractors. At 16, the TILP development is mandatory. If the CSW determines a youth's ILP eligibility to participate in the program, the youth is referred to the ILP Transition Coordinators (TCs). The DCFS Youth Development Services Division currently employs twenty (20) TCs, each handling about 400-500 ILP participants per year. The TC serves as a bridge between the youth and an array of available ILP services. Services include Life Skills Training (LST), housing, graduation expenses, fees for college preparation tests and scholarships. LST provides for basic skills for job search, roommate etiquette and budget planning. An outside contractor provides five-week courses. YDS provides a $100 incentive for LST class completion. Resources are available for youth who contact their TC. If the youth has established themselves as self-driven and independent, the Transitional Housing Placement Program (THPP) is available between the ages of 16 and 18. THPP allows TAY juniors or seniors in high school (16 or older) to share an apartment with other youth, save money and receive support services.

    ii. Before a youth reaches 18, the CSW attempts to prepare the youth for adulthood. Normally, a case is closed by the courts at 18. If there is a special circumstance, the case may remain open until 19 or 20. Ninety (90) days before exit, the CSW initiates a "90-Day Transition Plan." This plan is a future life map detailing housing, education and career plans and goals. If determined that the youth requires housing, an application process for the Transition Housing Program (THP) or Transitional Housing Program Plus (THP+) is initiated by the ILP Housing Coordinator (HC). YDS employs six (6) HCs and two (2) HC Supervisors (Supervising CSWs). THP and THP+ also provide housing opportunities for former foster youth. Upon case closure, the CSW completes an exit outcome evaluation to determine the status of education, housing and career placement. If the youth has not participated in the ILP, a final attempt to engage the youth's participation in the ILP is made.

Table 1. Timeframe for TAY Services and Programs

Youth Age	Action	Available Services
14	Youngest age at which a Transitional Independent Living Plan can developed by the Children Social Worker, but it is voluntary.	ILP tutoring is available, if TILP determines it is necessary and youth chooses to participate in ILP.
16	Age at which the TILP is mandatory. ILP eligibility is determined by CSW. If so, youth is referred to the ILP Transition Coordinator.	ILP services include Life Skills Training (LST), housing, graduation expenses, fees for college preparation tests, and scholarships. ILP available to eligible youths from age 16 to 21. Transitional Housing Placement Program is available to eligible youths 16-18 years old who are currently in out-of-home placement. THPP allows youth to share an apartment with other youth, and provides other support services.
18	Upon 90 days to the youth's exit, the CSW initiates the "90-Day Transition Plan," a future life-map detailing housing, education, and career plans. If the youth requires housing, the youth applies to Transition Housing Program (THP) or Transitional Housing Program Plus (THP+) with the ILP Housing Coordinator (HC). Gramercy House is available for pregnant or parenting youth with one child under 5 years old. Upon case closure, the CSW completes an exit outcome evaluation to determine the status of education, housing, and career placement. If the youth has not participated in the ILP, efforts by judge and DCFS to encourage participation.	ILP services are available to age 21. Transitional Housing Program (THP) is for youth 18-21 years old (can be accepted prior to 22nd birthday) and provides furnished scattered site apartments to share with other TAY and various support services (i.e., utilities, bus passes). Youth must work full-time and save earnings, or attend school/training and work part-time. Maximum time is 18 months. Los Angeles Homeless Services Authority (LAHSA) also provides THP services, but they are operated by outside, nonprofit providers, not DCFS. Transitional Housing Program Plus (THP+) is for youth from 18 and until 24 years old who exited care at age 18. Must work full-time or attend school/training and work part-time, and save portions of earnings. Maximum time is cumulative 24 months. Gramercy House is a Transitional Housing Program for youth 18 to 24 years old who are pregnant and/or parenting youth with one child under 5 years old.
21	End of THP and ILP services.	Six months THP follow-up services are provided. Youth can apply for THP+ services.
24	End of THP+ or Gramercy House services.	No services available at age 24.

Source: Information and Resource Directory for Transition Age Young Adults-Los Angeles County (August 2008)

iii. After case closure and until ILP eligible, youth can access services at any time. TCs are located in eight (8) Transition Resource Centers (TRCs) in Los Angeles County. The majority of ILP participants consist of aftercare youth whose cases were closed by the court and accessed to a TC through these TRCs. The TC assesses living needs and provides additional services. Additional services are funds for clothing, apartment start-up, food, housing programs and transportation. The THP and THP+ programs are available up to age 24. A youth can transfer from one housing program to the next (THPP to THP to THP+) depending on their age.

2. Independent Living Program (ILP)

The ILP is a Federally funded program that offers supplemental services and funds for eligible foster youth or former foster youth. Participation in the ILP program is voluntary. Youth who are 16 to 21 who were/are in foster care at any time from their 16th to 18th birthday are eligible for the ILP. Foster care is at least a "24-hour substitute care for children (after their 16th birthday) placed away from their parents or guardians and for whom the State agency has placement and care responsibility. This includes placements in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, child care institutions, and pre-adoptive homes…." Table 2 summarizes the types of services offered.

Table 2. Independent Living Program
Services Provided, Number of Youth Served, and Service Costs
July 2010 - December 2010 (1st & 2nd Quarters, FY 2010-11)

Service Description	Department	No. of Youth Served	% of Total Youth Served by Service	Total Service Costs	% of Total Service Costs	% of Total Program Costs
Tuition- Educational	DCFS	59	86%	$184,766	92%	
	Probation	10	14%	$16,313	8%	
	Totals	69		$201,080		31.3%
Books and Supplies	DCFS	102	68%	$38,976	73%	
	Probation	47	32%	$14,371	27%	
	Totals	149		$53,346		8.3%
Exams	DCFS	5	56%	$580	54%	
	Probation	4	44%	$498	46%	
	Totals	9		$1,078		0.2%
Clothing-Educational	DCFS	144	74%	$46,020	78%	
	Probation	51	26%	$12,994	22%	
	Totals	195		$59,014		9.2%
High School Graduation Expenses	DCFS	21	64%	$6,443	57%	
	Probation	12	36%	$4,788	43%	
	Totals	33		$11,231		1.8%
High School Graduation Diploma/GED Incentives	DCFS	25	38%	$2,500	38%	
	Probation	40	62%	$4,000	62%	
	Totals	65		$6,500		1.0%
Fees- Educational (Administrative, Parking)	DCFS	14	88%	$892	97%	
	Probation	2	13%	$31	3%	
	Totals	16		$923		0.1%
Tuition-Vocational	DCFS	11	79%	$17,478	90%	
	Probation	3	21%	$1,944	10%	
	Totals	14		$19,422		3.0%
Fees- Vocational (Administrative, Parking)	DCFS	6	55%	$812	85%	
	Probation	5	45%	$148	15%	
	Totals	11		$960		0.1%
Airline Tickets- College Bus Pass for school/work, etc	DCFS	260	65%	$52,803	63%	
	Probation	138	35%	$30,679	37%	
	Totals	398		$83,482		13.0%
Tools	DCFS	3	60%	$2,845	71%	
	Probation	2	40%	$1,182	29%	
	Totals	5		$4,027		0.6%
Dues	DCFS	1	50%	$56	6%	
	Probation	1	50%	$900	94%	
	Totals	2		$956		0.1%
Uniforms, Job/Work Clothing	DCFS	171	68%	$43,650	70%	
	Probation	82	32%	$18,775	30%	
	Totals	253		$62,425		9.7%
Computer	DCFS	7	88%	$5,313	84%	
	Probation	1	13%	$1,000	16%	
	Totals	8		$6,313		1.0%
Computer Training-Vocational	DCFS	3	100%	$2,050	100%	
	Probation	0	0%	$0	0%	
	Totals	3		$2,050		0.3%
Driving Lessons	DCFS	4	50%	$1,197	40%	
	Probation	4	50%	$1,785	60%	
	Totals	8		$2,982		0.5%

Source: Independent Living Program (ILP) Annual Statistical Report for ILP Eligible Probation and Aftercare Youth Federal Fiscal Year (October 1 through September 30, 2010)

Table 2. (cont.)

Service Description	Department	No. of Youth Served	% of Total Youth Served by Service	Total Service Costs	% of Total Service Costs	% of Total Program Costs
Youth Conferences	DCFS	6	100%	$5,332	100%	
	Probation	0	0%	$0	0%	
	Totals	6		$5,332		0.8%
Auto Insurance	DCFS	7	70%	$3,863	67%	
	Probation	3	30%	$1,907	33%	
	Totals	10		$5,769		0.9%
Emergency Housing	DCFS	1	100%	$414	100%	
	Probation	0	0%	$0	0%	
	Totals	1		$414		0.1%
Rent assistance in market units: monthly	DCFS	19	56%	$24,312	60%	
	Probation	15	44%	$16,510	40%	
	Totals	34		$40,822		6.4%
Rent move-in/security deposit costs	DCFS	10	50%	$5,241	38%	
	Probation	10	50%	$8,698	62%	
	Totals	20		$13,939		2.2%
Rent assistance with rel./foster parents: general pop.	DCFS	1	50%	$1,350	39%	
	Probation	1	50%	$2,078	61%	
	Totals	2		$3,428		0.5%
Rent assistance with rel./foster parents: spec. needs	DCFS	1	100%	$1,800	100%	
	Probation	0	0%	$0	0%	
	Totals	1		$1,800		0.3%
Rent assistance for Dorms	DCFS	8	100%	$11,842	100%	
	Probation	0	0%	$0	0%	
	Totals	8		$11,842		1.8%
Apartment/Dorm start-up costs	DCFS	14	100%	$4,800	100%	
	Probation	0	0%	$0	0%	
	Totals	14		$4,800		0.7%
Unallocated/Medical expense	DCFS	2	67%	$566	54%	
	Probation	1	33%	$479	46%	
	Totals	3		$1,045		0.2%
Food certificates	DCFS	139	75%	$27,466	75%	
	Probation	47	25%	$9,300	25%	
	Totals	186		$36,766		5.7%
ILP Program Total	**DCFS**	**1,044**	**69%**	**$493,365**	**77%**	
	Probation	**287**	**19%**	**$148,379**	**23%**	
	Totals	**1,523**		**$641,745**		**100.0%**

Source: Independent Living Program (ILP) Annual Statistical Report for ILP Eligible Probation and Aftercare Youth Federal Fiscal Year (October 1 through September 30, 2010)

a. ILP services provided life skills, financial planning, car rental payments, housing assistance and tuition payments. Youth aged 14 and 15 are eligible for educational assessments and tutoring services as needed. (This is the only service available for youth under 16.)

b. From ages 16 to 21, ILP-eligible youth may attend ILP classes at a community college or an enhancement program near their home. Transportation and food may be provided. Youth may also be eligible for fees to cover College Preparation Tests (ACT and SAT). Transportation, housing, food and registration fees at an approved young adult conference; e.g., Bridges to Independence, are also provided. High school seniors (pre-transition-age youth) who provide proof they will graduate on time, can request ILP assistance for graduation expenses (cap and gown, photos, yearbook, class ring, prom ticket and grad night ticket).

c. Services and resources for TAY include: housing services up to age 24, auto insurance, education funds (tuition, books, supplies, school-related fees, parking and transportation) life skills and vocational training, clothing funds (work uniforms, interview clothing); room and board (move-in costs, appliances, up to six (6) months rental assistance, apartment start-up costs; assistance with food costs; transportation (standard price for bus pass/gas, three (3) month periods as needed); and funding for non-covered health-related costs.

3. Transitional Housing Placement Program (THPP)

THPP is Federally funded, State certified and provides an opportunity for juniors or seniors in high school (16-18) to share an apartment with other youth, save money and receive support services while they work and transition to adulthood. Participating youth are placed in a furnished apartment/house with paid utilities. There are two (2) housing placement plans:

Plan 1: One or more participants live independently in an apartment rented or leased in a building where one or more adult employees of THPP provides supervision.

Plan 2: One or more participants live independently in an apartment rented or leased under the supervision of the THPP. On-site supervision is not required. THPP staff is available 24 hours per day.

a. In addition to housing, THPP offers:

b. Food, clothing and personal care allowances

c. Financial assistance with education and employment training for job preparation

d. Classes and workshop topics, including nutrition and food preparation, life skills, health and safety, transportation, recreation, socialization skills and values development

e. Transition resource services and case planning

f. Individual assistance in helping adjust to independent living

To be eligible for THPP, youth must be currently in out-of-home placement and follow the rules and regulations of the program; must be 16 through 18 and a dependent of the court; must be attending high school or working towards a General Education Development (GED) or attending vocational/technical training on a full-time basis. The eligible youth may be over 18 but not 19 and satisfy the requirements of the California Welfare and Institutions Code, Section 11403.[1] Eligible are youth under the Guardianship Assistance Payment Program (KinGap) who are court dependent and eligible for Aid for Families with Dependent Children/Foster Care.[2] The eligible youth must be doing well in school and with the current caregiver. The CSW/Deputy Probation Officer (DPO) completes the application and provides supporting documents for review and the youth is then scheduled for interview.

The average THPP youth is housed in the program for one (1) to two (2) years. Follow-up services are also provided. Current capacity is forty (40) youths/beds. The most recent weekly vacancy report (03/16/11 – 03/22/11) indicated no vacancies. Funding is from the Federal Foster Care Program authorized by Title IV-E of the Social Security Act with an annual allocation of approximately $1.67 million with a cost of $3,462 per youth per month.

4. Transitional Housing Program (THP)

THP provides furnished apartment housing and supportive services to emancipated foster youth 18 to 21 who are homeless or have the potential of being homeless due to living in temporary unstable housing. The housing options are a combination of both scattered site apartments and multi-unit apartment buildings. Apartments are leased in areas with easy access to public transportation, colleges, shopping centers and grocery stores. Eligibility requirements are:

a. 18-21 years of age
b. Prior DCFS dependent
c. Homeless (no stable place of permanent residency)
d. Personal motivation to achieve independence
e. Willingness to follow program rules and regulations

Youth in the THP are assisted in job search, school enrollment and use of community resources. The CSW assists the youth in developing independent living skills in the areas of job readiness, money management, food purchase, food preparation, laundry, housecleaning and finding affordable medical and dental care by conducting life skills classes. Two (2) tracks are available:

Work/Save Track requires: full-time employment and saving 50% or more of net earnings in an interest bearing trust fund. The saved funds are released upon completion or departure from the program.

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[1] This law essentially stipulates that a child in foster care - who is receiving aid and attending high school or equivalent vocational/technical training school on a full-time basis or in the process of pursuing a GED - is able to continue to receive aid as long as he/she continues to reside in foster care placement, remains otherwise eligible for Aid for Families with Dependent Children/Foster Care (AFDC-FC) payments, and continues to attend high school or the equivalent level of vocational or technical training on a full-time basis, or continues to pursue a GED, and may reasonably be expected to complete the educational or training program or to receive a GED, before his or her 19th birthday.

[2] The State-funded KinGap provides cash assistance and other services, such as medical coverage and independent living services, for eligible children. The purpose of Kin-GAP is to create an option for permanent placement with a relative if all of the eligibility requirements are met and the relative and child (if age appropriate) choose this option.

Work/Study Track requires part-time employment (at least 20 hours per week) and full or part-time school attendance. Youth may attend a 2-year junior college, vocational/certificate program or any other academically oriented or job training program. On a case-by-case basis, some youth attending a vocational program or school may be allowed to work less than twenty (20) hours per week with the approval of the supervisor and Program Manager. An Associate of Arts (AA) degree from a community college or certificate of completion from a trade or vocational job training program is also required.

The estimated average time to receive housing assistance is one year with a maximum allowable assistance of up to eighteen (18) months. Six (6) month follow-up services are provided. All are required to work and/or attend school or vocational training. To apply, homeless youth may self-refer or be referred by a CSW or community partner. Once documentation is obtained, youth are screened/interviewed and attend orientation. Non-qualifying youth may be linked with other programs.

Current capacity is two hundred forty-four (244) beds. The most recent weekly vacancy report (03/16/11–03/22/11) showed a 24.8% vacancy rate. Occupancy averages 85%-90%. The THP is Federally funded with $2.3 million Support Housing Program funds (U.S. Housing and Urban Development Department) and $2.4 million from Independent Living Program funds. Average monthly per youth cost varies, depending on market rent value which includes a monthly food stipend and bus passes.

A similar program is offered by the Los Angeles Homeless Services Authority (LAHSA), which is a Joint Powers Authority established in 1993. LAHSA coordinates and manages over $70 million annually in Federal, State, County and City funds for programs providing shelter, housing and services to homeless persons in Los Angeles City and County. LAHSA has ten (10) THP facilities located Countywide. Depending on the contracted provider, participants receive housing, paid utilities, life skills training and employment assistance. The participants contribute to a savings plan and receive funds to secure permanent housing upon exit. Current LAHSA THP capacity 219 beds. Applicants must complete a universal application that is accepted by all LAHSA programs. Applicants must be ILP eligible. Of the 219 beds, 175 beds are funded by $2.13 million in Federal ILP funds. The most recent weekly vacancy report showed a 15% vacancy rate. The monthly cost per child varies according to the service provider.

5. Transitional Housing Program Plus (THP+)

The State funded and certified THP+ is for emancipated foster youth to provide a safe living environment while helping achieve self-sufficiency and learn life skills needed upon leaving the foster care support system. To be eligible for THP+, the following must be met:

a. Be between age 18 and age 23
b. Exited foster or probation care at age 18 or older
c. Be able to work full-time or attend school/training and work part-time
d. Save a portion of earnings

THP+ participants reside in apartments, condominiums or single family dwellings. The THP+ support services include case management, educational assistance, employment assistance, follow-up services, furnished housing, life skills training, monthly bus passes, monthly food stipend and paid utilities. The CSW must contact one of the outside providers regarding admission. The maximum time for THP+ participation is twenty-four (24) cumulative months. Current total capacity is fifty-two (52) beds. The most recent weekly vacancy report shows a 6.3% vacancy rate. The program is funded by the State Transitional Housing for Foster Youth Fund. Approximately $2.4 million is allocated annually at a cost of $2,200 per-youth per-month.

6. Gramercy House

Gramercy House is a THP for youth aged 18 to 24 who are pregnant and/or parenting youth under five (5) years old. (Foster care eligibility is not a requirement.) The purpose of the Gramercy House THP is to ensure that participants obtain employment, increase their income and obtain permanent housing. Services include housing and supportive services, childcare, individual/group counseling, life skills training and case management. Youth must apply directly with the provider (Gramercy Housing Group). Homelessness must be verified and, upon verification, the youth are placed on a waiting list. When a vacancy occurs, the agency calls and schedules an interview with the youth. This program is offered on a first-come, first-served basis. Total cost is $100,000 per year for two (2) years and $555.55 per youth per month. Funding is provided by the State Child Abuse Prevention, Intervention and Treatment (CAPIT) program. Current capacity is fifteen (15) beds.

7. Division/Program Budget

Table 3 summarizes the annual DCFS Youth Development Services Division budget for the past five (5) fiscal years. The current year's budget (FY 2010-2011) represents an increase of 4.7% from the previous fiscal year, but a 12.7% decrease from FY 2005-2006. Administrative and Program expenses have declined in the past five (5) years, averaging an annual decrease of 6.5% and 3.8%, respectively.

Table 3. DCFS Youth Development Services Division/ILP Budget
FY 2005-2006 to FY 2010-2011

Revenues	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY10-11
ILP Allocation	$15,900,396	$15,510,830	$13,205,406	$13,902,662	$13,331,233	$12,689,529
Emancipated Foster Youth Stipends	$1,240,284	$1,709,303	$1,667,248	$1,428,326		$639,155
IV-E Waiver funds (including THPP savings)					$606,004	
County match for Waiver fund (including THPP savings)					$249,749	
Office of Justice Programs - Schiff Grant					$107,035	$187,000
IV-E Waiver funds (THPP savings transferred from Assistance)						$1,454,000
Total	**$17,140,680**	**$17,220,133**	**$14,872,654**	**$15,330,988**	**$14,294,021**	**$14,969,684**
Expenses						
Administration Total	$3,508,777	$4,255,911	$3,944,662	$3,110,529	$2,240,921	$2,299,366
Programs						
Prevention (Age 14-15)	$1,335,559	$653,266	$118,522	$0	$0	$0
Intervention (Age 16-17)						
Life Skills	$2,512,219	$2,264,479	$857,261	$3,856,680	$3,341,442	$3,173,805
Educational Training Supports	$510,581	$504,668	$283,992	$475,888	$364,173	$415,102
Jobs/Skills Training/Development	$1,223,464	$1,106,432	$2,070,020	$245,971	$93,471	$108,000
Transitional Support (Age 18-21)						
Educational Support	$1,168,976	$1,318,741	$1,108,568	$1,170,769	$1,052,309	$853,484
Jobs/Skills Training/Development	$92,710	$158,366	$143,805	$179,243	$85,133	$85,000
Life Skills	$79,316	$116,557	$40,149	$43,062	$10,061	$25,098
Housing	$2,662,572	$2,907,500	$2,077,983	$1,741,660	$2,281,600	$2,333,376
Other County Department contracts - housing	$1,401,366	$1,503,317	$1,636,093	$1,695,456	$1,612,929	$1,633,420
Miscellaneous	$412,335	$490,650	$255,263	$384,198	$254,695	$312,000
Non-Allocated Costs	-$28,217	$0	-$21,657	-$11,432	-$460	$0
Transitional Housing Support (Operational Costs)	$2,902,719	$2,814,249	$2,358,149	$2,761,924	$2,957,747	$2,403,914
Programs Total	$14,273,600	$13,838,225	$10,928,148	$12,543,419	$12,053,100	$11,343,199
Total Administration and Programs	**$17,782,377**	**$18,094,136**	**$14,872,810**	**$15,653,948**	**$14,294,021**	**$13,642,565**
Surplus/(Deficit)	-$641,697	-$874,003	-$156	-$322,960	$0	$1,327,119

There appears to be no expenses for prevention programs for youth ages 14-15 in the past three (3) years. (The grant for these programs ended in 2007.) The expenses for Jobs/Skills Training and Development under intervention programs for ages 16-17 also declined by 91.2% from FY 2005-2006. More resources appear to be focused on life skills services in the intervention programs.

Obtaining stable and gainful employment is an important part of transitioning to adulthood. The typical pathways to such employment are high school graduation, completion of postsecondary education and vocational training and completion of meaningful work experience. Recent research indicated that American youth transitioning from the juvenile justice or the foster care system have relatively low rates of enrollment in postsecondary education and training programs:

a. Most TAY, after leaving high school, do not receive adequate services designed to help acquire the skills needed to successfully pursue postsecondary education and training and/or obtain competitive employment.[3]

b. Four (4) years after leaving foster care, 46% do not have a high school diploma; 62% have not maintained employment for one (1) year and 13% have graduated from a four (4) year college.[4]

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[3] Davis, Maryann, Ph.D.; Hunt, Bethany, *State Efforts to Expand Transition Supports for Young Adults Receiving Adult Public Mental Health Services: Report on a Survey of Members of the National Association of State Mental Health Program Directors*, American Institutes for Research, March 2005.

[4] Jim Casey Youth Opportunities Initiative, *Opportunity Passports for Youth in Transition from Foster Care: A Vision Statement*, April 2002.

c. Juvenile delinquency often exacerbates this problem; 12% of formerly incarcerated youth obtain a high school diploma or GED by adulthood. Approximately 30% were in either school or were employed one (1) year after their release. Youth who have been adjudicated delinquent are seven (7) times more likely to have a history of unemployment and welfare dependence as an adult.[5]

METHODS AND PROCEDURES

CGJ's program assessment and investigation consisted of the following Methods and Procedures:

1. Collected and reviewed data and information on TAY programs offered by DCFS/PD, staffing and resources needed for these services

2. Interviewed staff and management on their approach to these programs and how successes are measured

3. Interviewed TAY program participants to obtain input on the effectiveness of programs and services

4. Reviewed outreach efforts, services and programs available to TAY

5. Reviewed comparative service level data from other jurisdictions regarding service provision to TAY populations

6. Identified and reviewed TAY program measurement criteria used to measure program effectiveness

*NOTE: CGJ's initial intent was to randomly select from a list of past and current ILP and Transition Housing Program (THP) participants for interview. Due to privacy concerns, an interview request letter was sent to TAY. Approximately one hundred fifty-five (155) youths received this letter. A total of six (6) responded. The CGJ interviewed an additional three (3) youths by requesting referrals from the responding youth. A total of nine (9) youths were interviewed regarding ILP and housing programs.

FINDINGS

1. ILP program data shows that overall youth participation levels have significantly declined in the past five (5) years. As shown in Table 4, the number of participants declined in FY 2009-2010 by more than 48%. Participation peaked in FY 2006-2007. Starting in FY 2009-2010, the overall participation rate is lower than in prior years. This may be due to the two (2) departments using ILP eligibility to tabulate the numbers of youths available for ILP, instead of the number of students to which ILP services were offered. Also, prior to FY 2008-2009, the number of youths asked to participate was not differentiated by department.

[5] Network on Transitions to Adulthood, "Juvenile Justice and the Transition to Adulthood," *Network on Transitions to Adulthood Policy Brief*, February 2005.

The numbers are not representative of actual eligible youth. The number of ILP eligible youth for FY 2009-2010 is inflated due to the difficulty of generating data from computerized database management systems. Actual numbers of eligible youth in the system is approximately 17,000-18,000. The data shows that of the DCFS and Probation youths eligible to receive ILP services, only a small percentage (17% - 28%) actually receive these services.

Table 4. DCFS/Probation ILP Program Participation

Year	Youth From	ILP Eligible / Offered Youth	ILP Participated Youth	Participation Rate %
FY 09/10	DCFS	24,142	3,304	14%
	Probation	3,784	1,511	40%
	Total	27,926	4,815	17%
FY 08/09	DCFS	5,755	4,626	80%
	Probation	3,960	1,866	47%
	Total	9,715	6,492	66%
FY 07/08	DCFS		6,844	
	Probation		1,769	
	Total	12,646	8,613	68%
FY 06/07	DCFS		7,360	
	Probation		1,997	
	Total	14,258	9,357	65%
FY 05/06	DCFS		6,441	
	Probation		1,876	
	Total	12,759	8,317	65%

The data shows that from FY 2005-2006 to FY 2008-2009 the proportion of youths that receive ILP services to the number of youths that were asked if they wanted to receive services remained consistent (approximately 66%). Not all youths are asked to apply for the ILP. Youth awareness of ILP and the extent of the services offered by the program is not high. Efforts to promote the ILP could be expanded and improved.

Participation numbers may not be accurate because what constitutes "participation" (whether it is the type and/or level of service) is unclear. Some youths do not receive ILP financial assistance but are only provided "soft" services, such as educational planning, establishment of goals and financial advice. Some coordinators do not record this as "participation," while others do. These issues underscore the lack of process, clarity and definition in the ILP outcome and performance data that is collected and reviewed by DCFS and Probation staff.

2. Transitional housing programs lack clear outcomes and performance measures. The THP offers the most beds. DCHS and LAHSA together offer over 450 beds for TAY. The THP support services offered by the two (2) entities are different. Both providers require participating youth to pay a percentage of their monthly income to initiate a savings account.

   The youth collects their savings account from their housing provider. DCFS returns 100% of savings plus interest. Some LAHSA agencies return only 70-80% of the youth's saving account and retain the remainder for administration costs. Table 5 summarizes the primary differences between DCFS and LAHSA programs for TAY between ages 18 and 21:

Table 5. Differences in Service Providers

Service	DCFS THP	LAHSA THP
Saving Plan Return	100% + interest	70-80%
Housing Style	Scattered Site	Congregate
Paid Utilities	Yes	Some
Bus Pass	Yes	Few
Employment Assistance	Yes	Some
Life Skills Training	Yes	Some

Source: Independent Living Program (ILP) Policy Guidelines (Revision December 2010)

How these program differences impact the effectiveness of the THP are unclear. The programs lack clear outcome or performance measures. The CGJ investigation attempted to collect detailed information on service outcomes of the THP housing and support services. Only limited outcome information was collected from youth currently housed in THP facilities. Table 6 shows the different types of housing care for current DCFS-THP youths entering and exiting THP and the youth count for each housing type at the end of program participation. The data represents February 2011:

Table 6. Housing Types at Entrance and Exit for DCFS THP Youth, Feb. 2011

	Transitional Housing		Emergency Shelter		Foster Family Agency/ Home		Relatives or Non-related		Jail/Prison at Entrance, Probation Placement at Exit		Absent/ Unable to Locate		Other	
	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total
Upon THP Entrance	22	13%	4	2%	68	39%	73	41%	2	1%	-	-	7	4%
Upon THP Exit	6	3%	2	1%	66	38%	66	38%	11	6%	4	2%	17	10%

Source: Independent Living Program (ILP) Policy Guidelines (Revision December 2010)

Table 6 also shows that a large majority of DCFS-THP participants were not only housed at foster homes and homes of relatives and non-related guardians, but these homes received the majority of the youth upon exit from THP. Of the youth who currently reside in DCFS-managed THP, a large percentage (72.9%) are employed, have a high school diploma (87.6%) or enrolled in school (63.8%). As shown in Table 7, of those unemployed, 3.3% receive General Relief (GR) or unemployment benefits. The data provided shows the characteristics of THP participants. It does not provide information on how the program impacts the youth.

Table 7. Percentage of DCFS THP Youth, School Enrollment, H.S. Graduation, Employment and GR/Unemployment Benefits

Total In DCFS THP Housing	% Living Less Than 1 Year in THP	% Employed	% Receiving Unemployment or GR	% with H.S. Diploma	% Enrolled in School
177	63.0%	72.9%	3.3%	87.6%	63.8%

Source: Independent Living Program (ILP) Policy Guidelines (Revision December 2010)

There are no means for evaluating youth satisfaction with the THP, particularly one that can assess a youth's success and progress pre- and post-participation in THP. Interviews with youth indicated that the housing program has allowed youth to go to school and work part-time. Some youth complained about the living conditions of facilities, and one mentioned she was homeless for seven (7) months during transition from THPP to THP+.

Most youth prefer to live in DCFS-managed housing. The interviews also support this claim. The youth have limited options due to high demand and limited supply. In terms of detailed information on the quality of the services, limited information was available to evaluate the program in detail. Of the persons interviewed, some considered the quality to be marginally different, while others thought DCFS services represented a more "hands-on" and comprehensive approach. Since LAHSA contracts out the provision of housing and support services, capturing data to ensure consistency in service levels is difficult.

3. Communication between staff and youth is mostly voluntary. The tracking of youth depends on youth volunteering to provide updates on his/her status and progress. Self sufficiency is defined as the youth's ability to sustain oneself without the use of social services or family assistance as well as being aware of the available public services and resources (such as General Relief). Knowledge of the process to acquire these services and resources is often difficult for youth to obtain. Table 8 details key self sufficiency outcome and characteristics for Los Angeles County ILP youth for the past five (5) years:

Table 8. Self Sufficiency Outcomes Data

Year	Total Participated Youths	Completed high school (or equivalent)	Continuing high school (or equivalent)	Enrolled in college	Employed (part/full time)	Living independently (of agency programs)	Experienced episode of homelessness
FY 09/10	4,815	1,395	1,125	1,054	1,114	2,174	653
		29%	23%	22%	23%	45%	14%
FY 08/09	6,492	1,762	1,061	1,637	1,799	1,465	882
		27%	16%	25%	28%	23%	14%
FY 07/08	8,613	1,930	3,103	1,514	1,892	1,397	456
		22%	36%	18%	22%	16%	5%
FY 06/07	9,357	1,789	4,471	1,330	1,399	1,722	267
		19%	48%	14%	15%	18%	3%
FY 05/06	8,317	1,749	2,296	1,293	1,501	1,367	317
		21%	28%	16%	18%	16%	4%

The data shows that the current percentages of ILP youth who completed high school and enrolled in college are employed and live independently are higher than in previous years. The percentage of ILP youths in FY 2009-2010 who experienced at least one episode of homelessness has increased significantly (10 % from FY 2005-2006).

Table 9 compares the self-sufficiency outcomes and performance measures of ILP youth in FY 2009-2010 with those of five (5) other California counties. Compared to other counties, Los Angeles County ILP youth in FY 2009-2010 fared better on positive outcomes than the average with the exception of employment. The proportion of Los Angeles County ILP youth employed either part or full-time was slightly lower than the overall average. In addition, Los Angeles ILP had a higher percentage of youths who experienced a least one (1) episode of homelessness.

Table 9. Comparative ILP Self Sufficiency Outcomes Data, FY 2009-10

County	Total Participated Youths	Completed high school (or equivalent)	Continuing high school (or equivalent)	Enrolled in college	Employed (part/full time)	Living independently (of agency programs)	Experienced episode of homelessness
Los Angeles	**4,815**	**1,395**	**1,125**	**1,054**	**1,114**	**2,174**	**653**
		29.0%	**23.4%**	**21.9%**	**23.1%**	**45.2%**	**13.6%**
Alameda	1,467	360	405	344	269	184	186
		24.5%	27.6%	23.4%	18.3%	12.5%	12.7%
San Bernardino	1,250	82	260	232	374	595	60
		6.6%	20.8%	18.6%	29.9%	47.6%	4.8%
San Francisco	895	180	420	120	215	175	134
		20.1%	46.9%	13.4%	24.0%	19.6%	15.0%
Santa Clara	211	127	34	97	96	0	36
		60.2%	16.1%	46.0%	45.5%	0.0%	17.1%
Merced	59	5	1	1	0	2	6
		8.5%	1.7%	1.7%	0.0%	3.4%	10.2%

The measures and outcomes in Table 9 provide a basis for evaluating ILP program success. The processes and procedures involved in maintaining such data require improvement. Once the youth receives ILP services, the communication between the recipient and the staff coordinator is limited due to the reliance on voluntary updates about their status. If a youth withdraws from the program or does not provide personal updates, both departments are unable to track outcomes. The Departments have limited ability to determine the success of services to establish self-sufficiency.

The CGJ found the following to be of significance:

a. The DCFS/Probation Departments do not have adequate means to evaluate the effectiveness of the ILP longitudinally in assessing participant outcomes beyond the time in the program. As long as the participant remains ILP eligible, coordinators address their needs and provide the necessary services to encourage and build self-sufficiency. However, for a youth no longer eligible, the departments provide additional aftercare and refer youth to available resources. Increasing the ability to track participant progress and outcomes allows both DCFS and Probation to assess overall program effectiveness, address service gaps and establish accountability.

b. Annual program performance goals and objectives for TAY programs and services were not maintained by departments. Developing program goals and measures to various program levels is precisely what may be needed to improve effectiveness and accountability. Without this, it could be difficult to gauge the success of the programs as well as services and the effectiveness of the personnel and resources utilized.

RECOMMENDATIONS

1. Undertake an impartial, external audit and evaluation of TAY programs, particularly housing and ILP services. The assessment may allow for an evaluation of differences and successes of DCFS and LAHSA in their roles as housing providers to TAY. The study may provide for an evaluation of the ILP programs and services. A successful evaluation requires access to current and former youth participants. The evaluation could allow consultants to survey and interview current and past participants. A study with a longer timeframe may provide more time to gather data and information necessary for a comprehensive evaluation that best identifies service gaps and impediments in process of operations, staffing, financial resources and overall service approaches.

2. Develop and implement an evaluation plan that acknowledges self-sufficiency of participants during and beyond the program period to better evaluate progress during the program and their sustainability of skills and knowledge after program service/eligibility.

3. Submit ILP and transition housing participation data to the State as part of the reporting requirement for funds.

4. Define and develop methodologies, frequency and reliability of work data collection methods and systems to clearly define recorded data so that participation data is more reliable.

5. Develop and maintain consistent criteria participation data for ILP and other TAY services.

6. Initiate the process of tracking youths' denial of ILP services if offered and record date and follow up to reinitiate the ILP.

7. Evaluate effectiveness of the existing data management system and explore new software that could streamline data collection and analysis which improves identification of service gaps and accomplishments.

8. Increase and improve communication efforts with TAY participants to raise awareness of ILP housing and other TAY related services by improving data collection efforts and maintaining contact with participants after they leave the program.

9. Establish confidential e-mail distribution lists and send regularly scheduled e-mails to provide awareness of scholarships, ILP services, available resources, and job opportunities.

10. Increase frequency in which participants provide progress updates and complete surveys that measure progress, satisfaction and solicit input and suggestions. Improved and increased communication between participants and staff may allow the recommended evaluation plan to be effectively implemented. The second method for maintaining ongoing communication with youth participants could involve the increased use of social networking, such as facebook.com, since most youths are already using these social networking sites.

REQUEST FOR RESPONSE

California Penal Code Sections[6] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	County of Los Angeles (DCFS, Probation Department)
2	County of Los Angeles (DCFS, Probation Department)
3	County of Los Angeles (DCFS, Probation Department)
4	County of Los Angeles (DCFS, Probation Department)
5	County of Los Angeles (DCFS, Probation Department)
6	County of Los Angeles (DCFS, Probation Department)
7	County of Los Angeles (DCFS, Probation Department)
8	County of Los Angeles (DCFS, Probation Department)
9	County of Los Angeles (DCFS, Probation Department)
10	County of Los Angeles (DCFS, Probation Department)

[6] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

ACRONYMS

AA	Associate of Arts
ACT	American College Testing (formerly)
AFDC-FC	Aid for Families with Dependent Children/Foster Care
CAPIT	CA State Child Abuse Prevention, Intervention and Treatment program
CSW	Children Social Worker
DCFS	Department of Children and Family Services
DPO	Deputy Probation Officer
GED	General Educational Development
GR	General Relief
HC	Housing Coordinator
ILP	Independent Living Program
KinGap	Guardianship Assistance Payment Program
LAC	Los Angeles County
LAHSA	Los Angeles Homeless Services Authority
LST	Life Skills Training
PPM	Permanent Placement Mode
PD	Probation Department
SAT	Scholastic Aptitude Test
TAY	Transitional Age Youth
TC	Transition Coordinator

THP	Transitional Housing Program
THP+	Transitional Age Program Plus
THPP	Transitional Housing Placement Program
TILP	Transitional Independent Living Plan
TRC	Transitional Resource Centers
YDS	Youth Development Services

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WHOA! THE STATE OF PUBLIC PENSIONS IN LOS ANGELES COUNTY

Committee Members

Chairperson - Meg George
Beverly T. Kishimoto
Susan Stetson
Max E. Van Doren

ASSESSMENT OF THE STATE OF PENSION PLANS IN LOS ANGELES COUNTY

INTRODUCTION

The 2010-2011 Los Angeles County Civil Grand Jury (CGJ) conducted an investigation of pensions in Los Angeles County (LAC) entitled: Assessment of the State of Pension Plans in Los Angeles County. This investigation was conducted in accordance with the authorities defined in the California Penal Codes (CPC) §914 through §939. Pursuant to CPC §926 et al, the CGJ engaged the services of an auditing firm to assist it with the pension investigation. This assessment was designed to accomplish the following objectives:

1. Complete an inventory of public pension plans in LAC, including those for both California Public Employees Retirement System (CalPERS) member and non-member agencies[1].

2. Prepare a financial profile of these plans, including information on member count; actuarial value of assets and accrued liabilities; funded status; annual benefit cost; employer and member contribution rates; interest rate earnings or discounting assumptions; current and normal contribution rates; retiree to active member ratios and other attributes.

3. Identify and assess other employer liabilities that may not be fully reported in plan documents. This includes outstanding bond indebtedness that may have been incurred by jurisdictions to prefund a portion of their pension liabilities; i.e., pension obligation bonds (POBs) and unfunded retiree health insurance benefits, also known as Other Post Employment Benefits (OPEB) that may be guaranteed to plan members.

4. Review key events influencing financial and investment management decisions and how the historical funding status of the plan may have influenced collective bargaining decisions and growth in employee benefit obligations over time.

5. Prepare in-depth profiles of up to 5 jurisdictions based on the attributes of the plans within the County, focusing on plan governance and management structure, the selection and use of actuaries and investment advisors, the process used to evaluate and select actuarial assumptions and the actuarial methodologies that are employed.

6. Test the bases and methodologies used by the selected jurisdictions for determining benefit amounts for retirees by sampling a limited number of retiree records to confirm adherence to the methodological approach employed by the plan and to identify possible instances of pension spiking or other possible abuses of plan provisions.

7. Provide the public with the tools to understand and engage in informed dialog with their elected officials regarding pension attributes and obligations in their community, and the

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[1] The broad categories of plans include: (a) CalPERS City Individual Plans, (b) CalPERS City Risk Pool Plans, (c) CalPERS Special District Individual Plans, (d) CalPERS Special District Risk Pool Plans, (e) Independent Plans, (f) Public Agency Retirement System (PARS) Plans and Other Supplemental Plans, (g) Other Post Employment Benefit (OPEB) Plans for Cities, and (h) Other Post Employment Benefit Plans (OPEB) for Special Districts. A separate matrices showing Pension Obligation Bond (POB) debt by jurisdiction is also provided.

ramification that pension obligations may impose on other services if nothing is changed. These tools include the pension primer in Appendix B, the data compiled in the matrices of Appendix C and the profile examples provided in Sections 1, 2, 3, 4, and 5,. If the public can embrace the ramifications of their pension obligations, they can support the political will to make the difficult choices needed to ensure their community has sustainable pension plans for its government employees.

In accordance with these objectives, this Report analyzes the key attributes of the 277 public pension plans in the County, based on available information contained in financial statements and actuary reports for each plan. The data was used to populate matrices, which were then used to profile the public pension plans in the County and provide the CGJ with information needed to select five plans for more in-depth review.

JURISDICTIONS

Jurisdictions in LAC have established 277 public pension plans that are administered either by the CalPERS or by separate, individual non-CalPERS pension trusts. CalPERS plans can be grouped into 2 general categories:

1. Individual plans – which are larger plans with 100 or more active members that receive separate actuarial evaluations to determine assets, liabilities and funded status
2. Risk Pool Plans – which are comprised of a group of smaller pension plans for which plan assets are invested in "risk pools." Smaller pension plans are defined as those with less than 100 members in any year since 2003. Total assets, liabilities and funded status are reported at the risk pool level, and individual member agency information is adjusted by "side fund" balances that reflect the difference between the funded status of that plan and the risk pool at the time that plan entered into the risk pool.

At the time of this Report, there were 152 CalPERS plans for cities and 62 CalPERS plans for special districts for a total of 214 CalPERS plans in LAC. Of these, 81 were individual plans, and the remaining 133 were Risk Pool plans.

Individual non-CalPERS plans include 13 city and large special district plans reporting total actuarially accrued liabilities exceeding $50,000,000 in the most recently reported actuarial valuation. There are 50 other smaller plans for special districts, including Public Agency Retirement System (PARS) plans[2] that have been established within the County. A full count of all CalPERS and non-CalPERS plans is included in Phase I with an accompanying inventory that shows plan attributes included in Appendix C.

ASSESSMENT OVERVIEW

This Assessment was conducted in accordance with Government Auditing Standards prepared by the United States Comptroller General and promulgated by the United States Government Accountability Office (USGAO). Also known as generally accepted government auditing standards (GAGAS), these standards provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence.

[2] PARS plans are typically established for part-time or seasonal workers, or to provide supplemental benefits to employees. The majority of PARS plans reporting information for this assessment are defined contribution plans.

This Assessment was performed in 2 Phases:

Phase I

Phase I involved the collection of pension plan information for each of the public sector jurisdictions within LAC. Typically, this involved obtaining 2 key documents: the Comprehensive Annual Financial Report (CAFR) for the jurisdiction and the financial statements, actuarial valuation or annual report for each of the plans.

This information was then used to populate a matrix that displays key attributes of each of the pension plans, as well as information on post retirement health insurance benefits, deferred compensation plans and any amounts that may have been borrowed by the jurisdiction to pre-fund its unfunded actuarial accrued liability (UAAL). This data was then sorted and analyzed, and recommendations were made to the CGJ on jurisdictions that may be appropriate for a more in-depth review of the plans.

Phase I was particularly challenging. A few smaller cities and special districts never responded to our requests for information despite repeated attempts to contact officials. In addition, CalPERS created unreasonable delays providing actuarial data for the 214 pension plans within the County for which it provides pension services. Although the information being requested is public, CalPERS does not post it on its website. Further, in order to obtain the needed information, we were required to file a Public Information Request (PIR) through the CalPERS Public Information Office; and the request was referred to the organization's Legal Office to coordinate compilation of the information from CalPERS actuaries. CalPERS offered to supply the information in 5 installments. Although the original request was made on December 29, 2010 and the PIR was filed with CalPERS on January 4, 2011, we did not receive all information until the evening of March 10. These delays were unreasonable, given that these are standard reports that are produced annually for all member agencies, should be publically available to the taxpayers, and should be easily retrievable by CalPERS staff for dissemination to the general public.

The effect was that the CGJ was hampered in its ability to select plans for in-depth analysis, and the auditor's ability to populate the matrix and conduct analysis of the data within the timeframe required by the CGJ's term became more difficult.

Phase II

Phase II involved the more in depth analysis of the 5 pension plans chosen by the CGJ. As mentioned previously, these systems were chosen after analysis of the information available for all plans within the County. The CGJ identified 1 well run plan and 4 other plans exhibiting characteristics that suggested weakness of financial difficulties for the sponsoring jurisdictions. Principally, the assessment of the jurisdictions appropriate for the in-depth review was based on the following indicators:

- **Actuarially Accrued Liabilities (AAL)**, which is the total plan liability based on an actuarial evaluation of plan membership, pensionable salaries, inflation, benefit formulae and other key variables
- **Unfunded Actuarially Accrued Liability (UAAL)**, which is the unfunded portion of the AAL based on an actuary's assessment of the value of plan assets available to fund plan liabilities

- **Funded status**, which is the percentage of total liabilities funded with plan assets that are valued on an actuarial basis
- **Effective Contribution Rate**, which is a calculated rate to be charged against pensionable salaries that includes the plan sponsor, or employer rate and any portion of the employee rate that may be paid; i.e., "picked up" by the employer
- **OPEB, or Retiree Health Benefit Funded Status**, which is the percentage of total OPEB liabilities funded with assets that are valued on an actuarial basis
- **Outstanding Pension Obligation Bonds**, which represent amounts jurisdictions may have borrowed to fund a portion of its UAAL

After analyzing these indicators, the CGJ selected the 5 jurisdictions for in-depth review. The project team met with each of these jurisdictions to discuss plan attributes, plan governance, collective bargaining challenges, the jurisdiction's budget status and other matters. For the 3 non-CalPERS plans chosen for the review, a limited sampling to confirm benefit calculation methodologies and obtain a better understanding of how methodological approaches impacted benefit amounts was performed. While there were no exceptions to the methodologies or calculated benefit amounts found in these 3 independent plans, this exercise allowed identification of areas of concern that led to recommendations contained in the report. However, it was not possible to conduct similar analysis for the jurisdictions with CalPERS plans due to the general difficulty and delays encountered in accessing the CalPERS pension records and personnel.

<u>PENSION PLANS SELECTED FOR REVIEW</u>

The 5 agencies selected for in-depth review are described below:

1. Los Angeles County Employees Retirement Association (LACERA)

   LACERA is the largest of the non-CalPERS plans in the State of California, managing pension and retiree health insurance benefits for employees of the LAC, the Little Lake Cemetery District, the Local Agency Formation Commission, the Los Angeles Office of Education and the South Coast Air Quality Management District. As of June 30, 2010, LACERA had nearly $46.7 billion in AAL backed by slightly over $38.8 billion in actuarial assets. With approximately 83.3% of its AAL backed by assets, the plan had UAAL of approximately $7.8 billion.[3] The LACERA AAL represented approximately 43.3% of the total public pension liability reported in the County for that year.

   LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits of LACERA members.[4] The CGJ selected the County and LACERA for in-depth analysis because of the plan's size and characteristics of the benefits provided to Miscellaneous and Safety (fire and police) employees, and because it was generally considered to be a well-run plan based on the indicators and performance criteria described above.

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[3] The technical terms used to describe fund assets and liabilities are explained in this report and defined in the Glossary of Terms included as Appendix A.

[4] *Los Angeles County Employees Retirement Association 2010 Annual Report*

2. Los Angeles City Department of Water and Power Employee Retirement Plan (WPERP)

   WPERP is one of several retirement plans established by charter for the employees of the City of Los Angeles. The Plan only provides pension benefits for employees of the Department of Water and Power (DWP). Other benefits, including retiree health insurance benefits, as well as a City-wide deferred compensation program, are managed separately by the Department or by other City agencies. As of June 30, 2009, WPERP had nearly $8.9 billion in AAL backed by slightly over $7.2 billion in actuarial assets. With approximately 81.5% of its AAL backed by assets, the plan had UAAL of approximately $1.6 billion. Unlike most of the other public pension plans in the County, the DWP pension obligations are funded primarily by charges to ratepayers for water and power services.

   The Retirement Plan was established in 1938 and is subject to the provisions of the City Charter and plan provisions adopted by the Retirement Board of Administration. It operates as a single-employer defined benefit plan to provide pension benefits, including death and disability benefits, to eligible Department employees. The Retirement Board is the administrator of the Pension Plan, as well as the Disability and Death Benefit Insurance Plan.

   The Retirement Plan is comprised of 3 separate funds – retirement fund, disability fund, and death benefit fund. Also, the Retirement Board has investment oversight of the Retiree Health Benefits Fund (RHBF). Each fund under the Retirement Plan is considered an independent trust fund of the Department of Water and Power, which is a proprietary department of the City of Los Angeles.[5] WPERP was chosen by the CGJ because it is a major City of Los Angeles plan funded principally with water and power ratepayer revenues.

3. Pasadena Fire and Police Retirement System (PFPRS)

   The Pasadena Fire and Police Retirement System is a closed plan that provides pension benefits to fire and police retirees of the City of Pasadena. The plan covers all fire and police personnel who were employed by the City prior to July 1, 1977 except for those who elected to transfer to CalPERS as part of a special arrangement in June 2004. As of June 30, 2010, PFPRS had nearly $166.1 million in AAL backed by slightly over $109.7 million in actuarial assets. With approximately 66.1% of its AAL backed by assets, the plan had UAAL of approximately $56.4 million.

   PFPRS is a single-employer defined benefit plan governed by a Retirement Board (Board) under provisions of the City Charter.[6] Since the Plan closed, the City has accumulated additional UAAL of $193.7 million for its CalPERS Miscellaneous and Safety Plans and has outstanding Pension Obligation Bond (POB) debt of over $111.5 million. In total as of June 30, 2010 the City was carrying over $361.4 million in unfunded pension liabilities, not including interest on the POBs or obligations related to retiree health benefits. The CGJ chose PFPRS because it is a closed plan with a pattern of being underfunded by the City.

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[5] City of Los Angeles Water and Power Employees Retirement, Disability and Death Benefit Insurance Plan Financial Statements and Supplementary Information for the Years Ended June 30, 2010 and 2009 combined with the City of Los Angeles Water and Power Employees Retiree Health Benefits Fund Financial Statements and Supplementary Information for the Years Ended June 30, 2010 and 2009

[6] City of Pasadena California, Comprehensive Annual Financial Report Year Ended June 30, 2010

4. Monterey Park CalPERS Miscellaneous and Safety Plans

   The City of Monterey Park contracts with CalPERS to provide pension benefits for its Miscellaneous and Safety employees. As of June 30, 2009, the City's CalPERS plans had nearly $213.7 million in AAL backed by slightly over $184.7 million in actuarial assets. With approximately 86.4% of its AAL backed by assets, the plan had UAAL of approximately $29.0 million.

   CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. In addition to the unfunded liabilities of its 2 CalPERS plans, the City had approximately $49.2 million in unfunded OPEB obligations and $16.9 million ($32 mllion including interest) in outstanding pension obligation bonds as of the its last valuation date, for total unfunded pension obligation of $95.1 million, not including interest on the POBs. Monterey Park was chosen by the CGJ because it is an individual CalPERS plan that is well funded at 92.7% as of June 30, 2009, but which has $49 million in unfunded OPEB liability and owes $32 million in Pension Obligation Bonds.

5. Hermosa Beach Safety Police Plan

   The City of Hermosa Beach also contracts with CalPERS to provide pension benefits for its Miscellaneous and Safety employees. Because it has fewer than 100 employees in each of its plans, Hermosa Beach participates in CalPERS pooled fund plans, whereby the assets and liabilities of the City are pooled with those of other similarly sized jurisdictions that have elected the same plans for their employees. As of June 30, 2009, Hermosa Beach was participating in 3 such pooled plans: the Miscellaneous 2% at 55 Plan for non-sworn employees, the Safety 3% at 55 Plan for sworn Fire Department employees, and the Safety 3% at 50 Plan for sworn Police Department employees. The funded status for these 3 pooled plans as of that date was:

   a. Miscellaneous: 2% at 55 Plan 64.9%
   b. Safety - Fire: 3% at 55 Plan 61.5%
   c. Safety - Police: 3% at 50 Plan 60.2%

   In addition to having low funded status in each of these 3 pooled plans as of June 30, 2009, the City had an additional negative "side fund balance" of $13.9 million, representing the balance remaining on UAAL for the plans at the time they joined the various pooled funds. The amortization of this negative side fund balance significantly increases the City's annual contribution requirements, which is particularly apparent with the Police Safety Plan.

   CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. In addition to the unfunded liabilities of its 3 CalPERS pooled plans, Hermosa Beach had nearly $2.5 million of UAAL in retiree health, or OPEB liability. While the City had not borrowed using POBs as of June 30, 2009, the CGJ was advised during interviews that management was poised to borrow using POBs during the current fiscal year to prefund its UAAL and negative side fund balance. Hermosa Beach was chosen by the CGJ because it is a CalPERS risk pool plan that has annual contribution rates that are among the highest in the County.

REPORT STRUCTURE

This Report is structured to allow a general member of the public to understand the state of public pension plans in the County. Appendix B provides a "short course" in pension terminology and concepts that could be found useful.

Phase I

Describes current trends and perspectives related to public pensions and analyzes the profile of Public Pension Plans in LAC. This Phase focuses on benefit design and the relationship to the collective bargaining processes; the types of pension plans that exist in the County; additional OPEB benefit obligations; and bond indebtedness factors that impact total retirement costs for the jurisdictions. Analysis stemming from the collection of data on each of the 277 Public Pension Plans in the County is also provided for understanding key characteristics and differences in pension benefit design and the financial status of the plans.

Phase II Sections 1, 2, 3, 4, and 5

Presents findings related to each of the jurisdictions and pension plans chosen by the CGJ for in-depth review. These sections describe the key attributes of each plan but focus on those areas where the jurisdictions may have opportunities to achieve short and long-term savings or improve plan administration.

Appendix C

Explores the attributes and obligations for Public Pension Plans offered to employees of the County or of a particular city or special district within the County. This Appendix contains 9 matrices: C.1 through C.9. These matrices are presented by broad plan category[7] and then sorted alphabetically by jurisdiction name. A separate schedule of POB debt is also provided.

To understand all of the possible pension benefit obligations that may be borne by a particular jurisdiction, each of these plans and POB matrices need to be examined individually. Individual jurisdictions may have entries on multiple matrices since reported attributes are different for each broad category of the plan. Had the data been merged by jurisdiction, the presentation would have been cumbersome and confusing. To ensure clarity and minimize such confusion, a decision was made to segregate the information.

Using selected jurisdictions Phase II, Sections 1 through 5 of this Report presents key pension plan attributes such as:

- Funded Status
- Actuarial Value of Assets
- AAL

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[7] The broad categories of plans include: (a) CalPERS City Individual Plans, (b) CalPERS City Risk Pool Plans, (c) CalPERS Special District Individual Plans, (d) CalPERS Special District Risk Pool Plans, (e) Independent Plans, (f) Public Agency Retirement System (PARS) Plans and Other Supplemental Plans, (g) Other Post Employment Benefit (OPEB) Plans for Cities, and (h) Other Post Employment Benefit Plans (OPEB) for Special Districts. A separate matrices showing Pension Obligation Bond (POB) debt by jurisdiction is also provided.

- UAAL
- Covered payroll
- Sponsor annual required contribution rate (ARC) as a percentage of payroll
- Whether the sponsor "picks up" the employees' contribution
- Sponsors contribution rate spread (columns U,V,W,X,Y,Z in C.1, columns M,N,O,P in C.2, etc.)
- Built-in cost of living adjustments (COLA) rates
- Other post-retirement benefits (OPEB)
- Post-retirement survivor allowance
- Benefit formula (how young can a employee start collecting retirement; how rich is the retirement)
- Whether pension obligation bonds (POBs) are in place

In order to review pension attributes for a single jurisdiction, multiple matrices may need to be consulted. For example, the City of Pasadena has a CalPERS Individual Plan for both Miscellaneous and Safety employees; has an Independent Plan for certain retired Fire and Police employees that has been closed since 1977; operates a Public Agency Retirement System (PARS) plan for part-time and seasonal employees; provides retiree health benefits through an OPEB plan; and has POB debt that had been used to fund benefits for members of the closed plan. Accordingly, Pasadena plans appear on 5 different matrices in Appendix C (C.1, C.5, C.6, C.7, and C.8). Appendix E lists all jurisdictions contained in this Report alphabetically and the matrices on which their respective pension(s) attributes are listed.

Each jurisdiction may use the data in this Report to:

1. Build and review a profile of its respective pension plans
2. Enable it to make informed decisions regarding how to move forward in a sustainable way to provide future pension obligations.

APPENDICES

There are 5 key appendices to this Report to encourage understanding of the public pension environment in Los Angeles County:

Appendix A "Public Pension Principles" summarizes key principles of public pension systems and the primary laws and regulations governing Public Pension Plans; including theories behind benefit design and actuarial estimates of assets and liabilities

Appendix B "Listing of Number of Plans by Jurisdiction and Where to Find in Appendix C (C.1, C.2, C.3, C.4, C.5, C.6, CC.7, C.8, C.9)" is an alphabetical list of all jurisdictions identifying the "C. matrix" in which their respective pension(s) attributes are cataloged

Appendix C Matrices showing the results of research as to the attributes of Public Pension Plans in LAC, sorted by jurisdiction name. Appendix C contains 9 separate matrices, C.1 through C.9, covering 8 broad plan categories and a ninth separate matrix showing POB debt by jurisdiction. The list below provides a guide to Appendix C:

C.1 CalPERS City Individual Plans

C.2 CalPERS City Risk Pool Plans

C.3 CalPERS Special District Individual Plans

C.4 CalPERS Special District Risk Pool Plans

C.5 Independent Plans

C.6 Public Agency Retirement System (PARS) Plans and Other Supplemental Plans

C.7 Other Post Employment Benefit (OPEB) Plans for Cities

C.8 Other Post Employment Benefit Plans (OPEB) for Special Districts

C.9 Pension Obligation Bond (POB) debt by jurisdiction is also provided

Appendix D "Public Pension Plans in Los Angeles County List of Acronyms" used in this Report

Appendix E "Glossary of Public Pension Terms" (Adapted from the CalPERS Glossary)

PHASE I

OVERVIEW AND MATRIX OF PUBLIC PENSION PLANS IN LOS ANGELES COUNTY

SUMMARY

In 2009, losses in the investment markets had a profound effect on pension systems. This event caused a rapid deterioration of retirement fund asset bases throughout the United States. Pension systems that had previously been shown to be well funded began to report investment losses of historic proportions. These losses caused the amount of the annual required contribution due to pension plans by public sector employers to increase. In Los Angeles County (LAC), many jurisdictions emerged from this market downturn with effective pension system contribution rates exceeding 30% of salaries and, in some cases, over 50% of salaries. This created severe challenges for jurisdictions that were already facing significant budget shortfalls as a result of the recession's impact on tax receipts.

In response to this emerging situation, some public officials and the popular press began to warn of public pension system collapse, with calls for radical reform. Public employee pension benefits began to be examined closely, actuarial assumptions related to long-term investment returns began to be challenged and the ability of local government to continue funding the higher contributions was questioned. Some public officials warned that cities and counties would face bankruptcy if not provided with relief from the burden of costly public employee benefits.

While many of these concerns have some merit, the economic recovery has already begun to greatly improve the financial outlook for pension systems in LAC. In addition, many employee unions have agreed to collective bargaining concessions that will lower public sector costs over the long run. As a result, some of the largest pension plans in the County have seen stabilization and improvement in the market value of assets that will help to bring them above the 80% threshold cited by experts as a benchmark for well funded plans. Should the recovery continue to improve, as expected over the long run by most economists, it is likely that jurisdictions will begin to feel relief from the high annual contribution requirements they are presently experiencing.

Nonetheless, local government jurisdictions and employee unions should take this opportunity to consider pension system alternatives that would lower costs in the immediate future and over the long term; modify actuarial policies to moderate fluctuations in annual required contributions; and build prudent reserves to safeguard future retiree health benefits for retirees. Well reasoned approaches to resolving concerns highlighted by the impact of the Great Recession would likely lower public pension system costs for the taxpayer, ensure pension system solvency and provide reasonable benefit continuation for public employees.

PURPOSE

The Civil Grand Jury (CGJ) conducted a comprehensive review of available information for all public pension plans in LAC in order to develop an inventory of plans that would contain basic plan attributes and allow for high level analysis, identification of themes and patterns, and development of general findings and recommendations. The basic plan attribute data was cataloged into 9 matrices to facilitate the public's review, understanding and assessment of the financial state and liabilities of the plan(s) in their jurisdiction. Five (5) plans were selected by the CGJ for review and commentary.

BACKGROUND

The crash of the investment markets in late 2008 and 2009 had a profound effect on pension system investment returns and asset bases. As a result of double digit investment losses during that period, retirement fund assets declined rapidly and concerns about the ability of public pensions to fund employee benefit obligations began to surface. Pension funds were forced to increase the Annual Required Contributions (ARCs) charged to public sector employers to fully fund pension plan benefits for employees and retirees. To compound the financial dilemma for public agencies, these increases in annual pension contributions came at a time when local jurisdictions were already faced with severe tax revenue shortfalls that were forcing severe reductions in services to the public.

As this phenomena was replayed across the country, public officials and the press began to warn of public pension system collapse with calls for radical reform. Public employee pension benefits began to be examined closely and actuarial assumptions related to long-term investment returns were challenged. The ability of local government to continue funding higher contributions was questioned. Some public officials warned that cities and counties would face bankruptcy if not provided with relief from the burden of costly public employee benefits.

SIGNIFICANT REPORTS ON CALIFORNIA PUBLIC PENSION REFORM

In general timeframe, several reports on California pension reform emerged and a public dialogue began seeking ways to recover from the impacts of the recession. The following summaries describe some of the most significant reports and comments made by California public officials and others during this period.

1. Little Hoover Commission (February 2011)

   In its report, "Public Pensions for Retirement Security" (the Little Hoover report), the Little Hoover Commission pointed to several areas where benefit design has resulted in an increased pension cost, including provisions to grant extra service credit, allowing employees to retire with full benefits at younger ages; modifying methodologies used to compute the single highest year of compensation; and lowering the minimum age of retirement. The Commission stated that these types of changes, provided to employees through the collective bargaining process, have contributed to the inability of public agencies to effectively lower public employee pension costs in the near term.

   The Commission produced a series of recommendations that would:

   a. Establish "lower defined-benefit formulas"

   b. Establish hybrid pension models that would combine defined benefit plans with "employer-matched defined-contribution" plans

c. Establish caps on the maximum salary that can be used to calculate pension payments, or on the maximum pension that a retiree may earn

d. Require that employers make minimum contributions, even when investment earnings exceed expectations

e. Require that employees make contributions

f. Advocate for the Federal government to extend Social Security to uncovered workers

CalPERS responded to the Little Hoover Commission report criticizing the Commission's characterization that "pension costs will crush government." CalPERS identified what it perceived as weaknesses in the Commission's analysis such as the non-reporting of 2010 investment gains by CalPERS and the recent prevalence of benefit concessions being agreed to by employee groups and other factors as key observations to be considered. CalPERS did not forcefully disagree with any of the Little Hoover Commission recommendations.

However, it is worth noting that many of the suggestions made by the Commission have already been implemented in some LAC jurisdictions. For example, the City of Los Angeles Fire and Police Retirement System already imposes benefit caps at less than 100% of final salary for retiring employees. Further, many plans have already established deferred compensation alternatives for their employees and some employee unions have agreed to concessions lowering the amount of employee contribution that the employer agency subsidizes. Each jurisdiction needs to be viewed in the context of the labor agreements it has with its employee labor groups and other local considerations.

2. Stanford Institute for Public Policy Research (April 2010)

The Stanford Institute for Public Policy Research issued a report in April 2010 entitled, "Going for Broke: Reforming California's Public Employee Pension Systems" (the Stanford Report). In this Report, the authors examined the "funding shortfalls for CalPERS, CalSTRS and UCRS"[8] to identify policies that would "prevent similar shortfalls in the future."

The report challenged the assumed interest rate of return, or discount rate, being used by these plans to forecast future plan assets. The centerpiece of the analysis concluded that if the assumed interest rate of return was adjusted to a "risk free" level of 4.14%, instead of the 7.75% presently assumed by the CalPERS Board's Investment Committee, the funded ratio would decline from 86.1% to 49.9%, increasing the UAAL by over $200 billion. Significant recommendations made in the report are paraphrased below:

a. Adopt probability based funding targets with a goal of being 80% certain that the asset base will cover 80% of liabilities

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[8] The California Public Employees Retirement System, the California State Teachers Retirement System and the University of California Retirement System.

b. Make contributions at the “Normal Rate” without exception

c. Reduce the period used to amortize shortfall repayments to no more than half the duration of liabilities

d. Invest in less volatile asset classes, focusing on fixed income instead of stocks;

e. Offer employees both defined benefit and defined contribution pension alternatives

The report did not critique the other important assumptions used by actuaries to estimate future costs, including estimated inflation and payroll growth. These are significant factors to consider when projecting liabilities and reporting the funded status of retirement plans.

In its response to the Stanford report, CalPERS criticized the analytical modeling that was used by the authors and found exception with several of the recommendations. It was CalPERS’ position that some of the recommendations were inconsistent with law and generally accepted accounting standards. In addition, CalPERS pointed to its history of achieving investment rates of return of an average of 7.9% in the previous 20 years and stated that the Board of Retirement’s Investment Committee analyzes its assumed rate of return every 3 years and would set a new rate in February 2011. Consistent with this statement, the CalPERS Board evaluated rate recommendations by its actuary and chose to keep the assumed investment rate of return at 7.75% in March of this year.

Instead, pension plans should emulate the practices of both CalPERS and LACERA, which allow flexibility and require regular review over the pension plan horizon. When the investment forecasts require changes in rates, they should be implemented incrementally over the longer term investment horizon.

This is the approach taken by CalPERS and LACERA. These organizations:

- Conduct annual reviews of actuarial variables used to determine funded status, including the assumed investment rate of return

- Conduct more robust reviews of the assumed investment rate of return on a triennial basis, obtaining the advice of outside investment experts and actuaries as well as holding public meetings to discuss recommendations and perspectives

Both CalPERS and LACERA have managed pension trusts for local governments for over 70 years. During that period, these funds have met their pension obligations to members and been successful at accumulating significant asset reserves for future benefit obligations. Their current asset balances are sufficient to ensure that there is no threat of default on their obligations.

Further, a review of CalPERS investment return assumptions over the past 30 years since 1979-1980 indicates that the fund has often changed its assumed investment return rate in response to market dynamics. In the late 1970s, CalPERS used an assumed rate of return of only 6.50%, increasing the assumption to as high as 8.75% in FY 1992-1993. Since that time, CalPERS has incrementally modified that rate downward to 7.75% by FY 2002-2003 where it has remained since that time. In calendar year 2010, CalPERS was again reporting investment gains of 12.5% after experiencing severe losses of -24% in 2009. CalPERS reports that at the end of 2010, the pension funds' investments had recovered "$65 billion since the fund's low point in March 2009, at $160 billion."

In June 1991 Governor Pete Wilson was urging the CalPERS Board to increase its assumed rate of return to 9.5% due to the particularly strong investment market at the time and the Governor's desire to reduce the amount of the annual contribution the State was being required to make for its employees. During that year, CalPERS was achieving actual investment yields of 12.5% and, in 8 of the 9 fiscal years between FY 1991-1992 and FY 1999-2000, CalPERS achieved double-digit returns that peaked in FY 1996-1997 at 20.1%.

By the end of FY 1998-1999, CalPERS was reporting a Funded Ratio of 128.4% and had a negative UAAL (a surplus) of nearly $32.9 billion in its accounts. As a result, many CalPERS member agencies became "Superfunded"[9] during this period. When the recession of 2000 began to take hold, local jurisdictions began to demand contribution refunds as a means of solving budget deficits they were experiencing due to losses in tax revenue.

This long-term, historical perspective is necessary to fully understand the dynamics of the investment market and the need to constantly reevaluate information that might drive projection variables in an unknowable future. The practices of both CalPERS and LACERA to regularly and periodically evaluate investment return and other actuarial assumptions, remaining flexible to respond to the dynamics of the investment market, are appropriate and should be continued. Plans with less rigorous actuary assumption evaluation processes should change their current procedures to emulate CalPERS and LACERA.

3. Public Employee Post-Employment Benefits Commission (January 2008)

   a. In December 2006, Governor Arnold Schwarzenegger signed Executive Order S-25-06, which established the Public Employees Post Employment Benefits Commission. The Commission was charged with reporting on the following topics for "all affected government bodies" in the State of California:

      i. Identifying the amount and extent of unfunded liabilities for Other Post Employment Benefits (OPEB)

      ii. Comparing and evaluating the advantages and disadvantages of various approaches for addressing unfunded post-employment benefits

[9] Term used by CalPERS when the actuarial value of assets (AVA) is greater than the present value of benefits (PVB). When a member jurisdiction is Superfunded, no employer contribution is required.

iii. Considering the advantages to the State from other post-employment benefits, such as providing health care

iv. Proposing a plan or plans for addressing unfunded post-employment benefits

b. The Commission issued a report entitled "Funding Pensions & Retiree Health Care for Public Employees" in January 2008. This report included 34 recommendations that were grouped into the following broad categories:

i. Identify and Prefund Financial Obligations

ii. Limit Contribution Volatility and Use Smoothing Methods Judiciously

iii. Increase Transparency and Accountability

iv. Improve Plan Design and Communication with Employees,

v. Provide Independent Analysis

vi. Strengthen Governance and Enhance Transparency

vii. Coordinate with Medicare

viii. Advocate Federal Tax Law Changes.

Significant recommendations came from this report, including several related to establishing strong prefunding policies, the use of OPEB bonds to pay down unfunded liability, requiring minimum employer contribution levels and establishing "tax-advantaged" supplemental savings plans in lieu of enhanced benefits.[10]

Review of OPEB benefits offered by LAC jurisdictions suggests that the application of the Commission's recommendations will be mixed. Most jurisdictions have not been building asset reserves for OPEB liabilities, reporting funded status of 0.0%. This has not been universally the case. For example, the Los Angeles Department of Water and Power Employee Retirement Plan reported a Funded Status of 60.5% as of June 30, 2010 which has been achieved by contributing over 250% of the Annual Required Contribution in each of the past 3 fiscal years (2008 = 391.98%; 2009 = 261.43% and 2010 = 273.90%). As will be discussed later in this Report, DWP's accelerated funding pattern may be due to its continuing strong financial position, based on electric and water utility collections, as well as a Citywide policy that has resulted in a similar pattern of funding for the City's other large non-safety pension plan, the Los Angeles City Employee Retirement System (LACERS).

[10] The report specifically referenced IRS Section 401(k), 403(b) and 457 plans, although all categories may not be available to public employees with established pension plans.

4. Professional Associations (February 2011)

A consortium of professional associations[11] issued fact sheets in 2010 and contributed to a series of articles included in the February issue of "Government Finance Review," a professional publication of the Government Finance Officers Association.[12] The themes of these publications are that public pension plans in the United States are not in trouble, suggesting that pension trusts have "substantial assets to weather the financial crisis." By their design public pensions have long-term time horizons that may allow the time needed to recover from market losses. They point out that market volatility is a two way street; and while it can lead to market losses, volatility can also result in long-term investment returns that continue to "exceed expectations."

In addition, the Government Finance Review articles:

a. Question the soundness of recommendations made by the Stanford Report and others on adopting risk-free investment rates of return

b. Examine steps being taken by State and local governments to reign in pension costs.

c. Propose, in the Section on Other Post Employment Benefits (OPEB), or retiree health a number of practical steps for:

    i. Prefunding liabilities

    ii. Reforming benefits

    iii. Cost sharing with employees

    iv. Converting at least portions of the promised benefits to defined contribution instead of defined benefit plans

Other sections of the publication provide strategies for redesigning pension benefits through the collective bargaining and political processes.

The CGJ finds merit in many of the arguments made in all 4 of these studies. A well informed balanced approach to sustainable public pension systems is best achieved by objectively viewing all sides of the issues. Risk tolerance may vary from jurisdiction to jurisdiction.

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[11] The National Governors Association (NGA), National Conference of State Legislators (NCSL), Council of State Governments (CSG), National Association of Counties (NACo), National League of Cities (NLC), U.S. Conference of Mayors (USCM), International City/County Managers Association (ICMA), National Association of State Budget Officers (NASBO), National Association of State Auditors, Comptrollers and Treasurers (NASACT), Government Finance Officers Association (GFOA) and National Association of State Retirement Administrators (NASRA).

[12] February 2011, *Government Finance Review,* "The Truth About Public Pensions" (Pg. 8), "Media Misperceptions" (Pg. 18), "OPEB Strategies" (Pg. 28), "Adjusting Benefits" (Pg. 36) and "Automatic Enrollment" (Pg. 42).

ATTRIBUTES OF LAC PUBLIC PENSION PLANS

Jurisdictions in LAC have established 277[13] public pension plans that are administered either by CalPERS or by separate, individual non-CalPERS pension trusts. CalPERS plans can be grouped into 2 general categories:

3. Individual plans – which are larger plans with 100 or more active members that receive separate actuarial evaluations to determine assets, liabilities and funded status
4. Risk Pool Plans – which are comprised of a group of smaller pension plans for which plan assets are invested in "risk pools." Smaller pension plans are defined as those with less than 100 members in any year since 2003. Total assets, liabilities and funded status are reported at the risk pool level, and individual member agency information is adjusted by "side fund" balances that reflect the difference between the funded status of that plan and the risk pool at the time that plan entered the risk pool.

At the time of this Report, there were 152 CalPERS plans for cities and 62 CalPERS plans for special districts for a total of 214 CalPERS plans in LAC. Of these, 81 were individual plans, and the remaining 133 were risk pool plans.

Individual non-CalPERS plans include 13 city and large special district plans reporting total actuarially accrued liabilities exceeding $50,000,000 in the most recently reported actuarial valuation. Approximately 50 other smaller plans for special districts, including Public Agency Retirement System (PARS) plans,[14] have been established within the County. Exhibit 1 shows the inventory of public pension plans in LAC:

Exhibit 1. Inventory of Public Pension Plans in LAC[15]

Total Number of Pension Plans		**277**
CalPERS Plans		
Cities		152
Individual	*71*	
Risk Pool	*81*	
Special District		62
Individual	*10*	
Risk Pool	*52*	
Independent Plans		
County, Cities, & Large Special Districts		13
Supplemental Plans		50

Source: Jurisdictions' annual reports, CalPERS actuarial reports and other listings of special districts.

As noted in the Introduction to this Report, the CGJ encountered difficulty in its attempts to acquire the annual financial reports and other pension plan documents for several jurisdictions. It was particularly difficult to obtain information for the special districts' plans and independent supplemental plans, both of which are typically very small plans representing a very small

[13] The scope of the inquiry did not include pension plans for school systems, community colleges, universities, or government associations.

[14] PARS plans are typically established for part-time or seasonal workers, or to provide supplemental benefits to employees. The majority of PARS plans reporting information for this assessment are defined contribution plans.

[15] Does not include pension plans for school systems, community colleges, universities, or government associations.

number of members. For special districts where no annual financial report was available, the CGJ relied on the limited information provided by the CalPERS actuarial reports. Very limited information was provided for most of the independent supplemental plans in the jurisdictions' annual financial reports.

FINANCIAL PROFILE AND OVERALL FUNDED STATUS

Collectively, these plans had actuarial accrued liabilities (AAL) of approximately $108.2 billion as of the most recent actuarial valuation, of which $17.8 billion was unfunded (unfunded actuarial accrued liabilities, or UAAL).[16] In addition, the jurisdictions for which these funds provided pension benefit administration services had an additional $33.9 billion in retiree health care, or OPEB liabilities, of which $30.2 billion was unfunded. Other Pension Obligation Bond (POB) debt held by these jurisdictions equaled nearly $1.2 billion, bringing total UAAL for pensions and OPEB and pension obligation bonded indebtedness to nearly $49.2 billion. The financial profile of the plans within LAC is shown in Exhibit 2:

Exhibit 2. Profile of Pension Liabilities in LAC (in $billions)

	Pension Benefits		**Retiree Health Care Benefits (OPEB)**				
	Liability	**Unfunded Liability**	**Liability**	**Unfunded Liability**	**Total Liability**	**Pension Obligation Bonds (Principal + Interest)**	**Total Unfunded Liability and Pension Debt**
County	$ 46.7	$ 7.8	$ 24.0	$ 24.0	$ 70.7	$ 0.6	$ 32.4
Cities Subtotal	56.3	9.4	8.2	5.0	64.5	0.6	15.0
Special Districts Subtotal	5.2	0.8	1.6	1.2	6.8	-	2.0
Total	**$ 108.2**	**$ 18.0**	**$ 33.8**	**$ 30.2**	**$ 142.0**	**$ 1.2**	**$ 49.4**

Source: Jurisdictions' annual financial reports and actuarial reports.

Using this data, the overall funded status for all retirement benefits can also be calculated. As shown, the total liability, considering all types of jurisdictions and all types of retirement liabilities (pension and retiree health care), is approximately $142 billion as of the most recent valuations available. The overall Actuarial Value of Assets (AVA) is $94 billion (total liability minus unfunded liability), which calculates to an overall funded status of approximately 66.2%. When combined with the pension obligation bonded indebtedness of $1.2 billion, the funded status declines to 65.4%. This is well below the 80% level that most experts consider the benchmark for a well funded plan.

It is important to note that, although the pension funds within the County have significant unfunded liabilities, they are in no danger of short-term default. For example, at the beginning of

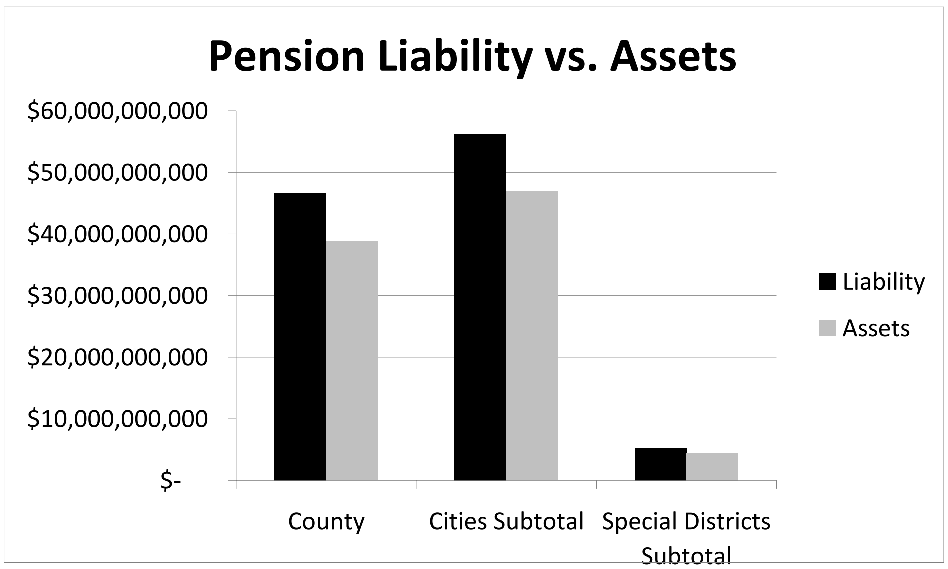
[16] The most recent actuarial evaluation for the retirement plans may be for either 2009 or 2010, depending on the plan, so the numbers being reported from our survey are generally conservative. This occurs because the actuarial value of assets (AVA) has declined for these agencies since the 2009 valuation, despite the investment market recovery in 2010, due to the smoothing of market gains and losses over multiple years. Meanwhile, the AAL has continued to climb due to the actuarial impacts of inflation, salary growth and other factors driving future costs.

FY 2009-2010, LACERA reported total market valued assets of approximately $30.5 billion. During the year, LACERA reported total expenses for benefits and administration of approximately $2.2 billion. This reflected an asset to expense ratio of about 14, meaning that LACERA's beginning assets were 14 times greater than expenses incurred during the year. Further, contributions from the County and employees were nearly $1.3 billion; and investment earnings were over $3.8 billion in that year, for a total of approximately $5.1 billion of additional assets that entered the system– nearly 2.3 times greater than current year expenses.

PENSION FUND ASSETS, LIABILITIES AND CONTRIBUTION RATES

Exhibit 3 shows the AAL and AVA for public pension systems Countywide, with the difference between the liability bar and the asset bar representing UAAL (unfunded liability):

Exhibit 3. Pension Liabilities Compared to Assets



Source: County, cities, and special district annual financial reports; CalPERS actuarial reports for individual and risk pool plans

As shown, the plans within the County continue to report significant assets, even when contrasted against projected liabilities.

1. Percent of Annual Required Contribution (ARC) Funded for Pension Benefits

   All of the cities and special districts providing benefits through CalPERS contributed 100% of their Annual Required Contributions (ARC) for their pension plans as of the most recent information for each jurisdiction. LAC also contributed 100% of its ARC. Of the 11 independent plans with liabilities over $50 million, only 2 plans did not contribute 100% of the ARC. Pasadena Fire and Police Retirement System (FPRS) contributed just 35.5% of its ARC, and the Antelope Valley Health Care District contributed 52.7% of its ARC in FY 2010. The Pasadena FPRS is the subject of one of the CGJ's case studies performed as part of this assessment (See Section 4).

2. Employer Effective Contribution Rate Components

In most jurisdictions throughout LAC, it would be misleading to view the employer "normal cost" contribution rate without also incorporating an analysis of 2 other components of the employer's total contribution. In addition to the base "normal" rate, the full magnitude of the employer's contribution includes:

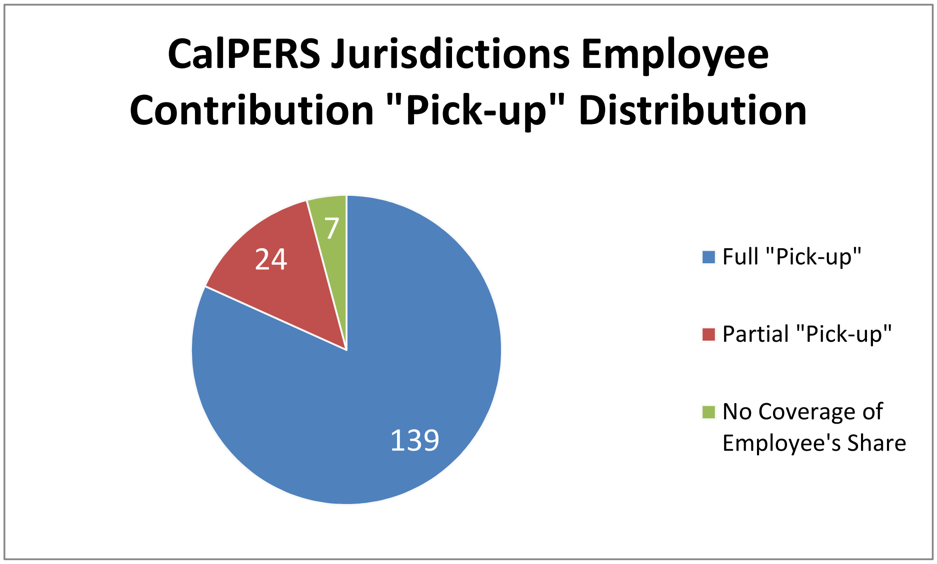
a. An amortization of unfunded liability

b. The "pick up" of the employee's contribution in cases where the jurisdiction pays the employees share as an employment benefit to workers

Information on the unfunded liability component was most readily available for the city plans. The average contribution rate for unfunded liability of the 71 non risk pool CalPERS city plans was 5.151%. Of these 71 plans, 5 had negative unfunded liability contribution rates, indicating a better funded status resulting in a credit effect on the total employer contribution rate. The low of the 71 plans was <u>negative</u> 1.885% (improved rate) for the Long Beach Safety Plan and the high was a <u>positive</u> 18.001% (worsened rate) for the Torrance Police Safety Plan.

Of the 170 CalPERS jurisdictions for which the information was available, 139 (82%) "pick up", or pay the entire employee contribution on behalf of the employee. Another 24 jurisdictions (or 14%) contribute a portion of the employee's share. Only 7 (or 4%) of these 170 CalPERS jurisdictions do not pick up the employee's contribution. Exhibit 4 summarizes the "pick up" statistics:

Exhibit 4. Distribution of Employee Contribution "Pick up" by Jurisdictions



Source: Jurisdictions' CAFR documents.

By contrast, only one of the major independent cities and special districts (those with more than $50 million in liabilities) contributes the employee's share on behalf of the employee. LACERA, all 3 City of Los Angeles plans, and all 5 plans of the LAC Metropolitan Transportation Authority each require their employees to contribute at the established employee contribution levels through payroll deductions. The contributions generally vary based on benefit plan, age of entry and other actuarial determined factors.

For tax purposes, Internal Revenue Code Section 414(h)(c) provides that, "…for any plan established by a governmental unit, where the contributions of employing units are designated employee contributions, but the employer 'picks up' the contributions, the contributions are treated as employer contributions." CalPERS states that, "The effect of a pick up is to defer tax on employee contribution amounts until the member retires and receives retirement benefits, or separates from employment and takes a refund of contributions."

Therefore, because the pick up is considered to be a form of tax deferred compensation, the agreement to pick up the employees' contribution is not considered a vested pension benefit of employees or retirees. Instead, research, confirmed by public officials interviewed for this assessment, suggests that the pick up is merely a contractual obligation of the jurisdiction made under the terms of Memoranda of Understanding (MOU) with employee unions. As a result, the terms of the pick up or the amount to be paid by the jurisdiction can be modified through the collective bargaining process for all current employees and not just new employees.

This is an important consideration. If jurisdictions are considering more immediate reductions in their costs of pension and retiree health benefits, one approach may be to negotiate with labor unions to reduce the amount of the employee contribution pick up being paid by the employer. Such savings could be realized immediately and not be dependent on new employee hires and turnover.[17] For CalPERS member agencies, removing the agreement to pick up the employees contribution would result in savings of 7% to 9% of salaries, depending on whether the employee group falls under the Miscellaneous or Safety groups of employees category.

BENEFIT AND ACTUARIAL CONSIDERATIONS

The foundation for the actuarial analysis and calculation of contribution amounts and rates is the market basket of benefits that are provided to employees. For non-CalPERS agencies, plan design can vary considerably. For example, the County and the City of Los Angeles have designed multiple tiers of plan benefits for their employees that differ depending on the category of employee, the date of initial employment and plan choice. For CalPERS jurisdictions, employers may select from an extensive menu of possible plan benefits to customize a pension system for their employees.

After the investment gains of the late 1990s, employee bargaining groups began to request enhancements to the basic benefit formulas that jurisdictions could then choose to adopt as part of their retirement plan. In response to these conditions, in 2001 the State Legislature approved changes in the law that enhanced these formulas by:

- Allowing public employees to retire with full benefits at younger ages
- Increasing the percentage of salary for each year of service for determining pension amounts

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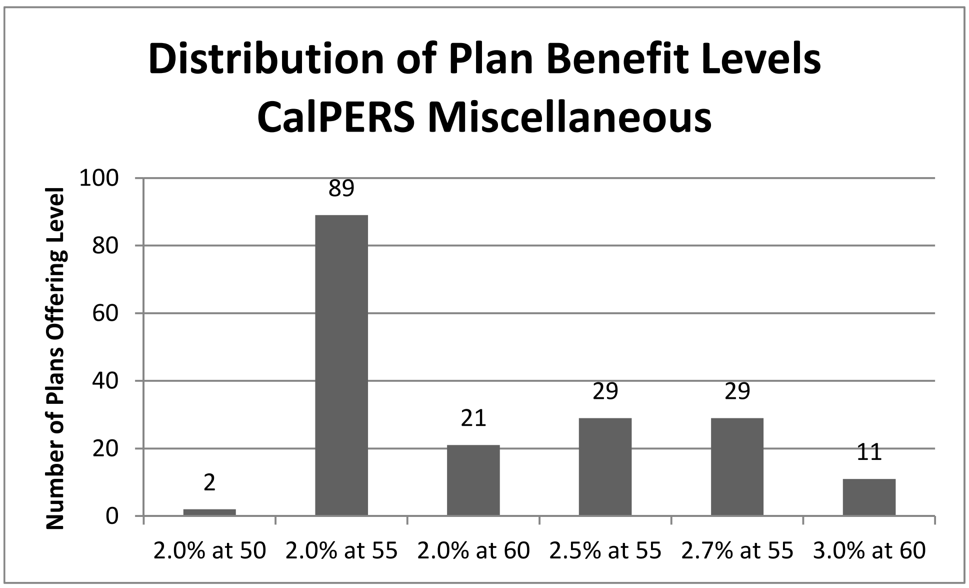
[17] CalPERS projects employer contribution rates two years in advance. Therefore, actual budget savings would not be achieved until year three, unless CalPERS modifies its current policy.

In LAC, the County and City of Los Angeles resisted these enhancements. However, in June 2003, the CalPERS Board of Administration adopted these enhancements as available options for member agencies. Most significantly, police and firefighter employees would now be eligible for 3% at 50 plans if the option was successfully negotiated with the CalPERS member agency.

In LAC and around the State, there was a concerted effort by employee bargaining groups to secure the more generous benefit formulas. The following 2 Exhibits show the benefit options chosen by LAC CalPERS member agencies as of the FY 2009-2010 valuations. Exhibit 5 shows the distribution of plan benefit levels for the CalPERS Miscellaneous category, and Exhibit 6 shows the distribution of plan benefit levels for the CalPERS Safety category.

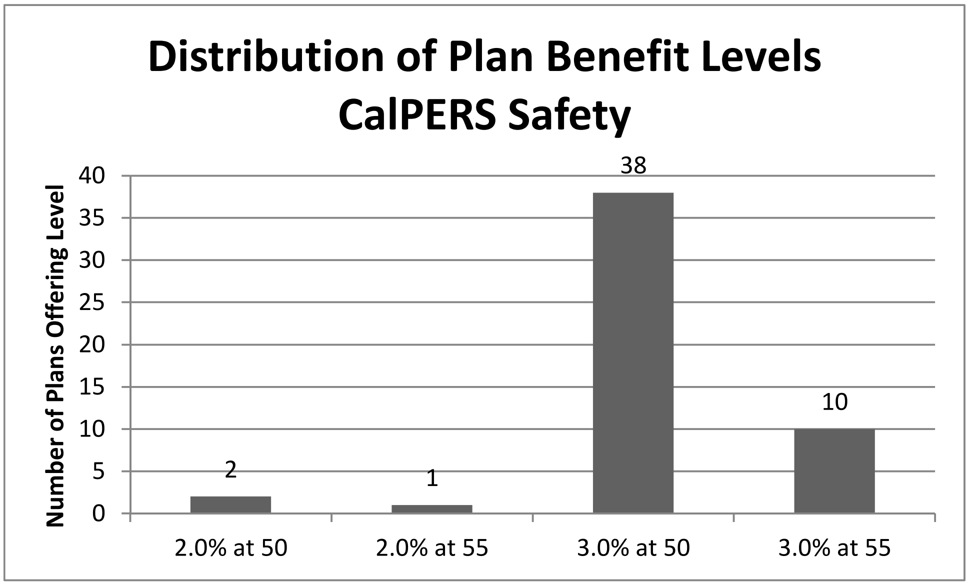
As shown in Exhibit 5 and Exhibit 6, these changes in the law allowed employee bargaining groups in many LAC jurisdictions to access the improved benefit formulas by FY 2009-2010. This migration to the improved benefit formulas is particularly apparent when viewing Exhibit 6, which shows that 38 of the 51 CalPERS Safety Plans in the County (74.5 %) have moved to the more generous 3% at 50 Plan:

Exhibit 5. Distribution of LA County Plan Benefit Levels – CalPERS Miscellaneous



Source: CalPERS actuarial reports for individual and risk pool city plans

Exhibit 6. Distribution of LA County Plan Benefit Levels – CalPERS Safety



Source: CalPERS actuarial reports for individual and risk pool city plans

Although minor variations in plan design are incorporated into this general profile, the current data shows that benefits for employees have migrated to the most generous levels. For example, a Safety Plan retiree with 30 years of service credit can retire at the age of 50 earning 90% of salary. If this individual can add service credit by obtaining military credit or purchasing sick time credit, “air time” or other service credit enhancements, the pension amount can easily reach a pension level of 100% of salary in pension from the age of retirement.

1. Service Credit Enhancements

   CalPERS agencies and all of the individual plan jurisdictions have established policies that allow members to purchase service credits that effectively add years of service for time worked in other governments, sick leave and non-worked time that can be purchased by the employee at an actuarially determined cost; i.e., “air time.” Many of these are briefly described below:

   a. Sick Leave – Some agencies allow employees to convert sick leave balances into earnings for the computation of final average salary and/or use sick leave hours balances in the computation of service credit. The use of sick leave is subject to plan limitations and Internal Revenue Service Section 415 limitations on pensions. CalPERS agency members, for instance, can receive one year of service credit for every 250 days of unused sick leave.

   b. Non-Worked Time – Known popularly as “air time,” some agencies allow members to purchase service credit at an actuarially determined cost. Such credits are not based on actual worked time. Termed “Additional Retirement Credit” at LACERA, employees may enter into contracts for either lump sum payments or installment payments during employment. Payments can be made from after-tax payroll deductions or rollover amounts transferred from contributory accounts such as 401(k) or IRA accounts. Similar provisions exist for CalPERS agencies termed “Additional Retirement Service Credit.”

c. Others – Common to most retirement plans in the County, members may receive service credit for military time, employment with other government agencies, temporary employment with the sponsoring agency, Federal service organizations; e.g., Peace Corps, periods involving leaves of absence and others.

2. Final Average Salary (FAS) Computation and Opportunities for Pension Spiking[18]

The final average salary (FAS) that is used in conjunction with years of service, age, and other factors to calculate retirement benefits may vary depending on the time period over which the FAS is based and the types of compensation that are classified as "pensionable."

Jurisdictions typically calculate the FAS for employees using one of two time periods: 12 months or 36 months. As shown in Exhibit 7, 85% of CalPERS plans in LAC use a method which calculates the average salary over the most recent 12-month employment period with the highest proportion being for regular plans at 94%. While risk pool plans are more likely to utilize an average of the most recent 36-month period, the rate is still low at 20%.

In jurisdictions where the 36-month period is used for FAS, employees must work for multiple years to elevate the average salary used in determining their pension benefit. Although the CGJ did not find evidence of such spiking in the limited case study sampling, to the extent that instances of "pension spiking" might occur, it would be more prevalent in jurisdictions where the shorter FAS period is used. The pervasive use of the 12-month period to compute FAS throughout LAC may indicate an increased risk for abuse:

[18] Pension spiking (From Wikipedia): Pension spiking is the process whereby public sector employees grant themselves large raises or otherwise artificially inflate their compensation in the years immediately preceding retirement in order to receive larger pensions than they otherwise would be entitled to receive. This inflates the pension payments to the retirees and, upon retirement of the "spikee", transfers the burden of making payments from the employee's employer to a public pension fund. This practice is considered a significant contributor to the high cost of public sector pensions. Several states including Illinois have passed laws making it more difficult for employees to spike their pensions.
Pension spiking is largely seen in public sector and is an example of the principal-agent problem. In the classic principal-agent problem, a principal hires an agent to work on his behalf. The agent then seeks to maximize his own well being within the confines of the engagement laid out by the principal. The agent, or bureaucrat in this instance, has superior information and is able to maximize his benefit at the cost of the principal. In other words, there is asymmetric information.
In the case of pension spiking the general public (the principal) elects officials to hire the bureaucrat who then hires the public servants, who are the ultimate agents of the general public. Thus, the principal is three steps removed from the bureaucrat. In the case of pension spiking, the public has allowed a pension system to be created which is based on the compensation in the last year of service and delegated the setting of this cost to the bureaucrat.[] The bureaucrat, who will often himself or herself benefit from a spiked pension or the same laws permitting pension spiking, fails to stop the practice, a clear conflict of interest.

Exhibit 7. CalPERS Final Average Salary Methodological Distribution

Period Used to Determine Final Average Salary By Plan Type for CalPERS Agencies

	12 Months	36 Months
Risk Pool Plans	80%	20%
Regular Plans	94%	6%
Total	85%	15%

Source: CalPERS actuarial reports for each jurisdiction.

3. Benefit Enhancements

The other major factor driving the determination of FAS and the level of pension benefit is the set of earnings that are counted as “pensionable.” Categories of compensation such as sick leave credit, vacation buy-back, vehicle allowance, uniform allowance and special bonuses may count toward pensionable earnings in many jurisdictions throughout the County. The categories of pensionable earnings are not readily available in the jurisdictions’ financial reports. However, the CalPERS plan actuarial statements include an indication of whether the jurisdiction opts to allow its members to apply sick leave credit.

These provisions can increase the amount of the calculated pension or the amount of the actual pension during retirement. For example, the LAC established a “Longevity Pay” provision for certain employee groups as an alternative, to attempts by certain employee groups to obtain 3% at 50 or other more generous base pension formulas. As shown in Phase II (Section 1) of this Report, these provisions effectively increase the amount of the FAS for employees. They were reportedly seen by the County as being less costly alternatives to the formula changes that were being requested at the time.

4. Cost of Living Adjustments (COLA)

The primary driver of pension increases after retirement are the Cost of Living Adjustments (COLA) that are agreed to by the jurisdiction. For example, the LAC has set pension COLAs at actual inflation based on the Consumer Price Index (CPI) to a maximum of 2% for all plans, except Plan A which is set at 3% . However, while the basic CalPERS plan offers a 2% COLA, member agencies may purchase a COLA up to 5% at an additional cost. Of the 152 CalPERS member agencies identified as part of this assessment, only 20 (13.2%) had purchased increased COLAs at the time of the last valuation. Half of these purchased the 5% COLA, including the City of Bell for its Miscellaneous employees.

5. Investment Smoothing

Retirement plans typically "smooth" investment rates of return[19] in order to reduce the volatility in the amount of annual contributions that need to be made by employers and employees. CalPERS retirement plans smooth investment rates of return over 15-year 5-year s. Other plans in LAC, including LACERA and the Los Angeles City plans, smooth investment rates of return over more typical 5-year periods, which can result in greater rate volatility when there are dramatic swings in the market value of investments.

Recognizing that the return on investments can be volatile from year to year, actuaries typically compute a rolling average of investment returns rather than relying on actual annual returns to prepare their estimates of current and future fund assets. This mechanism is designed to "smooth" the natural volatility of market fluctuations and make annual contribution requirements more predictable. CalPERS policy is to smooth investment returns over 15-year 5-years.

The Little Hoover and the Stanford reports suggest that jurisdictions contribute their normal contribution as a minimum amount each year to ensure adequate funding of pension benefits. While this would moderate underfunding during periods of low investment returns, it would inflate the actuarial value of assets during periods of extraordinary investment gains. The resulting actuarially determined overfunding of plans could expose jurisdictions to public criticism and to demands from employee groups for additional benefits.

An alternative to the suggestion of making the normal contribution, the minimum allowed ARC would be to modify the smoothing methodologies used by actuaries so that the calculated ARC would move within a narrower band closer to the normal contribution rate. Extraordinary gains and losses would then be recognized over a longer period of time so that the appearance of over or under funding would not be as dramatic. By establishing "smoothing corridors," as done by CalPERS, the risk of recognizing and responding to severe economic conditions would be tempered. Exhibit 8 shows the effect of a 5-year, 10-year and 15-year smoothing on investment rate assumptions using CalPERS investment return data available for this assessment.

As shown by this simple model, the actuarial assumed rate of return using both the 10-year and a 15-year smoothing methodologies cause the actuarial investment performance to moderate swings in actual investment gains and losses, and thus the actuarial value of assets. This would ensure that jurisdictions contribute an amount each year that is closer to the normal contribution rate.

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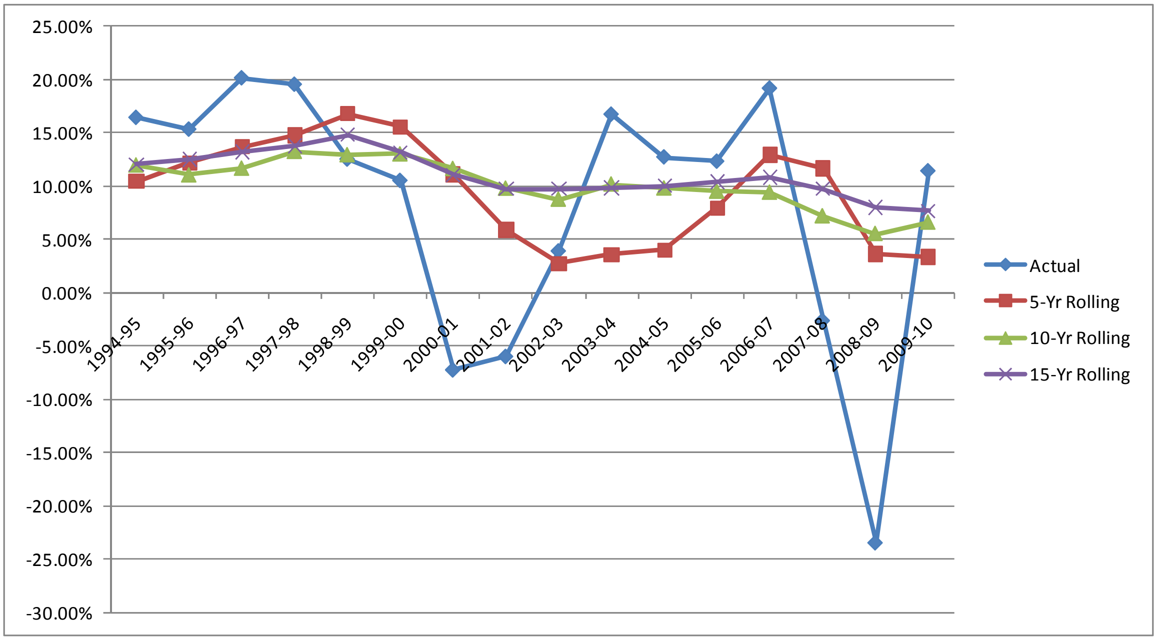
[19] Rate smoothing is accomplished by calculating the rolling average rate of return over a period of time greater than one year. This method of calculating rates of return has the effect of moderating annual changes in investment performance over a longer term investment horizon.

Exhibit 8. Effect of Variable Smoothing Assumptions on Assumed Rate of Return



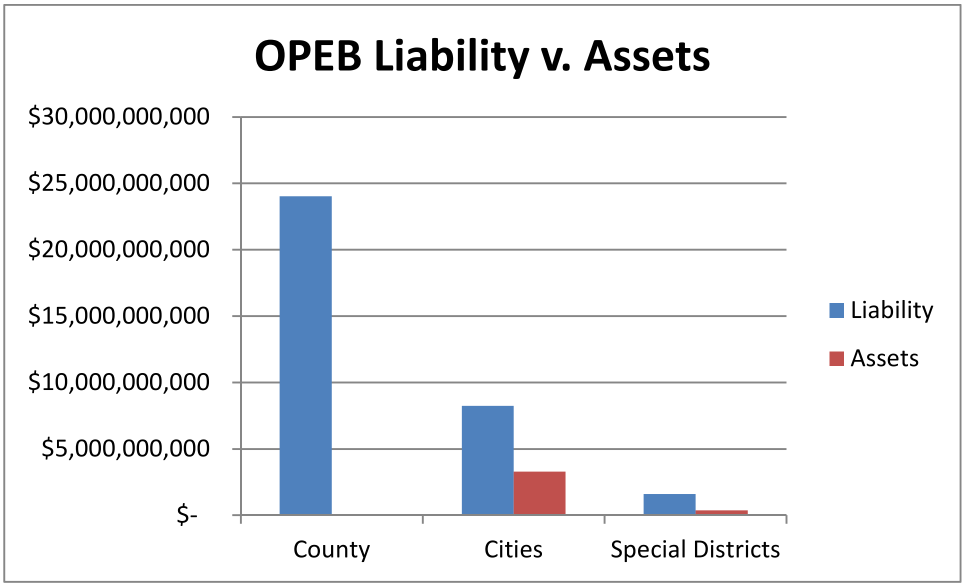
Source: CalPERS reports on fiscal year annual rates of return

RETIREE HEALTH CARE ASSETS AND LIABILITIES

A different quandary emerges when considering the funding profile for retiree health care benefits, also known as Other Post Employment Retirement Benefits (OPEB). As shown in Exhibit 9, the total liability for all OPEB plans in the County, cities, and special districts, based on the most recent information available from those jurisdictions, was approximately $33.9 billion. However, with only $3.7 billion in combined assets, the overall funded status of OPEB plans county wide is 10.8%. A large portion of the OPEB liability is held by LAC, amounting to $24.0 billion or 71% of the total liability held by all jurisdictions.

Without viewing the detail of each city's OPEB funded status, Exhibit 9 may suggest that the cities are in a much better funded position than the County. However, the aggregate cities' figure is heavily skewed by the OPEB plans of the City of Los Angeles. In fact, a large majority of other city OPEB plans are completely unfunded, but the City of Los Angeles' higher funded status and large share of total liability distorts the aggregate city level summary. The funding levels of OPEB plans in the City of Los Angeles are shown in Exhibit 10 with the LACERS plan, the Department of Water and Power plan (WPERP), and the Fire and Police plan (FPRS) funded at 63.8%, 60.5% and 32.3%, respectively.

Exhibit 9. OPEB Liabilities Compared to Assets



Source: Jurisdictions' CAFR documents.

Exhibit 10. Funded Status of OPEB Plans in the City of Los Angeles

City Plan	Liabilities	Assets	Funded Status
LACERS	$2,233,874,000	$1,425,726,000	63.8%
WPERP	$1,631,916,204	$ 987,475,976	60.5%
FPRS	$2,537,825,000	$ 817,276,000	32.2%
LA City Combined	**$6,403,615,204**	**$3,230,477,976**	**52.2%**

Sources: CAFRs and actuarial reports for each of the three entities.

As shown in Exhibit 11, at least 56 of the 88 cities have no assets reserved for OPEB and are thus 0.0% funded. An additional 14 cities report some partial funding of OPEB, ranging from a low of 0.5% in Santa Fe Springs to a high of 83.5% in Manhattan Beach. At least 5 cities do not offer or did not report OPEB liabilities, and it is unknown whether there are OPEB plans in 13 other cities which did not report at all.

Exhibit 11. Distribution of Funded and Unfunded OPEB Plans in LAC Cities

0% Funded	56
Partially Funded	14
Without OPEB	5
Unknown OPEB	13

Source: Jurisdictions' CAFR documents.

Prior to 2008, public agencies were not required to report OPEB liabilities. On December 15, 2008, Governmental Accounting Standards Board (GASB) Statement 45 went into effect requiring the reporting of estimated liabilities for retiree health plans. Most jurisdictions reported that they had not set aside any funds and that significant liabilities were developing due to growth in the plans and the rapidly increasing cost of health care. Recognizing the funding dilemma being faced by these jurisdictions, GASB Statement 45 embodied the following key provisions:

- Like pension benefits, OPEB assets and liabilities would need to be estimated over the benefit horizon on an actuarial basis.

- Any unfunded liability could be amortized or spread over a period of up to 30 years, "approximately equal to a typical public employees' term of employment."[20]

- The Annual Required Contribution (ARC) consists of the normal cost and the portion of the UAAL to be amortized in the current period.

Although GASB does not recommend funding strategies, various other notable organizations have made comments and recommendations in this regard. The United States Government Accounting Office stated in a 2008 report that:

> Pay-as-you-go financing has been the norm up to the present day. The initial estimates of the unfunded liabilities will be daunting. But that is a natural consequence of pay-as-you-go financing. Just as the unfunded liabilities did not accumulate overnight, it may be unrealistic to expect them to be paid for overnight. Rather State and local governments need to find strategies for dealing with unfunded liabilities, and such strategies will take time, will require difficult choices, and could be affected by changes in national health policy.[21]

Other professional organizations are more explicit. The Government Finance Officers Association of the US & Canada (GFOA) states in its Best Practice literature:

> Recommends that the financing of post-employment benefits as they are earned (i.e., prefunding v. pay-as-you-go funding) offers significant advantages from the vantage point of equity and sustainability. Just as important, the earnings on the resources thus accumulated will lower the amount that ultimately must be budgeted by the employer. GFOA strongly recommends that OPEB involving explicit benefit payments be prefunded on an actuarial basis, as discussed in GFOA's Best Practice, *Ensuring the Sustainability of Other Postemployment Benefits.*[22]

The CGJ concurs with the observations and recommendations of the GAO and GFOA. Although there may be circumstances when funding the full ARC for OPEB may not be necessary or desirable, in most circumstances jurisdictions should make every effort to prefund the benefit. As suggested by the GFOA, this permits the jurisdictions to accumulate reserves from which investment earnings may be used to offset a portion of the jurisdictions' required contributions. Without the accumulation of reserves and resulting investment returns, the cost of accrued and future benefits will need to be paid exclusively from taxpayer revenues.

[20] March 2011 internet version, Government Accounting Standards Board, *Other Post Employment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45*

[21] January 2008, Report to the Committee on Finance, U.S. Senate, *GAO-08-223, State and Local Government Retiree Benefits, Current Funded Status of Pension and Health Benefits*

[22] GFOA of the UC & Canada, *Best Practice: Considerations for Prefunding OPEB Obligations (2008)*

6. Ability to Modify OPEB Benefits

   California and Federal case law is reportedly mixed on a jurisdiction's ability to modify OPEB benefits for existing employees and retirees. Depending on how the benefits are structured and the contractual obligations agreed to by the employer and employee during the period of employment, there may be some opportunity to modify benefits for both future and current employees. However, contract law is unclear; and mere past practice or agreement in a Memorandum of Understanding with represented employees may create an implied or actual contractual agreement between the jurisdiction and the employees.

   Therefore, a legal assessment would need to be conducted in each LAC jurisdiction to determine the extent which current modifications to retiree health benefits would be allowed. If legal tests were met, jurisdictions would potentially be able to cap benefit amounts, require copayments from retirees or implement other changes that could reduce costs. In the City of Vallejo which declared bankruptcy in 2008, modifications to retiree health benefits have successfully been negotiated with retiree groups and labor organizations that will reduce the City's costs.[23] This is an extreme situation, and the same flexibility may not be available in LAC jurisdictions that provide this benefit.
   Jurisdictions that provide OPEB benefits should explore the degree of flexibility they have to modify OPEB benefits for existing retirees and employees. Even if this is not legally permitted, jurisdictions should proceed with efforts to modify benefits in a manner that would reduce costs of benefits for future employees. For example, one jurisdiction reviewed for this study is exploring the impact and potential savings that might be achieved by more effectively coupling retiree health benefits with Medicare.

PENSION OBLIGATION BOND (POB) FINANCING

Pension Obligation Bond (POB) financing is used by some jurisdictions to pay down a portion of the pension system's UAAL. The POB debt is a general obligation of the jurisdiction, which means that it is secured by the general taxing authority of the jurisdiction. Unlike other general obligation borrowing, POBs do not need to be authorized by the voters.

In LAC, 17 jurisdictions have current POB debt. For these jurisdictions, the total POB debt including interest, as of the most recently reported data, was approximately $1.17 billion[24], of which approximately 51% was held by the County. According to County financial documents and County and LACERA management, LAC's outstanding POB debt including interest will be completely paid by June 30, 2011. The remaining 49% of the total POB debt was held by 16 cities, with final maturity dates ranging from 2015 to 2036. Appendix C.7 shows the detailed amounts of the POB debt for the County and each of the 16 cities.

As shown in Phase II (Sections 3 and 5) of this Report, some cities within the County are contemplating borrowing funds using POBs, including some that currently have no POBs (Hermosa Beach) and others with significant POB debt (Pasadena). The wisdom of borrowing using POBs is highly dependent on the jurisdiction's needs, current market conditions and other factors that may impact cost effectiveness and political acceptance (See Appendix B).

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[23] Updated 4/16/2009, U.S. Bankruptcy Court, Eastern District of California, Sacramento Division Case No. 08-26813, *Official Unsecured Creditors Committee of Retirees, Retiree Committee Information*

[24] Figure does not include interest payments for four jurisdictions: Baldwin Park, Burbank, La Verne and Long Beach.

The GFOA advises public agencies to proceed with caution when contemplating borrowing with POBs. In a GFOA Advisory on the topic:

> The Government Finance Officers Association (GFOA) recommends that State and local governments use caution when issuing pension obligation bonds. If a government chooses to issue pension obligation bonds, they should ensure they are legally authorized to issue these bonds and that other legal or statutory requirements governing the pension fund are not violated. Furthermore, the issuance of the pension obligation bonds should not become a substitution for prudent funding of pension plans . . . .
>
> Even if the analysis indicates that financial benefits appear to outweigh the risks, governments should evaluate other issues that may arise if the bonds are issued, such as the loss of flexibility in difficult economic times because of the need to make timely payments of principal and interest in order not to default on the bonds, potential misunderstanding by policy makers regarding the possibility that an unfunded liability may reappear in the future, and potential pressures for additional benefits by government employees if plans are fully funded and government's contribution as a percentage of payroll has declined relative to neighboring jurisdictions.

The GFOA further suggests that there are certain other considerations, including making sure that the structure of the bond does not defer any principal payments, understanding the implications on the jurisdictions' debt rating, and impacts on cash flow as debt obligations become due.[25] Other professional organizations, such as the Center for State & Local Government Excellence, issue similar cautions and makes the further observation that, "governments are more likely to issue POBs if they are in financial stress and already have substantial debt outstanding and the plan represents a substantial obligation to the government . . . In short, the data shows that the governments that could issue a POB generally have not, while those that should not issue a POB have done so."[26]

METHODS AND PROCEDURES

This Report provides a review of current literature and commentary on public pensions conducted in conjunction with plan-specific data analysis and field work. Phase I, the results of which are summarized in this Section, involved the collection of pension plan information for each of the public sector jurisdictions within LAC. Typically, this involved obtaining 2 key documents: the Comprehensive Annual Financial Report (CAFR) for the jurisdiction; and, the financial statements, actuarial valuation or annual report for each of the plans. A set of matrices (included as Appendices C.1 to C.9) present the data that was available for the 277 identified plans, and summary Exhibits included in this section tabulate an overview of the basic attributes. Appendix D presents an alphabetical list of all jurisdictions with the C matrices on which their respective pension(s) attributes are cataloged.

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[25] GFOA of the US & Canada, *Advisory: Evaluating the Use of Pension Obligation Bonds (1997 and 2005)*

[26] January 2010, Center for State & Local Government Excellence, *Issue Brief, Pension Obligation Bonds: Financial Crisis Exposes Risks*

FINDINGS

1. Many of the Little Hoover Commission recommendations related to modifications to pension benefit formulas, establishing hybrid defined benefit and defined contribution models, capping maximum salaries for determining final average salary or amounts of pensions that can be earned have merit.

2. Although several recommendations made by the Stanford Institute for Public Policy Research have merit, the central theme of reducing the assumed investment rate of return to "risk free" levels is overly conservative and could expose taxpayers to unnecessary additional costs.

3. Recommendations made by the Public Employee Post-Employment Benefits Commission are generally sound, particularly those related to establishing strong prefunding policies, requiring minimum employer contribution levels, and establishing "tax-advantaged" supplemental savings plans; e.g., defined contribution plans, in lieu of enhanced benefits.

4. Agreements for employers to pick up the employee contribution to retirement or OPEB plans are not considered vested retirement benefits and can be modified without violating the pension guarantees protected by contract law. For the jurisdictions in LA County whose pension plans are administered through CalPERS, employee contributions are set at 7% and 9% of salaries for Miscellaneous and Safety Members, respectively. For 84% of CalPERS member agencies in LAC, employers pick up some or all of this employee contribution. Eliminating this pick up by transfer of responsibility for employee contributions back to the employee could save jurisdictions between 7% and 9% of salaries. This change could be implemented within a 3-year time period.

5. Longer term savings could be achieved by modifying some pension benefit provisions for new employees. These include: changing the basic benefit formulas to levels that existed prior to 2001 and restricting or eliminating service credit enhancement provisions, such as sick leave and "air time" service credit.

6. Regular review of actuarial assumptions facilitates keeping pension plans focused on prevailing investment climates, actuarial trends and other factors that influence pension assets, liabilities and sustainability. For example, the pension plan administrators of both CalPERS and LACERA review actuarial assumptions annually with their respective governing boards and evaluate them more rigorously on at least a triennial basis.

7. The risk of "pension spiking" could be reduced substantially by converting to a 36-month or longer basis for calculating Final Average Salary for at least 85% of CalPERS member agencies in LAC.

8. Besides regular salary, some jurisdictions allow other categories of compensation to be included in the calculation of pensionable salaries, including sick leave buy-back and certain categories of special pay and bonuses. This results in higher pension benefits and costs.

9. Hybrid defined benefit and defined contribution pension plans would more equitably share the risk of investment losses between the employer and employee. A jurisdiction's ability to modify pension provisions for retirees, existing employees or future employees varies by group and may be controlled by statute and case law.

10. A small percentage of LAC CalPERS member agencies (13.2%) have decided to adopt post retirement COLA provisions that have a potential to increase pension system costs at rates that exceed inflation, effectively increasing the present value of retiree compensation over time.

11. The actuarial assumed rate of return using both the 10-year and a 15-year smoothing methodologies cause swings in actual investment gains and losses to moderate actuarial investment performance, and thus the actuarial value of assets. These methodologies ensure that jurisdictions contribute an amount each year that is closer to the normal contribution rate.

12. The overwhelming majority of jurisdictions in LAC are not prefunding retiree health benefits or contributing the Annual Required Contribution determined by actuaries, deciding instead to fund these benefits on a pay-as-you-go basis. This practice is inconsistent with recommendations by actuaries and the Government Finance Officers Association. In addition, this is a costly policy that reduces the jurisdictions' capacity to discount contribution rates and, instead, passes full costs onto the taxpayer.

13. Opportunities may exist for some jurisdictions to cap benefit amounts, require copayments from retirees or implement other changes that would reduce costs for jurisdictions providing retiree health benefits to current retirees in the short term. However, each instance would need to be assessed by the jurisdictions' legal counsel to ensure that such modifications would not be a violation of contract law.

14. It is unlikely that retiree health benefits can be modified for current retirees and employees. However, jurisdictions could change the benefit offered to new hires by establishing benefit caps or defined contribution components, establishing improved cost sharing agreements with employees and modifying plan design to more effectively couple retiree health benefits with Medicare. Such change may involve negotiations with collective bargaining groups.

15. Pension Obligation Bonds are not used extensively by Los Angeles County jurisdictions. However, there are indications that some jurisdictions are considering POBs to fund UAAL that developed during the recent economic downturn. The GFOA and other experts recommend that jurisdictions proceed cautiously when considering POB borrowings by:

    a. Thoroughly evaluating financial benefits and risks

    b. Fully recognizing "other issues" that may arise if the bonds are issued such as:

        i. The loss of flexibility in difficult economic times because of the need to make timely payments of principal and interest in order to not default on the bonds

        ii. Potential misunderstanding by policy makers regarding the possibility that an unfunded liability may recur in the future

        iii. Potential pressures for additional benefits by government employees if plans are fully funded and government's contribution as a percentage of payroll has declined relative to neighboring jurisdictions

PHASE II: SECTION 1
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

SUMMARY

The Los Angeles County Employees Retirement Association (LACERA) administers the pension system for the County of Los Angeles, acts as the trustee of contributions that have been made by the County and plan members, and invests assets in a manner that attempts to moderate risk and maximize returns. LACERA provides advice and counsel to County managers on the financial impact of proposed changes to the County's retirement system, and are partners with the County on benefit design, funding strategy and other aspects of pension system management.

Overall, LACERA is well run and effective at fulfilling its responsibilities, and the County has done a good job at moderating pension costs. However, LACERA could explore the benefits of changes to actuarial methodologies used to smooth investment returns and the County could, with input from LACERA, focus on discussions with employee bargaining groups to redesign benefits, including exploring benefit caps and establishing defined contribution alternatives; examining opportunities for cost reductions from modifying certain provisions that create opportunities for pension spiking; and consider policy changes to ensure the pre-funding of OPEB benefits by increasing annual contributions and narrowing the allowed uses of the County Contribution Credit Reserve.

PURPOSE

The Los Angeles County (LAC) and LACERA were chosen by the Civil Grand Jury (CGJ) for in-depth review based on its status as the largest plan in the region and relatively high dollar amount of liability. LACERA also has a better than average funded ratio and multiple plan tiers, as well as the County's substantial pension obligation bond debt and retiree health benefit unfunded liability.

BACKGROUND

LAC offers pension benefits to its employees through the LACERA. In addition, LACERA administers a retiree health benefits program for eligible retirees. As measured by total assets, LACERA is the fourth largest public pension plan in California behind CalPERS, the California State Teachers' Retirement System and the University of California Retirement Plan, and is the largest county retirement system in the United States. The combined LACERA funds hold assets of $39 billion and serve more than 160,000 members.

Exhibit 12 provides a summary profile of the Plan membership, benefit structure, actuarial assumptions and financial status, as of the time of this Report. Because of the multiple tiers offered under the LACERA Plan a more complete profile of pension benefits provided to active LAC employees is included in Exhibit 21 (located at the end of this section).

GOVERNANCE

LACERA was established on January 1, 1938 in accordance with the enactment of the California state law known as the County Employees Retirement Law of 1937 (CERL), which set forth the policies and regulations governing County retirement systems. LACERA is governed by the California Constitution, the CERL, and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The LAC Board of Supervisors may also adopt resolutions as permitted by CERL, which may affect the benefits of LACERA members.

The Board of Retirement is responsible for the administration of the retirement system, the retiree health care program, and the review and processing of disability retirement applications. The Board of Investments is responsible for establishing LACERA's investment policy and objectives as well as exercising authority and control over the investment management of the fund. Each board is composed of 9 members who are selected by a combination of appointment by the Board of Supervisors and election by plan members.[27]

MEMBERSHIP AND ACTUARIAL VALUATION

As of June, 30, 2010, the date of LACERA's most recent actuarial valuation, there were a total of 160,604 members in the system, 54,196 of whom were retired. LACERA's membership includes both "General" and "Safety" employees. Safety membership includes law enforcement (Sheriff uniformed staff and District Attorney investigators), firefighter, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. Of the 160,604 members, 136,469 are General members; and 24,135 are Safety members. Exhibit 12 and Exhibit 13 show the distribution of the system's membership by the broad categories of Active, Retired and Deferred.[28]

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[27] The County Treasurer and Tax Collector are required by law to serve on both boards as ex-officio members. The Retirement Board also includes two alternates, one of which is elected by the active Safety membership and the other by the Retired membership.

[28] Deferred are vested employees who have left employment with the County but have not yet retired.

Exhibit 12. LACERA Profile[29]

MEMBERSHIP		PLAN BENEFITS AND OPTIONS	
		(See Detailed Comparison of Plan Provisions Within)	
Active Members	94,410	Normal Retirement Age	Varies by Plan
Retired Members	54,196	Benefit Formula	(Sal x Yrs)/ Plan Fraction
Disabled/Retired Members	8,990	Lump-Sum Death Benefit	Varies by Plan
Beneficiaries	7,808	Survivor Benefit	Varies by Plan
Inactive Members	11,998	Retiree Health	Defined Benefit
Total Annuitants	160,604	Deferred Compensation	No

ACTUARIAL		FINANCIAL	
Investment/Discount Rate		*Pension Fund*	
Assumed Actuarial Rate	7.75%	Actuarial Accrued Liability	$ 46,646,838,000
One Year Actual Return (FY 2010)	11.60%	Unfunded Actuarial Accrued Liability	$ 7,807,446,000
		Funded Status	83.3%
Methods		*Retiree Health Fund*	
Investment Smoothing	5 Years	Actuarial Accrued Liability	$ 24,031,000
Investment Corridor	None	Unfunded Actuarila Accrued Liability	$ 24,031,000
Amortization of Unfunded Liability	30	Funded Status	0.0%
Contributions		*Pension Obligation Bonds*	
Employer Contribution	12.9%	Principal Balance	$ 345,913,000
Employee Contribution Pick-Up	No	Projected Interest Expense	$ 253,644,000
Total Contribution	12.9%	Total Indebtedness	$ 599,557,000

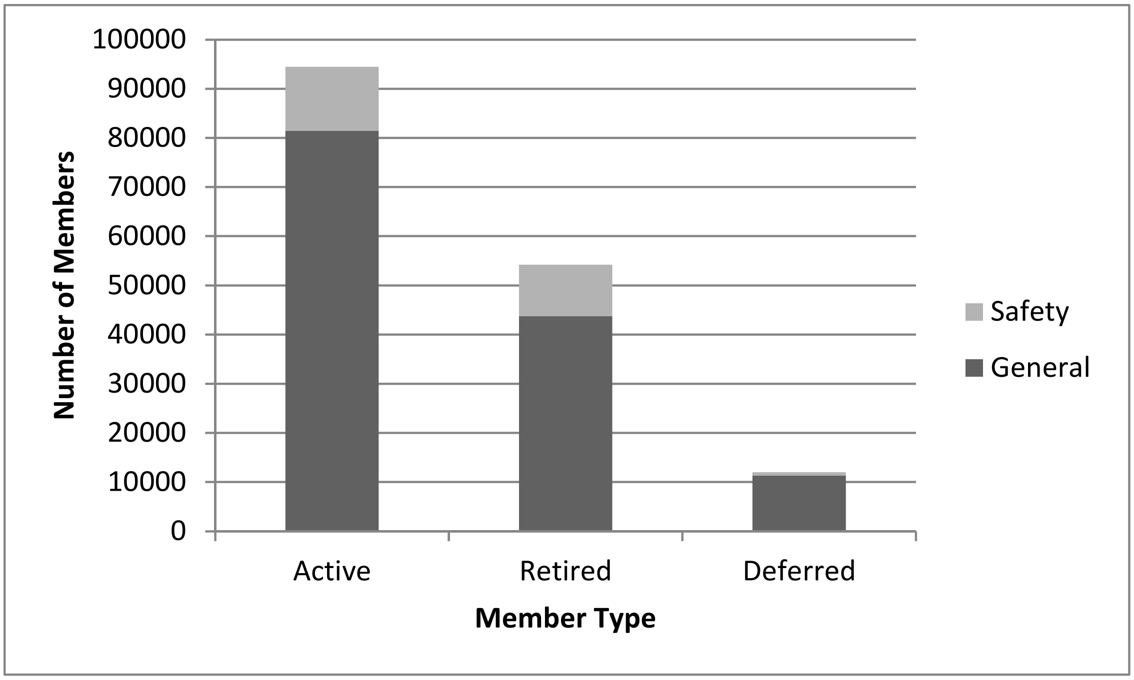
SOURCE: LAC COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2010 AND THE LAC EMPLOYEES RETIREMENT ASSOCIATION ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2010.

1. Declining Yet Above Average Funded Ratio

As of June 30, 2010, the date of LACERA's most recent actuarial valuation, the plan's actuarial accrued liability (AAL) was approximately $46.7 billion; and its actuarial value of assets (AVA) was approximately $38.8 billion, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $7.8 billion and a funded status of 83.3%. As shown in Exhibit 14, over the past 3 fiscal years, both the total AAL and the UAAL have grown, resulting in a pattern of declining funded ratio:

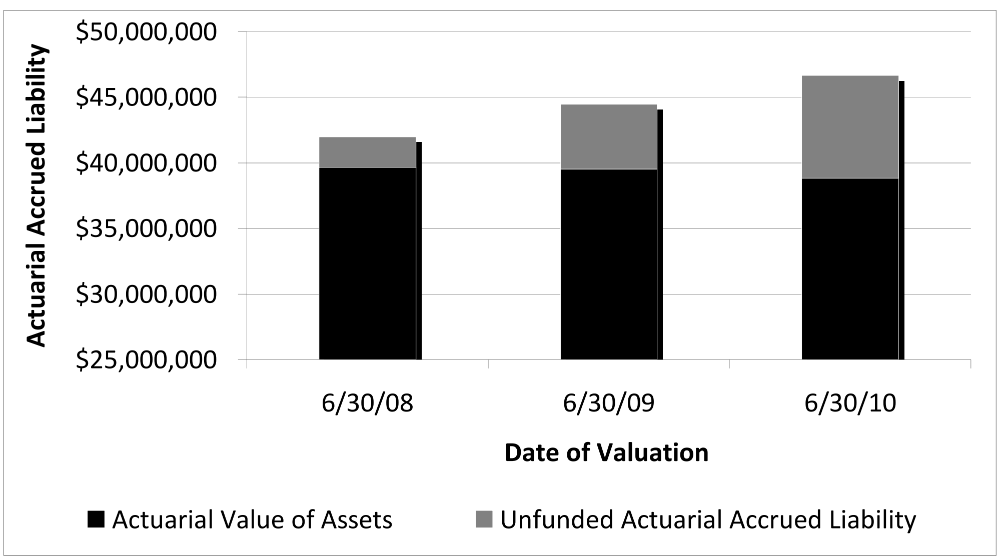
[29] In addition to serving LAC, LACERA provides retirement benefit services to the LAC Superior Court and to four outside agencies: Little Lake Cemetery District, Local Agency Formation Commission, LAC Office of Education, and South Coast Air Quality Management District.

Exhibit 13. LACERA Membership by Type as of June 30, 2010



Source: *LAC Employees Retirement Association Annual Report for the Year Ended June 30, 2010.*

Exhibit 14. LACERA Actuarial Accrued Liability 3-Year Trend



Source: *LAC Employees Retirement Association Annual Report for the Year Ended June 30, 2010.*

The pattern of declining funded ratio is driven in part by the market losses of recent years and, as discussed in the actuarial assumptions section, LACERA's choice to smooth, or account for, its losses over a relatively short 5-year period. In 2009, the Board of Investments adopted a new funding policy which, among other things, changed the investment smoothing period from 3 to 5 years effective June 30, 2009. As discussed in Section 1, smoothing policies have a significant effect on funded status and the annual required contribution rate. In this case, LACERA's move from a 3-year to a 5-year smoothing period had the effect of moderating the change in asset losses in the year of the loss and amortizing, or spreading, the effect of that loss over a longer period of time. Additionally, the corresponding increase in the required employer contribution rate established to compensate for the unfunded liability has now been spread over a longer period of time.

Even though the loss of assets and increase in required contribution rate "fell" in a single year under the 5-year policy, it is less than under the previous 3-year policy LACERA is still recognizing the losses across a much shorter period of time than some other public pension plans, principally CalPERS. For the purposes of comparing funded ratios, contribution rates and other factors, it is important to understand LACERA's situation in the context of the assumptions made by other pension systems. CalPERS, for example, uses a 15-year smoothing period, which has the effect of reducing the appearance of loss when compared against systems like LACERA which use a shorter smoothing period. Conversely, as the recovery occurs, LACERA's funded status will improve at a much faster rate than CalPERS (1/5 recognition of actual asset gains for LACERA vs. 1/15 recognition of asset gains by CalPERS).

However, given LACERA's shorter smoothing period, its funded ratio is higher than the average of the CalPERS plans in LAC. As of June 30, 2009, the date of the most recent CalPERS valuation, the average funded ratio for all non-risk pooled CalPERS plans was 85.7%. LACERA's funded ratio as of that date was 88.9%, even though the shorter smoothing period tends to exaggerate losses and gains.

2. Assumed Rate of Return is on Par with Most Plans

   As discussed in Section 1 of this Report, it is important to evaluate a plan's assumed rate of return on its investments when considering its funded status. In particular, a plan's assumed rate of return is critical in interpreting its funded status since even minor changes in the assumed rate can have a significant effect on the actuarial value of assets and, therefore, the funded status. As of the writing of this report, LACERA's assumed rate of return on investments was 7.75%, net of all expenses, which is consistent with the rate assumed by CalPERS and many other large plans.

   According to LACERA staff, the plan's actuarial assumptions, including its assumed rate of return on investments, are reviewed regularly by the Board of Investments. Every 3 years, the actuarial valuation includes a more intensive review of the plan's assumptions, using forecasting prepared by external investment auditors and assessed by the Plan's actuaries. The most recent "triennial valuation year" was 2010. According to LACERA management, the current 7.75% assumed rate of return was analyzed and discussed extensively; and the Board of Investments decided to leave the assumption unchanged.

PRUDENT "TIERING" OF PLAN BENEFITS

LACERA's stronger than average financial condition reflects, in part, prudent efforts by the County to manage pension costs through benefit design. Since 1977, the LAC has consistently demonstrated efforts toward controlling pension costs. In addition to financial management approaches described in this Report, strategies have aimed to reduce benefit costs and to increase the proportion of costs shared by employees. By establishing benefit tiers in 1977, the County began to exhibit a collective bargaining culture that many other public jurisdictions have only recently begun to embrace.

Retirement benefits offered by LACERA are “tiered” and based on the date of LACERA membership. In total, since its inception, the County has designed 7 different plans for General and Safety employees: Plans A, B, C, D, and E for General members and Plans A and B for Safety members. Both Plans A/General and A/Safety are now closed to new members, as are Plans B/General and C/General. New General employees have the option of joining either Tier D or Tier E which are distinguished by the contribution requirements for employees. New Safety members are eligible only for B/Safety. The status of each of the plans, including the time period when each plan was open to new members, is shown in Exhibit 15:

Exhibit 15. Status of LACERA Plans

General Plans			Safety Plans		
	Status of Plan	**Years Open**		**Status of Plan**	**Years Open**
A	**Closed**	**1938 – 1977**	**A**	**Closed**	**1938 – 1977**
B	**Closed**	**1977**	**B**	**Open**	**1977 – present**
C	**Closed**	**1978**			
D	**Open**	**1979 – present**			
E	**Open**	**1982 – present**			

Source: Interviews with LACERA management.

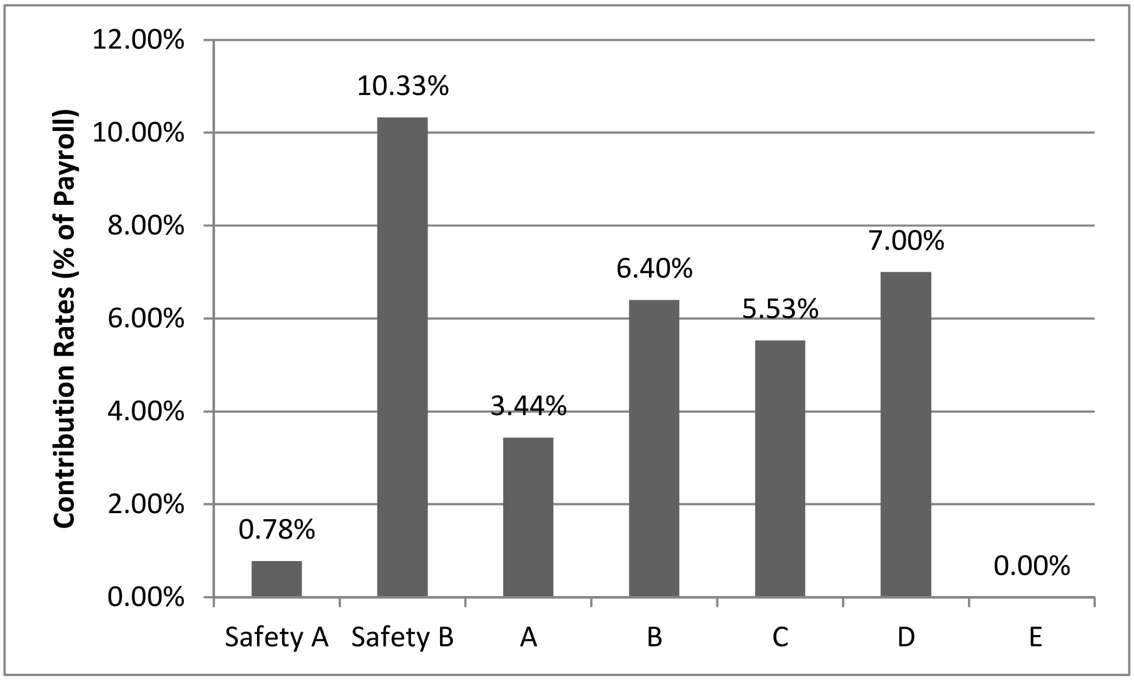
The benefits offered by each new plan have generally been less generous than the benefits offered by previous plans. As described by executive management of both LACERA and County Employee Relations, the movement toward less generous retirement packages has reflected a deliberate effort toward pension reform and controlling pension costs. The provisions of the plans currently available to new employees, Plans D and E for General employees and Plan B for Safety employees, are summarized in Exhibit 21 located at the end of this section.

1. Employee Contribution Rates

   While many jurisdictions have agreed to pay the employee’s retirement contribution as part of the collective bargaining process, the LAC continues to require employees to make their own contribution from payroll deductions. Plan E is the only “non-contributory” plan, meaning that the employee does not make contributions to the plan during his or her term of employment. However, upon retirement, Plan E members are entitled to a lower defined benefit, not to exceed 80% of Final Average Salary (FAS). In plans other than Plan E, benefits are capped at 100% of FAS.

   The member contribution rates are set at each “triennial valuation.” Since the 2010 actuarial valuation was a triennial valuation, new member contribution rates were determined by the actuary and adopted by the Board. As of June 30, 2010, the average employee contribution rate for all members was 5.75% of payroll. Exhibit 16 shows the rate breakdown by plan.

Exhibit 16. Employee Contribution Rates by Plan as of June 30, 2010



Source: LACERA plan summary documents.

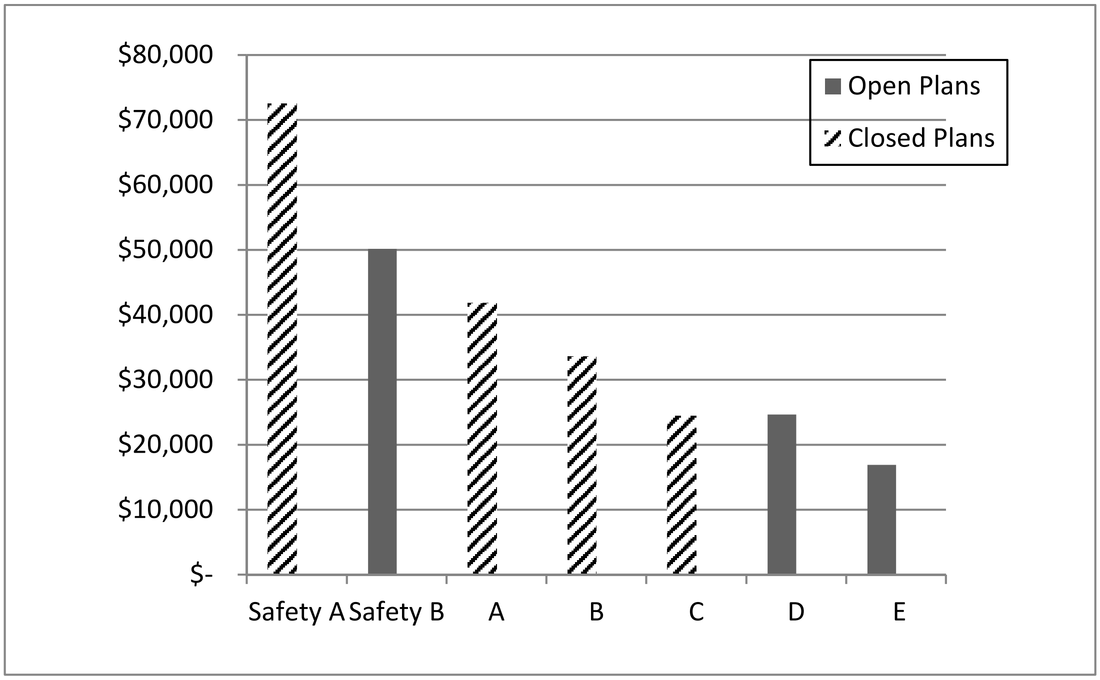
For the General members who choose the contributory plan (Plan D), the contribution rate (7%) is equivalent to that for most Miscellaneous CalPERS plan members. However, as previously noted, most LAC employers who are members of CalPERS contribute the 7% on behalf of their employees in addition to their own employer cost. In that regard, LAC stands out as adhering to a philosophy of shared responsibility to fund pension benefits with the employee.

The County's total required contribution rate is set by the Board of Investments each year based on the recommendations of an actuarial valuation. The total contribution rate is comprised of 2 sub-rates: the normal contribution rate and the rate representing the payment of the amortized unfunded actuarial accrued liability (UAAL). As of June 30, 2010, the normal contribution rate was determined to be 9.84% of payroll, and the payment toward the UAAL was determined to be 6.47% of payroll; yielding a total contribution rate of 16.31%. This represented an increase from the previous fiscal year when the County's rate was determined to be 14.22% of payroll. According to the actuarial report, the 2.09 percentage point increase was primarily due to the recognition of deferred investment losses.

2. Pattern of Decreasing Average Annual Retirement Income by Plan

As a result of the County's success at establishing progressively less costly benefit tiers, the average annual retirement income varies among plans. Exhibit 17 shows the average annual retirement income of all 54,196 LACERA retirees as of June 30, 2010. As Exhibit 17 shows, members of the earlier plans, which are now closed, earn a significantly higher retirement income than their counterparts in the more recent plans. In particular, Plan A Safety retirees earned an average of $72,466 in FY 2010, which was 127% higher than the combined average of the other plans at $31,902.

Exhibit 17. Average Annual Retirement Income by Plan for Retired LACERA Members

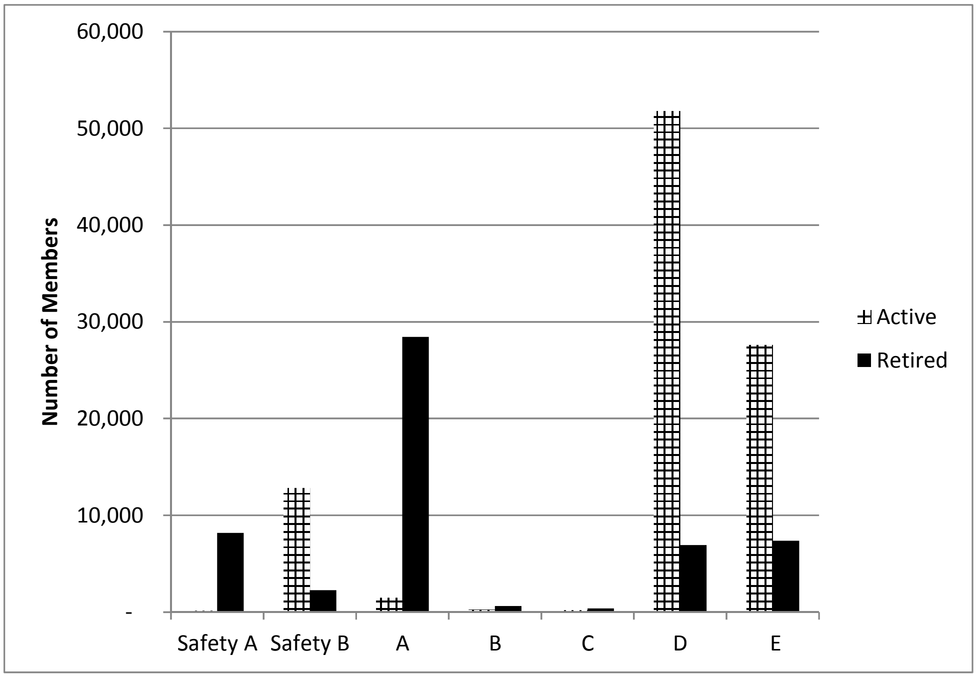


Source: LACERA member database as of June 2010.

While the average retirement incomes for Safety members are higher than the average incomes of members of the General plans, the number of Safety retirees is much smaller than the number of General retirees as shown in Exhibit 18.

Exhibit 18 also shows the distribution of active and retired members by plan, highlighting the fact that the high-cost Plan A Safety members constitute a small portion of active members. The remaining 159 active Plan A Safety members, whose average age is 56, constituted 0.17% of the total active membership.

Exhibit 18. Distribution of All LACERA Members by Plan



Source: LACERA member database as of June 2010.

3. Cost of Living Adjustment and Supplemental Targeted Adjustment for Retirees

Cost of living adjustments (COLA) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective each April 1st, based on changes in the Consumer Price Index (CPI). COLAs are capped at either 2% or 3%, even if the CPI exceeds these caps. The various COLA benefits are broken out by plan in Exhibit 19:

Exhibit 19. Cost of Living Adjustments by Plan

Plan	COLA Benefit
A	Maximum 3% increase; Eligible for COLA Accumulation
B, C, D, E	Maximum 2% increase[30]; Eligible for COLA Accumulation

Source: LACERA plan summary documents.

As shown, plans A through E offer a "COLA Accumulation" provision which allows members to maintain an accumulation of credits for years in which the CPI either

[30] The 2% for Plan E is pro-rated based on service earned after June 4, 2002. "Elective COLA" increases for service earned prior to June 4, 2002 may be purchased by the member.

exceeds 2% or 3% (depending on plan). Those credits may be used in future years to provide COLA increases when the CPI falls below 2% or 3%.

Additionally, the Supplemental Targeted Adjustment for Retirees (STAR) program allows for members (except for Plan E members) who have an accumulation of COLA credits that exceed 20%age point credits to receive a supplemental adjustment to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. Any such adjustments are subject to the availability of STAR's reserve funds. As of June 30, 2010, the reserve amounted to $614 million. STAR reserve funds may only be spent on STAR program benefits.

In its 2009 funding policy, the Board of Investments chose to include the STAR reserve in the Valuation of Assets, as permitted by the plan's funding policy, even though there is no corresponding liability for future STAR benefits. This accounting method understates the plan's potential liability and, therefore, overstates the strength of its financial position. Since 100% of the STAR reserve must be spent on STAR program liability, except in extreme circumstances, a $614 million STAR liability should be booked against the full $614 million STAR asset reserve. According to the actuarial valuation, if the reserve were to be excluded from the Valuation of Assets, or have a liability booked against the full amount of the asset reserve, the unfunded actuarial accrued liability would increase, the 2010 required employer contribution rate would increase by 0.52 percentage points to 16.83%, and the Funded Ratio would decrease by 1.4 percentage points to 81.9%.

4. Computation of Final Average Salary

Because current employees are vested in the pension benefits in place during their period of employment, there is no opportunity to change key benefit methodological provisions for existing personnel. However, collective bargaining agreements could be changed for new employees, which was the approach that the County took in the past when it created the multiple plans for General and Safety employees over the years.

One provision that can affect the amount of pension that employees receive is the basis for computing the FAS upon which the pension will be based. When it is based on a shorter period of 12 months, employees can receive a lifetime of pension benefits that are based on a very short period of time during their careers. To prevent "pension spiking" from occurring, some jurisdictions establish a 36-month timeframe for calculating the FAS, which reduces the opportunity for spiking to occur.

Of the 3 open plans in the County, Safety Plan B and General Plan D base the FAS on the final 12 months of employment. General Plan E, which is the non-contributory plan that caps retirements at 80% of final salary, is based on a 36 month FAS period. A recent memo from the LAC Chief Executive Officer to the Board of Supervisors estimates that implementing a 36 month period for these 2 plans could potentially save the County over $100 million annually as the newly hired employees retire, and eventually reduce the County's pension obligation by $2.3 billion[31]. Because this is a long-term strategy, the County would not realize significant savings for many years. However, such a change is consistent with the County's approach to managing its pension system costs during the past 2 decades.

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31 "Report on Options to Reform the County Pension System," from William T. Fujioka, Chief Executive Officer, to the Members of the Board of Supervisors, September 17, 2010.

In addition, some other jurisdictions in LAC also cap pensions. For instance, some employee groups in the City of Los Angeles have pensionable salaries capped at a percentage of an employee's FAS, as does the County with employees who elect General Plan E. An alternative would be to cap the amount of pension that a retiree can earn at or below the level set by the Internal Revenue Service (IRS), which limits pensions at $195,000 for qualified plans, which are the types of plan provided to most County employees.[32]

However, the County has established a second plan, the Los Angeles County Replacement Benefit (RB) Plan, enabling retirees to earn benefits in excess of the $195,000 limit set by the IRS. In these instances, LACERA will pay the amount up to the IRS limit and additional pension amounts will be paid from the Replacement Benefit Plan. According to LACERA, "Retirees impacted by Section 415(b) will receive two separate checks (or direct deposits) each month; one from LACERA and one from the RB Plan. . . . The total gross amount of the retiree's benefit remains the same." CalPERS member agencies have a similar program.

As it evaluates mechanisms for further reducing pension costs, such as modifying benefit formulas, the County may also wish to evaluate the time period for computing FAS, the effect of the RB program for highly compensated employees, and placing caps on pension amounts that are less than or correspond with IRS limits for qualified plans, such as most plans provided by LACERA.

MILESTONES IN EMPLOYEE RELATIONS

The retirement benefits available to LACERA members are driven in large part by the results of negotiations between the employee labor organizations and the County. In addition to establishing plan tiers, beginning in the late 1970's, a number of other key milestones have shaped the design of benefits and the County's declining liability trajectory.

1. Landscape of Employee Organizations

   All but 3 of the County's 60 bargaining units receive fringe benefits from 1 of 2 Fringe Benefits Agreements. The 2 agreements, one for the Service Employees International Union Local 721 and 1 for the Coalition of County Unions, are essentially identical. As of the writing of this Report, the other 3 bargaining units had undetermined benefit packages[33]. Non-represented employees, who constitute approximately 10% of the County workforce, receive a separate package of fringe benefits. This group includes executive management.

   Despite the existence of multiple fringe benefit packages, all County employees are subject to the same restrictions in retirement plan participation as described earlier. The differences in retirement related provisions between employee groups manifest in 1 broad area, pensionable earnings.

[32] Internal Revenue Code Section 415(b); applies to employees who entered employment with the County after "January 1, 1990. These limits are established for "qualified" plans, which receive favorable tax treatment.

[33] Bargaining Units with undetermined fringe benefits packages were Probation Directors, Supervising Child Support Officers, and District Attorneys.

2. Changes in Pensionable Earnings

In the early 1990s, County employees had several categories of compensation counted in the calculation of their FAS. Included were contributions made by the County to the employees' "Cafeteria Benefit Plan," as well as County contributions to the LACERA retirement fund. In 1996, State law modified the amount of Cafeteria Plan benefits that could be counted toward pensionable salaries, based on percentages of the total County contribution.

In 1997, case law defined in the "Ventura Case"[34] redefined pensionable income to include everything that is paid to an employee in cash. For CERL systems, like LACERA, other forms of compensation such as uniform allowance, vehicle allowance, skill-based differentials and other miscellaneous categories of pay were also included. However, sick leave and accrued vacation buy-back pay is pensionable in LAC, subject to Administrative Policy. These administrative policies could be reversed, lowering the amount that employees can apply toward service credit or pensionable salaries when the FAS is computed.

As pension investment income rose at the end of the decade, employee bargaining groups in the County began to bargain for enhanced pension benefit formulas. However, this was resisted strongly by the County. In exchange, the County offered longevity and wellness bonuses to Safety and other employee groups, which allowed pensionable income to be raised by as much as 11% during the final years of employment (for example, 4% at 20 years, 4% at 25 years and 3% at 30 years for police Safety, compounded). As the County explores alternatives for reducing its overall pension cost, these 2 special categories of pay could be reduced or eliminated through the collective bargaining process as a mechanism for reducing pensionable salaries in the final years of employment.

In addition, LACERA, like CalPERS, allows employees to purchase at full cost "Additional Retirement Credit," or ARC (also known as "Air Time") for up to 5 years of service credit. Under this optional benefit, employees are permitted to purchase 1 to 5 years of service credit at cost, as determined using actuarial methods. Although LACERA states that this is an expensive option for most employees, some employees take advantage of the opportunity to raise their annual pension amount when short of major years of service thresholds.

A review of what is and is not defined as pensionable income is worth including in the evaluation when the County next decides to modify pension benefits. However, any changes to defining certain categories of compensation as pensionable versus non-pensionable income must be considered within the constraints of existing case law.

LONG TERM FUNDING STRATEGIES & INVESTMENTS

1. Pension Obligation Bonds and County Contribution Credit Reserve

During FY 1994-1995, the County issued approximately $2 billion in pension obligation bonds (POB) as a result of the Retirement Association Funding Agreement, which established a mechanism to fund the UAAL. As of June 30, 2010, the total outstanding

[34] The final decision in the Ventura Case was issued in 2002.

principal on the bonds was $345,913,000. By June 30, 2011, the County reports that it will pay the last principal and interest payment on this POB debt.

The 1994-1995 Agreement also allowed surplus earnings on LACERA's assets for the period July 1, 1994 through June 30, 1998 to be split between a County controlled reserve account (75%) and the STAR program (25%), which provides the supplemental cost of living adjustment. Those excess earnings were used to create the County Contribution Credit Reserve, which may be used by the County to meet its required contribution requirement without adding new cash deposits to the fund. In each year since the establishment of the reserve, except 2010, a significant yet declining portion of the County's contributions have been met using these reserve funds. No funds were spent from the reserve in FY 2010. The balance of the County Contribution Credit Reserve as of June 30, 2010 was $470.7 million.

Rather than keeping it in reserve, some or all of the $470.7 million County Contribution Credit Reserve could be put toward funding the retiree health trust. This would be a step toward accumulating reserves for OPEB benefits which is currently 0% funded.

2. Effective Investment Management

LACERA's Board of Investments (BOI) and its investments division have been recognized for strong financial stewardship. The independent fiduciary services firm that conducted LACERA's most recent fiduciary review wrote, in summary:

> We were favorably impressed by the dedication and insight of the BOI, caliber of staff, the level of sophistication in operations, and the obvious focus on maintaining excellence in the areas covered by this fiduciary review. We did not discover any material shortcomings, and the LACERA BOI and staff should be proud of their investment program's many accomplishments.

In comparison to other large public pension funds and to the market as a whole, LACERA's fund assets performed relatively well during the financial crisis of 2008-2009. LACERA's return on investment for the year ending June 30, 2009 was negative 18.2%, while CalPERS had a negative 24.8% return for the same period.

UNFUNDED RETIREE HEALTH BENEFIT

LACERA also administers a retiree health benefit program for eligible retirees. also referred to as OPEB. Every 2 years, the LACERA Board commissions an actuarial valuation of the plan to determine its liability. As of July 1, 2010, the most recent valuation, the actuarial accrued liability for the retiree health program was $24.03 billion and was completely unfunded. This represents an increase of 9.9% from the previous valuation in 2008, which was $21.86 billion in unfunded liability.

The current retiree health benefit is defined by the "1982 Agreement" between LACERA and the County, wherein LACERA would administer the program and the County would fund the program. The current benefit provides retirees between 40% and 100% of the cost of retiree health insurance, depending on years of service. At 10 years of service, the County covers 40% of the cost of the benefit for the employee; and that rate increases by 4% per year of service up to 100% coverage at 25 years of service.

The County's OPEB liability will continue to compound at increasingly higher rates due to pressure from high rate of health care cost inflation, coupled with increasing retirement rates.

As described in Phase I of this Report, many jurisdictions operate OPEB programs on a "pay-as-you-go" basis. However, this unfunded liability is significant and growing in the LAC; and the County should develop and adhere to a plan for funding the benefit.

RESULTS OF SAMPLING

In order to analyze certain attributes of recent retirees and understand general trends in the LACERA population, the CGJ drew a sample comprised of all employees who entered retirement during the 3 most recent fiscal years (July 1, 2007 through June 30, 2010). First, statistical analysis was conducted on the entire 3-year population, which totaled 6,979 retirees. The results of this analysis are summarized in Exhibit 20. Plan E members comprised the largest group of retirees during the 3-year period at 31.7% of all retirees; Plan D members comprised 28.7% of the population, and Plan A members comprised 22.7%.

When considering all plan retirements during this 3-year period, the average number of years of service credit was 25.2 years; and the average annual retirement income was $45,948. As Exhibit 20 shows, there is a large variance in average annual retirement income between the plans, ranging from a low (Plan E) of $23,670 to a high (Plan A/Safety) of $117,047.

This sampling helped CGJ identify and support the findings delineated in this Section.

Exhibit 20. Summary of All Employees Entering LACERA Retirement During 3 Most Recent Fiscal Years (July 1, 2007 through June 30, 2010)

Plan	Number of Retirements	Average Total Service Credit (yrs)	Average Benefit Percentage	Average Annual Benefit
A/G	1585	32.5	79.2%	$68,920
A/S	388	31.6	84.3%	$117,047
B/G	120	28.9	66.6%	$59,620
B/S	618	24.3	62.1%	$74,040
C/G	51	25.8	58.3%	$43,891
D/G	2006	17.6	38.2%	$29,182
E/G	2211	25.7	38.6%	$23,670
Grand Total	**6979**	**25.2**	**52.9%**	**$45,948**

Source: LACERA retirement records.

METHODS AND PROCEDURES

Using information collected for each of the 277 pension plans in LAC, the CGJ selected those that exhibited a range of characteristics that suggested an in-depth research and analysis would be appropriate. Once the plans were selected, meetings were held with officials, various documents were obtained and analyzed; and Findings and Recommendations were developed. In addition to various documents, LACERA was able to provide the CGJ a sample of nearly 7,000 LACERA retirements for analyses and benefit calculation verification. These analyses identified and provided support for several of the Findings discussed in this Section.

FINDINGS

LAC management, with advice and counsel from LACERA, has taken relatively prudent measures in the last 30 years to control and fund pension costs for LAC.

LACERA manages a County Contribution Credit Reserve that has been used in past years to offset a portion of the Annual Required Contribution for pension benefits. As of June 30, 2010, this reserve had a balance of $470.7 million.

The legal requirement to count certain categories of compensation as fully pensionable, such as uniform allowances, vehicle allowances, and skill-based pay differentials, has the effect of inflating salaries. However, vacation and sick leave "buy-back" categories of pay have also been designated as pensionable salaries by administrative policy of the County.

The use of a 12-month period for determining final average salary and, ultimately, the amount of the retirement benefit in all plans except Plan E, may provide an opportunity for "pension spiking." Plan E and other plans administered by CalPERS set the FAS period at 36 months, which reduces the opportunity for pension spiking.

Certain provisions of the LACERA plan and County agreements, such as agreements that permit certain classifications of employees to earn "longevity pay," may increase overall pension costs. However, these options were often agreed to by the County as alternatives to salary increases or pension formula enhancements that were being negotiated with employee labor unions at the time.

The lack of caps on retirement income and the use of the LAC Replacement Benefit Plan allows high-income, long-term employees to earn pensions that are higher than those allowed by Internal Revenue Code 415(b), which is $195,000 in 2011.

The County's unfunded retiree health liability of $24.03 billion should be a significant concern for the County, especially when considering the rising costs of health care.

The LACERA Board of Investments' choice to book the $614 million STAR reserve as a Valuation Asset without booking a corresponding liability overstates the financial strength of the plan.

RECOMMENDATIONS

1. Eliminate Administrative policies that permit employees to spike their final average salary in the final years of employment. When the County next decides to modify pension benefits, include in the modification scope an examination of the efficacy of:
    a. Changing the period used to determine FAS from 12 months to 36 months for most plans
    b. Eliminating all pensionable pay categories that are not mandatory, such as vacation and sick leave buy-back pay
2. Through the collective bargaining process, the County could also reduce or eliminate automatic pay increases given to employees as they approach retirement, such as longevity and wellness pay, which contribute to pension spiking.
3. The County to consider changes to pension plans for new employees, capping pensionable salaries or placing a cap on the maximum value of pension allowed, including changes to the Replacement Benefit Plan for highly compensated employees.

4. The County to consider negotiating changes in the Retiree Health Benefit Plan with labor organizations, to reduce the County's net cost for the retiree health benefit, by either modifying benefit levels or increasing the member's share in the cost of retiree health insurance.
5. The County to consider applying the full amount of the $470.7 million County Contribution Credit Reserve to the retiree health trust as a first step toward accumulating reserves for OPEB benefits.
6. The County begin contributing the full annual required contribution for retiree health benefits in an attempt to build reserves and apply investment income as discounts toward the cost of benefits.
7. LACERA Board of Retirement to wholly offset the County STAR asset reserve, valued at $614 million in 2010, by a corresponding liability since funds may only be expended for STAR benefits. .

REQUEST FOR RESPONSE

California Penal Code Sections[35] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the CGJ publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
LAC Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1a	LAC (Board of Supervisors)
1b	LAC (Board of Supervisors)
2	LAC (Board of Supervisors)
3	LAC (Board of Supervisors)
4	LAC (Board of Supervisors)
5	LAC (Board of Supervisors)
6	LAC (Board of Supervisors)
7	LAC (LACERA Board of Retirement)

[35] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 CGJ Report

Exhibit 21

Provisions of Open LACERA Plans (Unmodified)

Provision	Plan D (General)	Plan E (General)	Plan B (Safety)
Member Contributes to Plan	Yes	No	Yes
Vested[36]	5 Yrs	10 Yrs	5 Yrs
Eligible Age to Receive Retirement Allowance	· Age 50 with 10 yrs svc · 30 yrs svc, any age · Age 70, any svc	· Age 55 if vested · Age 70, any svc	· Age 50 with 10 yrs svc · 20 yrs svc, any age
Maximum percentage of Final Compensation Member Can Receive as a Retirement Allowance	100%	80%	100%
Disability Retirement	Yes	No	Yes
Pre-Retirement Death Benefit	Yes	No	Yes
Pre-Retirement Survivor Benefits	Yes	No	Yes
Retiree Health Insurance Subsidy	Yes	Yes	Yes
Post-Retirement Survivor Benefits	Yes	Yes	Yes
COLA Increases after Retirement	Yes	Yes	Yes
Eligible Former Members May Be Reinstated to Prior Contributory Plan	Yes	No	Yes
May Purchase Service Credit for Eligible Government Service Prior to LACERA	Yes	No	Yes

[36] Years of County Service Credit.

PHASE II: SECTION 2
CITY OF LOS ANGELES DEPARTMENT OF WATER AND POWER EMPLOYEE RETIREMENT PLAN

SUMMARY

The City of Los Angeles Department of Water and Power Employee Retirement Plan (WPERP) administers the pension plans established for Department of Water and Power (DWP) employees. The WPERP invests assets for the DWP Retiree Health Benefits plans. The WPERP acts as the trustee of assets held for all elements of the pension plans.

DWP contributions are made in amounts based on the recommendations of actuaries for the Retirement and Retiree Health Benefits plans. While the Retirement Fund exceeded the 80% funded ratio threshold cited by experts for a well funded plan in 2010, other trust funds are at lower funded ratios. While DWP has been accelerating payments to the Retirement Health Benefit Fund in recent years to build asset reserves by contributing in excess of 250% of Annual Required Contributions (ARCs) in each of the past 3 years, the WPERP reports a 2010 Funded Ratio of only 60.5% for the Retiree Health Benefits fund.

In FY 2009-2010, the most recent year for which actual data is available, the combined Department contributions paid to the Retirement Fund, Retirement Health Benefits Fund, the Death Benefits Insurance Fund and the Disability Benefits Insurance Fund was $360,447,428 on payroll of $767,912,436 (a contribution rate of 46.9%). Yet, DWP employee relations personnel state that the Department is not currently contemplating any changes to employee bargaining agreements in an effort to reduce pension benefit costs. This contrasts sharply with efforts being made by the City to reduce retirement costs for non-DWP employees who receive benefits through Los Angeles City Retirement System (LACERS).

The WPERP also has a reciprocal agreement with the LACERS, which provides benefit portability for employees who transfer between City and DWP jobs. However, actuaries have determined that approximately $183 million in WPERP unfunded liability is attributable to weaknesses in this agreement stemming from the absence of a provision requiring the plans to transfer assets representing employer contributions between LACERS and WPERP when employees move between plans. The actuary modeled this $183 million underfunding by amortizing it over 15 years and determined that the WPERP contribution rate would need to increase by a factor of 1.4% of current payroll or approximately $11.7 million per year. This should be a City cost and not a responsibility of DWP ratepayers.

To ensure DWP ratepayers are not subsidizing City services, the Los Angeles City Council and DWP Board of Commissioners should work diligently to resolve the funding discrepancy that has resulted from the reciprocity agreement. In addition, DWP should work collaboratively with employee bargaining groups to evaluate alternatives for lowering the cost of benefits provided to DWP personnel.

PURPOSE

The City of Los Angeles Department of Water and Power Employee Retirement Plan (WPERP) was chosen by the Civil Grand Jury (CGJ) for in-depth review because as a public utility business-type enterprise, employer borne pension costs are passed through to the ratepayer. With a solid funded ratio and a recent history of accelerated payment of OPEB liabilities, the CGJ's initial review suggested that the plan was not undergoing the same financial difficulties as other LAC Public Pension Plans.

BACKGROUND

The DWP offers pension benefits to its employees through its WPERP*.* In addition, DWP provides Retiree Health Benefits to its employees through a separate plan that is jointly administered by the Department and the WPERP. The City has not issued any Pension Obligation Bonds (POBs) to prefund any portion of DWP's pension liabilities, but has been aggressively accelerating contributions to the Retiree Health Benefits Fund to improve that plan's funded ratio in recent years. Exhibit 22 shows key attributes of the retirement plan.

GOVERNANCE

The WPERP is established in the Los Angeles City Charter[37] which also establishes the Board of Administrators and defines its powers, duties and authorities related to Department of Water and Power (DWP) retirement fund administration. Article XI, Part 2, §1180 through §1190 of the Charter define the benefit parameters and administrative requirements of the WPERP, including the Board's authority to modify the plan and the assignment to DWP of its responsibility to pay retirement benefits "as a general obligation of the Department." The WPERP Board of Administrators is exempt from §245 of the City Charter, which allows the City Council to veto decisions of other boards established in the City Charter.

It is important to note that the Retiree Health Benefits Fund is not overseen by the WPERP Board of Administrators. According to the combined financial statements for all retiree benefits, the "Board of Water and Power Commissioners approved the creation of the Retiree Health Benefits Fund (RHBF) in September 2006 to defray current and future retiree health benefit liabilities and related costs incurred by the fund. The Retirement Board has the fiduciary responsibility for investing the assets of the Health Fund and administering payments from it, while the DWP Board of Water and Power Commissioners continues to have the responsibility to set the funding policy and the funding level of the RHBF."

[37] Article XI, Section 1102 (b)

Exhibit 22. WPERP Profile

MEMBERSHIP		PLAN BENEFITS AND OPTIONS	
Active Members	9,295	Normal Retirement Age	60
Retired Members	6,358	Benefit Formula	2.3% x Years
Disabled/Retired Members	-	Lump-Sum Death Benefit	Option
Survivor Members	2,110	Survivor Benefit	50% of pension
Inactive Members	1,739	Retiree Health	Defined Benefit
Total Members	19,502	Deferred Compensation	No

ACTUARIAL		FINANCIAL	
Investment/Discount Rate		*Pension Fund*	
Assumed Actuarial Rate	8.00%	Actuarial Accrued Liability	$ 8,893,618,433
One Year Actual Return (FY 2010)	11.96%	Unfunded Actuarial Accrued Liability	$ 1,649,188,744
		Funded Status	81.5%
Methods		*Retiree Health Fund*	
Investment Smoothing	5 Years	Actuarial Accrued Liability	$ 1,631,916,204
Investment Corridor	None	Unfunded Actuarial Accrued Liability	$ 644,440,228
Amortization of Unfunded Liability	15 Years	Funded Status	60.5%
Contributions		*Pension Obligation Bonds*	
Employer Contribution	38.5%	Principal Balance	$ -
Employee Contribution Pick-Up	0.0%	Projected Interest Expense	$ -
Total Contribution	38.5%	Total Indebtedness	$ -

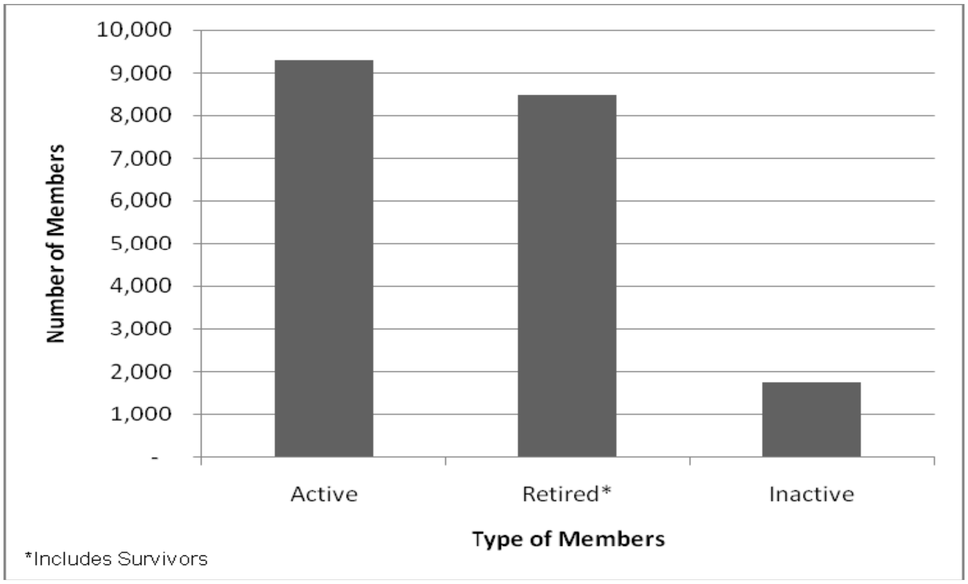
Source: The Segal Group, Inc., *Water and Power Employee Retirement Plan Actuarial Valuation and Review as of July 1, 2010* and Simpson & Simpson, Certified Public Accountants, *City of Los Angeles Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan Financial Statements and Supplemental Information for the Years Ended June 30, 2010 and 2009 Water and Power Employees Retiree Health Benefits Fund Financial Statements and Supplementary Information for the Year Ended June 30, 2010 and 2009*

A more complete profile of pension benefits provided to DWP employees is included in Appendix C of this Report.

MEMBERSHIP AND ACTUARIAL EVALUATION

As of June 30, 2010 there were 19,502 members in the WPERP, of which 6,358 were retired. Per the City Charter which establishes WPERP as a single employer plan, only those employees who work for DWP are members. However, the WPERP has a reciprocal agreement with the LACERS, which provides benefit portability between plans when individuals move from employment between other City departments and the DWP. Exhibit 23 shows WPERP membership by broad type:

Exhibit 23. WPERP Membership by Type as of June 30, 2010



Source: The Segal Group, Inc., *Water and Power Employee Retirement Plan Actuarial Valuation and Review as of July 1, 2010*

In the past 3 years, between 2007 and 2010, there were 608 retirements at the DWP. On average, these individuals received a full pension allowance of $65,040 per year, which was 71.3% of the final average compensation used to calculate their pensions at the time of retirement. Of the 608 retirees, there are 68, or 11.2%, who are receiving pensions over $100,000 per year. The average pension for these 68 individuals equaled approximately $125,970 per year.

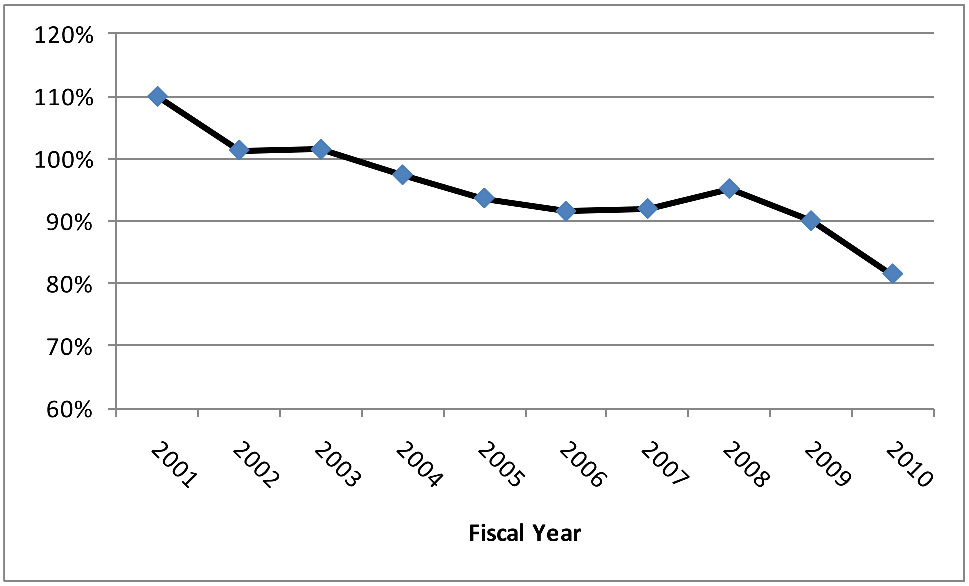
It is important to note that these pensions are derived from both employer and employee contributions over the employee's career. With an average of 30 years employment at the DWP, these pensions can sometimes appear high. For example, when conducting the sample, the CGJ found one individual with approximately $585,000 in his employee contributory account. Because this individual was elderly when he retired and because of the balance in his contributory account, he would have been able to retire with a monthly pension that would have exceeded 160% of his final average compensation. Instead, he decided to name a beneficiary who would receive a percentage of his salary upon his death.

Although Funded Ratio Remains Strong, Contribution Requirements Have Escalated

As of the last valuation date of July 1, 2010, the WPERP Retirement Fund has Actuarial Accrued Liability (AAL) of $8,893,618,433. The Unfunded AAL (UAAL) for the Retirement Fund was $1,649,188,744, resulting in a funded ratio of 81.5%. Although this Funded Ratio is within the range considered sufficient by experts, it follows a 10 year pattern of declining performance by the fund from a high of approximately 110.0% Funded Status in 2001. This deterioration has correspondingly increased the Annual Required Contributions (ARC) from the DWP as shown in Exhibit 24 and Exhibit 25 adapted from the WPERP's most recent actuarial report:[38]

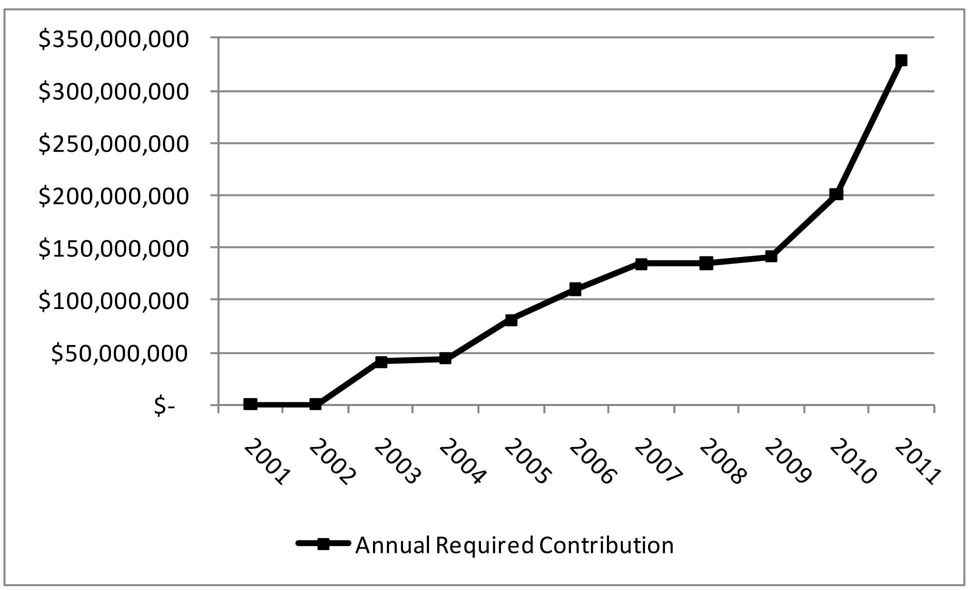
[38] The Segal Group, Inc., *Water and Power Employee Retirement Plan Actuarial Valuation and Review as of July 1, 2010,* Page 14

Exhibit 24. FY 2001 through FY 2011 History of WPERF Funded Ratio



Source: Adapted from The Segal Group, Inc., *Water and Power Employee Retirement Plan Actuarial Valuation and Review as of July 1, 2010*, Chart 16

Exhibit 25. FY 2001 through FY 2011 History of WPERP Annual Required Contributions



Source: Adapted from The Segal Group, Inc., *Water and Power Employee Retirement Plan Actuarial Valuation and Review as of July 1, 2010*, Chart 15

As shown by Exhibits 24 and 25, as the funded status of the Retirement Fund has declined, the ARC has grown dramatically. In FY 2000-2001 and FY 2001-2002, the Department was not required to contribute anything to the Fund because the funded ratio was over 100%. In the next

8 years by FY 2010-2011, the DWP's projected ARC climbed to $329,178,234, which is 38.45% of the projected payroll of $856,089,559.[39]

In addition, the ARC for the WPERP does not include additional contribution amounts for the Retiree Health, Disability Insurance or Death Benefits Insurance plans provided to employees and retirees. An analysis of the ARC and actual contributions for all categories of DWP retirement benefits in FY 2009-2010 shows that the additional costs are significant, as shown in Exhibit 26:

Exhibit 26. FY 2009-2010 Contributions for Major Categories of DWP Retirement Benefits

Fund	ARC	Actual	Difference	% of ARC
Retirement	$ 200,578,278	$ 201,034,807	$ 456,529	100.2%
Retiree Health	$ 58,502,789	$ 159,412,621	$ 100,909,832	272.5%
Total	$ 259,081,067	$ 360,447,428	$ 101,366,361	139.1%

Source: Simpson & Simpson, Certified Public Accountants, *City of Los Angeles Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan Financial Statements and Supplemental Information for the Years Ended June 30, 2010 and 2009 Water and Power Employees Retiree Health Benefits Fund Financial Statements and Supplementary Information for the Year Ended June 30, 2010 and 2009*

The actual contributions for all categories of DWP retirement benefits in FY 2009-2010 amounted to $360,447,428. This equates to approximately 46.9% of actual pensionable salaries of $767,912,436 in that year.

Two important factors are to be considered when viewing this data:

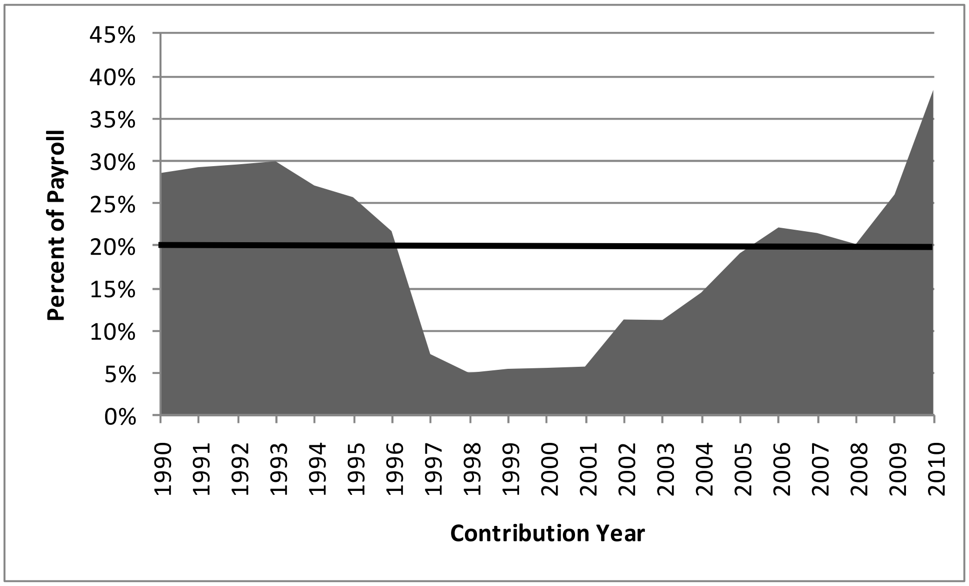
1. The ARC for the Retirement Plan was calculated to be 26.12% in FY 2009 on a smaller base of pensionable salaries amounting to $767,912,436. In FY 2010-2011, the ARC is projected to be 38.45% of a higher base of pensionable salaries of $856,089,559. The difference in cost for DWP from this change will therefore amount to an additional $128,588,157 in FY 2010-2011. This does not include additional costs which may be necessary to fund the ARC for the Retiree Health Plan.

2. Despite the steep increase in these costs, DWP has chosen to accelerate the prefunding of the UAAL for its Retiree Health Benefit Fund, amounting to additional contributions of $100,909,832 in FY 2009-2010. This equates to 272.5% of the actuarially determined ARC in that year and followed two years (FY 2007-2008 and FY 2008-2009) when the actual contribution exceeded the ARC by 391.98% and 261.43%, respectively.

It is also important to recognize that in 12 of the past 20 years, the base contribution rate for the WPERP has exceeded 20% of DWP employee salaries (60% of the time period), excluding contributions for Retiree Health Insurance. Although DWP employees are exempt from Social Security, DWP saves the 6.2% payroll tax on the first $106,800 in employee earnings. This percentage contribution is significant. Exhibit 27 shows the pattern of contributions made to the WPERP over a 20-year period between 1990 and 2010:

[39] The Segal Group, Inc., *Water and Power Employee Retirement Plan Actuarial Valuation and Review as of July 1, 2010*, "Summary of Key Valuation Results", Page iv

Exhibit 27. 1990 to 2010 WPERP Contributions Compared to a 20% Benchmark



Source: Department Contribution Rate as a Percentage of Pay, schedule prepared by WPERP management for this assessment.

As part of this assessment, a meeting was held with the employee relations managers at DWP. During this meeting, managers were asked whether management intends to meet and discus with DWP employee bargaining groups potential modifications of aspects of the retirement benefit package in an effort to reduce costs. The response was that they were not aware of any such initiatives, which contrasts sharply with public statements made by the Mayor and other elected officials for City employee groups whose members are served by LACERS.

To the extent that costs are not reduced through the collective bargaining process, the DWP ratepayers will continue to subsidize retirement benefits provided to DWP employees at historically high levels. In addition, DWP's ability to make the required annual transfer to the City's General Fund could be compromised.

OTHER POST EMPLOYMENT BENEFITS

DWP provides Other Post Employment Benefits (OPEB) to its employees through the Retiree Health Benefits Fund, which is a defined benefit plan that subsidizes health insurance for employees after retirement. Although investments are managed by the WPERP, by agreement with the Department, authority for policy and funding decisions is held by the DWP Board of Commissioners and has not been assigned to the WPERP Board of Administrators.

Governmental Accounting Standards Board (GASB) Statement No. 27 describes the standards for reporting pension obligations by State and local governments. For governmental funds, such as the General Fund of a jurisdiction, the amount of the Net Pension Obligation (NPO) is recognized on a modified accrual basis and reported in the general long-term debt group. In contrast, for Proprietary or Enterprise funds the NPO is recognized on an accrual basis and is reported as a liability against the fund assets. Hence, the standard for an enterprise operation's Proprietary, or Enterprise funds, such as the DWP, differ from the standard for the General Fund of a jurisdiction. These standards apply to all categories of retirement obligations, including OPEB.

These differences affect the reporting of fund balance (Governmental Funds) and net fund assets (Proprietary Funds) on the balance sheet for the 2 categories of funds. Because only the current portion of the NPO is recognized for governmental funds using the modified accrual basis, a General Fund balance sheet does not show long-term obligations. Instead, the long-term obligations are reported in subsidiary schedules shown as an adjustment for purposes of presenting the combined governmental funds statement and are only recognized as a liability on the fund balance sheet when it becomes due.[40] However, the reporting of the full amount of the NPO on an accrual basis for an enterprise operation, such as the DWP, directly impacts the reporting of net fund assets on the balance sheet. For example, the City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009 held $784,749,000 in non-current assets in its Water and Power Enterprise Funds that were restricted to pay for the funds' net pension obligations, effectively reducing the amount of unrestricted net fund assets by the same amount.

As a result, accelerating payment to the OPEB trust fund does not affect the amount of available net fund assets. Discussions with DWP management indicate that the decision to accelerate OPEB funding has been made by the General Manager in each of the past 3 fiscal years, based on cash balances available in the Water and Power Enterprise Funds. According to management, approximately 32% of the contributions are made by the Water Enterprise and 68% of the contributions are made by the Power Enterprise. There has neither been a specific DWP Board of Commissioners action nor a stated Citywide policy or DWP policy to accelerate funding of the OPEB UAAL above levels required by GASB. The CGJ was advised that this pattern of accelerated payment is likely to continue again in FY 2011-2012 at the slightly reduced level of approximately $75 million.

The degree of acceleration has been significant. During the past 3 years, the DWP management has chosen to contribute in excess of 250% of the ARC to its RHBF. The accelerated contributions are unnecessary, and payments could be reduced substantially by DWP. The Governmental Accounting Standards Board (GASB) Statement No. 45's plain language publication states that:

> The process for determining how much should be set aside now in order to provide for future benefits in a defined benefit plan utilizes actuarial methods and assumptions . . . The actuarial calculations are required to take into account not only benefits *expected to be earned* by employees in the future (future normal costs), but also those benefits the employees *have already earned. . . .* The portion of the actuarial present value allocated to prior years of employment---and thus not provided for by future normal costs---is called the *actuarial accrued liability* (AAL). . . . The excess of the AAL over the actuarial value of assets is the *unfunded actuarial accrued liability* (UAAL or unfunded liability). **The unfunded liability would be amortized (spread) over a period of up to 30 years. . . . The normal cost and the portion of the UAAL to be amortized in the current period together make up the *annual required contribution* (ARC).** (Bold and underlined emphasis added).

When the DWP actuaries prepared their analysis according to GASB rules, they isolated and spread the unfunded liability over a period that would allow the plan to fully fund employee benefits over time before expenses become due and payable. However, DWP chose to follow a funding plan that differed from the actuary's minimum requirements and chose to accelerate payments to levels substantially above these requirements as shown in Exhibit 28:

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[40] The City of Los Angeles CAFR reflects this reporting standard and states, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the (individual) funds."

Exhibit 28. Three Year History of DWP Contributions for Retiree Health Benefits

Year	Annual Required Contribution (ARC)	Actual Contribution	Over (Under) ARC	Percentage Contributed
2008	40,144,629	157,359,628	117,214,999	391.98%
2009	60,976,358	159,412,621	98,436,263	261.43%
2010	58,502,789	160,236,897	101,734,108	273.90%

Source: Simpson & Simpson, Certified Public Accountants, *City of Los Angeles Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan Financial Statements and Supplemental Information for the Years Ended June 30, 2010 and 2009 Water and Power Employees Retiree Health Benefits Fund Financial Statements and Supplementary Information for the Year Ended June 30, 2010 and 2009*

As discussed in Phase I of this Report, most jurisdictions that offer OPEB benefits to their employees have not funded future benefits and continue to operate on a "pay-as-you-go" basis. This is inconsistent with GASB standards; and as the CGJ recommended in Phase I, these jurisdictions should end this practice and develop strategies to fully fund the ARC.

However, DWP has been funding this liability at levels far greater than the amount determined using GASB accounting standards, while at the same time requesting an electric rate increase in the Spring of 2010; and advising the City Council that it would be unable to pay the full amount of the 8% electric utility transfer to the City in FY 2009-2010, because of insufficient cash resources. The unpaid portion would have amounted to $73.5 million which is less than the $101,734,108 of accelerated funding paid to the RHBF.

Although the CGJ did not examine the specifics of this controversy as part of this assessment, the CGJ recommends that the new Ratepayer Advocate and the City Council, through the powers overwhelmingly granted by the voters with Propositions I and Proposition J on March 8, 2011, be advised of the decision by the DWP Board of Commissioners to accelerate payment of the RHBF ARC in each of the past 3 fiscal years. Had these payments not been accelerated, $317,394,370 in additional resources would have been available in the Water and Power Funds during this 3-year period. Although the CGJ does not have information on the portion of these payments that were made from the Water and Power Enterprises, respectively, it is likely that all or a substantial portion of the delinquent payment could have been made from that fund.

RECIPROCAL AGREEMENT

On February 1, 1980, a reciprocal agreement was entered into by the WPERP and LACERS to provide benefit portability to DWP and City employees when they moved employment between City departments and the DWP. Under the agreement, employee contributions are transferred between the retirement funds, the employees' service credit is transferred between the benefit programs, and any contracts the employees may have for the purchase of retirement service credits are transferred between departments.

Based on the CGJ's review and according to the Los Angeles Chief Legislative Analyst (CLA), the reciprocal agreement does not include provisions for the transfer of employer contributions between plans. According to the CLA, this occurred because, "Actuarial reports conducted at the time it was established indicated the cost of the program would be similar in both pension plans." It was thought that the WPERP cost of providing benefits to employees transferring from City departments to DWP would be essentially offset by the LACERS cost of providing benefits to employees transferring from DPW to City departments.

Since that time, WPERP found that the transfers between DWP and City departments had grown out of balance. The Retirement Board requested that the Plan's actuary evaluate the financial impact of the imbalance.[41] The actuary found:

- For the period April 1, 2004 through March 31, 2010, reportedly 1,623 City department employees transferred from City departments to DWP, while only 270 DWP employees transferred to City departments.
- The total increase in the WPERP unfunded actuarial liability due to the transfer of the 1,623 employees amounted to approximately $183 million which, amortized over 15 years, increases DWP's annual contributions by $11.7 million or 1.4% of payroll.
- No estimate was made of the offsetting savings to WPERP from the transfer of the 270 DWP employees to City departments so it is likely that the $183 million in UAAL that was identified for this period is overstated.
- The actuarial analysis was limited to the 6 year period and did not assess the impact from transfers that may have occurred prior to this timeframe. Therefore, the DWP net costs could be even greater.
- The actuarial analysis did not analyze the additional cost or UAAL to DWP for the Disability Insurance, Death Benefits Insurance or Retiree Health Plan benefits granted to the employees after transferring to DWP.

In response, the WPERP Board of Administrators adopted a resolution recommending suspension of the reciprocal agreement. The WPERP Board of Administrators submitted this resolution to the Board of Water Commissioners. The Commissioners approved the resolution and submitted it to the City Council for consideration. The City Council, at its meeting held on October 13, 2010, vetoed the resolution and referred the matter to the City Administrator, WPERP and LACERS for further review. No further action has been taken by the City Council on this matter since that time.

METHODS AND PROCEDURES

Using information collected for each of the 277 pension plans in LAC, the CGJ selected those that exhibited a range of characteristics that suggested in-depth research and analysis would be appropriate. Once the plans were selected, meetings were held with officials, various documents were obtained and analyzed, and Findings and Recommendations were developed. In addition, the CGJ was able to analyze a sampling of 608 retirements which constituted all retirements in the past 3 calendar years. The sampling allowed the CGJ to verify benefit calculations and to identify and support Findings discussed in this Section.

FINDINGS

1. DWP employee relations management staff has not initiated any substantive meet and confer sessions with employee bargaining groups to modify aspects of the retirement benefit package in an effort to reduce costs, despite total annual retirement benefit contributions of approximately $360 million or 46.9% of pensionable salaries in FY 2009-2010.

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[41] August 10, 2010, The Segal Company, *Re: Reciprocity program – Impact of Possible Suspension of Program*

For at least 3 years, the DWP management has chosen to contribute amounts exceeding 250% of the Annual Required Contribution to its Retiree Health Benefits Fund. During this period, they have made $317,394,370 in excess contributions, while simultaneously requesting utility rate increases and advising City officials that the Department would be unable to pay the full amount of the 8% transfer to the City in FY 2009-2010, because of insufficient cash resources.

The City and LACERS may owe the WPERP $183 million or more in UAAL for employees who transferred from City employment to DWP employment during the past 6 years, increasing the WPERP contribution requirements by $11.7 million annually over the next 15 years. The City Council referred this matter to the City Administrator, WPERP and LACERS to refine the analysis on October 13, 2010; but no further action has been taken since that time.

RECOMMENDATIONS

1. The DWP Board of Commissioners give direction to management to evaluate and report back in closed session on alternatives for reducing the Department's cost of employee retirement benefits.

2. The DWP Board of Commissioners advise the new Ratepayer Advocate and the City Council of the decision by the DWP management to accelerate payment of the Retiree Health Benefit Fund ARC in each of the past three fiscal years to ensure that the prepayments are fully considered when the DWP seeks future rate increases or indicates that it is unable to make revenue transfers to the General Fund.

3. Los Angeles City Council, the DWP Board of Commissioners and LACERS Board of Administrators need to expedite reaching an agreement regarding transferring funds to WPERP to cover the cost of an increased UAAL imposed on DWP, estimated by actuaries to equal as much as $183 million for the 6-year period between 2004 and 2010, due to Los Angeles City employees who have moved from City departments to DWP so that the burden is not imposed on ratepayers.

4. Los Angeles City Council, the DWP Board of Commissioners and LACERS Board of Administrators need to amend the reciprocity agreement between LACERS and WPERP with regard to the transfer of employer pension contributions in order to prevent such inequity in the future.

REQUEST FOR RESPONSE

California Penal Code Sections[42] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
LAC Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Los Angeles (Department of Water and Power Board of Commissioners)
2	City of Los Angeles (Department of Water and Power Board of Commissioners)
	City of Los Angeles (City Council)
	City of Los Angeles (LACERS Board of Administrators)
3	City of Los Angeles (Department of Water and Power Board of Commissioners)
	City of Los Angeles (City Council)
	City of Los Angeles (LACERS Board of Administrators)
4	City of Los Angeles (Department of Water and Power Board of Commissioners)
	City of Los Angeles (City Council)
	City of Los Angeles (LACERS Board of Administrators)

[42] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

PHASE II: SECTION 3
PASADENA FIRE AND POLICE RETIREMENT SYSTEM

SUMMARY

The Pasadena Fire and Police Retirement System (FPRS) administers the pension system for certain retired Safety employees of the City of Pasadena. FPRS is a closed plan and does not accept newly hired employees. There are no active employees who are members of the plan. Nonetheless, certain plan attributes, primarily the cost of living adjustment (COLA), make the plan benefits for retirees costly. As a result, the City has chosen to borrow funds by issuing Pension Obligation Bonds (POB) amounting to over $156 million for both principal and interest as of June 30, 2010 to fund the plan.

All Safety employees hired after 1977 participate in a CalPERS Safety Plan, and all non-Safety employees participate in a CalPERS Miscellaneous Plan. The City also offers retiree health benefits to the employees and retirees of these plans which have an unfunded actuarial accrued liability (UAAL) of nearly $31 million as of June 30, 2010.

Pasadena's pension obligations, especially those of the FPRS, present a substantial financial challenge for the City. The existing funding source for the debt payments on the bonds that fund FPRS will expire in 2014, leaving the City without a dedicated source to pay the debt service. Without identifying an alternative source of funds, the City will be required to further subsidize the plan from discretionary General Fund resources which will have a direct impact on the City's ability to maintain services to the taxpayers.

As part of its effort to establish long-term funding strategies to address the impending expiration of dedicated funding, in March 2011 the City Council authorized staff to initiate the preparation for the issuance of a third set of POBs in an amount up to $65 million. In addition, the City should explore opportunities to reduce other pension obligations for its active CalPERS and OPEB plans.

PURPOSE

The City of Pasadena and its Fire and Police Retirement System (FPRS) were chosen by the Civil Grand Jury (CGJ) for in-depth review based on the FPRS' extraordinarily low funded ratio and closed status and the City's substantial POB debt and retiree health benefit unfunded liability.

BACKGROUND

The City of Pasadena offers pension benefits to its current employees through the CalPERS Miscellaneous and Safety plans and to certain former Safety employees through the Pasadena Fire and Police Retirement System (FPRS). Although FPRS was closed to new members in 1977, its obligation to provide retirement benefits for retirees represents a significant liability, the long-term funding for which is undetermined as of the writing of this Report. The City of Pasadena also offers a retiree health benefits program with a liability of $30.8 million, which is completely unfunded, and has outstanding POB debt totaling approximately $156 million. The

CGJ chose the City of Pasadena for this review, primarily because of the financial challenges being posed to the City by FPRS. Exhibit 29 shows key attributes of FPRS and other pension obligations for Pasadena excluding the CalPERS plans.

GOVERNANCE

The Pasadena Fire and Police Retirement System (FPRS) was established by Article XV of the Pasadena City Charter. FPRS is governed by a 5 member retirement board of trustees representing the City Council, City residents and FPRS members. Its operations are reported as a Pension Trust Fund in the City's financial statements. The system's asset allocation and investments are reviewed by the Board and by an independent investment consultant, and contract actuaries. The FRPS is staffed by two part-time employees who administer the Plan.

FPRS HISTORY AND FUNDING STRUCTURE

1. Effect of Unlimited COLA

   According to City documents, FPRS has had a challenging financial history since around 1960. In that year, City Charter amendments provided an unlimited COLA for the members that was fully adjustable based on changes in the Consumer Price Index (CPI). With inflation in the broader economy during the subsequent years, the plan saw dramatic increases in the COLA and, therefore, in its expenses. In 1977, the system was closed to new members and modified to increase contribution rates for the City and for active members. Additionally, active members were given the option of transferring to the CalPERS plan. However, as one City document stated, "few existing participants elected to join CalPERS and the modifications proved inadequate to address the continuing rise in the COLA benefit."[43]

   The City attempted to roll back the COLA benefit and successfully obtained voter approval in 1981 for a Charter amendment that limited the COLA to 2%. However, the Pasadena Police Officers Association sued successfully, claiming that the amendments impaired the vested rights of its members. An appellate court upheld the ruling and the uncapped COLA was reinstated, paving the way for the system's funding challenges that persist today.

[43] "Fire and Police Retirement System Task Force Report," presented to City Manager, Michael J. Beck. April 2010.

Exhibit 29. FPRS and Other Pasadena Pension Benefit Attributes, Excluding CalPERS

MEMBERSHIP		PLAN BENEFITS AND OPTIONS	
Active Members	-	Normal Retirement Age	50
Retired Members	223	Benefit Formula	2% x Sal
Disabled/Retired Members	131	Lump-Sum Death Benefit	60%
Retired Survivors	52	Survivor Benefit	60%
Inactive Members	275	Retiree Health	Defined Benefit
Total Annuitants	275	Deferred Compensation	Yes

ACTUARIAL		FINANCIAL		
Investment/Discount Rate		*Pension Fund*		
Assumed Actuarial Rate	8.00%	Actuarial Accrued Liability	$	166,096,000
One Year Actual Return (FY 2010)	17.90%	Unfunded Actuarial Accrued Liability	$	56,356,000
		Funded Status		66.1%
Methods		*Retiree Health Fund*		
Investment Smoothing	5 Years	Actuarial Accrued Liability	$	30,819,908
Investment Corridor	None	Unfunded Actuarial Accrued Liability	$	30,819,156
Amortization of Unfunded Liability	28 Years	Funded Status		0.0%
Contributions		*Pension Obligation Bonds*		
Employer Contribution	N/A	Principal Balance	$	111,525,000
Employee Contribution Pick-Up	N/A	Projected Interest Expense	$	44,655,524
Total Contribution	N/A	Total Indebtedness	$	156,180,524

Sources: City of Pasadena Comprehensive Annual Financial Report Year Ended June 30, 2010; Pasadena Fire and Police Retirement System Report and Audited Financial Statements for the Years Ended June 30, 2010 and 2009; Pasadena Fire and Police Retirement System Actuarial Valuation as of June 30, 2010.

2. “Contribution Agreement” and POBs

In 1999, after the FPRS funded status dropped to approximately 30%, the City and the FPRS negotiated a “Contribution Agreement” whereby the City agreed to issue $100 million in POBs and transfer proceeds to the FPRS in order to increase the actuarial funding level to 70%. Additionally, the City agreed to make supplemental contributions to the FPRS to ensure that the funding level increased by $^1/_2$% each year for 20 years, in order to reach a funding level of 80% by 2020. Later in this Section, The CGJ examines the magnitude of the supplemental payments and the City’s progress toward achieving the annual $^1/_2$% improvement in funding level.

Another $40 million in POBs was issued by the City in 2004 in order to maintain the contribution levels agreed upon in the 1999 Contribution Agreement. This occurred after a protracted dispute between the City and the FPRS regarding the accounting methodology for treating the investment losses of the early 2000s. The FPRS agreed to allow the actuarial valuation to be conducted without the requirement that the actuarial value of assets remain within a 20% "corridor" around the actual market value of assets, in exchange for the City providing additional funds through the issuance of the POBs.

As of June 30, 2010, the total outstanding principal on the POBs was $111.5 million. Combined with the interest payments, the total outstanding POBs debt is $156.2 million. The final maturity date of the bonds is May 15, 2022.

3. SB 481 and Redevelopment Agency Funding Relationship

In 1987, the City sponsored and secured the passage of special legislation, Senate Bill 481 that established a funding mechanism for the FPRS. SB 481 authorized the City's Redevelopment Agency to repay prior General Fund advances to the Downtown Project Area for the purpose of funding the FPRS. According to the City, this funding structure has been effective. The revenue from the Redevelopment Agency has been more than sufficient to cover the debt service on the POBs, provide funds for the City to make its supplemental payment required under the Contribution Agreement, and generate a reserve fund to be used for future obligations of the FPRS.

While the repayment of General Fund contributions by the Redevelopment Agency has been effective thus far, the provisions of SB 481 that allowed the funding relationship to exist will expire on December 31, 2014. At that time, unless the City identifies a new funding mechanism, the City will be without a dedicated funding source to cover its debt service on the POBs and make the required supplemental payments to the FPRS.

MEMBERSHIP AND ACTUARIAL VALUATION

As of June, 30, 2010, the date of FPRS's most recent actuarial valuation, there were a total of 275 members in the system, 223 of whom were retirees and 52 whom were survivors. There are no active members of the system. The last FPRS employee retired in 2009.

The average annual income for the entire set of 272[44] FPRS retirees as of February 2011 was $52,761. However, the distribution of annual incomes for all FPRS retirees is represented in Exhibit 30 showing that individual retirements can be much higher.

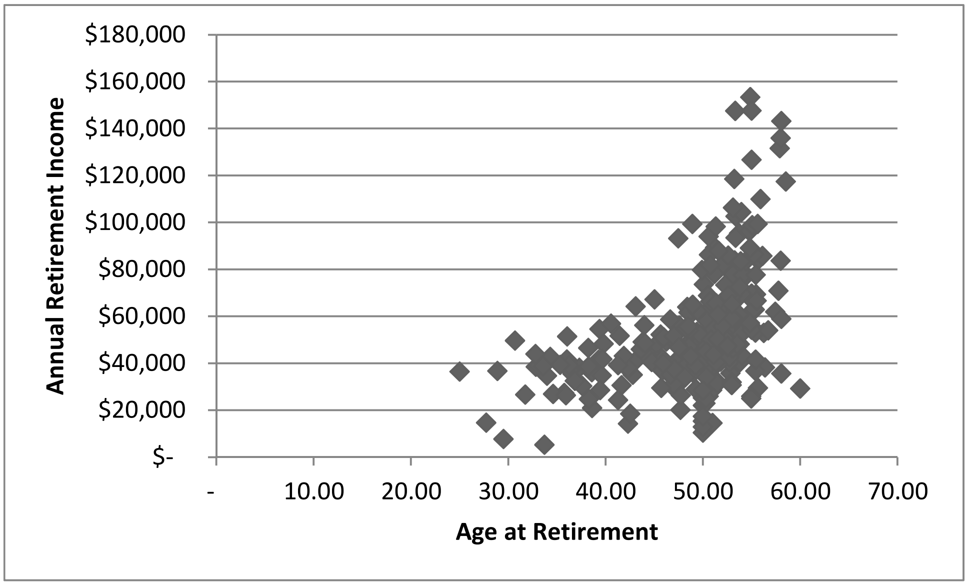
1. Declining Liabilities, Funded Ratio

As of June 30, 2010, the date of its most recent actuarial valuation, the FPRS's actuarial accrued liability (AAL) was approximately $166.1 million; and its Actuarial Value of Assets (AVA) was approximately $109.7 million, resulting in an UAAL of approximately $56.4 million and a funded status of 66.1%. As shown in Exhibit 31, over the past 6 fiscal years the total AAL and the funded ratio have declined.

The pattern of declining funded ratio is driven in part by the market losses of recent years and FPRS's choice to smooth or account for its losses over a relatively short 5 year period. As discussed in Phase I of this report, the implementation of a smoothing period and the length of such a smoothing period may have a significant impact on a plan's funded status and required contribution rate.

[44] Three retirees died after the June 30, 2010 actuarial valuation, bringing the total number of retirees, including survivors, to 272 as of February 2011.

Exhibit 30. FPRS Retiree Population by Income Level as of February 2011



Source: Data provided by the Pasadena Fire and Police Retirement System

However, FPRS does not have the option of smoothing market fluctuations over a longer time period than its current 5 year term since it is a closed plan with a finite horizon, during which all of its liabilities will come due. If the smoothing period was lengthened, there would be a greater likelihood that the plan could become insolvent during a severe market downturn or that excess assets would accumulate during a market upswing. Therefore, the plan's use of the 5-year (shorter) smoothing horizon to more closely emulate actual movement in the market is appropriate.

2. Assumed Rate of Return Slightly Higher Than Most Plans

As discussed in Section 1 of this Report, it is important to evaluate a plan's assumed rate of return on its investments when considering its funded status. In particular, a plan's assumed rate of return is critical in interpreting its funded status since even minor changes in the assumed rate will have a significant impact on the actuarial value of assets and, therefore, the funded status. FPRS's assumed rate of return on investments is currently 8.0%, net of all expenses, which is 0.25% of a point higher than the 7.75% rate assumed by CalPERS, LACERA and many other large plans. As reported in City documents[45], the plan has met the 8.0% target in 5 of the last 10 years. In total, over the last 10 years, its investments have returned only 3.51% overall. Other City fund portfolios with more modest investment growth goals, and therefore more conservative strategies, have achieved higher average returns. According to FPRS and City staff, the plan's actuarial assumptions, including its assumed rate of return on investments, are reviewed regularly by the Board:

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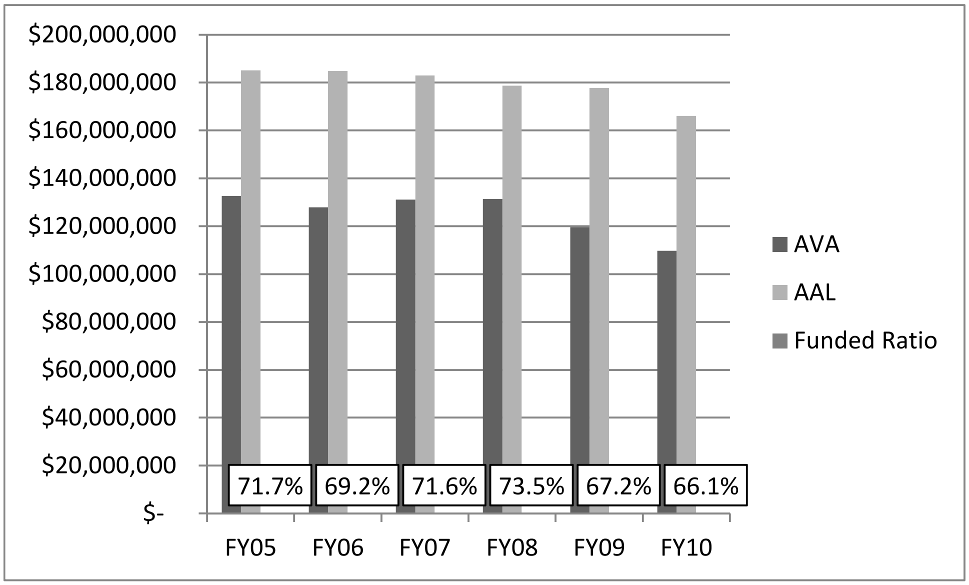
[45] Agenda Report from the City Manager to the Mayor and City Council, March 28, 2011, "Plan to Address Funding Challenges Associated with the Fire and Police Retirement System.

Exhibit 31: Historic Assets, Liabilities, & Funded Ratio for FPRS



Source: City of Pasadena Comprehensive Annual Financial Reports

3. Pasadena's Approach to Issue Resolution

The City of Pasadena recognizes the difficulties it faces as it attempts to keep the FPRS solvent without draining away excess City resources. In a recent analysis conducted by the City Manager's Office and the Finance Department, a number of potential solutions were explored; and a limited set of recommendations came forward to the City Council and the Retirement Board. Some of the more significant of these options are described below:

a. Initiate preparation for the issuance of new POBs, not to exceed $65 million, to fund the FPRS. Additionally, approve the concept of refinancing existing POBs in the future. In March 2011, the City Council gave staff the authorization to initiate the preparation for the issuance of a third set of POBs not to exceed $65 million, which is consistent with City staff's recommendation.

b. Given the historically weak investment performance and the need to reduce the risk of investment losses, the assumed rate of return used for the estimate of the AVA should be reconsidered and lowered from the current rate of 8%. The impact of such a reduction could be severe, since a projection for lower investment income would cause the funded status of the plan to degrade.

c. Consider "buy-outs" for current retirees to lower the plan's liabilities. While this may be an alternative that could be pursued by the City, it is the opinion of the task force that examined this alternative that it would be costly to implement; and it did not recommend this option to the City Council.

d. Implement administrative changes that would lower costs and permit the City to take a more direct role in administering the plan. Specifically, the task force is suggesting that the plan's administrative functions could be consolidated within the City's Finance Department. Further, the FPRS Board should be requested to undertake a new selection process for financial advisor that would be repeated every 3 to 5 years.

e. Direct the City Manager to seek new dedicated revenue sources to fund the system, while also shielding the General Fund from needing to contribute more discretionary dollars to the plan.

The CGJ believes these recommendations are prudent and will help to move the City toward resolution of the financial difficulties being faced by the City and the plan. The City and the FPRS should work collaboratively on ways to improve cost efficiencies, subject to any applicable legal constraints, including the possible consolidation of the FPRS administrative function with the City's Finance Department.

STATUS OF CALPERS PLANS

The City of Pasadena has 2 CalPERS plans:

- A Miscellaneous Plan, which has 2 tiers, including a 2.0% at 55 and a 2.5% at 55 tiers;
- A Safety plan with a single tier of 3% at 55. As of June 30, 2009, these plans were well funded at 82.9% and 80.5%, respectively

In accordance with contract terms negotiated with the collective bargaining units, the City of Pasadena contributes the full amount of the 8% employee contribution for the Miscellaneous Plan and the 9% employee contribution for the Safety Plan but is partially reimbursed by the employees. Different labor groups have different reimbursement rates ranging from 3.6% to 4.6%. City management notes that the reimbursement rates are planned to increase over time so that employees will eventually cover the complete cost of their contribution.

UNFUNDED RETIREE HEALTH BENEFIT

The City of Pasadena provides retiree health benefits for 1,913 active and 499 retired employees through the CalPERS Health Program. As of June 30, 2010, the most recent valuation, the AAL is $30.8 million and is completely unfunded. This represents an increase of 30% from the previous valuation in 2008, which was $23.7 million in unfunded liability.

Pasadena's OPEB benefit is currently a 2-tier program that is in the process of transitioning to a single-tier program. Currently, the 2 tiers provide different levels of subsidy to retirees electing to participate in the CalPERS Health Program. The subsidy amounts are either the minimum required employer contribution under the Public Employees Medical and Hospital Care Act (currently $105 per month) or a portion of the minimum required employer contribution (currently $23.50 per month). The members of FPRS currently receive the $105 subsidy benefit, along with the members of the IBEW, AFSCME, and CalPERS Safety labor groups. All other labor groups receive the $23.50 subsidy. According to City management, the $105 subsidy will be phased in for all employees over time. Included in the actuarial valuation is the assumption that the $23.50 level subsidy will increase to 25% of the minimum contribution in 2011 and 5% per year until it reaches 100% in 2026.

The City funds the plan on a pay-as-you-go basis, contributing only 11.28% of the ARC in FY 2009-2010. This policy has eroded the City's ability to accumulate reserves in this fund and discount the amount of future contributions it will have to make from discretionary resources. As stated by the City's independent auditor in the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010, "If the City should select the 'Prefunding' method, the annual OPEB cost would be reduced."

This unfunded $30.8 million OPEB liability constitutes a substantial obligation. The high rate of health care cost inflation and the City's move to a single tier benefit, both point to increasing OPEB costs in years to come. Therefore beginning funding health care benefits at the actuarially determined ARC and moving to alternative defined contribution models that would shift a greater portion of the risk to the employee are both viable ways forward, separately or combined.

METHODS AND PROCEDURES

Using information collected for each of the 277 pension plans in Los Angeles County (LAC), the CGJ selected those that exhibited a range of characteristics that suggested in-depth research and analysis would be appropriate. Once the plans were selected, meetings were held with officials, various documents were obtained and analyzed, and findings and recommendations were developed. Due to the small membership base of the FPRS, the CGJ analyzed a limited set of attribute data for each of the 275 plan members.

FINDINGS

1. The City of Pasadena will be facing a significant financial challenge when it no longer receives funds from the Redevelopment Agency for the payment of Pension Obligation Bond debt presently used to finance the Fire and Police Retirement System. This funding source is due to end in 2014.
2. The City is actively considering solutions to the chronic underfunding of the FPRS which are reasonable and prudent.
3. The City's unfunded retiree health liability of $30.8 million is a substantial obligation and is expected to grow with planned increases to the subsidy level for FPRS members and the rapidly rising costs of health care. The City has adopted a pay-as-you go policy, which is more costly in the long run because reserve balances are not available to generate investment income that discounts annual required contributions.

RECOMMENDATIONS

1. The City Council endorse the recommendations being made by management staff regarding actuarial assumptions, cost stabilization, administrative restructuring and funding for the FPRS

2. The City Council direct the City Manager to negotiate reductions in the amount of employee contribution picked up by the City for its CalPERS pension plans, up to the full amount of 8% for Miscellaneous and 9% for Safety employees

3. The City Council adopt a policy to fully fund the OPEB actuarially determined Annual Required Contribution each year, to build reserves toward future benefit obligations and earn investment income that can reduce the amount of the ARC in future years

REQUEST FOR RESPONSE

California Penal Code Sections[46] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Pasadena
2	City of Pasadena
3	City of Pasadena

[46] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

PHASE II: SECTION 4
MONTEREY PARK RETIREMENT BENEFITS

SUMMARY

The City of Monterey Park had well funded CalPERS plans at the end of FY 2008-2009 at a blended average of 86.4% for its 2 major retirement plans. At the time, few CalPERS plans reported such a strong funded ratio. In fact, in that year the major pool funds administered by CalPERS were generally reporting funded ratios from 60% to 65%.

The City has a long established property tax levy that is dedicated to paying employee retirement costs. In FY 2009-2010, the City projected it would collect approximately $4.3 million from this levy to pay for CalPERS retirement costs of $5.1 million. The remaining $840,000 in CalPERS benefit costs, or 16.3% of total costs in that year, was a general obligation of the City. In the past 2 fiscal years, the City has completely funded this shortfall with a transfer of property tax from the pension tax levy that has historically been allocated to the Redevelopment Agency. The amount of this pass through equals approximately $800,000 to $900,000 annually.

Omitted from the CalPERS statements is significant Pension Obligation Bond (POB) debt that lowers the City's overall funded ratio from 86.4% to 75.1% when factored into the calculation. In addition, the CalPERS statements do not reflect significant Unfunded Actuarial Accrued Liability (UAAL) for retiree health benefits of approximately $49.2 million, or UAAL for a supplemental Massachusetts Mutual Retirement Plan (MMRP) with UAAL of approximately $6.2 million. When all UAAL and POB debt is totaled for Monterey Park, the unfunded liability and debt for the City reached approximately $116.6 million in 2009. The City's annual covered payroll in 2010 was $24.8 million or 21.3% of the total unfunded liability.

The City's current policies for funding retiree health benefits will cause the unfunded liability to grow over the years and create more fiscal distress for the City. Presently, the City's policy is to fund these benefits on a pay-as-you-go basis, contributing only 34.2% and 30.2% of the Annual Required Contribution (ARC) in each of the past 2 fiscal years. The City Council should reevaluate this policy to ensure fiscal solvency of the plan, particularly given its unique position of being allowed to fund its basic retirement costs with a special tax.

Although the city has been successful at negotiating changes to agreements with employee unions to pick up the entire share of the employees' contributions to the CalPERS plans, management reports that the city council recently has not directed staff to take any significant action to curb employee retirement costs. Based on information contained in the FY 2010-2011 adopted budget, previous blue ribbon task force efforts to identify solutions for pension funding shortfalls have centered on mechanisms to generate more revenue instead of reducing costs.

PURPOSE

The City of Monterey Park was chosen by the Civil Grand Jury (CGJ) for in-depth review, based on the high dollar amount of pension and retiree health benefit unfunded liability, coupled with high pension obligation bond debt totaling $116.6 million.

BACKGROUND

The City of Monterey Park has 2 CalPERS pension plans for its Miscellaneous employees and Safety Fire and Police uniformed employees. As of the last valuation date which was June 30, 2009, Monterey Park's CalPERS pension plans had funded ratios of 83.1% for Miscellaneous employees and 88.2% for Safety employees. The blended funded ratio for the 2 plans was approximately 86.4%, which indicates a good funded status that exceeds the 80% funded ratio cited by public pension experts as an appropriate funding benchmark. In addition to the 2 CalPERS plans, the City funds a closed pension benefit plan through a MMRP, as well as retiree health, or Other Post Employment Benefit (OPEB) plans. Exhibit 32 shows key attributes of the retirement plans for Monterey Park employees.

ANALYSIS OF CALPERS FUNDED RATIO

Analysis of the financial statements for the City of Monterey Park indicates that the City issued $17.0 million in POB debt in 2004 to prefund a portion of its UAAL with CalPERS. At that time, the amount of the debt plus interest was projected to be over $38.0 million through the 30-Year funding period ending in FY 2033-2034. During the first 4 years of the borrowing, the City paid interest only amounting to approximately $1.0 million per year. Beginning in FY 2008-2009, payments began to include both principal and interest; and by FY 2010-2011 annual debt service rose to approximately $1.5 million per year.

Although not reported in the actuarial statements for pension plans, POB debt represents a general obligation of the jurisdiction and is reported in the financial statements in accordance with Governmental Accounting Standards Board (GASB) requirements. Therefore, when assessing the funded status of pension plans, it is appropriate to also consider POB debt in the analysis. Exhibit 33 suggests that when added to the UAAL reported by CalPERS, the funded ratio declines from 86.4% to approximately 75.1%, which is below the threshold cited by experts as a benchmark for a well funded plan.

Exhibit 32. Monterey Park Retirement Plan Attributes

MEMBERSHIP*		PLAN BENEFITS AND OPTIONS	
Active Members	364	Normal Retirement Age	55 all groups
Retired Members	404	Benefit Formula Miscellaneous	2.7% x Years
		Benefit Formula Safety	3% x Years
Disabled/Retired Members	-	Lump-Sum Death Benefit	Yes
Survivor Members	-	Survivor Benefit	Mixed
Inactive Members	477	Retiree Health	Yes
Total Members	1,245	Deferred Compensation	No

ACTUARIAL		FINANCIAL		
Investment/Discount Rate		*Pension Fund**		
Assumed Actuarial Rate	7.75%	Actuarial Accrued Liability	$	213,663,012
One Year Actual Return (FY 2009)	-24.00%	Unfunded Actuarial Accrued Liability	$	28,977,487
		Funded Status		86.4%
Methods		*Retiree Health Fund*		
Investment Smoothing	15 Years	Actuarial Accrued Liability	$	49,150,000
Investment Corridor	60% to140% Market	Unfunded Actuarial Accrued Liability	$	49,150,000
Amortization of Unfunded Liability	30 Years	Funded Status		0.0%
*Contributions**		*Pension Obligation Bonds*		
Employer Contribution	20.7%	Principal Balance	$	16,855,000
Employee Contribution Pick-Up	2.8%	Projected Interest Expense	$	15,427,348
Total Contribution	23.5%	Total Indebtedness	$	32,282,348

* Calculated for all plans

Source: Monterey Park - 2009 CalPERS actuarial report and CAFR for the year ending June 30, 2009

In addition to the $61.3 million in UAAL and POB debt shown in Exhibit 33, the City has liability for 2 other retirement benefits offered to its employees[47]: MMRP, which is a defined benefit plan for individuals employed prior to April 1, 1976; and, OPEB or retiree health plan for all City employees retiring with CalPERS pension benefits. The MMRP has been closed to new members since April 1, 1976.

[47] Excludes the Monterey Park Part-Time Retirement Plan, which is an IRS Section 457 defined contribution plan for part-time and seasonal employees.

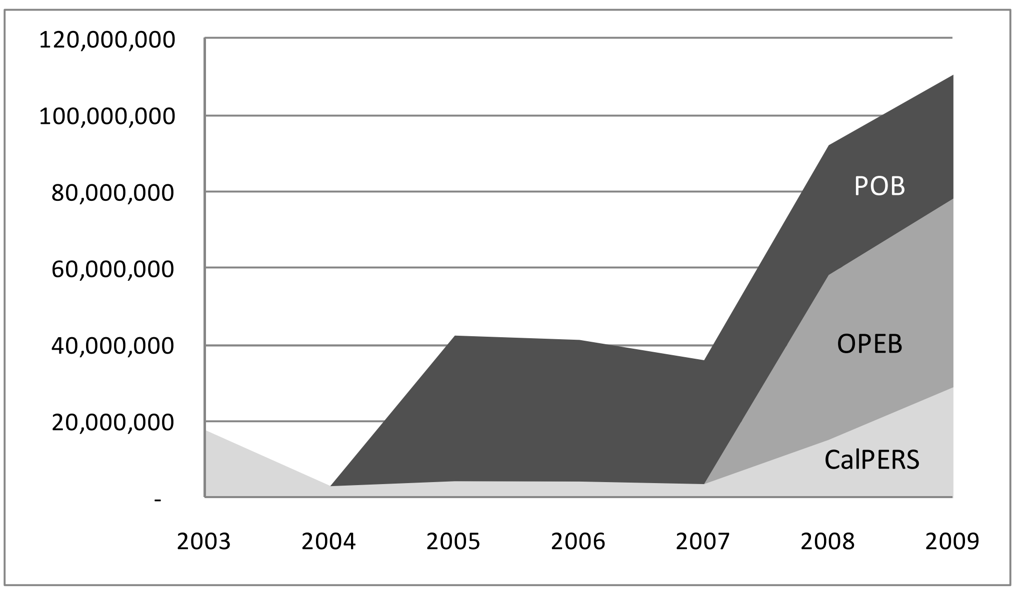
Exhibit 33. Recalculation of funded ratio with POB Debt

UAAL and Debt	AAL/Debt	AVA	UAAL/Debt	Funded Ratio
CalPERS	213,663,012	184,685,525	28,977,487	86.4%
POB Debt (P&I)	32,282,348	-	32,282,348	0.0%
TOTAL	245,945,360	184,685,525	61,259,835	75.1%

Source: Monterey Park - 2009 CalPERS actuarial report and CAFR for the year ending June 30, 2009

The City has continuing liability with the MMRP and significant AAL with the OPEB plan that it has established for employees. The combined UAAL for the City's CalPERS and MMRP pension plans, the retiree health plan and pension debt amounted to nearly $116.6 million in 2009, which is significant. Exhibit 34 shows the growth in the UAAL and debt for the 3 largest pension liabilities of CalPERS, OPEB and the POBs since 2003. Note that the POB debt was not secured until June 2004 and the City did not report OPEB liabilities until 2008. Exhibit 34 does not include information for the MMRP liability:

Exhibit 34. Growth in UAAL and Debt for Major Retirement Benefit Costs (MMRP not included)



Source: Monterey Park CAFRs for the periods ending June 30, 2004 through June 30, 2010

This escalation in the City's unfunded pension liabilities is significant. In 2009, the CalPERS UAAL and POB debt represented 24.9% and 27.7% of the total unfunded retirement benefit liabilities reported by the City (52.6% of all unfunded retirement benefit liabilities). However, more striking is the portion represented by the OPEB unfunded liability, which was $49.1 million and over 42.2% of total unfunded retirement obligations in 2009. This analysis is presented in the Exhibit 35.

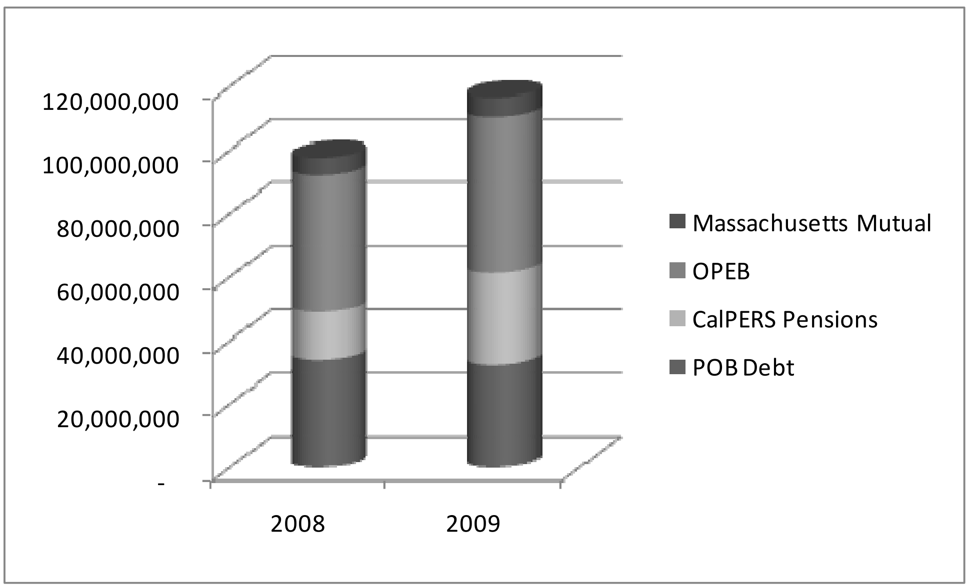
Exhibit 35. Two Year Distribution of Unfunded Retirement Benefit Liabilities

UAAL and Debt	Amount 2008	Percent 2008	Amount 2009	Percent 2009
CalPERS	15,261,000	15.7%	28,977,487	24.9%
POB Debt (P&I)	33,829,061	34.7%	32,282,348	27.7%
OPEB	42,957,000	44.1%	49,150,000	42.2%
Massachusetts Mutual	5,463,000	5.6%	6,154,000	5.3%
TOTAL	97,512,069	100.0%	116,565,844	100.0%

Source: Monterey Park CAFRS for the years ended June 30, 2009 and June 30, 2010

Exhibit 36 shows the total growth in liabilities between 2008 and 2009 has been driven primarily by the change in UAAL for the CalPERS and OPEB plans with the POB debt remaining fairly static. While the MMRP liability has been growing rapidly in the past several years, the relatively small UAAL and the fact that it is a closed plan make this less of a concern for the City:

Exhibit 36. Two Year Distribution and Growth in Unfunded Retirement Benefit Liabilities



Source: Monterey Park CAFRS for the years ended June 30, 2009 and June 30, 2010

The City's UAAL and pension debt provides some perspective on the areas where the City should focus its efforts if it is to begin a strategy to fully fund its retirement benefit obligations. First, it should focus on changes to slow or halt the growth of its OPEB obligations and adopt policies to begin funding its liabilities. Second, it should explore opportunities to reduce its funding obligations for CalPERS, focusing on agreements with employee unions to reduce or eliminate City pick up subsidies for employee contributions.

RETIREMENT BENEFIT FUNDING POLICIES

Because it is a CalPERS member agency, the City of Monterey Park is required to contribute the full amount of its ARC each year. Under the terms of the POB debt instrument, it also must make debt service payments in accordance with the loan agreement.

However, the City has not been making the ARC payments to either the MMRP or the OPEB funds by policy of the City Council. Until 2007, the City was contributing the full amount of the required contribution to the MMRP. However, beginning in FY 2007-2008, the City contributed less than the ARC at a low of 59% in FY 2007-2008 and a high of 96% in FY 2009-2010. Because the FY 2009-2010 required contribution was only $405,000, this does not present a major annual funding problem for the City. Nonetheless, the City should routinely contribute the ARC to ensure sufficient funds are available to pay benefits to retirees. As of July 1, 2009, the plan had UAAL of approximately $6,154,000.

More importantly, the City has not been funding the full ARC for its retiree health plan. In each of the last 2 years, the City has contributed less than 35% of the required contribution at 34.2% in FY 2008-2009 and 30.2% in FY 2009-2010. In 2010, this represented a funding shortfall of approximately $2.7 million. A comparison of the ARC and actual amounts contributed to the OPEB fund for each of the last 2 fiscal years is shown in Exhibit 37:

Exhibit 37. 2-Year History of OPEB Funding

OPEB Funding History	2009	2010
Annual Required Contribution	3,236,000	3,877,000
Actual Amount Contributed	1,108,000	1,171,000
Percent Contributed	34.2%	30.2%

Source: Monterey Park CAFRS for the years ended June 30, 2009 and June 30, 2010

The decision to fund the plan on a pay-as-you-go basis has eroded the City's ability to accumulate reserves in this fund and discount future contributions. Had cash reserves been available in FY 2009-2010, the City could have reasonably expected investment returns that would have reduced its contribution requirements and ensured assets to fund benefits for current and future retirees. At a minimum, the City should begin to fund the ARC in each fiscal year so that it begins to build these reserves and prefund benefit obligations.

PROPERTY TAX LEVY FOR RETIREMENT COSTS

It is important to note that Monterey Park has unique taxing authority because the voters approved special property tax levies in 1946 and 1952 to support employee pension costs in the City. These special property tax levies have been permitted for those jurisdictions that had them in place prior to the passage of Proposition 13, although they are limited by State law to no more than the amount that would be collected by the special property tax rates that were in place when Proposition 13 was passed by California voters.

According to the City's CAFR for the Period ending June 30, 2010, the City collected $4.1 million in FY 2009-2010 and had a Special Revenue Fund balance of about $770,000 as of June 30 of that year. For FY 2010-2011, the City Manager projected that the special tax levy would collect about $4.2 million, which is consistent with the amounts shown in the financial statements for each of the previous 2 years.

In addition, by resolution of the City Council, the City has begun to pass through the portion of the special property tax levy previously collected by the Monterey Park Redevelopment Agency, to the General Fund. For the 2-year period FY 2008-2009 and FY 2009-2010, the City received $1.6 million from this pass through; and the City Manager has projected that an additional $900,000 will be collected in FY 2010-2011. In total, the City is receiving $4.2 million from the portion of the levy that comes directly to the General Fund and an additional $900,000 from the Redevelopment pass through for total income of $5.1 million to support pension costs.

This $5.1 million is sufficient to pay most of the CalPERS required contributions for both the Miscellaneous and Safety plans, which amounted to $5,140,000 in FY 2009-2010. Therefore, the CalPERS pension plan cost requires very little, if any, contributions from General Fund discretionary resources. This places Monterey Park in a unique position and should allow enough funding flexibility for the City to fully fund its ARC for both the MMRP and OPEB plans, as well as service the POB debt from discretionary resources. In FY 2009-2010, the full ARC on the MMRP plus the OPEB plans combined with the debt service on the POBs totaled to approximately $5,830,000. This is only $690,000 more than the $5,140,000 CalPERS ARC in FY 2009-2010.

ABSENCE OF POLITICAL WILL

Monterey Park has seen degradation in services over the past several years with data showing that, while basic services are continuing uninterrupted, the City is less able to proactively address other concerns as they arise. As an indicator of this service degradation, based on data from the City's CAFRs, full-time and part-time employees in the City have declined to their lowest levels in more than 10 years. As of June 30, 2001, the City had 403 total employees and as of the same date in 2010, the City had dropped to 373 employees. Public Safety has seen some reductions in recent years, but its FY 2009-2010 staffing levels were close to those that existed in FY 2000-2001 (185 vs. 188). The areas where reductions have been most pronounced have been general government, which includes the overall functioning of the municipal enterprise, culture and recreation, which provide quality of life services to the community, such as parks, youth and senior services and other similar functions.

Nonetheless, it is clear that the City Council has been concerned about the cost of employee pension benefits. According to the FY 2010-11 Adopted Budget:

> In 2006, the City formed a community blue ribbon committee to assist the City in addressing the pension-funding shortfall. Last year, the City Council implemented several of the Committee's recommendations including: rounding of utility bills, business annual fire safety inspection, public safety impact fee adjustment, inter-fund cost allocation update, and setting aside 30% of future sales tax from major commercial developments. These items will generate between $382,000 to $1.0 million a year (depending on the timing and completion of major commercial developments).

In addition, in FY 2009-2010, the City approved a resolution authorizing the pass through of the special property tax revenue restricted for public employee pension purposes.

None of these recommendations addresses mechanisms for reducing the City's pension costs, although some efforts have been made to reduce the amount of the City's pick up of the employees' pension contribution. The City still pays 5.25% of the 8% contribution for Miscellaneous employees (a net of 2.75% remaining as a payroll deduction for the employee) and pays the full 9% of the required employee contribution for both uniformed Fire and Police department employees hired prior to July 1, 2010. For employees hired after that date, the City is required to pick up approximately 66% of the 9% of pensionable salaries, or 6% of pensionable salaries, as of July 1, 2010.

During interviews, City personnel were asked whether the City Council had requested initiation of steps to modify pension formulas, retirement pick up, OPEB structure or employee share formulas, or any other retirement benefit changes that would reduce the City's costs. It was indicated that only limited initiatives were being pursued at this time.

Unless the City of Monterey Park pursues pension changes with its employee unions to more aggressively reduce its retirement benefit costs, it will continue to be faced with making budget sacrifices to fully fund the OPEB and MMRP ARC. Without the political will to make such changes, or make the budget sacrifices, the City will find itself in ever deepening financial troubles in the future.

METHODS AND PROCEDURES

Using information obtained for each of the 277 pension plans in Los Angeles County (LAC), the CGJ selected those that exhibited a range of characteristics that suggested in-depth research and analysis would be appropriate. Once the plans were selected, meetings were held with officials, various documents were obtained and analyzed; and Findings and Recommendations were developed.

FINDINGS

1. Total CalPERS and retiree health UAAL, including and Pension Obligation Bond debt, equaled $116.6 million as of June 30, 2009, which is significant.

2. A significant portion of this liability is related to OPEB, or retiree health benefits provided to City employees. As of June 30, 2009, the UAAL for OPEB equaled $49.1 million, or 42.2% of all unfunded retirement obligations in 2009.

3. OPEB liabilities are growing rapidly. In part, this is because the City has chosen not to fund its Annual Required Contribution at the levels recommended by actuaries. In FY 2008-2009, the City contributed only 34.2% of the requirement; and, in FY 2009-2010, the City contributed only 30.2% of the requirement. In FY 2009-2010, this represented a funding shortfall of approximately $2.7 million. Since 2007, the City has also not funded the full amount of the ARC for the MMRP closed plan.

4. The policy to fund these benefits on a pay-as-you-go basis is striking because the City has unique pension funding authority authorized by the voters when they approved special property tax levies in 1946 and 1952. Revenue from this levy were sufficient to nearly fund the full cost of the CalPERS Annual Required Contribution in FY 2009-2010. As a result, the City only needs to fund the OPEB, MMRP and POB debt from discretionary resources.

5. With the exception of attempts to reduce the City's pick up of the employees contribution to CalPERS, the City appears to have done very little to reign in the cost of the retirement benefits that it provides. A blue ribbon committee in 2006 recommended revenue solutions to cope with the City's "pension-funding shortfall,"

and subsequent steps by the City Council have involved adopting a resolution to pass through the portion of property tax revenue collected by the Redevelopment Agency from the special property tax levy.

RECOMMENDATIONS

1. Monterey Park's City Council adopt policies to fully fund the ARC for both the MMRP and OPEB retirement benefit plans for employees in order to ensure future funding of benefits and earn investment income which would discount the annual required contributions

2. Monterey Park's City Council direct its City management to explore alternatives for reducing retirement benefit costs, including possible additional revisions to the amount of the employee contribution pick up paid by the City and alternative employee cost sharing arrangements for retiree health benefits.

REQUEST FOR RESPONSE

California Penal Code Sections[48] §933 (c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the CGJ publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Monterey Park
2	City of Monterey Park

[48] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 CGJ Report

PHASE II: SECTION 5
HERMOSA BEACH POLICE SAFETY PLAN

SUMMARY

The Hermosa Beach Police Safety Plan is one of 3 plans the City provides to its employees through CalPERS. In 2009, this plan had the highest contribution rate in the County at approximately 57.9% of salaries for the employer and employee share of pension benefit costs for uniformed personnel. The City also contributed to a defined benefit retiree health plan for these employees at a rate of approximately 5.3% of salaries, for a total retirement contribution rate of 62.2% in that year. Pension contributions are projected by CalPERS to increase by an additional 8.0% by 2012, increasing the total effective rate for uniformed Police Department retirement benefits to 70% of salaries by that year if retiree health rates remain static.

This growth in contributions is also occurring with the Miscellaneous and Fire Safety plans for Hermosa Beach. Also administered for the City by CalPERS, the Miscellaneous employee effective contribution rate was 27.1% of salaries in 2009 and could increase by an additional 2% by 2012.The Fire Safety employee effective contribution rate was 51.9% in 2009, and could increase by an additional 3% by 2012. In total for the 3 plans, CalPERS projects that the City will be required to contribute $4,149,982 on base salaries of $12,751,612 in FY 2011-2012, or approximately 32.5% of salaries excluding retiree health benefits.

The City has recognized the significance of the funding difficulties that it faces and has initiated several strategies to reduce costs including proposals to labor unions to modify pension formulas. However, the City is not proposing to reduce or eliminate the City's commitment to pick up the 7% (Miscellaneous) and 9% (Safety) employee contributions for CalPERS pensions at this time. The City is considering the issuance of Pension Obligation Bonds (POBs) to take advantage of current lower interest rates on borrowing. In recent analysis, bond advisors have estimated that POBs would save an estimated $329,818 over 8 years.

PURPOSE

The Hermosa Beach Police Safety Plan was chosen by the CGJ for in-depth review, based on the high annual required contribution for pension and retiree health benefits, amounting to over 62% of pensionable salaries in 2009, and expected to rise to over 70% of pensionable salaries by 2012.

BACKGROUND

The City of Hermosa Beach offers pension benefits to its employees through CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Hermosa Beach participates in 3 risk pool plans for its Miscellaneous, Fire and Police employees. As of the last valuation, the City had among the highest CalPERS employer contribution rates of any jurisdiction in Los Angeles County (LAC).

The employer contribution rate for its Police Safety Plan was the highest in the County at a reported rate of 48.9% of salaries.

In addition to its employer contribution, the City has agreed to pay the full amount of the employee contribution which amounted to an additional 9% for uniformed Police Department employees. This has a significant effect on the City's costs, creating an effective contribution rate for uniformed police personnel of 57.9% of salaries in FY 2009-2010.

The City also offers its employees retiree health benefits, or Other Post Employment Benefits (OPEB), which had an Annual Required Contribution of $595,482 in FY 2009-2010. On Citywide pensionable salaries of $11,229,859, this resulted in an OPEB rate of 5.3% in that year. Added to the effective CalPERS rate described above, the City paid 62.2% of salaries for uniformed Police Department employee retirement benefits in that year. The rate could rise to 70% by 2012. Exhibit 38 shows key attributes of the retirement plan:

Exhibit 38. Hermosa Beach Police Safety Plan Attributes

MEMBERSHIP		**PLAN BENEFITS AND OPTIONS**	
Active Members	37	Normal Retirement Age	50
Retired Members	68	Benefit Formula	3% x Years
Disabled/Retired Members	Unk	Lump-Sum Death Benefit	Yes
Survivor Members	Unk	Survivor Benefit	Yes
Inactive Members	29	Retiree Health	Yes
Total Members	134	Deferred Compensation	Yes

ACTUARIAL		**FINANCIAL**		
Investment/Discount Rate		*Pension Fund*		
Assumed Actuarial Rate	7.75%	Actuarial Accrued Liability	$	41,566,800
One Year Actual Return (FY 2009)	-24.00%	Unfunded Actuarial Accrued Liability*	$	16,550,608
		Funded Status		60.2%
Methods		*Retiree Health Fund***		
Investment Smoothing	15 Years	Actuarial Accrued Liability	$	5,830,000
Investment Corridor	60% to140% Market	Unfunded Actuarial Accrued Liability	$	3,192,758
Amortization of Unfunded Liability	30 Years	Funded Status		45.2%
Contributions		*Pension Obligation Bonds*		
Employer Contribution	48.9%	Principal Balance	$	-
Employee Contribution Pick-Up	9.0%	Projected Interest Expense	$	-
Total Contribution	57.9%	Total Indebtedness	$	-

* Includes estimates adjusted by Side Fund balance
** All City employee cost.

Source: Hermosa Beach -2009 CalPERs Pooled Plan Actuarial Report and CAFR for year ending June 30, 2009

Because Hermosa Beach has less than 100 employees in each of its plans, it participates in CalPERS pooled fund plans, whereby the assets and liabilities of the City are pooled with those of other similarly sized jurisdictions that have elected the same plans for their employees. As of June 30, 2009, Hermosa Beach was participating in 3 such pooled plans: the Miscellaneous 2% at 55 Plan for non-sworn employees, the Safety 3% at 55 Plan for sworn Fire Department employees, and the Safety 3% at 50 Plan for sworn Police Department employees.

OVERVIEW OF HERMOSA BEACH PLANS

Exhibit 39 shows the low funded status of all 3 Hermosa Beach pooled plans as of June 30, 2009. The City also had an additional negative "Side Fund balance" of $13.9 million, representing the balance remaining on Unfunded Actuarial Accrued Liability (UAAL) for the plans at the time they joined the various CalPERS pooled funds. The amortization of this negative Side Fund balance significantly increases the City's ARC which is particularly apparent with the Police Safety Plan:

Exhibit 39. Hermosa Beach 3 CalPERS Pooled Plans Funded Status-2009

Hermosa Beach Pension Plan		Funded Status
Miscellaneous:	2% at 55 Plan	64.9%
Safety – Fire:	3% at 55 Plan	61.5%
Safety - Police:	3% at 50 Plan	60.2%

In addition to the unfunded liabilities of its 3 CalPERS pooled plans, Hermosa Beach had nearly $2.5 million of UAAL in retiree health, or OPEB liability. While the City had not borrowed using POBs as of June 30, 2009, the CGJ was advised during interviews that management was poised to borrow using POBs during the current fiscal year to prefund its UAAL and negative Side Fund balance. The CGJ chose Hermosa Beach for in-depth analysis because it is a CalPERS risk pool plan that has annual contribution rates that are among the highest in the County.

Exhibit 40 shows key attributes of the 3 Hermosa Beach retirement plans. Because these are all pooled plans, the exact amounts for liability and assets for each was not available from CalPERS for this assessment. However, estimates could be made by apportioning the pooled fund actuarial data to Hermosa Beach and then adding specific data for the City's Optional Benefit cost and Side Fund amortization. The results of this analysis indicated that the City's overall CalPERS funded status as of June 30, 2009 was approximately 46.7%, as shown in Exhibit 40. The Police Safety Plan had the lowest funded status of approximately 39.5% and; because it is the largest of the 3 funds, it caused the overall average for the City to skew downward.

Exhibit 40. Estimate of the City of Hermosa Beach Pension Plan Funded Status

Employee Group	Plan	Total Member Count	Estimated AAL	Estimated UAAL	Net Funded Ratio	Side Fund Balance/AAL	UAAL Plus Side Fund	Gross Funded Ratio
Miscellaneous	2% at 55	307	29,602,475	10,396,555	64.9%	2,677,994	13,074,549	55.8%
Safety Fire	3% at 55	77	19,792,157	7,626,696	61.5%	2,590,630	10,217,326	48.4%
Safety Police	3% at 50	134	41,566,800	16,550,608	60.2%	8,609,663	25,160,271	39.5%
TOTAL			90,961,432	34,573,859	62.0%	13,878,287	48,452,146	46.7%

Source: Hermosa Beach and Pooled Fund CalPERS actuarial reports for the year ending June 30, 2009

Exhibit 40 shows the Side Fund balances due as of the valuation date were significant and appear to be a major reason for the overall low funded status for the City even when considered in relation to investment losses. This assessment is borne out by analyzing the components of the City's contribution rate for its Police Safety plan for the current fiscal year as shown in Exhibit 41:

Exhibit 41. Components of the Hermosa Beach 2010-11 Police Safety Contribution Rate

FY 2010-11 Cost Category	**Cost**	**Percent of Payroll**
Risk Pool's Net Employer Normal Cost	$ 653,715	15.707%
Risk Pool's Payment on Amortization Basis	102,800	2.470%
Optional Benefits	112,497	2.703%
Amortization of Side Fund	1,109,691	26.663%
Total Employer Contribution	$ 1,978,703	47.543%

Source: Hermosa Beach CalPERS actuarial reports for the year ending June 30, 2009

Exhibit 41 shows the amortization of the Side Fund adds 26.663% to the City's Police Safety Plan rate, which represents approximately 56.1% of the total cost of the benefit in that year. According to City management staff, when the City initially joined the CalPERS pooled plans in 2003, it had an existing UAAL that was amortized over a period of 15 years. Each year, the City has paid down the Side Fund balance in amounts required by CalPERS. According to data provided by Hermosa Beach, the Side Fund balances for each of the 3 plans will be fully paid off between FY 2016-2017 and FY 2018-2019. The schedule generally conforms to what the CGJ was told by Hermosa Beach management staff during interviews, who estimated that the Side Fund balances would be completely paid off in 7 to 8 years.

IMPACT ON CITY SERVICES AND LABOR NEGOTIATIONS

The significant costs of retirement benefits for employees, as well as the general revenue losses from the recession, have impacted the City's ability to fully fund historical service levels. In FY 2010-2011, the budget included $2.4 million in revenue enhancement initiatives; e.g., increase parking lot fees, extend meter enforcement hours, etc., as well as cost reductions; e.g., eliminate funding for 14 positions, eliminate parking attendants and replace with automated attendant machines, reduce contracts for services and supplies, etc. These initiatives equated to budget reductions of approximately 8.2%.

In addition to these recommendations, City management is considering a series of other initiatives to increase revenues and reduce expenditures that could be pursued during the fiscal year. This included a potential option to offer an early retirement program and a commitment to be "moving to implement a 2-tier retirement system for all new employees." City management stated that the City would be looking at alternatives for more effectively integrating retiree health care benefits with Medicare.

MODIFICATIONS TO PENSION PLANS

During interviews, the City management stated that these initiatives are being actively pursued. Specifically, as part of active negotiations, the City is offering the changes shown in Exhibit 42 to its 7 employee bargaining groups:

Exhibit 42. Hermosa Beach Pension Change Initiatives Being Pursued with Its 7 Employee Bargaining Groups

Employee Group	Current Formula	Proposed Formula
Miscellaneous	2% at 55	2% at 60
Fire Safety	3% at 55	2% at 50
Police Safety	3% at 50	2% at 50

According to City management, they have received "strong policy direction" from the City Council to reduce the annual pension cost and are confident that the labor unions will work collaboratively with management to establish less costly second tier retirement plans for new employees.

REDUCING OR ELIMINATING EMPLOYEE CONTRIBUTION PICK UP

The City of Hermosa Beach presently picks up the full 7% (Miscellaneous) and 9% (Safety) employee contribution as part of negotiated compensation for City employees. In FY 2010-2011, this equates to approximately $900,000 on salaries of approximately $11.2 million. According to the City management, this represents employee compensation that could be reduced or eliminated through the collective bargaining process. However, a proposal to make such changes has not been made to the City's labor unions at the writing of this Report. Further, because of the way in which CalPERS calculates rates, City management states that impacts of reductions in the contribution pick up would not be realized for approximately 3 years.

The City could receive more immediate budget savings by approaching labor unions to reduce the amount of the pick up for current employees when compared with the timing of eventual savings from establishing a second tier. Typically, savings from establishing second tier benefits occur over a long period as employees receiving the more costly benefits leave employment and are replaced by new employees. This transition often takes 15 to 20 years before substantial savings are realized, particularly in a small jurisdiction where many employees stay for their entire career. Although the CGJ did not analyze the attrition rate in Hermosa Beach, or conduct analysis on projected future savings from the proposed second tier benefit formulas, the CGJ believes immediate budget savings will be minimal unless the City has an older workforce that could be induced to leave employment using early retirement incentives.

The CGJ does recognize that the City could also achieve savings as staffing levels return to levels that existed prior to the recession. In addition to the 14 positions which are included in the budget without funding, City management reported that there were an additional 11 positions that were funded but unfilled at the time of the interview, for a total of 25 vacancies. To the extent the City hires staff to fill these vacancies after the tiered pension plan is implemented, the budget requirements for retirement benefits will increase at a slower rate.

PENSION OBLIGATION BONDS

At the time of this analysis, the City did not have any POBs but was exploring the possibility of borrowing funds through the California Statewide Community Development Authority to pay down its CalPERS Side Fund balance. An initial analysis by the City's financial advisors indicate that interest savings of as much as $329,918 could be realized over the funding period by reducing the amount of interest being paid on the debt.[49] Exhibit 43 summarizes the interest savings projections made by the Hermosa Beach financial advisors on the planned POBs versus the interest charged by CalPERS on the Side Fund balance over the amortization period:

Exhibit 43. Hermosa Beach Bond Advisor Estimate of POB Savings

CalPERS Plan	Term Date	Side Fund Balance Plus Interest Due	Refunding Amount Plus Costs	Estimated Savings
Miscellaneous	7/1/2018	$ 3,226,028	$ 3,167,118	$ 58,910
Fire	7/1/2017	2,963,585	2,903,161	60,423
Police	7/1/2019	10,875,473	10,664,989	210,484
Total		$ 17,065,086	$ 16,735,268	$ 329,818

Source: January 4, 2011, California Statewide Community Development Authority Prepared by Morgan Stanley/BWR

The present value of this savings is estimated to be $623,100 over the term of borrowing. While the financial analysis supports a decision to borrow POB funds at this time, the City will need to monitor the market and ensure that the savings potential remains since current projections are modest. Should the cost of borrowing funds increase, the ability to realize even these modest savings will be compromised.

In addition, once the Side Fund debt is paid, the City will still be required to contribute significant amounts for pension benefits directly to CalPERS. Except for the arbitrage savings of $329,918 that is projected to occur over the 8 year debt window (an average of $41,227 per year), the total outlay for CalPERS and POB debt will approximate the costs that would otherwise be charged by CalPERS.

In addition, as stated elsewhere in this Report, the Government Finance Officers Association of the United States and Canada (GFOA) has issued an advisory on this topic. When discussing practical considerations regarding decisions to issue POBs, the advisory states:

> Even if the analysis indicates that financial benefits appear to outweigh the risks, governments should evaluate other issues that may arise if the bonds are issued, such as the loss of flexibility in difficult economic times because of the need to make timely payments of principal and interest in order not to default on the bonds, potential misunderstanding by policy makers regarding the possibility that an unfunded liability may reappear in the future, and potential pressures for

[49] Known as arbitrage, the savings is essentially achieved from the differential between the interest expense on the original debt and the interest expense on the new debt. The amount of savings is highly dependent on market conditions. The financial advisor assumed fixed interest expense of 4.62% through 2016 and 6.20% from 2017 through 2019 on the bonds, compared with 7.75% being charged by CalPERS throughout the debt period. Using the financial advisors assumptions, the present value of the savings would amount to $623,100.

additional benefits by government employees if plans are fully funded and government's contribution as percentage of payroll has declined relative to neighboring jurisdictions.[50]

Given the relatively modest annual savings to be achieved by issuing the proposed POBs, taking these other considerations into account as it moves toward a decision is advised.

OPEB PREFUNDING AND ANNUAL REQUIRED CONTRIBUTIONS

As part of this assessment, the CGJ analyzed the funded status of OPEB for those jurisdictions that offer retiree health benefits to employees in the County. Only 14 of 70 cities offering such benefits have funded any portion of the AAL for OPEB. The remainder has not been pre-funding these benefits and continues to operate on a pay-as-you-go basis.

The City of Hermosa Beach began to pre fund OPEB benefits in 2007 shortly after it had completed its first actuarial evaluation of retiree health benefits. At that time, the City contributed $1,401,000 to a trust to begin accumulating a balance that could be invested in high yield investments so that future contributions could be discounted and to establish asset reserves to pay for the future costs of benefits. In addition, the City Council adopted a policy of fully funding the ARC each year in conjunction with the budget action to appropriate funds to the reserve.

As of June 30, 2008,[51] the City reported OPEB AAL of $5,830,000 and an Actuarial Value of Assets (AVA) of $2,647,242 resulting in a funded ratio of 45.2%. Although a more recent valuation was not available for this Report, the Hermosa Beach Finance Department reports that the actual market based investment balance for the fund was reported to be $3,386,296 as of January 31, 2011.

The City has done a notable job in attempting to prefund its OPEB obligations since the initial valuation was prepared, both with the deposit of $1.4 million in the fund shortly after it was created and with the policy to fully fund the ARC on an annual basis. In addition, costs appear to be well contained with monthly benefits ranging "between $40 and $612 per month" at the time of the last valuation and CAFR description. According to the City management, there are currently no plans to modify benefits or increase employee cost sharing.

METHODS AND PROCEDURES

Using information obtained for each of the 277 pension plans in Los Angeles County (LAC), the CGJ selected those that exhibited a range of characteristics that suggested in-depth research and analysis would be appropriate. Once the plans were selected, meetings were held with officials, various documents were obtained and analyzed, and Findings and Recommendations were developed.

[50] GFOA of the US & Canada, *Advisory: Evaluating the Use of Pension Obligation Bonds (1997 and 2005)*

[51] This is the date of the most recent valuation, as reported in the City's *Comprehensive Annual Financial Report* for the Period Ended June 30, 2010.

FINDINGS

1. The City of Hermosa Beach pays among the highest retirement system employer contribution rates in the County and pays the highest employer contribution rate for its CalPERS Police Safety Plan. In addition, the City picks up the full amount of the employees' contribution at 7% of salaries for Miscellaneous employees and 9% for uniformed police and fire employees.

2. These high rates are being driven by unfunded actuarial accrued liability that is reported in a "Side Fund" created after the City moved to its CalPERS Risk Pool plans. Based on the CalPERS rate estimate for the Police Safety Plan in FY 2010-2011, the City is paying over $1.1 million annually for the amortization of that plan's Side Fund balance, which equates to 56.1% of the total CalPERS employer contribution rate in that year.

3. The high cost of employee retirement benefits plus the impacts from the recession have caused the City to make significant budget reductions in the past years. In FY 2010-2011, City management made budget recommendations to reduce costs by modifying service levels and removing funding for 14 positions. Other positions have been kept vacant to achieve salary savings equating to 25 total vacant positions.

4. The City has taken action to create a second retirement tier for new employees pursuant to strong policy direction from the City Council. However, the City is not pursuing other alternatives that would result in more immediate savings such as reducing or eliminating the pick up of the employee contribution rate.

5. The City is contemplating the issuance of Pension Obligation Bonds which will pay off the Side Fund balance and improve the funded ratio of the pension plan. However, annual savings will be modest based on the most recent analysis conducted by the City's bond analysts.

6. The City has moved forward aggressively to pre fund its OPEB obligations, being one of only 14 out of 70 OPEB cities to do so in the County. While the City's most recent actuarial evaluation from 2008 reported a funded ratio of only 45.2% on $5.8 million in liabilities, recent finance reports show that the cash balance in the fund has grown substantially to $3.4 million as of January 31, 2011.

RECOMMENDATIONS

1. Hermosa Beach make proposals for reducing or eliminating the employee retirement pick up during contract negotiations with employee bargaining groups. This pick up does not represent a vested pension benefit for employees, but is considered deferred compensation that could be reduced through the collective bargaining process to achieve more immediate budget savings.

2. Hermosa Beach proceed cautiously with its current initiatives to pay off the CalPERS Side Fund balance by issuing POBs, making certain that the financial benefits are substantial and taking into consideration potential obstacles cited by the GFOA with respect to removing the debt obligation from its pension plans. The City needs to weigh any projected modest savings against other advice from the GFOA for jurisdictions that may be considering POBs as a means of reducing UAAL.

REQUEST FOR RESPONSE

California Penal Code Sections[52] §933(c) and §933.05 requires a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	City of Hermosa Beach
2	City of Hermosa Beach

[52] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

APPENDIX A

PUBLIC PENSION PRINCIPLES

In Los Angeles County, there are 277 public pension systems that offer a wide variety of pension alternatives to local government jurisdictions. These systems generally fall into one of three categories:

1) The County of Los Angeles provides pension benefits to its employees under the County Employees Retirement Law of 1937 (CERL). This law sets forth the policies and regulations governing the actions of county retirement systems. The County's pension plan, LACERA, was established under CERL in 1938.
2) Some cities and special districts have established individual pension plans created by charter. For example, the City of Los Angeles operates three plans for its miscellaneous employees, its fire and police employees, and its Department of Water and Power employees. As with the County, the City's plans were established in 1938. Dates when individual pension plans were established in other jurisdictions vary.
3) Some cities and special districts choose to participate in the California Public Employees Retirement System (CalPERS) plan, which is governed by State law. Local government jurisdictions were permitted to join the State pension system through the State Employees Retirement System (SERS) beginning in 1939. SERS later became CalPERS.

PENSION LAWS AND STANDARDS OF REPORTING

Within the context of enabling constitutional and statutory permissions, jurisdictions may tailor the benefits it provides to its employees. Typically, this is done through the collective bargaining process. Once benefits are defined for active employees or pensioners, the law generally prohibits public agencies from unilaterally reducing such benefits, except for new employees. According to the United States Government Accountability Office (USGAO):

> All states have legal protections for their pensions. The majority of states have constitutional provisions describing how pension trusts are to be funded, protected, managed or governed. The remaining states have pension protections in their statutes or recognize legal protections under common law. Legal protections usually apply to benefits for existing workers or benefits that have already accrued; thus, state and local government generally can change the benefits for new hires. In contrast to pensions, retiree health benefits generally do not have the same constitutional or statutory protections. Instead, to the extent retiree health benefits are legally protected, it is generally because they have been collectively bargained and are subject to current labor contracts.[∇] [*]

[∇] January 2008, GAO-08-223 State and Local Government, Report to the Committee on Finance, U.S. Senate, State and Local Government Retiree Benefits Current Funded Status of Pension and Health Benefits

[*] Article 16, Section 17 of the California Constitution defines the fiduciary and investment roles, powers and authorities of public pension boards. The California Government Code generally governs public pension systems for State and local government employees, including Section 31450 et al, also known as the *County Employee Retirement Law*, or CERL

In addition, various sections of California State law require that public pension systems annually prepare financial statements that conform to professional auditing standards. For example, California Government Code Section 31598 establishes the following financial statement requirement for counties that have retirement systems governed by CERL and retirement trust funds managed by county treasurers: "The annual statement shall be prepared in accordance with generally accepted accounting principles on the basis of pronouncements of the Government Accounting Standards Board (GASB) or its successor organization."

Further, the USGAO has made the following observation, "many state laws require local governments to follow GASB standards, and bond raters do consider whether GASB standards are followed. Also, to receive a 'clean' audit opinion under generally accepted accounting principles, state and local governments are required to follow GASB standards. These standards require reporting financial information on pensions, such as contributions and the ratio of assets to liabilities."[∇]

These practices are followed in California to ensure financial reporting transparency with public pension plans. Generally, we found this to be the practice in Los Angeles County, but we also found that access to this information is sometimes difficult. As mentioned previously in this report, approximately 25 jurisdictions did not respond to repeated telephone calls to try and obtain needed documents, and research indicated that in some jurisdictions, such as the City of Bell, current financial statements were not available. In a small number of cases, we found inconsistencies between the jurisdictions' financial statements and those prepared by the plan, which could not be explained by representatives from the jurisdictions. Lastly, our experience with CalPERS makes us question whether that organization may have purposely created administrative hurdles when detailed information was requested for their member agencies (see the *Introduction* to this report).

Despite the difficulties experienced when collecting data for this assessment, in California, the laws have been structured in a manner that provides a strong foundation for pension system governance and transparent reporting, as summarized below:

- The roles, powers and authorities of public pension system boards are defined in the State Constitution.

- State statutes have been enacted that define the structure and provide for the regulation of public pension systems in California, including those related to: 1) CalPERS and its role providing pension services to local governments; 2) CERL, which defines the authorities and rules surrounding individual county pension systems; and, 3) various sections that establish minimum financial reporting requirements for public pension plans established within the State.

These state laws are supplemented by the rules that are found in many city charters, as well as the contractual agreements that jurisdictions enter into as part of their collective bargaining process with employee unions.

[∇] January 2008, GAO-08-223 State and Local Government, *Report to the Committee on Finance, U.S. Senate, State and Local Government Retiree Benefits Current Funded Status of Pension and Health Benefits.* At the time of the USGAO report, GASB was just beginning to require public sector agencies to "quantify and report" on the size of retiree health care benefit liabilities (GASB 43 and 45). All financial statements reviewed as part of this assessment are now reporting AAL, UAAL and Annual Required Contributions (ARC) for their OPEB plans.

FINANCIAL AFFECT OF BENEFIT DESIGN AND ACTUARIAL ASSUMPTIONS

Most public pension plans in the County are *defined benefit plans*, with the exception of certain plans established for part-time, seasonal and some management employees, which are typically *defined contribution plans*.

Defined benefit plans require that jurisdictions contribute an actuarially determined amount to fund guaranteed member benefits at retirement. The contribution amount can vary significantly from year to year due to economic conditions and various factors affecting actuarial estimates of liabilities and assets, including changes to actuarial cost methods; investment return, cost of living, and retirement age assumptions; amortization policies used to account for unfunded liability; and other factors. Defined contribution plans merely require jurisdictions to contribute a set amount per employee (e.g., 3% of salaries). Like a private sector 401(k) plan, under defined contribution systems, risks associated with investment gains and losses are borne entirely by the employee with no guaranteed pension at retirement.

<u>Defined Benefit Design Variables Affecting Costs</u>

Various factors can influence estimates of funded status, contribution requirements and the ultimate cost of defined benefit plans. Some of the more significant factors are described below:

Base Compensation Formula	Most plans compute the base retirement benefit by multiplying a percentage of the employees' final average salary (FAS) times the number of years of service credit. For example, an employee who has 30 years of service credit and received 2% of salary for each year of service at retirement age, would receive a retirement benefit of 60% of his or her final salary.
Normal Retirement Age	Plans specify the age at which employees may retire with full benefits. If an individual retires before or after attaining that age, the percentage of salary is often adjusted. For example, if an employee is a member of a "2% at 60" plan, and is credited with 30 years of service, she may have her benefit reduced if she retires earlier or increased if she retires later. As one example, the CalPERS 2% at 60 Miscellaneous Pooled Plan discounts the percentage rate to 1.460% at 55 but increases it to 2.418% at 63 or older.
Years of Service	Depending on the plan, the years of service used to compute retirement may be increased above the number of years that the employee actually worked for the agency. Typical factors allowing years of service credit to be increased include: a) sick leave buy-back, up to the maximum allowed by federal law; b) military time credit; c) other government service time; and d) "air time", which is additional un-worked time that may be purchased at cost by the employee (a critique of air time and public agency financial exposure is discussed later in Section 1 of this report).

Final Average Salary	Different methods of calculating Final Average Salary (FAS) can impact the amount of pensionable salary[∇] that is used to compute employee benefits. Three different methods are typical: a) the average pensionable salary earned during the final 12-months of employment; b) the average of the 12 highest months of pensionable salary earned during the final 36-months of employment; and c) the average of the 12 highest consecutive months of pensionable salary earned during the retiree's career. Instances of "pension spiking" may be more frequently encountered with the formulas that use the final twelve month salary period as the base.
Pensionable Salary	Federal law restricts the categories of salary that can be used for recruiting pension benefits. For example, with the exception of overtime earned under the Fair Labor Standards Act (FLSA), overtime that is generally excluded. However, other types of income may be included, such as reported income for pay differentials (e.g., "longevity pay", special certification pay, etc.) and the taxable income reported to the Internal Revenue Service when assigned a take home vehicle. As a result, there can be different impacts on pension costs for employees that fall into employee groups that receive special categories of pay, such as uniformed personnel and executive management groups. Often, individual retirees who receive the highest levels of compensation relative to their base salary fall into one of these groups.
Benefit Caps	Plans cap the amount of benefit payments that retirees may receive at a percentage of FAS. In many cases, this percentage cap is set at 100% of the FAS. Other plans may set it lower. For example, the Los Angeles Police and Fire Plan sets a cap of between 66 2/3% and 90% of FAS depending on benefit tier and years of service. Pension benefits may be raised above these levels if employees made contributions through payroll deductions during employment.
Optional Benefits	Some plans offer optional benefits to employees, including survivor benefits. Depending on how these optional benefits are designed, the exposure to the agency may differ. For example, some plans do not offer survivor benefits or merely provide a refund of the employees' payroll contributions to spouses or other beneficiaries when the retiree dies. Other plans may provide pension continuation provisions for spouses as a standard benefit, typically set at 50% or more of the retiree's benefit amount.
Cost of Living Adjustments	Most plans include cost of living adjustment (COLA) guarantees for their retirees. These can significantly impact the future cost of benefits if the COLA exceeds actual inflation. For example, CalPERS provides member agencies with a baseline

[∇] By federal law, only certain categories of salary may be used to calculate pension benefits. For example, most overtime pay is excluded, significantly limiting the pensionable salary for police and fire employees.

	2% COLA for retirees, but agencies may elect to purchase COLAs of up to 5% per year. Generally, COLAs are a negotiated part of benefits chosen through the collective bargaining process with employees.
Employee Contribution Pickup	Many jurisdictions have agreed to "pick-up" the cost of all or a portion of employee contributions. These costs can be significant. For example, CalPERS charges miscellaneous employees 7% of salaries and safety employees 9% of salaries. If picked up by the member agency, this cost is no longer borne by the employee.

<u>Financial Affect of Actuarial Assumptions and Methodologies</u>

In addition to benefit design, actuarial assumptions and methodologies can impact the total assets and liabilities being projected for a jurisdiction. The following table describes some of the key assumptions considered by actuaries when conducting the analysis.

Investment Return	When projecting forward, actuaries will use an assumed rate of investment return to estimate long term growth in fund assets. These investment returns essentially reduce, or discount, the required contribution to be made by the jurisdiction to fund benefits for its employees. During the period of this assessment, CalPERS member agencies had an assumed rate of return of 7.75% on assets, while many other funds had assumed interest rates of return of 8.00%. Additionally, after a formal review of its assumed rate of return, LACERA maintained its assumption of 7.75% in an October 2010 decision. Reductions in the assumed rate of return, as implemented by LACERA, will require offsetting increases in jurisdiction contributions, as discussed later in this report.
Investment Smoothing	Short-term investment earnings are "smoothed" by actuaries to moderate fluctuations in <u>*actual*</u> returns. Such smoothing effectively distributes investment gains and losses over periods longer than a year so that the impact of annual gains and losses are spread over a longer period. Many non-CalPERS plans have set the smoothing period at 5 years, but the range of smoothing can differ. For example, until 2009, LACERA smoothed its investment returns over 3 years, but then changed its policy to 5 years. In 2005, CalPERS changed from a 5 year smoothing policy to 15 years in response to member agency concerns about contribution rate stabilization.
Smoothing Corridors	Smoothing corridors are established by some plans to ensure that abnormal investment gains and losses are recognized more immediately and not smoothed over longer periods. This avoids instances where large actuarially valued asset balances may accumulate or losses may threaten plan solvency, with the goal of moderating contribution rates for the sponsoring agency. For instance, CalPERS policy prior to 2009 was to smooth investment gains and losses over 15 years when they fell within 80% and 120% of the assumed rate of return. When

	actual investments returned a 24% loss in 2009, the CalPERS Board temporarily broadened the smoothing corridor: (a) to between 60% and 140% for FY 2010, and (b) 70% to 130% for FY 2011. CalPERS will return to the 80% to 120% corridor in FY 2012.
Amortization of UAAL	Annual gains and losses experienced by pension plans are typically amortized over periods ranging from 15 years to 30 years, depending on the plan. These are generally segregated by cause, including impacts from plan amendments, changes in actuarial assumptions and methodology, and gains and losses. This can have a significant impact on a jurisdiction's contribution rate. For example, the City of Hermosa Beach plan for miscellaneous employees will require that the employer contribute 16.036% of pensionable salaries in FY 2011-12. Of this amount, 7.832%, or nearly half of the City's required contribution, was due to the amortization of unfunded liability.
Inflation	When projecting future pension cost increases, actuaries estimate rates of inflation. Depending on the jurisdiction, these inflation rates can vary. For example, CalPERS estimates inflation at 3.0%, while LACERA estimates inflation at 3.5%.
Salary Growth	In addition to inflation, actuaries include assumptions related to salary growth for plan members. These are generally based on category of employee, entry age into the plan and duration of service. In addition to increases in salary due to promotions and longevity, the increases typically include an assumed per annum rate of increase in the general wage level of membership. For example, LACERA actuaries assumed annual salary growth of between 4.26% and 10.24% in its most recent actuarial analysis.

In addition to these key variables, there are many others that actuaries use to assess plan assets and liabilities. For example, the number of years between normal retirement age and assumed mortality can have a dramatic affect on costs, such as when many safety plans in CalPERS moved from their 3% at 55 retirement plans to 3% at 50 retirement plans in the early part of the 2000's. This essentially added five benefit years for individuals who chose to retire earlier than they may have under their prior plan, increasing contribution requirements.

OTHER NON-REPORTED COSTS

In addition to pension costs, jurisdictions may offer employees retirement benefits or incur costs that are not administered or reported as part of the retirement system. These fall into three general groupings.

Other Post Employment Benefits (OPEB)

OPEB are retiree health insurance benefits that, like pensions, may be structured as (a) defined contribution plans, where employees will have an account that can be used to subsidize health insurance costs after retirement; or, (b) defined benefit plans, where the jurisdiction promises to pay the full cost or a percentage of the full cost of health insurance benefits for the employee after retirement. Until 2008, jurisdictions were not required to prepare actuarial analyses of

OPEB liability. Beginning in that year, jurisdictions began reporting this information in accordance with GASB Statements 43 and 45.

In many instances, unfunded OPEB liabilities are significant. As discussed in this report, most jurisdictions in Los Angeles County are only contributing amounts equal to their annual cost of benefits (i.e., pay as you go) and are not contributing amounts for reserves to fund future costs. This approach has the potential to create a crisis for public jurisdictions. First, as employees with this benefit retire at faster rates due to “baby boomer” aging spikes, the current cost of benefits will increase proportionately. Second, health care and insurance costs continue to escalate at a much faster rate than inflation, particularly for older persons, increasing the likelihood that individual employee retiree health benefit costs will outpace inflation. Third, the uncertainty surrounding the impacts from national health care make estimates of future cost increases difficult to predict, so it would be prudent to set aside reserves to ensure that future costs are covered under the new dynamics in health care.

For each jurisdiction in the County, we have reported the UAAL for OPEB benefits, which presently amounts to at least $33.9 billion for all jurisdictions. In this report, we recommend strategies that might be employed by these jurisdictions to reduce the future cost for this benefit.

Pension Obligation Bonds (POBs)

Since approximately 1985, some jurisdictions have borrowed funds using Pension Obligation Bonds to pay down the unfunded liability in their pension funds. POBs are typically general obligation debt, meaning that the borrowing is secured by the general taxing authority of the jurisdiction.[∇] The intent is to borrow funds at interest rates that are lower than the pension funds’ assumed and actual rate of return and to earn net pension fund investment earnings that exceed the total cost of the POB borrowing. If this occurs as planned, over the term of the POB, the total cost to the jurisdiction will be lowered.

The Government Finance Officers Association of the United States and Canada (GFOA) warns public agencies to use caution when deciding to borrow funds using Pension Obligation Bonds. In an Advisory entitled *Evaluating the Use of Pension Obligation Bonds,* the GFOA states:

> Governments issuing pension obligation bonds should compare the bond’s debt service schedule to the pension system’s current UAAL amortization schedule, using the true interest cost of the bond issue as the discount rate to calculate the estimated net present value savings. Additionally, issuing governments should consider the amount of the net present value savings, the spread between the true interest cost of the bonds, and the actuarial investment return assumption of the pension plan.
>
> Even if the analysis indicates that financial benefits appear to outweigh the risks, government should evaluate other issues that may arise if the bonds are issued, such as the loss of flexibility in difficult economic times because of the need to make timely payments of principal and interest in order not to default on the bonds, potential misunderstanding by policy makers regarding the possibility that an unfunded liability may appear in the future, and potential pressure for additional benefits for government employees if plans are fully funded and the government’s contribution as a percentage of payroll has declined relative to neighboring jurisdictions.

It is for these and other reasons that POB debt should be reported as a pension obligation that falls outside of the normal reporting responsibilities of the pension system.

[∇] March 2011, *Pension Obligation Bond Financing,* Orrick, Harrington & Sutcliffe, LLP. According to Orrick, POBs “are issued under the local agency refunding law . . . and considered valid without a vote under a judicially created exception to the State constitution Article XVI, Section 18 debt limitation referred to as ‘obligations imposed by law’”.

SOCIAL SECURITY CONTRIBUTIONS

When evaluating the cost of public pension benefits for Los Angeles County government employees, it is important to recognize that many of these employees are exempt from Social Security. The impact of these exemptions are twofold: (1) The exempt employee will not be able to rely on Social Security benefits to supplement other pension income at retirement, since the employee will not be eligible to receive credit for Social Security benefits for those years spent working for the exempt government agency; and, (2) neither the employee nor the employer are required to pay Social Security payroll taxes, saving the exempt employee and employer considerable amounts in payroll taxes each year.

Since 1990, Social Security payroll taxes have been set at 6.2% of payroll for both employers and employees, up to a maximum earnings limit.[∇] In 2011, this earnings limit is $106,800. As part of the *Recovery and Reinvestment Act* of 2010, the rate of contributions for employees was reduced to 4.2% in 2011, returning to 6.2% in 2012. However, for employers, the rate remains at 6.2% throughout this period.

For government agencies whose workers are exempt from social security, the budget savings from this exemption can be significant. For example, County of Los Angeles employees are exempt from Social Security payroll taxes, as are uniformed employees of fire and police agencies in other jurisdictions within the County. Assuming 80 percent of LACERA's $6.7 billion in pensionable payroll fell below the $106,800 income cap in 2010, the County was exempted from paying over $332 million in Social Security taxes in that year. Accordingly, the pension contribution cost being incurred by public agencies within the County, should be balanced against this substantial offset.

INDICATORS OF PENSION SYSTEM STRENGTH

It is because of the many reasons cited in this Appendix that it is difficult to make direct comparisons of the population of pension plans across jurisdictions. The USGAO, when making this same observation in 2008, stated that "Because a variety of methods and actuarial assumptions are used to calculate the funded status, different plans cannot be easily compared."[*]

In that same report, the USGAO made two other important observations.

First, the USGAO stated that there are "three key measures "that help to understand different aspects of the funded status of state and government pension and other retiree benefits."

1. Whether jurisdictions have been making their required annual contribution, as a sign that they are capable of funding the benefits promised to employees;

2. The strength of a plan's funded ratio, as a measure of the percentage of actuarially accrued liabilities that are covered by actuarially valued assets; and,

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[∇] April 20, 1983, *Public Law 98-21, and* as summarized in the *1983 Greenspan Commission on Social Security Reform, Appendix K, Table 2A*

[*] January 2008, GAO-08-223 State and Local Government, *Report to the Committee on Finance, U.S. Senate, State and Local Government Retiree Benefits Current Funded Status of Pension and Health Benefits*

3. The unfunded actuarially accrued liabilities reported in dollars, which can be compared with a jurisdiction's total covered payroll.[∇]

Second, that these three measures "should be reviewed over time to understand how the funded status is improving or worsening." The USGAO further states that, "Many experts consider a funded ratio of 80 percent or better to be sound for government pensions."

In our view, these last two observations are key to understanding the severity of the current pension "crisis" spoken about in the press. While the current challenges facing local government are serious, most plans in the County have demonstrated a history of maintaining funded status well above this 80 percent threshold; and already, after the first full year of investment recovery, many plans have risen back above this mark, including LACERA (83.3% in 2010), the Los Angeles Fire and Police Pension Plan (91.6% in 2010), the Los Angeles Department of Water and Power Retirement Plan (81.5% in 2010), and others.

[∇] For example, in 2010, the Los Angeles Department of Water and Power Retirement System reported UAAL of over \$1.6 billion, which was 192.6% of its annual covered payroll of \$856 million. LACERA, on the other hand, reported much greater UAAL of \$7.8 billion. However, this amount was only 116.6% of its covered payroll of \$6.7 billion.

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APPENDIX B

LISTING OF NUMBER OF PLANS BY JURISDICTION, AND WHERE TO FIND IN APPENDIX C - (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)

count	Entity Name	Type of Jurisdiction	Entity Appears on This Number of C sub matrices	Total Number of Plans for Entity in C Matrix	Matrices listed on: C._ (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)
1	Agoura Hills	City	2	2	2, 8
2	Agoura Hills and Calabasas Community Center	Special District	2	2	4, 9
3	Alameda Corridor Transportation Authority	Special District	2	2	4, 9
4	Alhambra	City	3	4	1, 6, 8
5	Alhambra Redevelopment Agency	Special District	2	2	4, 9
6	Altadena Library District	Special District	2	2	1, 4
7	Antelope Valley East Kern Water Agency	Special District	2	2	6, 9
8	Antelope Valley Health Care District	Special District	3	3	5, 6, 9
9	Antelope Valley Mosquito Vector Control District	Special District	2	2	4, 9
10	Antelope Valley Resource Conservation District	Special District	1	1	9
11	Antelope Valley Transit Authority	Special District	2	2	4, 9
12	Arcadia	City	3	3	1, 8
13	Artesia	City	2	2	2, 4
14	Athens-Woodcrest-Olivita Garbage Disposal District	Special District	1	1	9
15	Avalon	City	3	3	2, 8
16	Azusa	City	5	9	1, 2, 6, 7, 8
17	Baldwin Park	City	4	4	1, 2, 7, 8
18	Beach Cities Health Care District	Special District	2	2	4, 9
19	Bell	City	2	4	2, 8
20	Bell Gardens	City	2	3	2, 8
21	Bellflower	City	2	2	2, 8
22	Belvedere Garbage Disposal District	Special District	1	1	9
23	Beverly Hills	City	2	3	1, 8
24	Bradbury	City	2	2	2, 8
25	Bradbury Estates Community Services District	Special District	1	1	9
26	Burbank	City	3	5	1, 8
27	Calabasas	City	2	2	2, 8
28	Carson	City	2	2	1, 8
29	Castaic Lake Water Agency	Special District	3	3	4, 6, 9

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count	Entity Name	Type of Jurisdiction	Entity Appears on This Number of C sub matrices	Total Number of Plans for Entity in C Matrix	Matrices listed on: C._ (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)
30	Central Basin Municipal Water District	Special District	2	2	4, 9
31	Cerritos	City	3	3	1, 6, 8
32	(City of) Los Angeles City Employees' Retirement System (LACERS)	City	2	3	5, 8
33	City of Los Angeles DWP Retirement	City	2	2	5, 8
34	City of Los Angeles Fire and Police Pension Plan	City	2	2	5, 8
35	Claremont	City	4	4	1, 2, 7, 8
36	Commerce	City	2	2	1, 8
37	Community Development Commission of County of Los Angeles	Special District	2	2	3, 9
38	Compton	City	3	4	1, 2, 8
39	Compton Creek Mosquito Abatement District	Special District	2	2	4, 9
40	Covina	City	4	4	1, 2, 6, 8
41	Crescenta Valley County Water District	Special District	2	2	4, 9
42	Cudahy	City	2	2	2, 8
43	Culver City	City	2	3	1, 8
44	Diamond Bar	City	2	2	2, 8
45	Downey	City	2	3	1, 8
46	Downey Cemetery District	Special District	2	1	9
47	Duarte	City	2	2	2, 8
48	East San Gabriel Valley Human Services Consortium	Special District	2	2	4, 9
49	El Monte	City	2	3	1, 8
50	El Segundo	City	3	3	1, 8
51	Exposition Metro Line Construction Authority	Special District	2	2	4, 9
52	Foothill Municipal Water District	Special District	2	2	4, 9
53	Gardena	City	3	4	1, 2, 8. 6
54	Glendale	City	2	3	1, 8
55	Glendora	City	4	5	1, 2, 6, 7, 8
56	Golden Valley Municipal Water District	Special District	1	1	9
57	Greater Los Angeles County Vector Control District	Special District	3	3	4, 6, 9
58	Green Valley County Water District	Special District	2	2	4, 9

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count	Entity Name	Type of Jurisdiction	Entity Appears on This Number of C sub matrices	Total Number of Plans for Entity in C Matrix	Matrices listed on: C._ (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)
59	Hawaiian Gardens	City	2	2	2, 8
60	Hawthorne	City	3	4	1, 2, 7, 8
61	Hermosa Beach	City	2	4	2, 8
62	Hidden Hills	City	2	2	2, 8
63	Housing Authority of the City of Los Angeles	Special District	2	2	3, 9
64	Hub Cities Consortium	Special District	2	2	4, 9
65	Huntington Municipal Water District	Special District	1	1	9
66	Huntington Park	City	5	5	1, 2, 6, 7, 8
67	Industry	City	2	2	2, 8
68	Inglewood	City	3	5	1, 7, 8
69	Irwindale	City	3	4	2, 6, 8
70	Kinneloa Irrigation District	Special District	2	2	4, 9
71	La Canada Irrigation District	Special District	2	2	6, 9
72	La Cañada-Flintridge	City	2	2	2, 8
73	La Habra Heights	City	2	3	2, 8
74	La Habra Heights County Water District	Special District	2	2	4, 9
75	La Mirada	City	3	5	2, 6, 8
76	La Puente	City	2	2	2, 8
77	La Puente Valley County Water District	Special District	2	2	4, 9
78	La Verne	City	3	4	2, 7, 8
79	LACMTA	Special District	2	9	5, 9
80	Lakewood	City	3	3	1, 6, 8
81	Lancaster	City	2	3	1, 8
82	Las Virgenes Municipal Water District	Special District	2	2	3, 9
83	Lawndale	City	3	3	2, 6, 8
84	Lennox Garbage Disposal District	Special District	1	1	9
85	Littlerock Creek Irrigation District	Special District	2	2	4, 9
86	Lomita	City	2	2	2, 8
87	Long Beach	City	4	5	1, 6, 7, 8

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count	Entity Name	Type of Jurisdiction	Entity Appears on This Number of C sub matrices	Total Number of Plans for Entity in C Matrix	Matrices listed on: C._ (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)
88	Long Beach Public Transportation Company Contract Employees	Special District	2	4	5, 9
89	Los Angeles City Community Redevelopment Agency	Special District	2	2	3, 9
90	Los Angeles County (LACERA)	County	2	2	5, 7
91	Los Angeles County Area E Civil Defense and Disaster Board	Special District	2	2	4, 9
92	Los Angeles County Flood Control District	Special District	1	1	9
93	Los Angeles County Law Library	Special District	2	2	4, 9
94	Los Angeles County Sanitation District No. 2	Special District	2	2	3, 9
95	Los Angeles County Transportation Authority - AFSCME Employees' Retirement	Special District	1	2	9
96	Los Angeles County West Vector Control District	Special District	2	2	4, 9
97	Los Angeles Memorial Coliseum Commission	Special District	2	2	4, 9
98	Los Angeles Regionalized Insurance Services Authority	Special District	1	1	9
99	Los Angeles to Pasadena Metro Blue Line Construction	Special District	2	2	4, 9
100	Lynwood	City	3	4	1, 2, 8
101	Main San Gabriel Basin Watermaster	Special District	2	2	4, 9
102	Malibu	City	3	6	2, 6, 8
103	Malibu Garbage Disposal District	Special District	1	1	9
104	Manhattan Beach	City	5	7	1, 2, 6, 7, 8
105	Maywood	City	3	5	2, 6, 8
106	Mesa Heights Garbage Disposal District	Special District	1	1	9
107	Metrolpolitan Water District Southern California	Special District	3	3	3, 6, 9
108	Miraleste Recreation and Park District	Special District	1	1	9
109	Monrovia	City	4	4	1, 2, 6, 8
110	Montebello	City	2	3	1, 8
111	Monterey Park	City	4	6	1, 6, 7, 8
112	Newhall County Water District	Special District	2	2	4, 9
113	North Los Angeles County Regional Center Inc	Special District	2	2	3, 9
114	Norwalk	City	3	4	1, 6, 8
115	Orchard Dale County Water District	Special District	2	2	4, 9
116	Palm Ranch Irrigation District	Special District	2	2	4, 9

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117	Palmdale	City	3	3	1, 6, 8
118	Palmdale Water District	Special District	2	2	4, 9
119	Palos Verdes Estates	City	3	4	2, 6, 8
120	Palos Verdes Library District	Special District	2	2	4, 9
121	Paramount	City	3	3	1, 2, 8
122	Pasadena	City	5	6	1, 5, 6, 7, 8
123	Pico Rivera	City	3	3	1, 6, 8
124	Pico Water District	Special District	2	2	4, 9
125	Point Dume Community Services District	Special District	1	1	9
126	Pomona	City	3	4	1, 7, 8
127	Pomona Valley Transportation Authority	Special District	2	2	4, 9
128	Public Transportation Services Corporation (LACMTA)	Special District	2	2	3, 9
129	Quartz Hill Water District	Special District	2	2	4, 9
130	Rancho Palos Verdes	City	2	2	2, 8
131	Redondo Beach	City	2	3	1, 8
132	Resource Conservation District of the Santa Monica Mountains	Special District	1	2	4, 9
133	Ridgecrest Ranchos Recreation and Park District	Special District	1	1	9
134	Rolling Hills	City	1	2	2, 8
135	Rolling Hills Estates	City	2	3	2, 6, 8
136	Rosemead	City	2	3	2, 6, 8
137	Rowland Water District	Special District	2	2	4, 9
138	San Dimas	City	2	2	2, 8
139	San Fernando	City	2	5	2, 8
140	San Gabriel	City	2	3	2, 8
141	San Gabriel County Water District	Special District	2	2	4, 9
142	San Gabriel Valley Council of Governments	Special District	1	2	4, 9
143	San Gabriel Valley Mosquito Abatement District	Special District	2	2	4, 9
144	San Gabriel Valley Municipal Water District	Special District	2	2	4, 9
145	San Marino	City	4	7	2, 6, 7, 8

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count	Entity Name	Type of Jurisdiction	Entity Appears on This Number of C sub matrices	Total Number of Plans for Entity in C Matrix	Matrices listed on: C._ (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)
146	Santa Clarita	City	2	2	1, 8
147	Santa Fe Springs	City	4	4	1, 2, 6, 8
148	Santa Monica	City	3	5	1, 2, 8
149	Santa Monica Mountains Resource Conservation District	Special District	1	1	9
150	Sativa-Los Angeles County Water District	Special District	1	1	9
151	Sierra Madre	City	2	3	2, 8
152	Signal Hill	City	3	4	2, 6, 8
153	South Bay Regional Public Communications Authority	Special District	2	2	4, 9
154	South Central LA Regional Center for Developmentally Disabled Persons	Special District	2	2	3, 9
155	South El Monte	City	2	2	2, 8
156	South Gate	City	5	5	1, 2, 6, 7, 8
157	South Montebello Irrigation District	Special District	1	1	9
158	South Pasadena	City	2	3	2, 8
159	Southeast Area Social Services Funding Authority	Special District	2	2	4, 9
160	Southern California Library Cooperative	Special District	2	2	4, 9
161	Southern California Public Power Authority	Special District	2	2	4, 9
162	Southern California Regional Rail Authority	Special District	2	2	3, 9
163	Temple City	City	1	2	2, 8
164	Three Valleys Municipal Water District	Special District	2	2	4, 9
165	Torrance	City	2	4	1, 8
166	Torrance City Redevelopment Agency	Special District	1	1	9
167	Tri-City Mental Health Center	Special District	2	2	4, 9
168	Upper San Gabriel Valley Municipal Water District	Special District	2	2	4, 9
169	Valley County Water District	Special District	2	2	4, 9
170	Vernon	City	2	3	1, 8
171	Walnut	City	2	2	2, 8
172	Walnut Park Garbage Disposal District	Special District	1	1	9
173	Walnut Valley Water District	Special District	1	1	4, 9
174	Water Replenishment District of Southern California	Special District	2	2	4, 9

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count	Entity Name	Type of Jurisdiction	Entity Appears on This Number of C sub matrices	Total Number of Plans for Entity in C Matrix	Matrices listed on: C._ (C.1, C.2, C.3, C.4, C.5, C.6, C.7, C.8, C.9)
175	West Basin Municipal Water District	Special District	2	2	4, 9
176	West Covina	City	3	5	1, 6, 8
177	West Hollywood	City	2	2	1, 8
178	Westfield Recreation and Park District	Special District	1	1	9
179	Westlake Village	City	2	2	2, 8
180	Whittier	City	2	3	1, 8

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Appendix C.1

Public Pension Plans in Los Angeles County
CalPERS City Individual Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
Row	**Sponsor Agency**	**Employer Type**	**CAFR Date**	**Pension Valuation Date**	**Funded Status**	**Actuarial Value of Assets (AVA)**	**Actuarial Accrued Liability (AAL)**	**Unfunded AAL (UAAL) F - E**	**Covered Payroll**	**UAAL to Covered Payroll G / H**	**Total Member Count K+L+M+N**	***Active Member Count***	***Transferred Count***	***Terminated Count***	***Retiree/ Beneficiary Count***	**Annual Pension Cost (APC)**	**Percent of APC Contributed**	**Annual Required Contrib. (ARC)**	**Percent of ARC Contributed**	**Sponsor Contribution**	**Employee Normal Contrib. Rate**
1	Alhambra	Misc	6/30/2010	6/30/2009	83.6%	$ 90,763,800	$ 108,570,578	$ 17,806,778	$ 16,967,548	104.95%	991	307	225	196	263	$ 2,197,709	100%	$ 2,197,709	100%	$ 2,197,709	7.00%
2	Alhambra	Safety	6/30/2010	6/30/2009	76.9%	$ 138,388,107	$ 179,954,683	$ 41,566,576	$ 14,078,081	295.26%	502	140	96	27	239	$ 3,798,479	100%	$ 3,798,479	100%	$ 3,798,479	9.00%
3	Arcadia	Safety	6/30/2010	6/30/2009	77.6%	$ 122,382,670	$ 157,621,927	$ 35,239,257	$ 12,133,846	290.42%	441	121	87	31	202	$ 3,798,479	100%	3798479	100%	$ 3,798,479	9.00%
4	Arcadia	Misc	6/30/2010	6/30/2009	82.5%	$ 81,708,040	$ 99,025,559	$ 17,317,519	$ 12,096,911	143.16%	890	200	205	125	360	Note 2d	100%	Note 2d	100%	Note 2d	8.00%
5	Azusa	Misc	6/30/2010	6/30/2009	88.8%	$ 78,136,641	$ 87,949,403	$ 9,812,762	$ 15,595,924	62.92%	810	270	143	119	278	$ 2,655,000	100%	$ 2,655,000	100%	$ 2,655,000	7.00%
6	Baldwin Park	Misc	6/30/2010	6/30/2009	89.3%	$ 43,584,351	$ 48,823,095	$ 5,238,744	$ 5,623,617	93.16%	836	137	186	303	210	$ 1,076,265	100%	$ 1,076,265	100%	$ 1,076,265	7.00%
7	Beverly Hills	Safety	6/30/2009	6/30/2009	87.1%	$ 247,229,502	$ 283,865,366	$ 36,635,864	$ 24,275,683	150.92%	512	207	14	16	275	$ 6,437,041	96%	$ 6,142,394	101%	$ 6,179,559	9.00%
8	Beverly Hills	Misc	6/30/2009	6/30/2009	95.5%	$ 192,007,584	$ 201,089,428	$ 9,081,844	$ 36,293,843	25.02%	1,574	643	175	304	452	$ 3,986,941	96%	$ 3,829,290	100%	$ 3,827,463	8.00%
9	Burbank	Misc	6/30/2010	6/30/2009	84.4%	$ 510,113,099	$ 604,601,561	$ 94,488,462	$ 80,524,338	117.34%	2,905	1101	376	377	1051	$ 12,698,000	100%	$12,698,000	100%	$ 12,698,000	8.00%
10	Burbank (Fire)	Safety	6/30/2010	6/30/2009	93.4%	$ 155,354,556	$ 166,406,016	$ 11,051,460	$ 14,261,722	77.49%	329	126	25	10	168	$ 3,401,000	100%	$ 3,401,000	100%	$ 3,401,000	9.00%
11	Burbank (Police)	Safety	6/30/2010	6/30/2009	86.5%	$ 180,463,924	$ 208,521,093	$ 28,057,169	$ 17,588,067	159.52%	412	162	13	19	218	$ 6,266,000	100%	$ 6,266,000	100%	$ 6,266,000	9.00%
12	Carson	Misc	6/30/2009	6/30/2009	74.8%	$ 124,589,374	$ 166,628,216	$ 42,038,842	$ 27,230,503	154.38%	962	535	83	93	251	$ 6,396,422	100%	$ 6,396,422	100%	$ 6,396,422	8.00%
13	Cerritos	Misc	6/30/2010	6/30/2009	79.2%	$ 116,450,651	$ 146,970,619	$ 30,519,968	$ 19,805,126	154.10%	975	350	166	175	284	$ 1,693,293	100%	$ 1,693,293	100%	$ 1,693,293	8.00%
14	Claremont	Misc	6/30/2009	6/30/2009	84.9%	$ 48,074,094	$ 56,619,764	$ 8,545,670	$ 9,712,222	87.99%	562	169	126	106	161	$ 1,297,306	100%	$ 1,297,306	100%	$ 1,297,306	8.00%
15	Commerce	Misc	6/30/2010	6/30/2009	92.5%	$ 67,086,985	$ 72,490,523	$ 5,403,538	$ 11,364,009	47.55%	387	175	31	26	155	$ 1,710,096	100%	$ 1,710,096	100%	$ 1,710,096	7.00%
16	Compton	Misc	6/30/2009	6/30/2009	78.8%	$ 120,187,692	$ 152,457,507	$ 32,269,815	$ 18,433,468	175.06%	1,044	354	172	144	374	$ 3,370,048	100%	$ 3,370,048	100%	$ 3,370,048	8.00%
17	Covina	Misc	6/30/2010	6/30/2009	88.5%	$ 52,516,520	$ 59,357,781	$ 6,841,261	$ 8,184,434	83.59%	566	140	159	73	194	$ 1,243,198	100%	$ 1,243,198	100%	$ 1,243,198	7.00%
18	Culver City	Safety	6/30/2010	6/30/2009	81.6%	$ 197,075,694	$ 241,467,110	$ 44,391,416	$ 17,602,589	252.19%	450	168	31	18	233	$ 6,483,888	100%	$ 6,483,888	100%	$ 6,483,888	Unk
19	Culver City	Misc	6/30/2010	6/30/2009	82.6%	$ 149,915,302	$ 181,420,814	$ 31,505,512	$ 30,953,544	101.78%	1,477	498	250	249	480	$ 4,969,532	100%	$ 4,969,532	100%	$ 4,969,532	2.00%
20	Downey	Safety	6/30/2010	6/30/2009	86.9%	$ 219,370,271	$ 252,532,361	$ 33,162,090	$ 21,348,540	155.34%	553	192	64	26	271	$ 4,266,000	92%	$ 4,969,532	100%	$ 4,969,532	9.00%
21	Downey	Misc	6/30/2010	6/30/2009	85.4%	$ 111,905,234	$ 131,017,182	$ 19,111,948	$ 17,361,583	110.08%	1,030	267	248	129	386	$ 2,020,000	92%	Note 2f	100%	Note 2f	8.00%
22	El Monte	Safety	6/30/2009	6/30/2009	81.8%	$ 185,016,860	$ 226,116,515	$ 41,099,655	$ 14,025,713	293.03%	421	123	56	26	216	Note 2a	100%	Note 2a	100%	Note 2a	9.00%
23	El Monte	Misc	6/30/2009	6/30/2009	83.5%	$ 100,898,834	$ 120,789,697	$ 19,890,863	$ 13,584,000	146.43%	646	208	124	64	250	Note 2a	100%	Note 2a	100%	Note 2a	7.00%
24	El Segundo	Safety	9/30/2009	6/30/2009	77.6%	$ 144,390,551	$ 185,988,416	$ 41,597,865	$ 15,342,689	271.12%	371	125	49	17	180	Note 2a	100%	Note 2a	100%	Note 2a	9.00%
25	El Segundo	Misc	9/30/2009	6/30/2009	86.7%	$ 65,421,250	$ 75,434,352	$ 10,013,102	$ 15,124,941	66.20%	727	226	137	118	246	Note 2e	100%	Note 2e	100%	Note 2e	7.00%
26	Gardena	Misc	6/30/2009	6/30/2009	100.4%	$ 103,864,698	$ 103,447,738	$ (416,960)	$ 14,370,308	-2.90%	863	309	136	123	295	$ 1,871,724	100%	$ 1,871,724	100%	$ 1,871,724	7.00%
27	Glendale	Misc	6/30/2010	6/30/2009	87.8%	$ 666,773,419	$ 759,484,735	$ 92,711,316	$ 104,075,452	89.08%	4,136	1534	683	627	1292	$ 11,829,000	100%	$11,829,000	100%	$ 11,829,000	8.00%
28	Glendale	Safety	6/30/2010	6/30/2009	80.7%	$ 430,822,735	$ 533,851,137	$ 103,028,402	$ 48,703,298	211.54%	1,048	441	73	40	494	$ 12,023,000	100%	$12,023,000	100%	$ 12,023,000	9.00%
29	Glendora	Misc	6/30/2009	6/30/2009	90.4%	$ 60,628,270	$ 67,056,419	$ 6,428,149	$ 11,024,492	58.31%	528	187	113	53	175	$ 895,324	100%	$ 895,324	100%	$ 895,324	8.00%
30	Hawthorne	Misc	6/30/2009	6/30/2009	90.4%	$ 125,135,383	$ 138,491,549	$ 13,356,166	$ 16,111,433	82.90%	813	229	181	131	272	$ 3,999,258	95.7%	$ 3,827,260	100%	$ 3,827,260	8.00%
31	Huntington Park	Misc	6/30/2009	6/30/2009	100.2%	$ 45,456,202	$ 45,345,639	$ (110,563)	$ 7,810,062	-1.42%	384	129	61	54	140	$ 472,358	100%	$ 472,358	100%	$ 472,358	7.00%
32	Inglewood	Misc	9/30/2009	6/30/2009	94.9%	$ 264,873,752	$ 279,004,265	$ 14,130,513	$ 32,128,541	43.98%	1,562	628	179	214	541	$ 3,494,582	100%	$ 3,494,582	100%	$ 3,494,582	8.00%
33	Inglewood	Safety	9/30/2009	6/30/2009	91.2%	$ 281,211,835	$ 308,218,676	$ 27,006,841	$ 18,952,756	142.50%	708	191	67	33	417	$ 3,782,540	100%	$ 3,782,540	100%	$ 3,782,540	9.00%
34	Lakewood	Misc	6/30/2010	6/30/2009	87.3%	$ 74,859,464	$ 85,776,801	$ 10,917,337	$ 14,052,480	77.69%	673	268	115	121	169	$ 1,353,997	100%	$ 1,353,997	100%	$ 1,353,997	7.00%
35	Lancaster	Misc	6/30/2010	6/30/2009	91.5%	$ 65,412,183	$ 71,471,094	$ 6,058,911	$ 19,214,409	31.53%	967	373	140	340	114	$ 3,118,435	96.2%	$ 3,001,068	100%	$ 3,001,068	7.00%
36	Long Beach	Misc	9/30/2009	6/30/2009	88.3%	$ 1,630,804,905	$ 1,846,094,383	$ 215,289,478	$ 222,150,223	96.91%	10,454	3603	1761	1488	3602	$ 40,503,000	100%	$45,208,859	Note 10,100%	$ 40,503,000	8.00%
37	Long Beach	Safety	9/30/2009	6/30/2009	95.5%	$ 1,652,959,833	$ 1,730,517,689	$ 77,557,856	$ 137,922,737	56.23%	3,222	1404	219	120	1479	$ 31,512,000	100%	$34,433,141	Note 11,100%	$ 31,512,000	9.00%
38	Lynwood	Misc	6/30/2009	6/30/2009	79.0%	$ 48,993,622	$ 62,055,419	$ 13,061,797	$ 8,918,829	146.45%	564	187	110	100	167	$ 1,678,342	100%	$ 1,678,342	100%	$ 1,678,342	8.00%
39	Lynwood (Note 1)	Safety	6/30/2009	6/30/2009	97.8%	$ 390,402,716	$ 399,268,718	$ 8,866,002	$ -	N/A	-	0	Unk	Unk	Unk	$ 740,547	100%	$ 740,547	100%	$ 740,547	N/A
40	Manhattan Beach	Misc	6/30/2010	6/30/2009	94.6%	$ 56,968,601	$ 60,196,409	$ 3,227,808	$ 11,565,779	27.91%	581	183	128	92	178	$ 907,739	100%	$ 907,739	100%	$ 907,739	7.00%
41	Monrovia	Misc	6/30/2010	6/30/2009	79.0%	$ 61,589,590	$ 77,941,218	$ 16,351,628	$ 11,170,017	146.39%	580	174	144	85	177	$ 1,846,000	100%	$ 1,846,000	100%	$ 1,846,000	8.00%
42	Montebello	Safety	6/30/2009	6/30/2009	80.1%	$ 134,012,195	$ 167,396,133	$ 33,383,938	$ 12,513,128	266.79%	446	136	69	17	224	Note 2c	100%	Note 2c	100%	Note 2c	9.00%
43	Montebello	Misc	6/30/2009	6/30/2009	83.7%	$ 104,960,650	$ 125,433,816	$ 20,473,166	$ 18,602,551	110.06%	1,019	388	169	172	290	Note 2c	100%	Note 2c	100%	Note 2c	8.00%
44	Monterey Park	Safety	6/30/2010	6/30/2009	88.2%	$ 119,753,939	$ 135,740,678	$ 15,986,739	$ 11,941,116	133.88%	469	130	88	37	214	$ 3,399,000	108%	$ 3,657,000	100%	$ 3,657,000	9.00%
45	Monterey Park	Misc	6/30/2010	6/30/2009	83.3%	$ 64,931,586	$ 77,922,334	$ 12,990,748	$ 12,870,755	100.93%	776	234	212	140	190	$ 1,483,000	100%	$ 1,483,000	100%	$ 1,483,000	8.00%
46	Norwalk	Misc	6/30/2010	6/30/2009	86.3%	$ 93,526,231	$ 108,400,434	$ 14,874,203	$ 15,852,267	93.83%	658	265	101	63	229	$ 2,040,326	100%	$ 2,040,326	100%	$ 2,040,326	8.00%
47	Palmdale	Misc	6/30/2010	6/30/2009	80.2%	$ 81,291,604	$ 101,419,219	$ 20,127,615	$ 19,730,068	102.01%	659	282	85	159	133	$ 4,870,747	100%	$ 4,870,747	100%	$ 4,870,747	8.00%
48	Paramount	Misc	6/30/2010	6/30/2009	80.1%	$ 40,774,617	$ 50,897,173	$ 10,122,556	$ 7,445,880	135.95%	304	121	72	33	78	$ 952,522	100%	$ 952,522	100%	$ 952,522	8.00%
49	Pasadena	Misc	6/30/2010	6/30/2009	82.9%	$ 607,709,953	$ 732,712,839	$ 125,002,886	$ 116,951,639	106.88%	3,716	1529	391	465	1331	$ 10,459,000	100%	$10,459,000	100%	$ 10,459,000	8.00%
50	Pasadena	Safety	6/30/2010	6/30/2009	80.5%	$ 283,879,793	$ 352,609,770	$ 68,729,977	$ 45,516,009	151.00%	723	421	67	41	194	$ 12,566,000	100%	$12,566,000	100%	$ 12,566,000	9.00%
51	Pico Rivera	Misc	6/30/2010	6/30/2009	78.8%	$ 52,946,984	$ 67,218,423	$ 14,271,439	$ 9,273,346	153.90%	475	149	89	53	184	$ 2,108,790	100%	$ 2,108,790	100%	$ 2,108,790	8.00%
52	Pomona	Safety	6/30/2009	6/30/2009	88.9%	$ 237,157,899	$ 266,712,188	$ 29,554,289	$ 17,681,848	167.14%	607	182	37	12	376	$ 4,095,028	108%	$ 4,439,671	100%	$ 4,439,671	9.00%
53	Pomona	Misc	6/30/2009	6/30/2009	90.3%	$ 188,608,140	$ 208,855,695	$ 20,247,555	$ 29,964,633	67.57%	1,949	498	392	174	885	$ 3,283,328	100%	$ 3,283,328	100%	$ 3,283,328	7.00%
54	Redondo Beach	Safety	6/30/2010	6/30/2009	80.5%	$ 202,858,694	$ 252,092,246	$ 49,233,552	$ 16,436,916	299.53%	506	159	31	12	304	$ 6,512,891	100%	$ 6,512,891	100%	$ 6,512,891	9.00%

Appendix C.1

Public Pension Plans in Los Angeles County
CalPERS City Individual Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
Row	**Sponsor Agency**	**Employer Type**	**CAFR Date**	**Pension Valuation Date**	**Funded Status**	**Actuarial Value of Assets (AVA)**	**Actuarial Accrued Liability (AAL)**	**Unfunded AAL (UAAL) F - E**	**Covered Payroll**	**UAAL to Covered Payroll G / H**	**Total Member Count K+L+M+N**	***Active Member Count***	***Transferred Count***	***Terminated Count***	***Retiree/ Beneficiary Count***	**Annual Pension Cost (APC)**	**Percent of APC Contributed**	**Annual Required Contrib. (ARC)**	**Percent of ARC Contributed**	**Sponsor Contribution**	**Employee Normal Contrib. Rate**
55	Redondo Beach	Misc	6/30/2010	6/30/2009	88.2%	$ 119,584,408	$ 135,652,505	$ 16,068,097	$ 20,267,353	79.28%	1,186	346	201	180	459	$ 3,511,561	100%	$ 3,511,561	100%	$ 3,511,561	7.00%
56	Santa Clarita	Misc	6/30/2010	6/30/2009	80.3%	$ 65,524,888	$ 81,603,721	$ 16,078,833	$ 25,834,604	62.24%	804	397	104	232	71	$ 5,036,747	100%	$ 5,036,747	100%	$ 5,036,747	8.00%
57	Santa Fe Springs	Misc	6/30/2010	6/30/2009	75.4%	$ 91,350,724	$ 121,213,704	$ 29,862,980	$ 13,076,028	228.38%	391	172	42	24	153	$ 4,675,554	100%	$ 4,675,554	100%	$ 4,675,554	8.00%
58	Santa Monica	Misc	6/30/2010	6/30/2009	77.4%	$ 470,981,413	$ 608,461,242	$ 137,479,829	$ 116,219,359	118.29%	3,842	1773	446	780	843	$ 17,379,392	100%	$17,379,392	100%	$ 17,379,392	8.00%
59	Santa Monica (Fire)	Safety	6/30/2010	6/30/2009	83.1%	$ 129,053,981	$ 155,343,048	$ 26,289,067	$ 13,350,362	196.92%	252	106	19	7	120	$ 2,906,597	100%	$ 2,906,597	100%	$ 2,906,597	9.00%
60	Santa Monica (Police)	Safety	6/30/2010	6/30/2009	77.9%	$ 215,162,423	$ 276,030,014	$ 60,867,591	$ 24,169,402	251.84%	535	198	33	36	268	$ 8,374,361	100%	$ 8,374,361	100%	$ 8,374,361	9.00%
61	South Gate	Misc	6/30/2010	6/30/2009	88.9%	$ 88,799,689	$ 99,935,193	$ 11,135,504	$ 14,593,267	76.31%	941	268	238	180	255	$ 2,398,015	100%	$ 2,398,015	100%	$ 2,398,015	8.00%
62	Torrance	Misc	6/30/2010	6/30/2009	91.0%	$ 382,717,193	$ 420,581,555	$ 37,864,362	$ 61,657,142	61.41%	2,607	964	373	409	861	Note 2g	100%	Note 2g	100%	Note 2g	7.00%
63	Torrance (Fire)	Safety	6/30/2010	6/30/2009	77.0%	$ 195,721,199	$ 254,165,784	$ 58,444,585	$ 16,659,065	350.83%	356	153	21	5	177	Note 2g	100%	Note 2g	100%	Note 2g	9.00%
64	Torrance (Police)	Safety	6/30/2010	6/30/2009	74.5%	$ 275,132,003	$ 369,404,593	$ 94,272,590	$ 24,948,369	377.87%	612	222	53	33	304	Note 2g	100%	Note 2g	100%	Note 2g	9.00%
65	Vernon	Misc	6/30/2010	6/30/2009	86.2%	$ 88,085,414	$ 102,181,483	$ 14,096,069	$ 13,658,374	103.20%	460	177	98	90	95	Note 2b	100%	Note 2b	100%	Note 2b	8.00%
66	Vernon	Safety	6/30/2010	6/30/2009	83.0%	$ 136,399,402	$ 164,255,449	$ 27,856,047	$ 15,011,719	185.56%	527	136	126	39	226	Note 2b	100%	Note 2b	100%	Note 2b	9.00%
67	West Covina	Safety	6/30/2010	6/30/2009	80.0%	$ 204,351,651	$ 255,521,513	$ 51,169,862	$ 20,371,494	251.18%	547	187	57	17	286	$ 5,253,816	100%	$ 5,253,816	100%	$ 5,253,816	9.00%
68	West Covina	Misc	6/30/2010	6/30/2009	89.8%	$ 99,656,788	$ 111,021,735	$ 11,364,947	$ 13,834,303	82.15%	773	212	179	82	300	$ 1,219,614	100%	$ 1,219,614	100%	$ 1,219,614	8.00%
69	West Hollywood	Misc	6/30/2010	6/30/2009	70.1%	$ 52,276,133	$ 74,625,363	$ 22,349,230	$ 18,625,061	120.00%	422	208	74	97	43	$ 2,796,868	100%	$ 2,796,868	100%	$ 2,796,868	8.00%
70	Whittier	Safety	6/30/2009	6/30/2009	74.2%	$ 98,880,264	$ 133,210,884	$ 34,330,620	$ 10,827,986	317.05%	378	126	37	12	203	$ 4,436,613	100%	$ 4,436,613	100%	$ 4,436,613	9.00%
71	Whittier	Misc	6/30/2009	6/30/2009	92.3%	$ 117,786,818	$ 127,602,064	$ 9,815,246	$ 16,574,059	59.22%	878	287	144	110	337	$ 1,875,615	100%	$ 1,875,615	100%	$ 1,875,615	8.00%

Public Pension Plans in Los Angeles County
CalPERS City Individual Plans
(sorted alphabetically)

		U	V	W	X	Y	Z	AA	BB	CC	DD	EE	FF	GG	HH	II
Row	Sponsor Agency	Sponsor makes employee contribution on behalf of employee? (Full unless noted)	Sponsor Normal Contribution Rate	Sponsor Unfunded Rate	Total Sponsor Contrib. Rate	Effective Sponsor Contrib. Rate (incl Employee Share if applic)	Final Avg Salary (FAS) Period (months)	Benefit Formulae	Remaining Ammort. Period (years)	Post Retirement Survivor Allowance (PRSA)	Cost of Living Adjustment (COLA)	Sick Leave Credit	Ratio of Retirees to Active Members N / K	Ratio of Retired to Total Members N / J	Assets per Member E / J	Liabilities per Member F / J
1	Alhambra	Yes	8.353%	5.064%	13.417%	20.417%	12	2% at 50, 2.7% at 55	19	No	2.00%	No	0.86	0.27	$ 91,588	$ 109,557
2	Alhambra	Yes	16.350%	9.625%	25.975%	34.975%	12	3% at 50	31	Yes	2.00%	No	1.71	0.48	$275,674	$ 358,475
3	Arcadia	Yes	16.005%	11.649%	27.654%	36.654%	12	3% at 50	31	Yes	2.00%	Yes	1.67	0.46	$277,512	$ 357,419
4	Arcadia	Yes, 7%	9.079%	5.365%	14.444%	21.444%	12	2% at 55, 2.5% at 55	23	Yes	2.00%	Yes	1.80	0.40	$ 91,807	$ 111,265
5	Azusa	Yes	8.630%	3.084%	11.714%	18.714%	36	2% at 55	22	Yes	2.00%	Yes	1.03	0.34	$ 96,465	$ 108,580
6	Baldwin Park	Yes	3.995%	3.761%	7.756%	14.756%	12	2% at 55, 2.7% at 55	16	No	2.00%	No	1.53	0.25	$ 52,134	$ 58,401
7	Beverly Hills	Yes	16.816%	6.353%	23.169%	32.169%	12	3% at 50	30	Yes	2.00%	No	1.33	0.54	$482,870	$ 554,425
8	Beverly Hills	Yes (Note 4)	7.768%	2.221%	9.989%	17.989%	12	2% at 55, to 2.5% at 55	19	No	2.00%	No	0.70	0.29	$121,987	$ 127,757
9	Burbank	Yes (Note 3)	8.022%	3.065%	11.087%	19.087%	12	2% at 55, 2.5% at 55	23	Yes	2.00%	No	0.95	0.36	$175,598	$ 208,124
10	Burbank (Fire)	Yes	13.033%	0.914%	13.947%	22.947%	12	3% at 55	27	Yes	2.00%	No	1.33	0.51	$472,202	$ 505,793
11	Burbank (Police)	Yes	16.878%	4.642%	21.520%	30.520%	12	3% at 50	29	Yes	2.00%	No	1.35	0.53	$438,019	$ 506,119
12	Carson	Yes, 7%	10.209%	7.453%	17.662%	24.662%	12	2% at 55, 3% at 60, 2% at 60	27	No	2.00%	No	0.47	0.26	$129,511	$ 173,210
13	Cerritos	Yes	11.136%	6.596%	17.732%	25.732%	12	2% at 55, 2.5% at 55, 3% at 60	27	Yes	2.00%	No	0.81	0.29	$119,437	$ 150,739
14	Claremont	Yes	7.838%	5.185%	13.023%	21.023%	12	2% at 55, 2.5% at 55	21	No	2.00%	Yes	0.95	0.29	$ 85,541	$ 100,747
15	Commerce	Yes	7.467%	0.810%	8.277%	15.277%	12	2% at 55	27	Yes	2.00%	Yes	0.89	0.40	$173,351	$ 187,314
16	Compton	Yes	8.791%	10.325%	19.116%	27.116%	12	2% at 55, 2.7% at 55	25	No	2.00%	No	1.06	0.36	$115,122	$ 146,032
17	Covina	Yes	7.921%	0.504%	8.425%	15.425%	12	2% at 55, 2.5% at 55	25	Mixed	2.00%	Yes	1.39	0.34	$ 92,785	$ 104,872
18	Culver City	Yes	15.732%	9.095%	24.827%	24.827%	12,36	3% at 50, 3% at 55	30	Mixed	2.00%	No	1.39	0.52	$437,946	$ 536,594
19	Culver City	Yes	8.053%	3.482%	11.535%	13.535%	12	2% at 55, 2.5% at 55	24	No	2.00%	No	0.96	0.32	$101,500	$ 122,831
20	Downey	Yes	15.671%	4.729%	20.400%	29.400%	12	3% at 50	29	Yes	2.00%	No	1.41	0.49	$396,691	$ 456,659
21	Downey	Yes	9.437%	2.244%	11.681%	19.681%	12	2% at 55, 2.7% at 55	24	No	2.00%	No	1.45	0.37	$108,646	$ 127,201
22	El Monte	Yes	20.123%	11.575%	31.698%	40.698%	12	3% at 50	19	Yes	4.00%	Yes	1.76	0.51	$439,470	$ 537,094
23	El Monte	Yes	8.856%	7.628%	16.484%	23.484%	12	2% at 55	17	Yes	5.00%	Yes	1.20	0.39	$156,190	$ 186,981
24	El Segundo	Yes (Note 7)	15.297%	10.444%	25.741%	34.741%	12	3% at 50, 3% at 55	30	Yes	2.00%	No	1.44	0.49	$389,193	$ 501,316
25	El Segundo	Yes (Note 7)	8.013%	2.526%	10.539%	17.539%	12	2% at 55	24	No	2.00%	No	1.09	0.34	$ 89,988	$ 103,761
26	Gardena	Yes	7.890%	-1.658%	6.232%	13.232%	12	2% at 55	7	Yes	2.00%	Yes	0.95	0.34	$120,353	$ 119,870
27	Glendale	No	8.453%	3.066%	11.519%	11.519%	12	2% at 55, 2.5% at 55	19	Yes	2.00%	Yes	0.84	0.31	$161,212	$ 183,628
28	Glendale	No	16.188%	7.812%	24.000%	24.000%	12	3% at 50	30	Yes	2.00%	Yes	1.12	0.47	$411,090	$ 509,400
29	Glendora	No	8.380%	0.005%	8.385%	16.385%	12	2% at 55, 2.5% at 55	26	No	2.00%	Yes	0.94	0.33	$114,826	$ 127,001
30	Hawthorne	Yes	10.552%	2.769%	13.321%	21.321%	12	2% at 55, 3% at 60	21	Mixed	2.00%	No	1.19	0.33	$153,918	$ 170,346
31	Huntington Park	Yes (Note 6)	7.718%	-1.476%	6.242%	13.242%	12	2% at 55	4	Yes	2.00%	Yes	1.09	0.36	$118,376	$ 118,088
32	Inglewood	Yes	10.047%	0.372%	10.419%	18.419%	12	2% at 55, 3% at 60	25	No	2.00%	No	0.86	0.35	$169,573	$ 178,620
33	Inglewood	Yes	17.415%	2.198%	19.613%	28.613%	12	2% at 50, 3% at 50	29	Yes	2.00%	No	2.18	0.59	$397,192	$ 435,337
34	Lakewood	Yes	6.758%	2.710%	9.468%	16.468%	12	2% at 55	22	No	2.00%	No	0.63	0.25	$111,232	$ 127,454
35	Lancaster	Yes	8.501%	0.600%	9.101%	16.101%	12	2% at 55	29	No	2.00%	No	0.31	0.12	$ 67,644	$ 73,910
36	Long Beach	Yes, 6%	10.051%	2.147%	12.198%	18.198%	12	2% at 55, 2.5% at 55, 2.7% at 55	27	Yes	5.00%, 2.00%	Mixed	1.00	0.34	$155,998	$ 176,592
37	Long Beach	Yes, 7%	17.735%	-1.885%	15.850%	22.850%	12	3% at 50	27	Yes	5.00%, 2.00%	Yes	1.05	0.46	$513,023	$ 537,094
38	Lynwood	Yes	10.535%	8.578%	19.113%	27.113%	12	2% at 55, 3% at 60	19	No	2.00%	Yes	0.89	0.30	$ 86,868	$ 110,027
39	Lynwood (Note 1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
40	Manhattan Beach	Yes	7.474%	-0.131%	7.343%	14.343%	12	2% at 55	25	No	2.00%	Yes	0.97	0.31	$ 98,053	$ 103,608
41	Monrovia	Yes	10.805%	5.972%	16.777%	24.777%	12	2% at 55, 2.7% at 55	27	Yes	2.00%	Yes	1.02	0.31	$106,189	$ 134,381
42	Montebello	Yes	14.081%	6.998%	21.079%	30.079%	12	3% at 50	27	Yes	2.00%	No	1.65	0.50	$300,476	$ 375,328
43	Montebello	Yes	9.218%	4.323%	13.541%	21.541%	12	2% at 55, 2.7% at 55	19	No	2.00%	No	0.75	0.28	$103,004	$ 123,095
44	Monterey Park	Yes (Note 5)	14.032%	1.214%	15.246%	17.996%	12	3% at 55	27	Yes	2.00%	No	1.65	0.46	$255,339	$ 289,426
45	Monterey Park	Yes, 2.75%	8.043%	1.004%	9.047%	11.797%	12	2% at 55, 2.5% at 55, 2.7% at 55	22	No	2.00%	Yes	0.81	0.24	$ 83,675	$ 100,415
46	Norwalk	Yes	10.422%	3.022%	13.444%	21.444%	12	2% at 55, 2.7% at 55	24	Yes	2.00%	No	0.86	0.35	$142,137	$ 164,742
47	Palmdale	Yes	9.970%	7.018%	16.988%	24.988%	12	2% at 55, 2.7% at 55	12	No	2.00%	Yes	0.47	0.20	$123,356	$ 153,899
48	Paramount	Yes	7.638%	5.215%	12.853%	20.853%	12	2% at 55, 2.5% at 55	21	Yes	2.00%	No	0.64	0.26	$134,127	$ 167,425
49	Pasadena	Yes	7.365%	3.490%	10.855%	18.855%	12,36	2% at 55, 2.5% at 55	21	Mixed	2.00%	Mixed	0.87	0.36	$163,539	$ 197,178
50	Pasadena	Yes	14.834%	8.143%	22.977%	31.977%	12	3% at 55	23	Yes	2.00%	Yes	0.46	0.27	$392,641	$ 487,704
51	Pico Rivera	Yes	8.258%	6.088%	14.346%	22.346%	12	2% at 55, 2.5% at 55	27	No	2.00%	Yes	1.23	0.39	$111,467	$ 141,512
52	Pomona	Yes	20.464%	4.272%	24.736%	33.736%	12	2% at 50, 3% at 50	29	Yes	2.00%	Mixed	2.07	0.62	$390,705	$ 439,394
53	Pomona	Yes	8.345%	2.427%	10.772%	17.772%	12	2% at 50	22	Yes	2.00%	Yes	1.78	0.45	$ 96,772	$ 107,160
54	Redondo Beach	Yes	19.046%	13.045%	32.091%	41.091%	12	3% at 50, 3% at 55	30	Yes	2.00%	Yes	1.91	0.60	$400,907	$ 498,206

Public Pension Plans in Los Angeles County
CalPERS City Individual Plans
(sorted alphabetically)

		U	V	W	X	Y	Z	AA	BB	CC	DD	EE	FF	GG	HH	II
Row	**Sponsor Agency**	**Sponsor makes employee contribution on behalf of employee? (Full unless noted)**	**Sponsor Normal Contribution Rate**	**Sponsor Unfunded Rate**	**Total Sponsor Contrib. Rate**	**Effective Sponsor Contrib. Rate (incl Employee Share if applic)**	**Final Avg Salary (FAS) Period (months)**	**Benefit Formulae**	**Remaining Ammort. Period (years)**	**Post Retirement Survivor Allowance (PRSA)**	**Cost of Living Adjustment (COLA)**	**Sick Leave Credit**	**Ratio of Retirees to Active Members N / K**	**Ratio of Retired to Total Members N / J**	**Assets per Member E / J**	**Liabilities per Member F / J**
55	Redondo Beach	Yes	8.287%	3.384%	11.671%	18.671%	12	2% at 55	22	Yes	2.00%	Yes	1.33	0.39	$100,830	$ 114,378
56	Santa Clarita	Yes	8.601%	2.922%	11.523%	19.523%	36	2% at 55, 2.7% at 55	22	No	2.00%	No	0.18	0.09	$ 81,499	$ 101,497
57	Santa Fe Springs	Yes	8.642%	8.322%	16.964%	24.964%	12	2% at 55, 2.7% at 55	27	No	2.00%	Yes	0.89	0.39	$233,634	$ 310,009
58	Santa Monica	Yes (Note 8)	9.477%	5.167%	14.644%	22.644%	12	2% at 55, 2.7% at 55	21	No	2.00%	No	0.48	0.22	$122,588	$ 158,371
59	Santa Monica (Fire)	Yes	13.308%	7.577%	20.885%	29.885%	12	3% at 50	31	Yes	2.00%	No	1.13	0.48	$512,119	$ 616,441
60	Santa Monica (Police)	Yes	17.725%	15.044%	32.769%	41.769%	12	3% at 50	19	Yes	2.00%	No	1.35	0.50	$402,173	$ 515,944
61	South Gate	Yes	8.970%	2.109%	11.079%	19.079%	12	2% at 55, 2.7% at 55	24	Yes	2.00%	Yes	0.95	0.27	$ 94,367	$ 106,201
62	Torrance	Yes	7.933%	2.326%	10.259%	17.259%	12	2% at 55	21	Yes	2.00%	No	0.89	0.33	$146,804	$ 161,328
63	Torrance (Fire)	Yes	17.199%	16.574%	33.773%	42.773%	12	3% at 50	30	Yes	2.00%	No	1.16	0.50	$549,779	$ 713,949
64	Torrance (Police)	Yes	20.382%	18.001%	38.383%	47.383%	12	3% at 50	31	Yes	2.00%	No	1.37	0.50	$449,562	$ 603,602
65	Vernon	No (Note 9)	8.562%	5.008%	13.570%	13.570%	12	2% at 55, 2.7% at 55	20	Yes	2.00%	No	0.54	0.21	$191,490	$ 222,134
66	Vernon	No (Note 9)	16.809%	8.464%	25.273%	25.273%	12	3% at 50, 3% at 55	26	Yes	2.00%	No	1.66	0.43	$258,822	$ 311,680
67	West Covina	Yes	17.057%	10.189%	27.246%	36.246%	12	3% at 50	30	Yes	2.00%	Mixed	1.53	0.52	$373,586	$ 467,133
68	West Covina	Yes	8.266%	0.865%	9.131%	17.131%	12	2% at 55, 2.5% at 55	25	No	2.00%	Yes	1.42	0.39	$128,922	$ 143,624
69	West Hollywood	Yes	9.542%	4.932%	14.474%	22.474%	12	2% at 55, 2.7% at 55	24	No	2.00%	No	0.21	0.10	$123,877	$ 176,837
70	Whittier	Yes, 4.6%	16.261%	15.273%	31.534%	36.134%	36,12	3% at 50	31	Mixed	2.00%	Mixed	1.61	0.54	$261,588	$ 352,410
71	Whittier	Yes, 4.6%	8.098%	-1.275%	6.823%	11.423%	12	2% at 55, 2.5% at 55	25	No	2.00%	Yes	1.17	0.38	$134,154	$ 145,333

Public Pension Plans in Los Angeles County
CalPERS City Risk Pool Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
Row	**Sponsor Agency**	**Empl. Type**	**CAFR Date**	**Pension Valuation Date**	**Risk Pool**	**Risk Pool Funded Status**	**Side Fund Balance As of 6/30/2009**	**Projected Payroll for Contrib Purposes**	**Annual Pension Cost (APC)**	**Percent of APC Contributed**	**Annual Required Contribution (ARC)**	**Percent of ARC Contributed**	**Sponsor Contributed**	**Member Normal Contrib. Rate**	**Sponsor makes employee contribution on behalf of employee? (Full unless noted)**	**Sponsor Contrib. Rate**	**Effective Sponsor Contrib. Rate (incl Employee Share if applic)**	**Total Member Count R+S+T+U**	***Active Member Count***	***Transferred Member Count***	***Separated Member Count***	***Retired Members Count***
1	Agoura Hills	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (617,161)	$ 3,130,231	$ 318,200	100%	$ 318,200	100%	$ 318,200	7.00%	Yes	10.498%	17.498%	84	*36*	*16*	*19*	*13*
2	Artesia	Misc	6/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ 24,920	$ 2,267,328	$ 254,747	100%	$ 254,747	100%	$ 254,747	7.00%	Yes	6.205%	13.205%	130	*49*	*30*	*13*	*38*
3	Avalon	Safety	6/30/2009	6/30/2009	Safety 2.0% at 50	61.3%	$ (1,525,079)	$ 2,028,651	$ 452,686	100%	$ 452,686	100%	$ 452,686	9.00%	Yes	23.200%	32.200%	40	*24*	*4*	*1*	*11*
4	Avalon	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ (1,218,351)	$ 2,681,284	$ 351,603	100%	$ 351,603	100%	$ 351,603	7.00%	Yes	14.439%	21.439%	88	*44*	*9*	*15*	*20*
5	Azusa	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 6,469,183	$ 2,172,627	105%	$2,274,078	100%	$ 2,274,078	9.00%	Yes	22.343%	31.343%	221	*64*	*23*	*7*	*127*
6	Baldwin Park	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 6,269,470	$ 3,042,487	100%	$3,042,487	100%	$ 3,042,487	9.00%	Yes	18.493%	27.493%	247	*71*	*62*	*8*	*106*
7	Bell (First Tier) (Note 1)	Safety		6/30/2009	Safety 3.0% at 50	60.2%	$ (53,891)	$ 3,466,371	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	143	*31*	*7*	*6*	*99*
8	Bell (Note 1)	Misc		6/30/2009	Misc 2.7% at 55	57.2%	$ (2,820,600)	$ 5,283,735	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	323	*91*	*50*	*104*	*78*
9	Bell (Police Second Tier) (Note 1)	Safety		6/30/2009	Safety 3.0% at 55	60.2%	$ -	$ 495,769	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	7	*6*	*0*	*1*	*0*
10	Bell Gardens	Misc	6/30/2009	6/30/2009	Misc 2.7% at 55	57.2%	$ (394,787)	$ 6,344,758	$ 1,029,288	100%	$1,029,288	100%	$ 1,029,288	8.00%	Yes	11.232%	19.232%	327	*105*	*87*	*54*	*81*
11	Bell Gardens	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ (8,176,464)	$ 4,911,227	$ 2,379,100	100%	$2,379,100	100%	$ 2,379,100	9.00%	Yes	40.936%	49.936%	194	*49*	*32*	*12*	*101*
12	Bellflower	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ 53,202	$ 6,705,046	Unk	Unk	$ 532,350	100%	$ 532,350	7.00%	Yes	7.770%	14.770%	294	*95*	*66*	*49*	*84*
13	Bradbury	Misc	6/30/2010	6/30/2009	Misc 2.0% at 60	69.2%	$ (103,788)	$ 234,322	$ 37,758	100%	$ 37,758	100%	$ 37,758	7.00%	Yes	14.214%	21.214%	6	*3*	*2*	*0*	*1*
14	Calabasas	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (608,219)	$ 6,967,239	$ 601,688	100%	$ 601,688	100%	$ 601,688	7.00%	Yes	9.380%	16.380%	219	*102*	*37*	*65*	*15*
15	Claremont	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 4,894,434	$ 937,414	86%	$ 809,867	100%	$ 809,867	9.00%	Yes	18.054%	27.054%	139	*42*	*18*	*8*	*71*
16	Compton (Fire)	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ (10,966,664)	$ 7,221,678	$ 2,912,263	100%	$2,912,263	100%	$ 2,912,263	9.00%	Yes	47.024%	56.024%	244	*82*	*21*	*7*	*134*
17	Compton (Police) (closed)	Safety	6/30/2009	6/30/2009	Inactive Agency Risk Pool		$ (10,308,679)	$ -	$ 2,452,688	100%	$2,452,688	100%	$ 2,452,688	N/A	N/A	N/A	N/A	308	*0*	*32*	*3*	*273*
18	Covina	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ 4,538,990	$ 5,778,905	$ 982,311	100%	$ 982,311	100%	$ 982,311	9.00%	Yes	7.526%	16.526%	269	*56*	*43*	*14*	*156*
19	Cudahy	Misc	6/30/2010	6/30/2009	Misc 2.7% at 55	57.2%	$ (503,932)	$ 1,415,733	$ 305,488	100%	$ 305,488	100%	$ 305,488	8.00%	Yes	16.420%	24.420%	83	*22*	*22*	*8*	*31*
20	Diamond Bar	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (671,619)	$ 4,032,332	$ 396,087	100%	$ 396,087	100%	$ 396,087	7.00%	Yes	10.730%	17.730%	120	*54*	*23*	*22*	*21*
21	Duarte	Misc	6/30/2009	6/30/2009	Misc 2.5% at 55	59.4%	$ (2,090,328)	$ 4,237,885	$ 1,023,000	100%	$1,023,000	100%	$ 1,023,000	8.00%	Yes	18.041%	26.041%	167	*55*	*30*	*24*	*58*
22	Gardena	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ (13,122,311)	$ 8,984,777	$ 3,752,221	100%	$3,752,221	100%	$ 3,752,221	9.00%	Yes	37.292%	46.292%	366	*90*	*41*	*22*	*213*
23	Glendora	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 5,431,917	$ 1,603,799	100%	$1,603,799	100%	$ 1,603,799	9.00%	Unk	32.756%	41.756%	157	*55*	*12*	*3*	*87*
24	Hawaiian Gardens	Misc	6/30/2010	6/30/2009	Misc 2.7% at 55	57.2%	$ (2,132,014)	$ 4,235,634	$ 762,130	100%	$ 762,130	100%	$ 762,130	8.00%	Yes	18.710%	26.710%	185	*80*	*22*	*29*	*54*
25	Hawthorne	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 10,592,242	$ 2,451,159	96%	$2,345,740	100%	$ 2,345,740	9.00%	Yes	19.446%	28.446%	362	*102*	*48*	*16*	*196*
26	Hermosa Beach	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (2,677,994)	$ 6,494,774	$ 820,766	100%	$ 820,766	100%	$ 820,766	7.00%	Yes	14.159%	21.159%	307	*95*	*63*	*53*	*96*
27	Hermosa Beach (Fire)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 55	61.5%	$ (2,590,630)	$ 2,377,080	$ 841,697	100%	$ 841,697	100%	$ 841,697	9.00%	Yes	35.285%	44.285%	77	*19*	*12*	*7*	*39*
28	Hermosa Beach (Police)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (8,609,663)	$ 3,879,758	$ 1,642,334	100%	$1,642,334	100%	$ 1,642,334	9.00%	Yes	48.850%	57.850%	134	*37*	*23*	*6*	*68*
29	Hidden Hills	Misc	6/30/2010	6/30/2009	Misc 2.0% at 60	69.2%	$ -	$ 250,827	$ 37,647	83%	$ 31,366	100%	$ 31,366	7.00%	Yes	6.748%	13.748%	6	*3*	*0*	*2*	*1*
30	Huntington Park	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 7,123,753	$ 2,198,018	56%	$1,228,948	100%	$ 1,228,948	9.00%	Yes	20.062%	29.062%	258	*68*	*21*	*13*	*156*
31	Industry	Misc	6/30/2009	6/30/2009	Misc 2.7% at 55	57.2%	$ (2,236,126)	$ 2,572,743	$ 607,330	99.58%	Unk	Unk	$ 604,795	8.00%	Yes	25.030%	33.030%	55	*24*	*2*	*7*	*22*
32	Irwindale	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 2,881,176	$ 729,590	107%	$ 781,071	100%	$ 781,071	9.00%	Yes	20.141%	29.141%	68	*29*	*3*	*4*	*32*
33	Irwindale	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ 343,762	$ 5,271,238	$ 690,213	100%	$ 690,213	100%	$ 690,213	7.00%	Yes	8.643%	15.643%	148	*75*	*11*	*11*	*51*
34	La Cañada-Flintridge	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ (826,384)	$ 2,388,717	$ 465,049	100%	$ 465,049	100%	$ 465,049	7.00%	Yes	14.190%	21.190%	85	*32*	*11*	*22*	*20*
35	La Habra Heights	Safety	6/30/2009	6/30/2009	Safety 2.0% at 55	61.3%	$ 34,173	$ 37,386	$ 6,958	100%	$ 6,958	100%	$ 6,958	9.00%	Yes	8.304%	17.304%	18	*1*	*8*	*6*	*3*
36	La Habra Heights	Misc	6/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ (211,748)	$ 539,035	$ 59,606	100%	$ 59,606	100%	$ 59,606	8.00%	Yes	11.117%	19.117%	53	*7*	*14*	*18*	*14*
37	La Mirada	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (145,945)	$ 6,456,617	$ 954,893	100%	$ 954,893	100%	$ 954,893	7.00%	Yes	9.161%	16.161%	279	*89*	*63*	*40*	*87*
38	La Puente	Misc	6/30/2009	6/30/2009	Misc 2.5% at 55	59.4%	$ (38,695)	$ 2,589,717	Unk	Unk	$ 292,754	100%	$ 292,754	8.00%	Yes	12.204%	20.204%	141	*40*	*38*	*24*	*39*
39	La Verne	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 8,704,408	$ 1,416,896	100%	$1,416,896	100%	$ 1,416,896	9.00%	Portion	18.200%	27.200%	179	*79*	*32*	*8*	*60*
40	La Verne	Misc	6/30/2010	6/30/2009	Misc 2.5% at 55	59.4%	$ (963,032)	$ 6,653,870	$ 632,464	100%	$ 632,464	100%	$ 632,464	8.00%	Portion	10.701%	18.701%	309	*105*	*79*	*24*	*101*
41	Lawndale	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (117,040)	$ 4,258,489	$ 398,066	100%	$ 398,066	100%	$ 398,066	7.00%	Yes	10.760%	17.760%	277	*70*	*70*	*61*	*76*
42	Lomita (Note 1)	Misc		6/30/2009	Misc 2.5% at 55	59.4%	$ (2,084,231)	$ 3,424,897	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	118	*48*	*18*	*15*	*37*
43	Lynwood	Safety	6/30/2009	6/30/2009	Inactive Agency Risk Pool		$ (3,112,130)	$ -	Unk	Unk	Unk	Unk	Unk	Unk	Yes	Unk	Unk	137	*0*	*12*	*2*	*123*
44	Malibu	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (618,180)	$ 5,245,058	$ 888,394	100%	$ 897,176	100%	$ 888,394	7.00%	Yes	11.359%	18.359%	166	*67*	*40*	*36*	*23*
45	Manhattan Beach (Fire)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 55	60.2%	$ -	$ 4,637,161	$ 1,087,895	70.18%	$ 764,528	100%	$ 764,528	9.00%	Yes	18.268%	27.268%	90	*30*	*7*	*3*	*50*
46	Manhattan Beach (Police)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 7,696,078	$ 2,088,028	73%	$1,527,636	100%	$ 1,527,636	9.00%	Yes	20.662%	29.662%	186	*64*	*20*	*7*	*95*
47	Maywood	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ 323,527	$ 2,179,424	$ 110,835	100%	$ 110,835	100%	$ 110,835	7.00%	Yes	11.984%	18.984%	141	*45*	*29*	*24*	*43*
48	Maywood (First Tier)	Safety	6/30/2009	6/30/2009	Safety 3.0% at 55	60.2%	$ (5,749,578)	$ 2,547,523	$ 831,261	100%	$ 831,261	100%	$ 831,261	7.00%	Yes	41.501%	48.501%	108	*29*	*24*	*9*	*46*
49	Maywood (Second Tier)	Safety	6/30/2009	6/30/2009	Safety 3.0% at 55	60.2%	$ -	$ 846,981	Unk	Unk	Unk	Unk	Unk	7.00%	Yes	41.501%	48.501%	9	*9*	*0*	*0*	*0*
50	Monrovia	Safety	6/30/2009	6/30/2009	Safety 3.0% at 50	60.2%	$ (13,122,437)	$ 10,039,106	$ 2,976,000	100%	$2,976,000	100%	$ 2,976,000	9.00%	Yes	32.933%	41.933%	323	*92*	*47*	*18*	*166*
51	Palos Verdes Estates	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (3,932,492)	$ 2,229,401	Note 2c	100%	Note 2c	100%	Note 2c	9.00%	Yes	41.951%	50.951%	121	*23*	*18*	*9*	*71*
52	Palos Verdes Estates	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ 950,580	$ 1,915,952	Note 2c	100%	Note 2c	100%	Note 2c	7.00%	Yes	1.758%	8.758%	133	*32*	*25*	*36*	*40*
53	Paramount	Safety	6/30/2010	6/30/2009	Inactive Agency Risk Pool		$ 145,075	$ -	Unk	Unk	Unk	Unk	Unk	N/A	N/A	N/A	N/A	1	*0*	*0*	*0*	*1*
54	Rancho Palos Verdes	Misc	6/30/2010	6/30/2009	Misc 2.5% at 55	59.4%	$ (1,767,892)	$ 5,118,852	$ 2,475,581	100%	$2,475,581	100%	$ 2,475,581	8.00%	Yes, 6.5%	13.547%	20.047%	261	*81*	*53*	*94*	*33*

Public Pension Plans in Los Angeles County
CalPERS City Risk Pool Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	*R*	*S*	*T*	*U*
Row	**Sponsor Agency**	**Empl. Type**	**CAFR Date**	**Pension Valuation Date**	**Risk Pool**	**Risk Pool Funded Status**	**Side Fund Balance As of 6/30/2009**	**Projected Payroll for Contrib Purposes**	**Annual Pension Cost (APC)**	**Percent of APC Contributed**	**Annual Required Contribution (ARC)**	**Percent of ARC Contributed**	**Sponsor Contributed**	**Member Normal Contrib. Rate**	**Sponsor makes employee contribution on behalf of employee? (Full unless noted)**	**Sponsor Contrib. Rate**	**Effective Sponsor Contrib. Rate (incl Employee Share if applic)**	**Total Member Count R+S+T+U**	***Active Member Count***	***Transferred Member Count***	***Separated Member Count***	***Retired Members Count***
55	Rolling Hills	Misc	6/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ (154,484)	$ 319,204	$ 36,752	100%	$ 36,752	100%	$ 36,752	7.00%	Yes	10.647%	17.647%	16	*3*	*1*	*0*	*12*
56	Rolling Hills Estates	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (2,002,437)	$ 2,395,684	$ 400,830	100%	$ 400,830	100%	$ 400,830	7.00%	Yes	19.094%	26.094%	106	*32*	*16*	*12*	*46*
57	Rosemead	Misc	6/30/2010	6/30/2009	Misc 2.5% at 55	59.4%	$ (3,858,392)	$ 4,784,712	$ 1,361,873	100%	$1,361,873	100%	$ 1,361,873	7.00%	Yes	26.454%	33.454%	170	*87*	*27*	*29*	*27*
58	San Dimas	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (1,819,736)	$ 5,957,617	$ 920,777	100%	$ 920,777	100%	$ 920,777	7.00%	Yes, 4.5%	12.523%	17.023%	223	*87*	*38*	*24*	*74*
59	San Fernando (First Tier)	Misc	6/30/2010	6/30/2009	Misc 3.0% at 60	57.4%	$ (5,705,777)	$ 5,330,919	Note 2a	100%	Note 2a	100%	Note 2a	8.00%	Yes	19.426%	27.426%	220	*65*	*33*	*28*	*94*
60	San Fernando (First Tier)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (2,306,327)	$ 1,391,740	$ 920,777	100%	$ 920,777	100%	$ 920,777	9.00%	Yes	30.106%	39.106%	85	*11*	*12*	*3*	*59*
61	San Fernando (Second Tier)	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ -	$ 1,572,890	$ 920,777	100%	$ 920,777	100%	$ 920,777	8.00%	Yes	9.551%	17.551%	29	*22*	*3*	*4*	*0*
62	San Fernando (Second Tier)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (384,967)	$ 2,442,344	Note 2a	100%	Note 2a	100%	Note 2a	9.00%	Yes	19.293%	28.293%	54	*26*	*11*	*5*	*12*
63	San Gabriel	Misc	6/30/2010	6/30/2009	Misc 2.7% at 55	57.2%	$ (3,058,129)	$ 6,684,585	$ 1,124,001	100%	$1,124,001	100%	$ 1,124,001	8.00%	Yes	18.336%	26.336%	267	*92*	*41*	*21*	*113*
64	San Gabriel	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (9,524,830)	$ 9,617,618	$ 2,616,086	100%	$2,616,086	100%	$ 2,616,086	9.00%	Yes	28.989%	37.989%	284	*88*	*55*	*14*	*127*
65	San Marino	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (1,317,416)	$ 4,509,240	Note 2b	89.7%	Note 2b	100%	Note 2b	7.00%	Yes	16.213%	23.213%	239	*85*	*58*	*38*	*58*
66	San Marino (Fire First Tier)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 1,666,852	$ 2,616,086	89.7%	$2,616,086	100%	$ 2,616,086	9.00%	Yes	19.748%	28.748%	91	*16*	*22*	*3*	*50*
67	San Marino (Fire Second Tier)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 55	61.5%	$ -	$ 581,948	$ 2,616,086	89.7%	$2,616,086	100%	$ 2,616,086	9.00%	Yes	17.633%	26.633%	4	*4*	*0*	*0*	*0*
68	San Marino (Police)	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ -	$ 2,583,681	$ 2,616,086	89.7%	$2,616,086	100%	$ 2,616,086	9.00%	Yes	20.335%	29.335%	123	*28*	*37*	*11*	*47*
69	Santa Fe Springs	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (8,228,310)	$ 8,027,284	Note 2d	100%	Note 2d	100%	Note 2d	9.00%	Yes	33.091%	42.091%	147	*60*	*7*	*3*	*77*
70	Santa Monica Safety Lifeguard Plan	Safety	6/30/2010	6/30/2009	Inactive Agency Risk Pool		$ 673,233	$ -	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	16	*0*	*0*	*1*	*15*
71	Sierra Madre (Note 1)	Misc		6/30/2009	Misc 2.5% at 55	59.4%	$ (1,146,610)	$ 2,873,273	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	187	*50*	*51*	*35*	*51*
72	Sierra Madre (Note 1)	Safety		6/30/2009	Safety 3.0% at 55	60.2%	$ (1,345,150)	$ 1,842,581	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	69	*20*	*12*	*5*	*32*
73	Signal Hill	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (2,843,498)	$ 3,246,477	$ 957,742	100%	$ 957,742	100%	$ 957,742	9.00%	Portion or Full	33.376%	42.376%	145	*34*	*21*	*6*	*84*
74	Signal Hill	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (1,947,113)	$ 5,436,260	$ 604,279	100%	$ 604,279	100%	$ 604,279	7.00%	Portion or Full	13.295%	20.295%	325	*83*	*93*	*53*	*96*
75	South El Monte (Note 1)	Misc		6/30/2009	Misc 2.5% at 55	59.4%	$ (799,621)	$ 2,963,888	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	195	*61*	*35*	*42*	*57*
76	South Gate	Safety	6/30/2010	6/30/2009	Safety 3.0% at 50	60.2%	$ (316,839)	$ 9,999,517	$ 3,101,708	81%	$2,500,156	100%	$ 2,500,156	9.00%	Yes	20.131%	29.131%	352	*88*	*48*	*16*	*200*
77	South Pasadena	Safety	6/30/2009	6/30/2009	Safety 2.0% at 50	61.3%	$ (315,787)	$ 5,232,983	$ 1,091,611	100%	$1,091,611	100%	$ 1,091,611	9.00%	Yes	12.454%	21.454%	216	*57*	*39*	*13*	*107*
78	South Pasadena	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ (1,625,291)	$ 5,692,678	$ 1,085,516	100%	$1,085,516	100%	$ 1,085,516	7.00%	Yes	21.521%	28.521%	404	*111*	*94*	*77*	*122*
79	Temple City (Note 1)	Misc		6/30/2009	Misc 2.5% at 55	59.4%	$ (137,878)	$ 2,399,544	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	148	*37*	*35*	*15*	*61*
80	Walnut	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (635,797)	$ 3,239,711	$ 303,456	100%	$ 303,456	100%	$ 303,456	7.00%	Yes	10.295%	17.295%	160	*52*	*48*	*31*	*29*
81	Westlake Village	Misc	6/30/2009	6/30/2009	Misc 3.0% at 60	57.4%	$ -	$ 1,066,978	$ 187,601	100%	$ 112,867	100%	$ 187,601	8.00%	Yes	12.050%	20.050%	33	*15*	*5*	*8*	*5*

Public Pension Plans in Los Angeles County
CalPERS City Risk Pool Plans
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		V	W	X	Y	Z	AA	BB
Row	**Sponsor Agency**	**Final Avg Sal Comp Period (months)**	**Post Retirement Survivor Allowance (PRSA)**	**Sick Leave Credit**	**Remaining Ammort Period (years)**	**Cost of Living Adjustment (COLA)**	**Ratio of Retirees to Active Members U / R**	**Ratio of Retired to Total Members U / Q**
1	Agoura Hills	36	No	Yes	18	2.00%	0.36	0.15
2	Artesia	12	No	Yes	7	2.00%	0.78	0.29
3	Avalon	36	No	Yes	16	2.00%	0.46	0.28
4	Avalon	36	No	Yes	18	2.00%	0.45	0.23
5	Azusa	12	Yes	Yes	18	2.00%	1.98	0.57
6	Baldwin Park	12	No	Yes	18	2.00%	1.49	0.43
7	Bell (First Tier) (Note 1)	12	Yes	Yes	18	2.00%	3.19	0.69
8	Bell (Note 1)	12	No	Yes	19	5.00%	0.86	0.24
9	Bell (Police Second Tier) (Note 1)	12	Yes	Yes	17	2.00%	-	-
10	Bell Gardens	12	No	Yes	19	2.00%	0.77	0.25
11	Bell Gardens	12	Yes	Yes	18	2.00%	2.06	0.52
12	Bellflower	12	Yes	Yes	18	2.00%	0.88	0.29
13	Bradbury	36	No	Yes	7	2.00%	0.33	0.17
14	Calabasas	36	No	Yes	18	2.00%	0.15	0.07
15	Claremont	12	No	Yes	18	2.00%	1.69	0.51
16	Compton (Fire)	12	Yes	Yes	18	2.00%	1.63	0.55
17	Compton (Police) (closed)	12	Yes	Yes	27	2.00%	N/A	0.89
18	Covina	12	Yes	Yes	18	2.00%	2.79	0.58
19	Cudahy	12	No	Yes	19	2.00%	1.41	0.37
20	Diamond Bar	36	No	Yes	18	2.00%	0.39	0.18
21	Duarte	12	Yes	Yes	19	2.00%	1.05	0.35
22	Gardena	12	Yes	Yes	18	2.00%	2.37	0.58
23	Glendora	12	Yes	Yes	18	2.00%	1.58	0.55
24	Hawaiian Gardens	12	Yes	Yes	19	2.00%	0.68	0.29
25	Hawthorne	12	Yes	Yes	18	2.00%	1.92	0.54
26	Hermosa Beach	12	No	Yes	18	2.00%	1.01	0.31
27	Hermosa Beach (Fire)	12	Yes	Yes	17	2.00%	2.05	0.51
28	Hermosa Beach (Police)	12	Yes	Yes	18	2.00%	1.84	0.51
29	Hidden Hills	36	No	Yes	7	2.00%	0.33	0.17
30	Huntington Park	12	Yes	Yes	18	2.00%	2.29	0.60
31	Industry	12	Yes	Yes	19	3.00%	0.92	0.40
32	Irwindale	12	Yes	Yes	18	2.00%	1.10	0.47
33	Irwindale	12	Yes	Yes	18	2.00%	0.68	0.34
34	La Cañada-Flintridge	12	No	Yes	18	2.00%	0.63	0.24
35	La Habra Heights	36	No	Yes	17	2.00%	3.00	0.17
36	La Habra Heights	36	No	Yes	7	2.00%	2.00	0.26
37	La Mirada	12	No	Yes	18	2.00%	0.98	0.31
38	La Puente	12	Yes	Yes	19	5.00%	0.98	0.28
39	La Verne	12	No	Yes	18	2.00%	0.76	0.34
40	La Verne	12	No	Yes	19	2.00%	0.96	0.33
41	Lawndale	12	No	Yes	18	2.00%	1.09	0.27
42	Lomita (Note 1)	12	No	Yes	19	2.00%	0.77	0.31
43	Lynwood	12	Yes	Yes	27	2.00%	N/A	0.90
44	Malibu	12	Yes	Yes	18	2.00%	0.34	0.14
45	Manhattan Beach (Fire)	12	Yes	Yes	17	2.00%	1.67	0.56
46	Manhattan Beach (Police)	12	Yes	Yes	18	2.00%	1.48	0.51
47	Maywood	12	No	Yes	18	2.00%	0.96	0.30
48	Maywood (First Tier)	12	No	Yes	18	2.00%	1.59	0.43
49	Maywood (Second Tier)	12	No	Yes	17	2.00%	-	-
50	Monrovia	12	Yes	Yes	18	3.00%	1.80	0.51
51	Palos Verdes Estates	12	No	Yes	18	2.00%	3.09	0.59
52	Palos Verdes Estates	12	No	Yes	18	2.00%	1.25	0.30
53	Paramount	12	Yes	Yes	27	2.00%	N/A	1.00
54	Rancho Palos Verdes	12	No	Yes	19	2.00%	0.41	0.13

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Row	Sponsor Agency	Final Avg Sal Comp Period (months)	Post Retirement Survivor Allowance (PRSA)	Sick Leave Credit	Remaining Ammort Period (years)	Cost of Living Adjustment (COLA)	Ratio of Retirees to Active Members U / R	Ratio of Retired to Total Members U / Q
55	Rolling Hills	36	Yes	Yes	7	2.00%	4.00	0.75
56	Rolling Hills Estates	12	Yes	Yes	18	2.00%	1.44	0.43
57	Rosemead	12	No	Yes	19	2.00%	0.31	0.16
58	San Dimas	36	No	Yes	18	2.00%	0.85	0.33
59	San Fernando (First Tier)	12	No	Yes	18	5.00%	1.45	0.43
60	San Fernando (First Tier)	12	No	Yes	18	5.00%	5.36	0.69
61	San Fernando (Second Tier)	12	No	Yes	18	3.00%	-	-
62	San Fernando (Second Tier)	36	No	Yes	18	2.00%	0.46	0.22
63	San Gabriel	12	Yes	Yes	19	2.00%	1.23	0.42
64	San Gabriel	12	Yes	Yes	18	2.00%	1.44	0.45
65	San Marino	12	Yes	Yes	18	2.00%	0.68	0.24
66	San Marino (Fire First Tier)	12	Yes	Yes	18	2.00%	3.13	0.55
67	San Marino (Fire Second Tier)	12	Yes	Yes	17	2.00%	-	-
68	San Marino (Police)	12	Yes	Yes	18	2.00%	1.68	0.38
69	Santa Fe Springs	12	Yes	Yes	18	2.00%	1.28	0.52
70	Santa Monica Safety Lifeguard Plan	36	No	Yes	27	2.00%	N/A	0.94
71	Sierra Madre (Note 1)	12	Yes	Yes	19	2.00%	1.02	0.27
72	Sierra Madre (Note 1)	12	Yes	Yes	17	2.00%	1.60	0.46
73	Signal Hill	12	Yes	Yes	18	2.00%	2.47	0.58
74	Signal Hill	12	No	Yes	18	2.00%	1.16	0.30
75	South El Monte (Note 1)	12	No	Yes	19	2.00%	0.93	0.29
76	South Gate	12	Yes	Yes	18	2.00%	2.27	0.57
77	South Pasadena	12	Yes	Yes	16	2.00%	1.88	0.50
78	South Pasadena	12	Yes	Yes	18	2.00%	1.10	0.30
79	Temple City (Note 1)	12	Yes	Yes	19	2.00%	1.65	0.41
80	Walnut	12	No	Yes	18	2.00%	0.56	0.18
81	Westlake Village	36	No	Yes	18	2.00%	0.33	0.15

Public Pension Plans in Los Angeles County
CalPERS Special District Individual Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
Row	**Sponsor Agency**	**Empl. Type**	**CAFR Date**	**Pension Valuation Date**	**Funded Status**	**Actuarial Value of Assets (AVA)**	**Actuarial Accrued Liability (AAL)**	**Unfunded AAL (UAAL) F - E**	**Covered Payroll**	**UAAL to Covered Payroll G / H**	**Total Member Count K+L+M+N**	***Active Member Count***	***Transferred Count***	***Terminated Count***	***Retiree/ Beneficiary Count***	**Annual Pension Cost (APC)**	**Percent of APC Contributed**	**Annual Required Contrib. (ARC)**	**Percent of ARC Contributed**
1	Community Development Commission of County of LA	Misc	6/30/2010	6/30/2009	110.3%	$ 150,854,307	$ 136,746,006	$ (14,108,301)	$ 34,778,219	-40.57%	1,796	637	290	538	331	$ 2,955,620	100%	$ 2,955,620	100%
2	Housing Authority of the City of Los Angeles	Misc	Note 1	6/30/2009	85.8%	$ 261,265,099	$ 304,485,897	$ 43,220,798	$ 46,145,408	93.66%	2,211	871	174	477	689	Unk	Unk	Unk	Unk
3	Las Virgenes Municipal Water District	Misc	6/30/2010	6/30/2009	80.1%	$ 50,578,290	$ 63,138,059	$ 12,559,769	$ 10,996,149	114.22%	302	125	36	40	101	$ 1,504,669	100%	$ 1,504,669	100%
4	Los Angeles City Community Redevelopment Agency	Misc	6/30/2010	6/30/2009	86.5%	$ 150,430,653	$ 173,874,262	$ 23,443,609	$ 25,336,674	92.53%	604	267	43	53	241	Unk	Unk	Unk	Unk
5	Los Angeles County Sanitation District No. 2	Misc	6/30/2010	6/30/2009	91.6%	$ 1,007,799,214	$ 1,100,563,842	$ 92,764,628	$ 166,180,327	55.82%	4,034	1,946	266	273	1,549	$ 12,773,848	100%	$ 12,773,848	100%
6	Metropolitan Water District Southern California	Misc	6/30/2010	6/30/2009	87.1%	$ 1,287,444,289	$ 1,478,336,129	$ 190,891,840	$ 195,181,418	97.80%	4,068	1,914	162	385	1,607	$ 36,754,000	100%	$ 36,754,000	100%
7	North Los Angeles County Regional Center Inc	Misc	6/30/2009	6/30/2009	106.9%	$ 58,039,024	$ 54,296,077	$ (3,742,947)	$ 18,859,788	-19.85%	728	374	52	182	120	Unk	Unk	Unk	Unk
8	Public Transportation Services Corporation (LACMTA)	Misc	6/30/2010	6/30/2009	94.2%	$ 308,097,417	$ 326,920,665	$ 18,823,248	$ 131,781,984	14.28%	3,304	1,690	671	383	560	$ 17,661,000	100%	$ 17,661,000	100%
9	South Central LA Regional Center for Dev.Disabled Persons	Misc	Note 1	6/30/2009	76.0%	$ 28,053,867	$ 36,895,331	$ 8,841,464	$ 11,268,382	78.46%	376	239	30	81	26	Unk	Unk	Unk	Unk
10	Southern California Regional Rail Authority	Misc	6/30/2009	6/30/2009	90.5%	$ 26,346,242	$ 29,126,319	$ 2,780,077	$ 14,181,939	19.60%	331	177	33	79	42	$ 1,068	100%	$ 1,068	100%

Public Pension Plans in Los Angeles County
CalPERS Special District Individual Plans
(sorted alphabetically)

		S	T	U	V	W	X	Y	Z	AA	BB	CC	DD	EE	FF	GG
Row	**Sponsor Agency**	**Sponsor Contribution**	**Employee Normal Contrib. Rate**	**Sponsor makes employee contribution on behalf of employee? (Full unless noted)**	**Total Sponsor Contrib. Rate**	**Effective Sponsor Contrib. Rate**	**Final Avg Salary (FAS) Period (months)**	**Benefit Formulae**	**Remaining Ammortization Period (years)**	**Post Retirement Survivor Allowance (PRSA)**	**Cost of Living Adjustment (COLA)**	**Sick Leave Credit**	**Ratio of Retirees to Active Members N / K**	**Ratio of Retired to Total Members N / J**	**Assets per Member E / J**	**Liabilities per Member F / J**
1	Community Development Commission of County of LA	$ 2,955,620	7.00%	Yes, 4.5%	3.822%	8.322%	12	2% at 60	32	Yes	2.00%	No	0.52	0.18	$ 83,995	$ 76,139
2	Housing Authority of the City of Los Angeles	Unk	Unk	Unk	Unk	Unk	12	2% at 55, 2.7% at 55	26	No	2.00%	No	0.79	0.31	$118,166	$137,714
3	Las Virgenes Municipal Water District	$ 1,504,669	7.00%	Yes	14.391%	21.391%	12	2% at 55	24	No	3.00%	Yes	0.81	0.33	$167,478	$209,066
4	Los Angeles City Community Redevelopment Agency	Unk	Unk	Unk	Unk	Unk	12	2% at 55	21	No	3.00%	No	0.90	0.40	$249,057	$287,871
5	Los Angeles County Sanitation District No. 2	$12,773,848	7.00%	Yes	7.775%	14.775%	12	2% at 55	27	Yes	2.00%	No	0.80	0.38	$249,826	$272,822
6	Metropolitan Water District Southern California	$36,754,000	7.00%	Yes	11.708%	18.708%	12	2% at 55	24	Yes	2.00%	Yes	0.84	0.40	$316,481	$363,406
7	North Los Angeles County Regional Center Inc	Unk	3.50%	Unk	Unk	Unk	12	2% at 55, 2% at 60	32	No	2.00%	Yes	0.32	0.16	$ 79,724	$ 74,583
8	Public Transportation Services Corporation (LACMTA)	$ 8,559,000	7.00%	Yes	14.440%	14.440%	36	2% at 60	20	No	2.00%	No	0.33	0.17	$ 93,250	$ 98,947
9	South Central LA Regional Center for Dev.Disabled Persons	Unk	Unk	Unk	Unk	Unk	36	3% at 60, 2% at 60	18	No	2.00%	No	0.11	0.07	$ 74,611	$ 98,126
10	Southern California Regional Rail Authority	$ 1,068	7.00%	Yes	8.137%	15.137%	36	2% at 60	24	No	2.00%	No	0.24	0.13	$ 79,596	$ 87,995

Appendix C.4

Public Pension Plans in Los Angeles County
CalPERS Special District Risk Pool Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	*R*	*S*	*T*
Row	**Sponsor Agency**	**Empl. Type**	**CAFR Date**	**Pension Valuation Date**	**Risk Pool**	**Risk Pool Funded Status**	**Side Fund Balance As of 6/30/2009**	**Projected Payroll for Contrib Purposes**	**Annual Pension Cost (APC)**	**Percent of APC Contributed**	**Annual Required Contribution (ARC)**	**Percent of ARC Contributed**	**Total Sponsor Contrib**	**Member Normal Contrib. Rate**	**Sponsor makes employee contribution on behalf of employee? (Full unless noted)**	**Sponsor Normal Contrib. Rate**	**Effective Sponsor Contrib. Rate (incl Employee Share if applic)**	**Total Member Count R+S+T+U**	***Active Member Count***	***Transferred Member Count***	***Separated Member Count***
1	Agoura Hills and Calabasas Community Center	Misc	Note 1	6/30/2009	Misc 2.0% at 55	64.9%	$ -	$ 437,537	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	18	*9*	*3*	*6*
2	Alameda Corridor Transportation Authority	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (421,232)	$1,754,962	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	30	*15*	*5*	*4*
3	Alhambra Redevelopment Agency	Misc	Note 1	6/30/2009	Misc 2.7% at 55	57.2%	$ (295,237)	$ 601,220	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	21	*7*	*4*	*6*
4	Altadena Library District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (117,323)	$1,349,047	$ 191,634	100%	$ 191,634	100%	$ 191,634	7.00%	Yes	10.493%	17.493%	53	*21*	*4*	*5*
5	Antelope Valley Mosquito Vector Control District	Misc	6/30/2010	6/30/2009	Misc 3.0% at 60	57.4%	$ (79,455)	$ 330,860	Unk	Unk	Unk	Unk	Unk	8.00%	Yes	0.000%	0.000%	8	*6*	*0*	*0*
6	Antelope Valley Transit Authority	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ (67,580)	$1,731,369	$ 253,133	100%	$ 253,133	100%	$ 253,133	7.00%	Yes	9.853%	16.853%	44	*26*	*4*	*11*
7	Beach Cities Health Care District	Misc	6/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ (186,604)	$3,738,158	$ 258,895	100%	$ 258,895	100%	$ 258,895	7.00%	Unk	8.598%	15.598%	158	*64*	*8*	*77*
8	Castaic Lake Water Agency	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$(1,453,854)	$8,572,229	$ 965,318	100%	$ 965,318	100%	$ 965,318	7.00%	Yes	11.935%	18.935%	167	*105*	*9*	*19*
9	Central Basin Municipal Water District	Misc	6/30/2009	6/30/2009	Misc 3.0% at 60	57.4%	$ (229,398)	$1,809,209	$ 353,845	100%	$ 353,845	100%	$ 353,845	8.00%	Unk	14.276%	22.276%	117	*19*	*47*	*29*
10	Compton Creek Mosquito Abatement District	Misc	Note 1	6/30/2009	Misc 2.0% at 60	69.2%	$ 409,477	$ 66,703	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	1	*1*	*0*	*0*
11	Crescenta Valley County Water District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (827,135)	$2,766,249	$ 288,525	100%	$ 288,525	100%	$ 288,525	7.00%	Yes	11.780%	18.780%	73	*35*	*9*	*2*
12	East San Gabriel Valley Human Services Consortium	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$(1,007,848)	$2,590,547	$ 441,186	100%	$ 441,186	100%	$ 403,665	7.00%	Mixed	13.787%	20.787%	134	*47*	*23*	*33*
13	Exposition Metro Line Construction Authority	Misc	Note 1	6/30/2009	Misc 2.5% at 55	59.4%	$ (40,830)	$1,001,970	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	9	*6*	*1*	*2*
14	Foothill Municipal Water District	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$(1,062,316)	$ 648,753	$ 178,677	100%	$ 178,677	100%	$ 178,677	7.00%	Yes, Partial	30.107%	37.107%	31	*8*	*3*	*3*
15	Greater Los Angeles County Vector Control District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (744,167)	$4,371,607	$ 435,567	100%	$ 435,567	100%	$ 435,567	7.00%	Yes (Note 2)	10.323%	17.323%	104	*64*	*3*	*11*
16	Green Valley County Water District	Misc	6/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ (68,760)	$ 88,035	$ 24,642	100%	$ 24,642	100%	$ -	7.00%	Yes	23.170%	30.170%	2	*2*	*0*	*0*
17	Hub Cities Consortium	Misc	6/30/2009	6/30/2009	Misc 2.7% at 55	57.2%	$(1,166,566)	$1,367,704	$ 283,840	100%	$ 283,840	100%	$ 283,840	8.00%	Yes	17.846%	25.846%	60	*25*	*10*	*25*
18	Kinneloa Irrigation District	Misc	12/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ 20,188	$ 253,026	$ 12,039	100%	$ 12,039	100%	$ 12,039	7.00%	Yes (Note 3)	4.710%	4.710%	6	*3*	*0*	*0*
19	La Habra Heights County Water District	Misc	Note 1	6/30/2009	Misc 2.0% at 60	69.2%	$ -	$ 722,221	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	17	*10*	*4*	*1*
20	La Puente Valley County Water District	Misc	12/31/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ (186,485)	$ 664,789	$ 99,570	100%	$ 99,570	100%	$ 99,570	7.00%	Unk	9.300%	16.300%	21	*12*	*3*	*5*
21	Littlerock Creek Irrigation District	Misc	6/30/2009	6/30/2009	Misc 2.0% at 60	69.2%	$ (48,043)	$ 410,020	$ 58,851	100%	$ 58,851	100%	$ 58,851	7.00%	Yes	9.139%	16.139%	15	*6*	*1*	*1*
22	Los Angeles County Area E Civil Defense and Disaster	Misc	Note 1	6/30/2009	Misc 2.5% at 55	59.4%	$ (132,614)	$ 93,578	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	2	*1*	*0*	*0*
23	Los Angeles County Law Library	Misc	6/30/2010	6/30/2009	Misc 2.5% at 55	59.4%	$ 4,379,712	$2,826,061	Unk	Unk	Unk	Unk	$ -	7.00%	No	Unk	Unk	119	*43*	*8*	*15*
24	Los Angeles County West Vector Control District	Misc	Note 1	6/30/2009	Misc 2.0% at 60	69.2%	$ 43,873	$2,558,466	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	50	*33*	*2*	*10*
25	Los Angeles Memorial Coliseum Commission	Misc	6/30/2010	6/30/2009	Misc 2.5% at 55	59.4%	$ 1,032,515	$2,309,504	$ 86,536	100%	$ 86,536	100%	$ 86,536	8.00%	Unk		Unk	64	*31*	*3*	*7*
26	Los Angeles to Pasadena Metro Blue Line Constructior	Misc	Note 1	6/30/2009	Misc 2.5% at 55	59.4%	$ (359,741)	$1,000,748	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	18	*6*	*5*	*3*
27	Main San Gabriel Basin Watermaster	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (223,786)	$ 925,703	$ 108,477	100%	$ 172,140	100%	$ 172,140	7.00%	Unk	11.968%	18.968%	18	*9*	*1*	*4*
28	Newhall County Water District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ 300,968	$2,570,374	$ 145,130	100%	$ 145,130	100%	$ 145,130	7.00%	Yes	6.955%	13.955%	75	*34*	*8*	*14*
29	Orchard Dale County Water District	Misc	Note 1	6/30/2009	Misc 2.7% at 55	57.2%	$ (785,150)	$ 687,826	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	19	*8*	*2*	*3*
30	Palm Ranch Irrigation District	Misc	Note 1	6/30/2009	Misc 2.0% at 60	69.2%	$ 137,635	$ 230,573	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	6	*4*	*0*	*0*
31	Palmdale Water District	Misc	12/31/2009	6/30/2009	Misc 2.0% at 55	64.9%	$(1,147,952)	$6,722,373	Unk	Unk	Unk	Unk	$ 993,114	7.00%	Yes	10.340%	17.340%	158	*86*	*11*	*30*
32	Palos Verdes Library District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (869,675)	$2,914,151	$ 179,197	100%	$ 179,197	100%	$ 179,197	7.00%	Yes	13.625%	20.625%	146	*47*	*20*	*24*
33	Pico Water District	Misc	12/31/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ 700,659	$ 693,254	$ 50,889	100%	$ 50,889	100%	$ 50,889	7.00%	Yes	Unk	Unk	32	*12*	*4*	*7*
34	Pomona Valley Transportation Authority	Misc	6/30/2010	6/30/2009	Misc 2.0% at 60	69.2%	$ 24,245	$ 255,992	Unk	Unk	Unk	Unk	$ 29,183		Yes	5.355%	5.355%	5	*3*	*1*	*0*
35	Quartz Hill Water District	Misc	Note 1	6/30/2009	Misc 2.0% at 55	64.9%	$ 12,204	$ 786,044	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	33	*13*	*4*	*6*
36	Resource Conservation District of the Santa Monica Mc	Misc	Note 1	6/30/2009	Misc 2.0% at 55	64.9%	$ -	$ 506,704	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	10	*8*	*1*	*1*
37	Rowland Water District	Misc	6/30/2010	6/30/2009	Misc 2.5% at 55	59.4%	$ (493,758)	$2,145,129	Unk	Unk	Unk	Unk	$ 203,231	8.00%	Yes	12.716%	20.716%	47	*25*	*3*	*5*
38	San Gabriel County Water District	Misc	Note 1	6/30/2009	Misc 2.7% at 55	57.2%	$ (426,542)	$1,118,334	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	45	*16*	*6*	*4*
39	San Gabriel Valley Council of Governments/ ACE	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ -	$2,320,153	$ 207,868	100%	$ 207,868	100%	$ 207,868	7.00%	Yes	10.480%	17.480%	25	*19*	*3*	*3*
40	San Gabriel Valley Mosquito Abatement District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (217,648)	$1,614,201	$ 134,265	100%	$ 134,265	100%	$ 134,265	7.00%	Yes	10.093%	17.093%	43	*22*	*8*	*10*
41	San Gabriel Valley Municipal Water District	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (584,728)	$ 715,921	$ 161,769	100%	$ 161,769	100%	$ 161,769	7.00%	Yes	17.216%	24.216%	21	*9*	*0*	*0*
42	South Bay Regional Public Communications Authority	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ 109,063	$4,132,201	$ 549,012	100%	$ 549,012	100%	$ 549,012	7.00%	Yes	7.229%	14.229%	177	*54*	*46*	*45*
43	Southeast Area Social Services Funding Authority	Misc	Note 1	6/30/2009	Misc 2.5% at 55	59.4%	$ (371,353)	$1,564,967	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	111	*35*	*12*	*41*
44	Southern California Library Cooperative	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ (297,261)	$ 739,743	Unk	Unk	Unk	Unk	$ 117,525	7.00%	Yes	15.500%	22.500%	40	*10*	*9*	*13*
45	Southern California Public Power Authority	Misc	Note 1	6/30/2009	Misc 2.5% at 55	59.4%	$ (277,307)	$ 906,328	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	13	*8*	*1*	*2*
46	Three Valleys Municipal Water District	Misc	6/30/2009	6/30/2009	Misc 2.0% at 55	64.9%	$ -	$2,024,844	$ 258,127	100%	$ 258,127	100%	$1,808,811	7.00%	Unk	8.636%	15.636%	47	*21*	*10*	*8*
47	Tri-City Mental Health Center	Misc	6/30/2010	6/30/2009	Misc 2.0% at 55	64.9%	$ 836,356	$4,213,853	$ 246,824	100%	$ 246,824	100%	$ 246,824	7.00%	No	5.977%	5.977%	315	*66*	*50*	*182*
48	Upper San Gabriel Valley Municipal Water District	Misc	Note 1	6/30/2009	Misc 2.7% at 55	57.2%	$ (713,514)	$ 811,055	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	28	*9*	*5*	*2*
49	Valley County Water District	Misc	8/31/2009	6/30/2009	Misc 2.7% at 55	57.2%	$ (591,567)	$1,915,006	$ 296,280	100%	$ 296,280	100%	$ 296,280	8.00%	Yes	16.361%	24.361%	74	*27*	*6*	*7*
50	Walnut Valley Water District	Misc	6/30/2010	6/30/2009	Misc 2.7% at 55	57.2%	$ -	$4,531,155	$ 541,694	100%	$ 541,694	100%	$ 541,694	8.00%	Unk	12.740%	20.740%	93	*57*	*8*	*11*
51	Water Replenishment District of Southern California	Misc	6/30/2009	6/30/2009	Misc 3.0% at 60	57.4%	$ (763,416)	$3,397,417	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	83	*31*	*12*	*21*
52	West Basin Municipal Water District	Misc	6/30/2010	6/30/2009	Misc 3.0% at 60	57.4%	$ 333,216	$3,943,540	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	42	*33*	*2*	*3*

Public Pension Plans in Los Angeles County
CalPERS Special District Risk Pool Plans
(sorted alphabetically)

		U	V	W	X	Y	Z	AA	BB
Row	**Sponsor Agency**	***Retired Members Count***	**Final Avg Sal Comp Period (months)**	**Post Retirement Survivor Allowance (PRSA)**	**Sick Leave Credit**	**Remaining Ammort Period (years)**	**Cost of Living Adjustment (COLA)**	**Ratio of Retirees to Active Members U / R**	**Ratio of Retired to Total Members U / Q**
1	Agoura Hills and Calabasas Community Center	*0*	36	No	Yes	18	2.00%	-	-
2	Alameda Corridor Transportation Authority	*6*	12	No	Yes	18	2.00%	0.40	0.20
3	Alhambra Redevelopment Agency	*4*	12	No	Yes	19	2.00%	0.57	0.19
4	Altadena Library District	*23*	12	Yes	Yes	18	2.00%	1.10	0.43
5	Antelope Valley Mosquito Vector Control District	*2*	12	Yes	Yes	18	2.00%	0.33	0.25
6	Antelope Valley Transit Authority	*3*	36	No	Yes	18	2.00%	0.12	0.07
7	Beach Cities Health Care District	*9*	12	No	Yes	7	2.00%	0.14	0.06
8	Castaic Lake Water Agency	*34*	12	Yes	Yes	18	2.00%	0.32	0.20
9	Central Basin Municipal Water District	*22*	12	Yes	Yes	18	2.00%	1.16	0.19
10	Compton Creek Mosquito Abatement District	*0*	36	Yes	Yes	7	2.00%	-	-
11	Crescenta Valley County Water District	*27*	12	No	Yes	18	2.00%	0.77	0.37
12	East San Gabriel Valley Human Services Consortium	*31*	12	No	Yes	18	2.00%	0.66	0.23
13	Exposition Metro Line Construction Authority	*0*	12	No	Yes	19	2.00%	-	-
14	Foothill Municipal Water District	*17*	12	Yes	Yes	18	2.00%	2.13	0.55
15	Greater Los Angeles County Vector Control District	*26*	12	No	Yes	18	2.00%	0.41	0.25
16	Green Valley County Water District	*0*	36	No	Yes	7	2.00%	-	-
17	Hub Cities Consortium	*0*	12	No	Yes	19	3.00%	-	-
18	Kinneloa Irrigation District	*3*	36	No	Yes	7	2.00%	1.00	0.50
19	La Habra Heights County Water District	*2*	36	No	Yes	7	2.00%	0.20	0.12
20	La Puente Valley County Water District	*1*	36	No	Yes	7	2.00%	0.08	0.05
21	Littlerock Creek Irrigation District	*7*	12	No	Yes	7	2.00%	1.17	0.47
22	Los Angeles County Area E Civil Defense and Disaster	*1*	12	No	Yes	19	2.00%	1.00	0.50
23	Los Angeles County Law Library	*53*	12	Yes	Yes	19	4.00%	1.23	0.45
24	Los Angeles County West Vector Control District	*5*	12	No	Yes	7	2.00%	0.15	0.10
25	Los Angeles Memorial Coliseum Commission	*23*	36	No	Yes	19	2.00%	0.74	0.36
26	Los Angeles to Pasadena Metro Blue Line Constructior	*4*	12	No	Yes	19	2.00%	0.67	0.22
27	Main San Gabriel Basin Watermaster	*4*	12	No	Yes	18	2.00%	0.44	0.22
28	Newhall County Water District	*19*	12	No	Yes	18	2.00%	0.56	0.25
29	Orchard Dale County Water District	*6*	12	Yes	Yes	19	2.00%	0.75	0.32
30	Palm Ranch Irrigation District	*2*	36	No	Yes	7	2.00%	0.50	0.33
31	Palmdale Water District	*31*	12	No	Yes	18	2.00%	0.36	0.20
32	Palos Verdes Library District	*55*	12	No	Yes	18	2.00%	1.17	0.38
33	Pico Water District	*9*	12	No	Yes	18	5.00%	0.75	0.28
34	Pomona Valley Transportation Authority	*1*	36	No	Yes	7	2.00%	0.33	0.20
35	Quartz Hill Water District	*10*	12	No	Yes	18	5.00%	0.77	0.30
36	Resource Conservation District of the Santa Monica Mo	*0*	36	No	Yes	18	2.00%	-	-
37	Rowland Water District	*14*	12	No	Yes	19	2.00%	0.56	0.30
38	San Gabriel County Water District	*19*	12	Yes	Yes	19	2.00%	1.19	0.42
39	San Gabriel Valley Council of Governments/ ACE	*0*	36	No	Yes	18	2.00%	-	-
40	San Gabriel Valley Mosquito Abatement District	*3*	12	No	Yes	18	2.00%	0.14	0.07
41	San Gabriel Valley Municipal Water District	*12*	12	Yes	Yes	18	2.00%	1.33	0.57
42	South Bay Regional Public Communications Authority	*32*	12	No	Yes	18	2.00%	0.59	0.18
43	Southeast Area Social Services Funding Authority	*23*	12	No	Yes	19	2.00%	0.66	0.21
44	Southern California Library Cooperative	*8*	36	No	Yes	18	2.00%	0.80	0.20
45	Southern California Public Power Authority	*2*	12	No	Yes	19	3.00%	0.25	0.15
46	Three Valleys Municipal Water District	*8*	12	No	Yes	18	2.00%	0.38	0.17
47	Tri-City Mental Health Center	*17*	12	No	Yes	18	2.00%	0.26	0.05
48	Upper San Gabriel Valley Municipal Water District	*12*	12	Yes	Yes	19	5.00%	1.33	0.43
49	Valley County Water District	*34*	12	Yes	Yes	19	2.00%	1.26	0.46
50	Walnut Valley Water District	*17*	12	No	Yes	19	3.00%	0.30	0.18
51	Water Replenishment District of Southern California	*19*	12	Yes	Yes	18	2.00%	0.61	0.23
52	West Basin Municipal Water District	*4*	12	Yes	Yes	18	2.00%	0.12	0.10

Public Pension Plans in Los Angeles County
Independent Plans
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Row	**Sponsor Agency**	**Jurisdiction Type**	**CAFR Date**	**Pension Valuation Date**	**Empl. Type**	**Funded Status F / G**	**Actuarial Value of Assets (AVA)**	**Actuarial Accrued Liability (AAL)**	**Unfunded AAL (UAAL) G - F**	**Covered Payroll**	**UAAL to Covered Payroll**	***Total Member Count***	***Active Member Count***	***Service Retired Count***	***Disabled Count***	***Survivor/ Beneficiary Count***	***Inactive Count***	**Annual Pension Cost (APC)**
1	Antelope Valley Health Care District	Special District	6/30/2010	7/1/2008	Misc	74.3%	$ 95,831,233	$ 129,052,135	$ 33,220,902	$ 107,653,212	30.86%	-	Unk	Unk	Unk	Unk	Unk	$ 8,510,118
2	City of Los Angeles DWP Retirement	City	6/30/2010	7/1/2010	Misc	81.5%	$ 7,244,429,689	$ 8,893,618,433	$ 1,649,188,744	$ 856,089,559	192.64%	19,502	9,295	6,358	Unk	2,110	1,739	$ 215,787,000
3	City of Los Angeles Fire and Police Pension Plan	City	6/30/2010	6/30/2010	Safety	91.6%	$ 14,219,581,000	$ 15,520,625,000	$ 1,301,044,000	$ 1,356,986,000	95.88%	26,060	13,654	7,685	2,273	2,390	58	$ 250,517,000
4	LACMTA - AFSCME Employees' Retirement Income Plan	Special District	6/30/2010	12/31/2009	Misc	88.1%	$ 44,653,000	$ 50,675,000	$ 6,022,000	$ 6,161,000	97.74%	-	Unk	Unk	Unk	Unk	Unk	$ 1,581,000
5	LACMTA - Maintenance Employees (ATU)	Special District	6/30/2010	12/31/2009	Misc	71.6%	$ 211,174,000	$ 295,021,000	$ 83,847,000	$ 109,214,000	76.77%	-	Unk	Unk	Unk	Unk	Unk	$ 16,777,000
6	LACMTA - Non-Contract Employees	Special District	6/30/2010	12/31/2009	Misc	86.6%	$ 114,115,000	$ 131,773,000	$ 17,658,000	$ 6,206,000	284.53%	-	Unk	Unk	Unk	Unk	Unk	$ 3,620,000
7	LACMTA - Transportation Communication Union	Special District	6/30/2010	12/31/2009	Misc	68.7%	$ 61,866,000	$ 90,027,000	$ 28,161,000	$ 27,578,000	102.11%	-	Unk	Unk	Unk	Unk	Unk	$ 4,639,000
8	LACMTA - United Transportation Union (Note 1)	Special District	6/30/2010	12/31/2009	Misc	70.6%	$ 362,222,000	$ 512,887,000	$ 150,665,000	$ 190,212,000	79.21%	-	Unk	Unk	Unk	Unk	Unk	$ 23,195,000
9	Long Beach Public Transportation Company Contract Employees	Special District	6/30/2010	7/1/2010	Misc	64.4%	$ 29,212,000	$ 45,374,000	$ 16,162,000	$ 25,501,000	63.38%	-	Unk	Unk	Unk	Unk	Unk	$ 4,111,605
10	Long Beach Public Transportation Company Salaried Employees	Special District	6/30/2010	7/1/2010	Misc	54.5%	$ 9,950,000	$ 18,267,000	$ 8,317,000	$ 9,337,000	88.71%	-	Unk	Unk	Unk	Unk	Unk	$ 1,964,523
11	Los Angeles City Employees' Retirement System (LACERS)	City	6/30/2010	6/30/2010	Misc	75.9%	$ 9,554,027,000	$ 12,595,025,000	$ 3,040,998,000	$ 1,817,662,000	167.30%	48,853	26,245	17,264	Unk	Unk	5,344	$ 255,999,000
12	Los Angeles County Employees' Retirement Association (LACERA)	County	6/30/2010	6/30/2010	Misc	83.3%	$ 38,839,392,000	$ 46,646,838,000	$ 7,807,446,000	$ 6,695,439,000	116.61%	160,604	94,410	54,196	8,990	7,808	11,998	$ 895,453,000
13	Pasadena Fire and Police Retirement System (closed)	City	6/30/2010	6/30/2010	Safety	66.1%	$ 109,740,000	$ 166,096,000	$ 56,356,000	$ -	N/A	275	0	118	105	52		$ 5,766,000

Public Pension Plans in Los Angeles County
Independent Plans
(sorted alphabetically)

Appendix C.5

		R	S	T	U	W	X	Y	Z	AA	BB	CC	DD	EE	FF	GG	HH	II
Row	**Sponsor Agency**	**% APC Contrib**	**Annual Required Contrib. (ARC)**	**% ARC Contrib.**	**Total Sponsor Contrib**	**Member Normal Contrib. Rate**	**Sponsor makes employee contribution on behalf of employee? (Full unless noted)**	**Sponsor Contrib. Rate**	**Assumed Rate of Return**	**Actual Interest Rate Earned 1 Yr**	**Actual Interest Rate Earned 3 Yrs**	**Actual Interest Rate Earned 5 Yrs**	**Final Avg Salary (FAS) Period (months)**	**Formulae**	**Short Term Market Volatility Smoothing (years)**	**Corridor Limits as of Valuation Date**	**Normal Age**	**Cost of Living Adjustment (COLA)**
1	Antelope Valley Health Care District	68.5%	$ 11,053,926	52.7%	$ 5,830,053	Unk	Yes		8.00%	Unk	Unk	Unk	Unk	Unk	4	Unk	Unk	Unk
2	City of Los Angeles DWP Retirement	93.2%	$ 200,578,278	100.2%	$ 201,034,807	6% (Note 2)	No	14.68%	7.75%	1.4%	Unk	Unk	Avg highest 12 mos	2.1 or 2.3%	5	No	60	3.00%
3	City of Los Angeles Fire and Police Pension Plan	100%	$ 250,517,000	100.0%	$ 250,517,000	varies by plan	No	varies by plan	7.75%	2.4%	Unk	Unk	Varies	varies by plan	5 to 7	Unk	55	3%-3.5%
4	LACMTA - AFSCME Employees' Retirement Income Plan	100%	$ 1,581,000	100.0%	$ 1,581,000	0%-8.58%	No	varies by plan	8.00%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
5	LACMTA - Maintenance Employees (ATU)	99.9%	$ 16,752,000	100.0%	$ 16,752,000	0%-8.58%	No	varies by plan	8.00%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
6	LACMTA - Non-Contract Employees	100.0%	$ 3,620,000	100.0%	$ 3,620,000	0%-8.58%	No	varies by plan	8.00%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
7	LACMTA - Transportation Communication Union	100.0%	$ 4,639,000	100.0%	$ -	0%-8.58%	No	varies by plan	8.00%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
8	LACMTA - United Transportation Union (Note 1)	100.2%	$ 23,230,000	100.0%	$ 23,230,000	0%-8.58%	No	varies by plan	8.00%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
9	Long Beach Public Transportation Company Contract Employees	100%	$ 4,111,605	100.0%	$ -	0.00%	Yes	16.200%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
10	Long Beach Public Transportation Company Salaried Employees	100%	$ 1,964,523	100.0%	$ -	0.00%	Yes	23.110%	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
11	Los Angeles City Employees' Retirement System (LACERS)	101%	$ 258,643,000	100.0%	$ 266,240,000	6.00%	Partial	14.15%	8.00%	12.9%	-5.0%	2.9%	Avg final 12 mos	2.16%	7	Unk	55	3.00%
12	Los Angeles County Employees' Retirement Association (LACERA)	94.2%	$ 843,592,000	100.0%	$ 843,592,000	varies by plan	No	16.310%	7.75%	11.6%	-3.5%	3.8%	Avg highest 12 or 36	varies by plan	5	No	55	2 or 3%
13	Pasadena Fire and Police Retirement System (closed)	86.4%	$ 14,039,000	35.5%	$ 4,982,000	N/A	N/A	N/A	8.00%	17.9%	-6.6%	3.4%	N/A	2%	5	No	50	3.80%

Public Pension Plans in Los Angeles County
Public Agency Retirement System (PARS) Plans and Other Supplemental Plans

Row	Plan Name	Jurisdiction Type
1	Alhambra PARS	City
2	Antelope Valley East Kern Water Agency - Defined Contribution	Special District
3	Antelope Valley Health Care District-Defined Contribution 403(b)	Special District
4	Azusa PARS Defined Contribution Pension Plan	City
5	Azusa PARS Retirement Enhancement Plan-AMMA	City
6	Azusa PARS Retirement Enhancement Plan-Exec. Mgmt.	City
7	Azusa PARS Retirement Enhancement Plan-IBEW	City
8	Azusa PARS Retirement Enhancement Plan-SEIU	City
9	Castaic Lake Water Agency - (401)a	Special District
10	Cerritos PARS	City
11	Covina PARS	City
12	Gardena PARS	City
13	Glendora PARS	City
14	Greater Los Angeles County Vector Control District	City
15	Huntington Park PARS	Special District
16	Inglewood PARS	City
17	Irwindale PARS Enhancement	City
18	La Canada Irrigation District	Special District
19	La Mirada PARS	City
20	La Mirada PARS Enhancement Plan	City
21	La Mirada PARS Excess Benefit Plan	City
22	Lakewood PARS Retirement Enhancement Plan	City
23	Lancaster PARS	City
24	Lawndale PARS-REP Central Management	City
25	Long Beach PARS	City
26	Malibu City Administered City Manager Plan	City
27	Malibu City Administered Department Head Plan	City
28	Malibu ICMA	City
29	Malibu PARS	City
30	Manhattan Beach Single Highest Year Retirement Plan	City
31	Manhattan Beach Supplemental Retirement Plan	City
32	Maywood PARS	City
33	Metropolitan Water District Southern California - 401(k)	Special District
34	Monrovia PARS	City
35	Monterey Park - Massachusetts Mutual Retirement Plan (MMRP)	City
36	Monterey Park - Part-Time Retirement Plan	City
37	Norwalk Defined Contribution	City
38	Norwalk PARS	City
39	Palmdale PARS	City
40	Palos Verdes Estates Special Retirement Income Plan	City
41	Pasadena PARS	City
42	Pico Rivera City Council Members PARS	City
43	Rolling Hills Estates PARS	City
44	Rosemead PARS	City
45	San Marino PARS	City
46	Santa Fe Springs 457 part-time	City
47	Signal Hill PARS	City
48	South Gate Supplemental Retirement Plan PARS	City
49	West Covina PARS EPMC Replacement Plan	City
50	West Covina PARS Supplemental for Executive Staff and City Council	City

Jurisdictions With Outstanding Pension Obligation Bonds
(sorted alphabetically)

Row	Jurisdiction	Report Date	Outstanding Principal	Interest	Total Debt	Current Annual Payment	Fixed or Variable Rate	Rate	Maturity Date
1	Azusa	6/30/2010	$ 6,735,000	$ 2,211,300	$ 8,946,300	Unk	Fixed	6.50%	2018
2	Baldwin Park	6/30/2010	$ 10,645,000	Unk	Unk	Unk	Fixed	5.06-5.30	2018
3	Burbank	6/30/2010	$ 17,545,000	Unk	Unk	$ 630,000	Fixed	5.93%	2023
4	Claremont	6/30/2009	$ 5,810,000	$ 3,556,717	$ 9,366,717	$ 105,000	Fixed	5.18%	2027
5	Glendora	6/30/2009	$ 5,890,000	$ 2,543,922	$ 8,433,922	$ 597,845	Fixed	5.95%	2021
6	Hawthorne	6/30/2009	$ 26,695,000	$ 9,330,219	$ 36,025,219	$ 1,365,000	Fixed	5.018%	2020
7	Huntington Park	6/30/2009	$ 22,600,000	$ 13,802,811	$ 36,402,811	$ 1,649,176	Fixed	5.196% to 5.75%	2026
8	Inglewood	6/30/2009	$ 62,981,302	$ 71,588,632	$ 134,569,934	$ 3,853,455	Fixed	4.37% to 5.28%	2035
9	La Verne	6/30/2010	$ 7,135,000	Unk	Unk	$ 430,000	Fixed	5.25 to 6%	2020
10	Long Beach	6/30/2009	$ 70,340,000	Unk	Unk	Unk	Fixed	4.73% to 7.24%	2021
11	Los Angeles County (LACERA)	6/30/2010	$ 345,913,000	$ 253,644,000	$ 599,557,000	$ 345,913,000	Fixed	7.40% to 7.44%	2011
12	Manhattan Beach	6/30/2010	$ 4,635,000	$ 581,653	$ 5,216,653	$ 1,051,214	Fixed	5.011%	2015
13	Monterey Park	6/30/2010	$ 16,855,000	$ 15,427,348	$ 32,282,348	$ 1,506,408	Fixed	4.51%-6.076%	2034
14	Pasadena	6/30/2010	$ 111,525,000	$ 44,655,524	$ 156,180,524	$ 13,494,554	Fixed	2%-7.28%	2022
15	Pomona	6/30/2009	$ 42,280,684	$ 53,816,470	$ 96,097,154	$ 71,302	Fixed	5.24%-5.832%	2036
16	San Marino	6/30/2010	$ 6,540,000	$ 2,885,235	$ 9,425,235	$ 614,317	Fixed	5.21%	2025
17	South Gate	6/30/2010	$ 22,845,000	$ 13,369,279	$ 36,214,279	$ 2,009,012	Fixed	4.6-5.42%	2030

Notes
Pension Obligation Bonds do not include overlapping debt with LA County.

Other Post Employment Benefit (OPEB) Plans for Cities in Los Angeles County
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K
Row	Sponsor Agency	CAFR Date	Valuation as of	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liability C -D	Funded Status D / C	Contributions	Annual Required Contributions (ARC)	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
1	Agoura Hills	6/30/2010	6/30/2010	$ 1,298,387	$ 119,818	$ 1,178,569	9.2%	$ 166,000	$ 166,000	$ 166,932	99.4%	$ 66,955
2	Alhambra (Note 3)	6/30/2009	6/30/2008	$ 20,572,000	$ -	$ 20,572,000	0.0%	$ 390,227	$ 1,784,000	$ 1,784,000	21.9%	$ 1,393,773
3	Arcadia	6/30/2009	6/30/2008	$ 9,217,688	$ -	$ 9,217,688	0.0%	$ 417,836	$ 826,817	$ 849,761	49.2%	$ 431,925
4	Artesia	6/30/2009	N/A	Unk	Unk	Unk	Unk	$ 165,835	Unk	Unk	Unk	Unk
5	Avalon	6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Azusa	6/30/2010	6/30/2009	$ 25,445,000	$ -	$ 25,445,000	0.0%	$ 354,782	$ 2,200,000	$ 2,193,000	16.2%	$ 1,838,218
7	Baldwin Park	6/30/2010	6/30/2009	$ 22,320,143	$ -	$ 22,320,143	0.0%	$ 577,749	$ 1,570,573	$ 1,613,289	35.8%	$ 1,035,540
8	Bell	(Note 4)	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
9	Bell Gardens	6/30/2009	6/30/2009	$ 29,230,000	$ -	$ 29,230,000	0.0%	$ 221,435	$ 2,900,609	$ 2,900,609	7.6%	$ 2,679,174
10	Bellflower	6/30/2010	7/1/2009	$ 7,181,087	$ 586,615	$ 6,594,472	8.2%	$ 582,459	$ 610,176	$ 610,176	95.5%	$ (31,524)
11	Beverly Hills	6/30/2009	6/30/2009	$ 57,787,000	$ -	$ 57,787,000	0.0%	$ 1,526,328	$ 4,205,000	$ 4,220,000	36.2%	$ 5,120,190
12	Bradbury	6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Burbank (Note 2)	6/30/2010	6/30/2008	$ 39,158,000	$ 14,478,000	$ 24,680,000	37.0%	$ 7,875,000	$ 2,947,000	$ 2,562,000	307.4%	$ 12,260,000
14	Calabasas	6/30/2010	7/1/2008	$ 881,806	$ -	$ 881,806	0.0%	$ 40,240	$ 142,435	$ 144,101	27.9%	$ 203,867
15	Carson	6/30/2009	6/30/2008	$ 5,833,142	$ -	$ 5,833,142	0.0%	$ 1,151,675	$ 5,883,142	$ 5,833,142	19.7%	$ 4,681,467
16	Cerritos	6/30/2010	6/30/2009	$ 27,855,000	$ 11,825,000	$ 16,030,000	42.5%	$ -	$ 2,015,775	$ 2,015,775	0.0%	$ 2,015,775
17	Claremont	6/30/2009	6/30/2009	$ 1,904,000	$ -	$ 1,904,000	0.0%	$ 11,689	$ 177,000	$ 177,000	6.6%	$ 165,311
18	Commerce	6/30/2009	6/30/2009	$ 37,514,000	$ -	$ 37,514,000	0.0%	$ 1,152,000	$ 3,109,000	$ 3,109,000	37.1%	$ 1,957,000
19	Compton	6/30/2009	6/30/2007	$ 113,725,000	$ -	$ 113,725,000	0.0%	$ 3,297,292	$ 8,847,539	$ 10,625,321	31.0%	$ 9,819,737
20	Covina	6/30/2009		$ 5,014,195	$ -	$ 5,014,195	0.0%	$ 376,939	$ 362,689	$ 362,689	103.9%	$ (14,250)
21	Cudahy	6/30/2009	N/A	Unk	Unk	Unk	Unk	$ 75,193	Unk	Unk	Unk	Unk
22	Culver City	6/30/2010	7/1/2009	$ 148,528,000	$ -	$ 148,528,000	0.0%	$ 3,751,498	$ 11,754,000	$ 77,774,000	4.8%	$ 74,022,502
23	Diamond Bar	6/30/2010	7/1/2008	$ 402,007	$ -	$ 402,007	0.0%	$ 5,594	$ 62,171	$ 62,517	8.9%	$ 56,923
24	Downey	6/30/2010	7/1/2008	$ 12,070,000	$ -	$ 12,070,000	0.0%	$ 1,651,276	Unk	$ 2,117,021	78.0%	$ -
25	Duarte	6/30/2009	1/1/2008	$ 1,932,000	$ 582,000	$ 1,350,000	30.1%	$ 222,472	$ 222,000	$ 222,000	100.2%	$ (472)
26	El Monte	6/30/2009	7/1/2008	$ 52,584,000	$ -	$ 52,584,000	0.0%	$ -	$ 4,394,838	$ 4,394,838	0.0%	$ 4,394,838
27	El Segundo	6/30/2009	6/30/2008	$ 42,532,000	$ -	$ 42,532,000	0.0%	$ 4,512,000	$ 4,512,000	$ 4,512,000	100.0%	$ -
28	Gardena	6/30/2009	6/30/2008	$ 50,226,000	$ -	$ 50,226,000	0.0%	$ 1,733,085	$ 3,202,000	$ 3,202,000	54.1%	$ 1,468,915
29	Glendale	6/30/2009		$ 103,947,000	$ -	$ 103,947,000	0.0%	$ -	$ 9,531,000	$ 9,408,000	0.0%	$ 9,408,000
30	Glendora	6/30/2009		$ 3,534,025	$ -	$ 3,534,025	0.0%	$ 102,923	$ 329,897	$ 329,897	31.2%	$ 226,974
31	Hawaiian Gardens	6/30/2010	6/30/2008	$ 4,222,000	$ -	$ 4,222,000	0.0%	$ 569,000	Unk	Unk	Unk	Unk
32	Hawthorne	6/30/2009	3/1/2009	$ 44,113,659	$ -	$ 44,113,659	0.0%	$ 1,668,267	$ 3,194,728	$ 3,194,728	52.2%	$ 1,526,461
33	Hermosa Beach	6/30/2010	6/30/2008	$ 5,830,000	$ 2,637,242	$ 3,192,758	45.2%	$ 595,482	$ 475,000	$ 595,482	100.0%	$ -
34	Hidden Hills	6/30/2010	7/1/2009	$ 192,685	$ -	$ 192,685	0.0%	$ -	$ 22,464	$ 22,464	0.0%	$ 22,464
35	Huntington Park	6/30/2009	6/30/2009	$ 23,357,000	$ 2,712,000	$ 20,645,000	11.6%	$ 1,707,812	$ 2,396,000	$ 2,421,000	70.5%	$ 713,188
36	Industry	6/30/2009	9/1/2008	$ 14,162,839	$ -	$ 14,162,839	0.0%	$ 324,374	$ 1,712,753	$ 1,719,953	18.9%	$ 1,395,579
37	Inglewood	6/30/2009	6/30/2007	$ 140,990,000	$ -	$ 140,990,000	0.0%	$ 3,364,834	$ 10,628,000	$ 10,628,000	31.7%	$ 7,263,166
38	Irwindale	6/30/2010	8/1/2008	$ 11,221,220	$ -	$ 11,221,220	0.0%	$ 1,074,419	$ 1,074,019	$ 1,075,009	99.9%	$ 590
39	La Cañada-Flintridge	6/30/2009	N/A	Unk	Unk	Unk	Unk	$ 108,234	Unk	Unk	Unk	Unk
40	La Habra Heights	6/30/2009	N/A	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
41	La Mirada	6/30/2010	7/1/2008	$ 9,319,335	$ -	$ 9,319,335	0.0%	$ 380,914	$ 981,144	$ 841,867	45.2%	$ 460,953
42	La Puente	6/30/2009	6/30/2008	$ 5,666,000	$ -	$ 5,666,000	0.0%		$ 610,000	$ 610,000	0.0%	$ 610,000
43	La Verne	6/30/2010	6/30/2010	$ 4,337,698	$ 628,068	$ 3,709,630	14.5%	$ 459,034	$ 459,034	$ 459,034	100.0%	$ -
44	Lakewood	6/30/2010	7/1/2009	$ 5,950,911	$ 4,543,540	$ 1,407,371	76.4%	$ 624,358	$ 361,352	$ 416,110	150.0%	$ (4,537,288)
45	Lancaster	6/30/2010	6/30/2008	$ 16,178,000	$ -	$ 16,178,000	0.0%	$ 303,479	$ 2,139,000	$ 2,106,268	14.4%	$ 1,802,789
46	Lawndale	6/30/2010	6/30/2009	$ 2,126,923	$ -	$ 2,126,923	0.0%	$ 68,157	$ 249,805	$ 249,805	27.3%	$ 358,477
47	Lomita	(Note 4)	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
48	Long Beach	9/30/2009	9/30/2008	$ 110,324,000	$ -	$ 110,324,000	0.0%	$ 3,306,000	$ 8,418,000	$ 8,461,000	39.1%	$ 5,155,000
49	Los Angeles (Note 1)	6/30/2010	6/30/2010	$ -	$ -	$ -	0.0%	$ -	$ -	$ -	0%	$ -
50	Lynwood	6/30/2009	6/30/2009	$ 27,232,000	$ -	$ 27,232,000	0.0%	$ 508,403	$ 2,482,000	$ 2,482,000	20.5%	$ 1,973,597
51	Malibu	6/30/2010	1/31/2009	$ 1,148,623	$ -	$ 1,148,623	0.0%	$ 287,761	$ 287,761	$ 287,761	100.0%	$ -
52	Manhattan Beach	6/30/2010	7/1/2009	$ 5,926,000	$ 4,946,560	$ 979,440	83.5%	$ 424,000	$ 424,000	$ 887,001	47.8%	$ (4,417,509)
53	Maywood	6/30/2009	N/A	Unk	Unk	Unk	Unk	$ 47,578	Unk	Unk	Unk	Unk
54	Monrovia	6/30/2010	1/1/2008	$ 21,995,000	$ -	$ 21,995,000	0.0%	$ 246,838	$ 1,647,000	$ 1,647,000	15.0%	$ 1,400,162
55	Montebello	6/30/2009	6/30/2008	$ 12,026,641	$ -	$ 12,026,641	0.0%	$ 158,926	$ 1,270,784	$ 1,270,784	12.5%	$ 1,111,858

Other Post Employment Benefit (OPEB) Plans for Cities in Los Angeles County
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K
Row	Sponsor Agency	CAFR Date	Valuation as of	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liability C -D	Funded Status D / C	Contributions	Annual Required Contributions (ARC)	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
56	Monterey Park	6/30/2010	7/1/2009	$ 49,150,000	$ -	$ 49,150,000	0.0%	$ 1,171,000	$ 3,877,000	$ 3,893,000	30.1%	$ 2,722,000
57	Norwalk	6/30/2010	6/30/2010	$ 22,913,248	$ -	$ 22,913,248	0.0%	$ 1,026,067	$ 2,463,610	$ 2,514,274	40.8%	$ 1,488,207
58	Palmdale	6/30/2010	6/30/2010	$ 4,511,210	$ 2,279,119	$ 2,232,091	50.5%	$ 1,324,107	$ 344,466	$ 344,074	384.8%	$ (980,033)
59	Palos Verdes Estates	6/30/2010	N/A	$ 332,922	$ -	$ 332,922	0.0%	$ 14,021	$ 32,756	$ 32,756	42.8%	$ 18,735
60	Paramount	6/30/2010	6/30/2008	$ 9,947,000	$ -	$ 9,947,000	0.0%	$ 265,000	$ 1,120,000	$ 1,120,000	23.7%	$ 855,000
61	Pasadena	6/30/2010	6/30/2010	$ 30,819,156	$ -	$ 30,819,156	0.0%	$ 338,920	$ 3,004,044	$ 3,004,444	11.3%	$ 2,665,524
62	Pico Rivera	6/30/2010	6/30/2008	$ 26,651,000	$ -	$ 26,651,000	0.0%	$ 735,337	$ 2,627,000	$ 2,711,548	27.1%	$ 3,855,045
63	Pomona	6/30/2009	1/1/2008	$ 64,974,000	$ -	$ 64,974,000	0.0%	$ 2,229,717	$ 5,090,000	$ 5,322,045	41.9%	$ 3,092,328
64	Rancho Palos Verdes	6/30/2010	N/A	$ -	$ -	$ -	Unk	$ 162,424	$ -	$ -	N/A	Unk
65	Redondo Beach	6/30/2010	6/30/2008	$ 14,474,000	$ -	$ 14,474,000	0.0%	$ 1,490,893	$ 1,490,893	$ 1,490,893	100.0%	$ -
66	Rolling Hills	6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
67	Rolling Hills Estates	6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
68	Rosemead	6/30/2010	1/1/2008	$ 3,548,605	$ -	$ 3,548,605	0.0%	$ 762,907	$ 284,778	$ 284,778	267.9%	$ (478,129)
69	San Dimas	6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
70	San Fernando	6/30/2010	4/1/2009	$ 27,397,966	$ -	$ 27,397,966	0.0%	$ 773,108	$ 2,119,349	$ 2,220,854	34.8%	$ 2,757,485
71	San Gabriel	6/30/2010	6/30/2010	$ 16,882,000	$ -	$ 16,882,000	0.0%	$ 579,539	$ 1,929,000	$ 1,929,000	30.0%	$ 2,775,461
72	San Marino	6/30/2010	6/30/2008	$ 2,051,764	$ -	$ 2,051,764	0.0%	$ 131,878	$ 155,609	$ 55,058	239.5%	$ (76,820)
73	Santa Clarita	6/30/2010	7/1/2006	$ 24,046,000	$ -	$ 24,046,000	0.0%	$ 328,089	$ 3,984,000	$ 4,141,291	7.9%	$ 7,514,175
74	Santa Fe Springs	6/30/2010	6/30/2010	$ 42,400,000	$ 191,000	$ 42,209,000	0.5%	$ 1,454,000	$ 3,704,000	$ 3,643,000	39.9%	$ 3,899,000
75	Santa Monica	6/30/2010	7/1/2009	$ 18,747,000	$ -	$ 18,747,000	0.0%	$ 558,000	$ 1,843,000	$ 1,861,000	30.0%	$ 1,303,000
76	Sierra Madre	(Note 4)	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
77	Signal Hill	6/30/2010	3/1/2010	$ 9,640,527	$ 532,514	$ 9,108,013	5.5%	$ 655,562	$ 669,732	$ 655,562	100.0%	$ -
78	South El Monte	(Note 4)	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
79	South Gate	6/30/2010	1/1/2010	$ 11,992,420	$ -	$ 11,992,420	0.0%	$ 321,322	$ 1,328,900	$ 1,328,670	24.2%	$ 1,012,548
80	South Pasadena	6/30/2009		$ 18,580,256	$ -	$ 18,580,256	0.0%	$ 424,124	$ 1,975,586	$ 1,975,586	21.5%	$ 1,551,462
81	Temple City	(Note 4)	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk	Unk
82	Torrance	6/30/2010	6/30/2009	$ 77,024,000	$ -	$ 77,024,000	0.0%	$ 2,077,000	$ 4,271,000	$ 4,163,000	49.9%	$ 2,086,000
83	Vernon	6/30/2010	7/1/2008	$ 22,115,000	$ -	$ 22,115,000	0.0%	$ 170,395	$ 2,024,003	$ 2,164,000	7.9%	$ 1,993,605
84	Walnut	6/30/2010	6/30/2010	$ 351,225	$ -	$ 351,225	0.0%	$ -	$ 53,884	$ 54,782	0.0%	$ 54,782
85	West Covina	6/30/2010		$ 45,391,000	$ -	$ 45,391,000	0.0%	$ 1,114,523	$ 3,317,000	$ 3,317,000	33.6%	$ 2,202,477
86	West Hollywood	6/30/2010	6/30/2009	$ 3,106,000	$ -	$ 3,106,000	0.0%	$ 24,000	$ 374,000	$ 376,120	6.4%	$ 812,541
87	Westlake Village	6/30/2009	N/A	$ -	$ -	$ -	Unk	$ 12,326	Unk	Unk	Unk	Unk
88	Whittier	6/30/2009	1/1/2009	$ 7,689,000	$ -	$ 7,689,000	0.0%	$ 444,000	$ 830,000	$ 830,000	53.5%	$ 386,000

Notes
(1) Los Angeles figures include Los Angeles City Employees Retirement System, Los Angeles Police and Fire Pension Plan, and Los Angeles Department of Water and Power Employees' Retirement Pl
(2) Burbank figures include three plans: BERMT, CalPERS Healthcare, and IBEW. Information was not available for two other plans: VEBA and PEHP.
(3) Alhambra figures include three plans: CalPERS Healthcare, Alhambra Health Subsidy Plan, and Alhambra City Council Plan.
(4) No comprehensive annual financial reports (CAFR) were provided for the following jurisdictions: Bell, Lomita, Sierra Madre, South El Monte, and Temple City.

	Los Angeles (1)	6/30/2010	6/30/2010	$ 6,403,615,204	$ 3,230,477,976	$ 3,173,137,228	50.4%	$ 371,564,327	$261,662,071	$ 270,515,379	137%	$(734,076,000)
	Los Angeles City Employ	6/30/2010	6/30/2010	$ 2,233,874,000	$ 1,425,726,000	$ 808,148,000	63.8%	$ 96,511,000	$ 96,511,000	$ 96,511,000	100%	$ -
	Los Angeles Police and F	6/30/2010	6/30/2010	$ 2,537,825,000	$ 817,276,000	$ 1,720,549,000	32.2%	$ 114,816,430	$106,648,282	$ 127,604,379	90%	$ 45,682,000
	Los Angeles Water and P	6/30/2010	6/30/2010	$ 1,631,916,204	$ 987,475,976	$ 644,440,228	60.5%	$ 160,236,897	$ 58,502,789	$ 46,400,000	345%	$(779,758,000)
	Burbank (2)	6/30/2010	6/30/2008	$ 39,158,000	$ 14,478,000	$ 24,680,000	37.0%	$ 7,875,000	$ 2,947,000	$ 2,562,000	307.4%	$ 12,260,000
	Burbank - BERMT	6/30/2010	6/30/2008	$ 19,040,000	$ 7,837,000	$ 11,203,000	41.2%	$ 1,142,000	$ 1,196,000	$ 890,000	128.3%	$ 1,817,000
	Burbank - CalPERS Healt	6/30/2010	6/30/2008	$ 15,690,000	$ 6,641,000	$ 9,049,000	42.3%	$ 2,071,000	$ 1,241,000	$ 1,162,000	178.2%	$ 6,801,000
	Burbank - IBEW	6/30/2010	6/30/2008	$ 4,428,000	$ -	$ 4,428,000	0.0%	$ 4,662,000	$ 510,000	$ 510,000	914.1%	$ 3,642,000
	Alhambra (3)	6/30/2009	6/30/2008	$ 20,572,000	$ -	$ 20,572,000	0.0%	$ 390,227	$ 1,784,000	$ 1,784,000	21.9%	$ 1,393,773
	Alhambra City Council Pl	6/30/2009	6/30/2008	$ 1,811,000	$ -	$ 1,811,000	0.0%	$ 67,964	$ 72,000	$ 72,000	94.4%	$ 4,036
	Alhambra Health Subsidy	6/30/2009	6/30/2008	$ 10,185,000	$ -	$ 10,185,000	0.0%	$ 192,488	$ 865,000	$ 865,000	22.3%	$ 672,512
	Alhambra PERS Health P	6/30/2009	6/30/2008	$ 8,576,000	$ -	$ 8,576,000	0.0%	$ 129,775	$ 847,000	$ 847,000	15.3%	$ 717,225

Other Post Retirement Benefits (OPEB) Plans for Special Districts in Los Angeles County
(sorted alphabetically)

		A	B	C	D	E	F	G	H	I	J	K
Row	Sponsor Agency	CAFR Date	Valuation as of	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liability	Funded Status	Contributions	Annual Required Contributions (ARC)	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
1	Altadena Library District	6/30/2010	7/1/2009	$ 1,244,501	$ -	$ 1,244,501	0.0%	$ 62,595	$ 139,156	$ 139,156	45.0%	$ 76,561
2	Antelope Valley Health Care District	6/30/2010	7/1/2008	$ 2,839,784	$ -	$ 2,839,784	0.0%	$ -	$ 502,958	$ 407,609	0.0%	$ 1,079,561
3	Castaic Lake Water Agency	6/30/2010	7/1/2009	$ 8,036,000	$ 1,436,932	$ 6,599,068	17.9%	$ 1,261,270	$ 834,000	$ 834,000	151.2%	$ (32,329)
4	Central Basin Municipal Water District	6/30/2009	6/30/2009	$ 2,618,185	$ 1,017,368	$ 1,600,817	38.9%	$ 85,964	$ 140,162	$ 140,162	61.3%	$ 54,198
5	Community Development Commission of the County of Los Angeles	6/30/2010	6/30/2010	$ 20,266,000	$ -	$ 20,266,000	0.0%	$ 443,278	$ 2,230,840	$ 2,230,840	19.9%	$ 1,787,562
6	Greater Los Angeles County Vector Control District	6/30/2010	4/1/2009	$ 9,264,648	$ -	$ 9,264,648	0.0%	$ 149,986	$ 983,489	$ 967,218	15.5%	$ 817,232
7	La Puente Valley County Water District	12/31/2009	1/1/2009	$ 2,072,343	$ -	$ 2,072,343	0.0%	$ 36,456	$ 335,879	$ 335,879	10.9%	$ 299,423
8	LACMTA	6/30/2010	1/1/2009	$ 148,150,000	$ 22,934,000	$ 125,216,000	15.5%	Note 2	Note 2	Note 2	Note 2	Note 2
9	LACMTA - Maintenance Employees' Retirement System (ATU)	6/30/2010	1/1/2009	$ 462,109,000	$ 71,537,000	$ 390,572,000	15.5%	Note 2	Note 2	Note 2	Note 2	Note 2
10	LACMTA - Transportation Communication Union Empl. Retirement System	6/30/2010	1/1/2009	$ 90,227,000	$ 13,968,000	$ 76,259,000	15.5%	Note 2	Note 2	Note 2	Note 2	Note 2
11	LACMTA - United Transportation Union Empl. Retirement System	6/30/2010	1/1/2009	$ 314,221,000	$ 48,643,000	$ 265,578,000	15.5%	Note 2	Note 2	Note 2	Note 2	Note 2
12	Las Virgenes Municipal Water District	6/30/2010	2/1/2010	$ 11,438,687	$ 399,698	$ 11,038,989	3.5%	$ 782,570	$ 782,570	$ 782,570	100.0%	Unk
13	Los Angeles City Community Redevelopment Agency	6/30/2010	6/30/2010	$ 20,266,000	$ -	$ 20,266,000	0.0%	$ 443,278	$ 2,230,840	$ 2,230,840	19.9%	$ 1,787,562
14	Los Angeles County Sanitation District No. 2	6/30/2010	6/30/2008	$ 12,477,000	$ 210,249,000	$ (197,772,000)	1685.1%	Unk	$ 18,621,000	$ 18,621,000	Unk	Unk
15	Main San Gabriel Basin Watermaster	6/30/2010	7/1/2009	$ 100,400	$ -	$ 100,400	0.0%	$ 5,705	$ 15,098	$ 15,098	37.8%	$ 9,393
16	Metrolpolitan Water District Southern California	6/30/2010	1/1/2009	$ 404,172,000	$ -	$ 404,172,000	0.0%	$ 9,839,000	$ 34,096,000	$ 32,011,000	30.7%	$ 22,172,000
17	Newhall County Water District	6/30/2010	1/1/2010	$ 1,296,441	$ 1,474,977	$ (178,536)	113.8%	$ 1,344,898	$ 1,344,898	$ 1,344,898	100.0%	Unk
18	North Los Angeles County Regional Center Inc	6/30/2009	6/30/2009	$ 24,497,711	$ 3,927,929	$ 20,569,782	16.0%	$ 689,487	Unk	Unk	Unk	Unk
19	Palmdale Water District	12/31/2009	12/31/2009	$ 4,497,022	$ -	$ 4,497,022	0.0%	$ 62,848	$ 538,690	$ 535,321	11.7%	$ 472,473
20	Rowland Water District	6/30/2010	7/1/2009	$ 4,999,563	$ -	$ 4,999,563	0.0%	$ 109,308	$ 441,750	$ 443,258	24.7%	$ 333,950
21	San Gabriel Valley Municipal Water District	9/30/2010	4/9/2009	$ 2,090,617	$ -	$ 2,090,617	0.0%	$ 98,886	$ 186,890	$ 173,150	57.1%	$ 74,264
22	South Bay Regional Public Communications Authority	6/30/2010	7/1/2009	$ 1,657,755	$ -	$ 1,657,755	0.0%	$ 34,430	$ 186,899	$ 186,899	18.4%	$ 152,469
23	Southern California Library Cooperative	6/30/2010	6/30/2010	$ 487,557	$ -	$ 487,557	0.0%	$ 35,653	Unk	$ 35,653	100.0%	Unk
24	Southern California Regional Rail Authority	6/30/2009	6/30/2007	$ 18,194,000	$ -	$ 18,194,000	0.0%	$ 335,000	$ 2,878,000	$ 2,878,000	11.6%	$ 2,543,000
25	Three Valleys Municipal Water District	6/30/2009	7/1/2007	$ 428,336	$ -	$ 428,336	0.0%	$ 15,591	$ 46,557	$ 46,557	33.5%	$ 30,966
26	Upper San Gabriel Valley Municipal Water District	6/30/2009	Unk	$ 3,098,956	$ -	$ 3,098,956	0.0%	$ 92,261	Unk	$ 92,261	100.0%	Unk
27	Walnut Valley Water District	6/30/2010	7/1/2007	$ 10,578,573	$ -	$ 10,578,573	0.0%	$ 301,619	$ 858,000	$ 858,000	35.2%	$ 556,381
28	Water Replenishment District of Southern California	6/30/2009	6/30/2007	$ 3,893,964	$ -	$ 3,893,964	0.0%	$ 92,462	Unk	$ 92,462	100.0%	Unk
29	West Basin Municipal Water District	6/30/2010	7/1/2009	$ 2,456,093	$ 1,084,341	$ 1,371,752	44.1%	$ 352,135	$ 295,941	$ 295,941	119.0%	$ (56,194)

APPENDIX C.1 NOTES
PUBLIC PENSION PLANS IN LOS ANGELES COUNTY
CALPERS CITY INDIVIDUAL PLANS

Notes
(1) Lynwood Safety plan is closed. Actuarial Valuation data represents former members.

(2) The following jurisdictions reported ARC, APC, and/or Contribution data for Safety and
Miscellaneous plans on an aggregated basis. Disaggregated information was either not available
or the jurisdiction did not respond to requests to provide the information. The aggregated
information is provided in notes 2a through 2e:

(2a) El Monte $9,701,000

(2b) Vernon $7,405,652

(2c) Montebello $8,609,524

(2d) Arcadia $7,182,692

(2e) El Segundo $7,537,755

(2f) Downey $5,775,000

(2g) Torrance $30,280,728

(3) Sponsor contributes on behalf of employees except for those represented by IBEW who contribute their own 8%.

(4) Sponsors contributes 8% for executive, executive management and confidential bargaining
units; contributes 7% for the remaining employees.

(5) Sponsor contributes 2.75% for all new-hire sworn Police; 9% for Fire and existing Police

(6) Sponsor contributes 50% of employee's share in 1st year of employment and 100% thereafter.

(7) Sponsors contributes for employees with over 3 years of service

(8) Miscellaneous employees reimburse City for the cost of an enhanced benefit at a rate of 6.7%

(9) Effective April 8, 2010 employees must cover their own contribution. Prior to that

date, City covered
it on their behalf.

(10) The City met 100% of its ARC with the inclusion of $4,705,859 in employee contributions.

(11) The City met 100% of its ARC with the inclusion of $2,921,141 in employee contributions.

APPENDIX C.2 NOTES
PUBLIC PENSION PLANS IN LOS ANGELES COUNTY
CALPERS CITY RISK POOL PLANS

Notes
(1) Annual financial reports were not available for the following risk pool cities:
Bell, Lomita, Sierra Madre, Temple City, and South El Monte.

(2) The following jurisdictions reported ARC, APC, and/or Contribution data for Safety and Miscellaneous plans on an aggregated basis. Disaggregated information was either not available or the jurisdiction did not respond to requests to provide the information. The aggregated information is provided in notes 2a and 2b

(2a) San Fernando ARC & APC: $2,498,872

(2b) San Marino ARC: $1,574,850; APC:$1,754,980

(2c) Palos Verdes Estates: ARC & APC: $864,656

(2d) Santa Fe Springs: ARC & APC: $4,676,000

APPENDIX C.3 NOTES
PUBLIC PENSION PLANS IN LOS ANGELES COUNTY
CALPERS SPECIAL DISTRICT INDIVIDUAL PLANS

Notes

(1) Annual financial reports were not available for the following special districts:
- Housing Authority of the City of Los Angeles and
- the South Central LA Regional Center for Dev.Disabled Persons.

APPENDIX C.4 NOTES
PUBLIC PENSION PLANS IN LOS ANGELES COUNTY
CALPERS SPECIAL DISTRICT RISK POOL PLANS

Notes

(1) Annual financial report was not available for this special district.
(2) Sponsor contributes employees share for all employees
hired before 2/1/09 and in the 6th year for those hired after 2/1/09.
(3) Sponsor contributes employee's share for exempt employees only.

APPENDIX C.5 NOTES
PUBLIC PENSION PLANS IN LOS ANGELES COUNTY
INDEPENDENT PLANS

Notes

(1) LACMTA: Los Angeles County Metropolitan Transportation Authority

(2) For employees entering the Plan before June 1, 1984, contribute an amount based upon entry age percentage rate

APPENDIX C.9 NOTES
PUBLIC PENSION PLANS IN LOS ANGELES COUNTY
OPEB

Notes
(1) Table includes information only for those special districts that reported OPEB information.
No OPEB information was found for more than 60 special districts.
(2) Los Angeles County Transportation Authority (LACMTA) six plans reported aggregated information
for the following elements:
Contributions: $31,197,000
Annual Required Contributions: $86,203,000
Annual OPEB Cost: $5,339,712
Percentage of OPEB Cost Contributed: 35.7%
Net OPEB Obligation: -18,313,000

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APPENDIX D

ACRONYMS

AAL	Actuarial Accrued Liability
APC	Annual Pension Cost
ARC	Annual Required Contribution
AVA	Actuarial Value of Assets
BOI	LACERA Board of Investments
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public employees Retirement System
CERL	County Employees Retirement Law of 1937
CLA	Los Angeles Chief Legislative Analyst
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
DWP	Los Angeles Department of Water and Power
FAS	Final Average Salary
FLSA	Fair Labor Standards Act
FPRS	Pasadena Fire and Police Retirement Association
GAGAS	Generally Accepted Government Accounting Standards
GASB	Government Accounting Standards Board
GFOA	Government Finance Officers Association of the US and Canada
IRS	US Internal Revenue Service
LACERA	Los Angeles County Employees Retirement Association
LACERS	Los Angeles City Employees Retirement System
MMRP	Massachusetts Mutual Retirement Plan
MOU	Memoranda of Understanding
NPO	Net Pension Obligation
OPEB	Other Post Employment Benefits
PARS	Public Agency Retirement System
PIR	Public Information Request
POB	Pension Obligation Bonds
PVB	Present Value of Benefits
RB	LA County Replacement Benefit Plan
RHBF	Retirement Health Benefit Fund
SERS	State Employees Retirement System
SIEPR	Stanford Institute for Public Policy Research
STAR	Supplemental Targeted Adjustment for Retirees
UAAL	Unfunded Actuarial Accrued Liability
USGAO	US Government Accountability Office
WPERP	Water and Power Employees Retirement Plan

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Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

A

Accrued Liability
The total dollars needed as of the valuation date to fund all benefits earned in the past for current active and retired members.

Active Employee or Active Member
A person currently employed by a sponsoring agency.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Interest Rate
The interest rate fixed by a plan for purposes of actuarial valuations of the plan's assets and liabilities.

Actuarial Methods
Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation
The determination, as of a valuation date of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are typically performed annually or when an employer is contemplating a change to their plan provisions. Valuations are based on the benefits that have been adopted, the actuarial methods and assumptions set by the plan, and the membership and financial data for each plan. The valuations compare the assets to the accrued liability for each plan, and determine the employer contribution rate for the coming year.

Actuarial Value of Assets
The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years. This method helps to dampen large fluctuations in the employer contribution rate.

Actuary
Actuaries are intensively educated and their knowledge is used in many different fields in order to predict future events based upon past occurrences. There are health, insurance, and pension actuaries.

Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

Amortization Bases
Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.) Generally in an actuarial valuation, the separate bases consist of changes in liability (principal) due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period
The number of years required to pay off an amortization base.

Annuitant
A retiree, beneficiary, or survivor of the retiree or beneficiary receiving a benefit from a pension plan.

Annual Required Contributions (ARC)
The employer's periodic required annual contributions to a defined benefit pension plan, calculated in accordance with the plan assumptions.

Annual Pension Cost (APC)
Equivalent to a plan's Annual Required Contribution (ARC) adjusted for interest on the net pension obligation.

Annuity
A payment of a fixed sum of money issued to a benefit recipient.

B

Benefit Factor
A percentage (determined by your retirement formula and age) that is applied to your final compensation to determine your retirement benefit.

Beneficiary
A person eligible to receive a benefit after the death of a member or other benefit recipient.

Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

C

CalPERS
The California Public Employees' Retirement System.

Comprehensive Annual Financial Report (CAFR)
The set of audited financial statements required to be produced by public entities on an annual basis.

Cost of Living Adjustment (COLA)
The cost of living adjustment that a plan may provide to a member's benefit payment in retirement, typically based on an indicator of inflation such as the federal Consumer Price Index.

Contracting Agency
In relation to CalPERS, a contracting agency is a public agency, school district, special district, or county that contracts with CalPERS for retirement or health benefits.

D

Defined Benefit Plan
A pension plan in which benefits are based on a set formula, using years of service, age at retirement, and an average salary factor. This differs from a defined contribution plan in which benefits are determined not by a formula but solely by the amount of contributions to an account plus interest earnings.

Defined Contribution Plan
A type of savings plan that allows participants to make pre-tax contributions that accumulate tax-free. Contributions, plus any earnings, are not subject to State or federal taxes until withdrawn, in most cases after retirement. The amount paid is determined by the amount of contributions made and the rate of return on the investments chosen.

E

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is the same as the date of hire. (The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member is at hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Entry Age Normal Cost Method
An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level % of payroll).

Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

Employee Retirement Income Security Act (ERISA)
The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for pension plans in private industry. For example, if an employer maintains a pension plan, ERISA specifies when you must be allowed to become a participant, how long you have to work before you have a non-forfeitable interest in your pension, how long you can be away from your job before it might affect your benefits, and whether your spouse has a right to part of your pension in the event of your death. Most of the provisions of ERISA are effective for plan years beginning or after January 1, 1975.

F

Final Compensation
The factor used as part of a formula, in conjunction with age at retirement and years of service, to determine benefits for pensioners. Final compensation is typically the employee's average salary for a specific period of time and varies by plan.

Funded Status or Funded Ratio
A measure of how well funded a plan or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. A funded ratio calculated by dividing the actuarial value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

G

Governmental Accounting Standards Board (GASB)
The mission of the Governmental Accounting Standards Board is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

I

Inactive Member
A member not currently working for a covered employer, but who has member contributions on account.

Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

M

Member
An employee who qualifies for membership in a plan and whose employer has become obligated to pay contributions into a retirement fund. May also describe retirees, survivors, beneficiaries, or anyone receiving a benefit.

N

Normal Cost
The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long term contribution rate.

P

Pension Actuary
A person who is responsible for the calculations necessary to properly fund a pension plan.

Pension Spiking (From Wikipedia):
Pension spiking is the process whereby public sector employees grant themselves large raises or otherwise artificially inflate their compensation in the years immediately preceding retirement in order to receive larger pensions than they otherwise would be entitled to receive. This inflates the pension payments to the retirees and, upon retirement of the "spikee", transfers the burden of making payments from the employee's employer to a public pension fund. This practice is considered a significant contributor to the high cost of public sector pensions. Several states including Illinois have passed laws making it more difficult for employees to spike their pensions. Pension spiking is largely seen in public sector and is an example of the principal-agent problem. In the classic principal-agent problem, a principal hires an agent to work on his behalf. The agent then seeks to maximize his own well being within the confines of the engagement laid out by the principal. The agent, or bureaucrat in this instance, has superior information and is able to maximize his benefit at the cost of the principal. In other words, there is asymmetric information.

In the case of pension spiking the general public (the principal) elects officials to hire the bureaucrat who then hires the public servants, who are the ultimate agents of the general public. Thus, the principal is three steps removed from the bureaucrat. In the case of pension spiking, the public has allowed a pension system to be created which is based on the compensation in the last year of service and delegated the setting of this cost to the bureaucrat. The bureaucrat, who will often himself or herself benefit from a spiked pension or the same laws permitting pension spiking, fails to stop the practice, a clear conflict of interest.

Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

PERS
The Public Employees' Retirement System, another acronym sometimes used in place of CalPERS (California Public Employees' Retirement System).

Present Value of Benefits
The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.

R

Reciprocal Agreement
An agreement between two public retirement systems on coordination of benefits.

Retired Member
A member currently receiving a benefit from a plan. Also known as an annuitant, which can be a retiree, beneficiary, or survivor who is receiving a benefit.

Risk Pooling
Risk pooling is the process of combining assets and liabilities across employers to produce large risk sharing pools.

Rolling Amortization Period
An amortization period that remains the same each year, or does not decline.

S

Side Fund (CalPERS only)
For CalPERS plans that participate in risk pooling, the plan’s side fund accounts for the difference between the funded status of the member plan and the risk pool at entry into the risk pool. A positive side fund causes the required employer contribution rate to be reduced and a negative side fund causes the required employer contribution rate to be increased.

Service Credit
An employee’s credited years of employment with an employer. This amount of service is typically used as part of the formula to determine a member’s retirement benefits.

Superfunded
A term used by CalPERS to describe a condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Survivor
A dependent eligible to receive a benefit upon a member's death.

Appendix E
Glossary of Public Pension Terms
(Adapted from the CalPERS Glossary)

T

Tier

A level of benefits provided to a certain group of members that differs from the level of benefits provided to other groups of members. Typically, members are divided into tiers based on date of entry into the given retirement system.

U

Unfunded Liability
A plan or risk pool with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule. A plan or risk pool with an actuarial value of assets in excess of the accrued liability is said to have excess assets (or is overfunded) and can temporarily reduce future contributions.

V

Valuation
See Actuarial Valuation.

Vested or Vesting
The right to specified benefits granted to eligible employees after a fixed period of employment and membership.

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AREAS OF REVIEW REPORTS

LOS ANGELES POLICE DEPARTMENT
911 RESPONSE CENTERS
ARE WE EMERGENCY SAFE?

Committee Members

Chairperson: Kenneth A. Jones
Mitchell Group
Judy Packer

LOS ANGELES POLICE DEPARTMENT
911 RESPONSE CENTERS

ARE WE EMERGENCY SAFE?

SUMMARY

The “sick out” in June of 2010 did not result in a negative impact on 911 response service. Administrative personnel of the Los Angeles Police Department (LAPD) 911 Centers were assigned, as needed, to replace the absent Police Service Representatives (PSRs). The number of absent/ill PSR employees was reported to be fifty-nine (59). No “new hire” training classes were conducted in 2010. Due to the hiring freeze in the City of Los Angeles, thirty-seven (37) PSR positions currently open cannot be filled at this time.

PURPOSE

The 2010-2011 Civil Grand Jury (CGJ) assessed the impact of the Emergency Response Center (ERC) facility as it related to the June 2010 “sick out” of fifty-nine (59) PSRs.

This Report has been formulated to present findings regarding the function of the 911 emergency facilities, staffing and overall responsibilities.

BACKGROUND

The Los Angeles LAPD 911 ERC facilities provide a means for Los Angeles citizens to phone call centers to request assistance in emergency situations. Citizens are able to communicate with 911 facilities 24 hours a day, 7 days a week.

To serve the emergency needs of citizens, the City of Los Angeles established two (2) 911 ERCs. One ERC is located in downtown Los Angeles and is administered by the LAPD. The other is a replica located in the San Fernando Valley. Each ERC is staffed by PSRs from the Communications Division of the LAPD. Upon receiving a 911 call, a PSR responds to the needs of callers with referral to appropriate emergency agencies within Los Angeles County. Adequate ERC staffing is critical to promptly respond to emergency situations.

METHODS AND PROCEDURES

1. The CGJ visited the facility located on North Los Angeles Street on two (2) occasions.
2. Interviews were held with LAPD 911 administrative officials and public relations tour guides.
3. The Los Angeles Times article, “Sick Out at 911” (June, 2010), was reviewed by the CGJ.

FINDINGS

1. The LAPD Communications Division (Division) is comprised of five hundred eighty-three (583) PSRs, police officers and administrative personnel who are assigned to the two (2) ERC facilities, as well as various police stations and specialized divisions throughout the City of Los Angeles. The personnel allocation for the Division is 617. Because of the current hiring freeze and the budget constraints, the Division is limited to 583 employees. The current vacancies will be filled when budgetary limitations are withdrawn.

2. There are five (5) work shifts in place providing 24/7 coverage.

3. The number of PSRs per shift varies and functions with approximately seventy-five (75) personnel.

4. The majority of PSRs are members of the American Federation of State, County and Municipal Employees (AFSCME) union: 80% are female and 20% are male. Only thirty (30) PSRs are not members of AFSCME.

5. The starting salary for a PSR is $52,000 per year, advancing to approximately $70,000 per year, with a two-week starting vacation allowance.

6. Three (3) million calls are received per year, while 2.1 million are legitimate emergency calls.

7. LAPD is confident that work disruptions can be managed by administrative staff, as well as by combining available Division radio frequencies to consolidate all incoming emergency calls.

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

UPDATE ON THE HALL OF JUSTICE REPAIR AND REUSE PROJECT

Committee Members

Chairperson: Meg George
George A. Lyles
Susan Stetson

UPDATE ON THE HALL OF JUSTICE REPAIR AND REUSE PROJECT

SUMMARY

The Hall of Justice Repair and Reuse Project is a well planned, cost effective, preservation and environmentally focused project that will enhance downtown Los Angeles and return a landmark building to beneficial use.

PURPOSE

A field trip to tour the Hall of Justice was arranged to see what had transpired since the 2005-2006 Civil Grand Jury (CGJ) investigation. The 2005-2006 CGJ Report found that the red tagging was probably in error and that Federal Emergency Management Administration (FEMA) monies sixteen million dollars ($16,000,000) were about to be lost due to FEMA red tape non-compliance.

The 2010-2011 Civil Grand Jury (CGJ) wanted to assess:

1. The current status of the renovation of the Hall of Justice
2. Whether further investigation of the project was warranted

BACKGROUND

The Hall of Justice, located at 211 West Temple Street, was built in 1925 and is classified as a Historic Building. In the early years of Los Angeles justice, it housed the jail, the court house, and the Sheriff's department under one roof. Such infamous convicts as Sirhan Sirhan and Charles Manson were housed there. The Hall of Justice was red tagged and evacuated following the Northridge Earthquake in January 1994.

In September 2010, Los Angeles County Department of Public Works (DPW) issued a Request for Proposal (RFP) for additional phases of the Hall of Justice Repair and Reuse Project. That same month the CGJ scheduled a tour of the Hall of Justice.

METHODS AND PROCEDURES

During the CGJ tour of the Hall of Justice in September 2010, we interviewed two knowledgeable Los Angeles County staff: one from the Budget and Facilities Management Division of the Chief Executive Office and the other from the Project Management Division of the Department of Public Works. The tour highlighted the preservation measures, the old jails and their footprints, and the renovation plans. The tour lasted about one and one-half hours and took us from the basement to the rooftop.

FINDINGS

In relation to the 2005-2006 CGJ Report findings:

1. *The red tagging was in error*. DPW staff explained that in hindsight the red tag may have been overly conservative. However, at the time, the amount of masonry rubble caused by the earthquake made it difficult to see the structural integrity of the building; hence, they erred on the side of caution and chose to red tag it. Following the debris removal (Phase I completed in May 2005) it appeared a yellow tag might have been feasible.

2. *FEMA monies (16 million) were about to be lost in 2006 due to FEMA red tape non-compliance*. DPW and County staff verified that the FEMA monies were lost to the project because it was not in the project's best long term interest to meet the unreasonable and untenable demands of FEMA in the time frame allowed by FEMA. However, they pointed out that with the intervening burst of the real estate bubble and decline in economy, the project is much more cost effective now than it was in 2005-2006.

The Hall of Justice Repair And Reuse Project (the Project) has been divided into eight (I through VIII) phases:

PHASE		PROJECT ACTIVITY	SCHEDULED COMPLETION
Phase I		Debris Removal	5/21/05*
Phase II		Interior Demolition Design	4/4/05*
Phase III		Interior Demolition	6/11/07*
Phase IV		Rehabilitation Design	
		Retrofit Design	1/1/08*
		Rehabilitation Design	TBD
		Recommendations for Phases V, VI, VII	5/11/10*
Phase V		Bidding Rehabilitation Work (RFP)	9/30/10
Phase VI		Rehabilitation and Construction	TBD
Phase VII		Tenant Improvements	TBD
Phase VIII		Movein/StartUp/Close Out	2/7/14

*actual completion date

In September 2010, the Project was in Phase V, the bidding phase. The bidding allows for either design-build (financed by bonds) or developer-driven lease/lease-back delivery. A sound financial grounding for the renovation and restoration Project is evidenced by the calculation that cost savings, resulting from reuse of the Hall of Justice for Sheriff, District Attorney, Public Defender and Alternate Public Defender offices, will fund the bond payoff or lease-back financing. A new five-tier parking structure (three tiers underground and two tiers above ground), will be located adjacent to the Hall of Justice.

Some of the renovation design goals are:

- Meeting current seismic requirements
- Achieving a minimum of a Silver LEEDS[1] rating (or perhaps higher) and
- Inclusion of a museum while preserving the historic feel of the structure

The only remaining jail cells will be part of the museum. Previously, the jails occupied the top four floors. The renovation will take the top four floors and combine them into two top floors of office space, but the windows will be left in their current locations to maintain the historic look of the building from the outside.

The return to use of the renovated Hall of Justice, with its grand hall/stairs and chandelier-lit Main Loggia in 2014 will be a welcome event. There are three street-level ingresses to Hall of Justice: one via an ascending staircase, a second via a descending staircase, and the third along a gentle slope, dependant upon which of the three street entrances you use (Broadway, Temple, or Spring). An abundance of natural light enters the Hall of Justice through the “figure eight” design and spectacular windows. When it reopens, public tours of the Hall of Justice will be free.

RECOMMENDATIONS

None

REQUEST FOR RESPONSES

None

REFERENCES

2005-2006 Civil Grand Jury Report

Department of Public Works: Hall of Justice Repair and Reuse Project Award Supplemental Agreements Capital Project No. 86630; Specs. 6649, City of Los Angeles, (First District); May 11, 2010 Los Angeles County Board of Supervisors Meeting Minutes

Los Angeles County Department of Public Works *Welcomes You to Hall of Justice Repair and Reuse Project Part A Pre-Submittal Conference*; Power Point Presentation, 2010.

[1] LEED is an internationally recognized green building certification system. Developed by the U.S. Green Building Council (USGBC), LEED provides building owners and operators a concise framework for identifying and implementing practical and measurable green building design, construction, operations, and maintenance solutions.

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LOS ANGELES MAYOR'S STAFF SIZE

Committee Members

Chairperson: Mitchell Group
Grace Hernandez
Linda Loding
George A. Lyles

LOS ANGELES MAYOR'S STAFF SIZE

SUMMARY

The 2010- 2011 Los Angeles Civil Grand Jury (CGJ) found that the current Los Angeles Mayor's staff grew dramatically in recent years. The Committee investigated the increase through interviews and review of related documents. Based on this research, it was determined that the staff growth appeared reasonable.

PURPOSE

Investigate the underlying cause for the change in the size of the current Los Angeles Mayor's staff from previous Mayors' staffs.

BACKGROUND

The Los Angeles Mayor is the Chief Executive Officer for the City of Los Angeles. Based on population, Los Angeles is the second largest city in the United States. The Mayor currently has a staff of approximately two hundred (200) personnel. This is approximately seventy (70) more than either of the two previous Mayors. In addition, the Mayor of New York, a city much larger than Los Angeles, has a staff of over four hundred (400) personnel.

METHODS AND PROCEDURES

The Committee met with the Mayor's Chief of Staff and reviewed supporting documents:

- Mayor's Office organization chart
- Staff roster
- Media reports

Additionally, the Committee met with various L. A. City Council members and representatives of the City Controller's office.

FINDINGS

1. As of October 29, 2010, the current mayor has a staff of one-hundred-ninety (190) personnel. Listed below are staff sizes for the preceding mayors:

    a. Riord 114

    b. Hahn 121

2. The current staff is composed of the following positions:

Job title	No. of Staff
Mayor	1
Mayor's Chief of Staff	1
Chief Legislative Rep	1
Legislative Rep	1
Chief Admin. Asst. to Mayor	1
Deputy Mayor	12
Mayoral Aide I	26
Mayoral Aide II	13
Mayoral Aide III	5
Mayoral Aide VI	7
Mayoral Aide V	56
Mayoral Aide VI	22
Mayoral Aide VII	17
Mayoral Aide VIII	22
Student Prof Worker	5
Total	190

3. According to the Mayor's Chief of Staff's office, included in the mayoral aides listed above are eight (8) media deputies.

4. The Mayor has the following fourteen (14) department/functions reporting to him through his Chief of Staff:

    a. Budget & Finance
    b. Communications
    c. Environmental Affairs
    d. Education
    e. Gang Reduction and Youth Development
    f. Homeland Security and Public Safety
    g. Legislative and Intergovernmental Relations
    h. Neighborhoods and Community Services
    i. Office Administration
    j. Performance Management
    k. Scheduling
    l. Senior Advisor
    m. Strategic Partnerships
    n. Transportation

5. The one-hundred-ninety (190) members of the current Mayor's staff represents a 57% increase over his predecessor's staff of one-hundred-twenty-one (121). Given the precarious state of the City's finances, an expansion of the Mayor's personal staff on this level may be ill advised.

    Based on information supplied by the Mayor's Chief of Staff, the Committee determined that, though the numbers are correct, the additional staff results from a combination of federally funded programs and the consolidation of previous, separate City departments.

The additional staff members in the Mayor's office are as follows:

a. 28 members of the Gang Reduction and Youth Development (GRYD) which was consolidated in the Mayor's office
b. 24 personnel from Homeland Security and Public Safety manage the $400 million county-wide federal security grant
c. 8 staff funded by the Minority Business Office
d. 1 individual from Environmental Affairs

This accounts for sixty-one (61) of the additional sixty-nine (69) employees added to the Mayor's staff. The other eight (8) additions are media deputies.

6. The Committee finds that eight (8) media deputies working on communications appears to be excessive. The Mayor is a public servant, not a media personality.

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

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LOS ANGELES PUBLIC LIBRARIES

Committee Members

Chairperson: Virginia Smith-Rader
Hazel A. Dial
Kenneth A. Jones
John A. Rangel
Max E. Van Doren

LOS ANGELES PUBLIC LIBRARIES

SUMMARY

A proposed amendment to the City of Los Angeles Charter, as approved by the Los Angeles City Council, will be voted upon March 2011. If passed by the Los Angeles electorate, adequate funding will enable the Los Angeles City Library System to restore days of operation, hours and staff that were severely reduced due to the City's financial cut-back crisis. In addition, library services will be protected and maintained, such as after-school and summer youth programs, adult literacy programs, and services for seniors and the blind.

NOTE: As this investigation was underway, Charter Amendment Measure L was passed by the City of Los Angeles electorate March 8, 2011.

PURPOSE

Ascertain whether there is a way to restore the hours that city libraries are open from seven-and-a-half (7.5) hours daily to ten (10) hours daily and eliminate the closure of the Central and Regional libraries Sundays and Mondays, as well as all libraries on Mondays. The Los Angeles City Library System serves the largest population of any U. S. city.

BACKGROUND

Due to budgetary constraints, the library system is being required to reimburse the City General Fund for utility and other services provided to the system, as well as the cost of medical, dental and pension benefits received by the library staff. The total cost will amount to approximately twenty-two million dollars ($22,000,000.00) for fiscal year 2010-2011. There has been approximately a thirty percent (30%) reduction in library staff, which resulted in the reduction of hours libraries are open to the public.

METHODS AND PROCEDURES

Interviewed:

- Los Angeles Public Library Executive Management
- Executive Administration, Los Angeles Mayor's Office

Reviewed:

- L. A. Weekly Article – September 17-23, 2010
- L. A. Times Article – October 25, 2010
- L. A. Weekly Article – L. A. Comment
- L. A. Times Hector Tobar Article – September 24, 2010
- Wall Street Journal Article – October 25, 2010
- L. A. Public Library – Strategic Plan 2007-2010 Summary
- Comparative Statistics of Top U. S. Libraries – 2008-2009 Statistics

- L. A. Charter Section 531 re Appropriations to Library Fund
- Library Department Budget Comparison 2007-2011
- Chart of Library Related Costs
- Excerpts from 2010-2011 L. A. City Budget
- Internal Library Fact Sheet of November 5, 2010 re Upcoming Ballot Measure by Peter Persic, Library Public Relations & Marketing Director
- Ballot Measure Information Sheet "City Council Considering Ballot Measure to Restore Library Funding and Services" – November 4, 2010

FINDINGS

The Charter Amendment, Measure L, will increase the percentage of funds from property tax assessments allocated to Los Angeles City's Library System from 0.175% to 0.3% with the expectation of providing sufficient funds to restore operating hours for all city libraries, return staffing to normal levels and will result in no new taxes to the taxpayers of Los Angeles.

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

STANDING COMMITTEE REPORTS

AUDIT

Committee Members

Chairperson - Brian J. Twomey
Co-Chairperson: Meg George
Beverly T. Kishimoto
Susan Stetson
Max E. Van Doren

AUDIT COMMITTEE

SUMMARY

The 2010-2011 Civil Grand Jury (CGJ) engaged three (3) audit/consulting firms to assist with five (5) investigations: Pension Funds, City of Los Angeles Department of Water and Power, Transition Age Youth, Port of Los Angeles, and collection of self-pay accounts at the Department of Health Services Los Angeles County medical centers.

PURPOSE

The Audit Committee (AC) is charged with selecting the consulting or auditing organizations from which the CGJ may select firms to asst with its investigations of the fiscal and operational performance of Los Angeles County government and other local public entities. The Committee also monitors contract negotiation, audit progress and approves all invoices. Its functions are:

1. To hold initial interviews identifying qualified audit firms for consideration, as needed, to support investigations

2. To advise and assist each investigative committee that requests an audit firm in the preparation of project objectives and requests for proposal

3. To assist investigative committees by recommending, arranging, and participating in interviews with audit firms best suited for a particular investigation

4. To assist the investigative committees in reviewing and approving submitted proposals and selecting the firm chosen for their investigation

5. To assist the investigative committees in the process of obtaining contract approval by the CGJ, the County Counsel, and the Supervising Judge

6. To assist the investigative committees in monitoring the audit firms progress in executing project plans, and resolving problems in achieving correct and complete project results

7. To monitor and approve billings ensuring contract payments are consistent with project progress

8. To make recommendations for changes to the AC section of the CGJ Administrative Manual as appropriate

BACKGROUND

Under California Penal Code §§ 925, 925(a), 926, 933.1 and 933.5, the CGJ is empowered to investigate local government agencies within Los Angeles County. Funding is provided by the Board of Supervisors.

METHODS AND PROCEDURES

The Audit Committee selected a group of firms to recommend to the CGJ. The AC selected this group of firms from the extensive list of auditors on the Los Angeles County Auditor-Controller's Master Agreement list of pre-approved auditors and consultants.

The AC made arrangements to meet at the Auditor-Controller's office to review their list of pre-approved auditors and reports, which included evaluations of each firm's work. There were two (2) evaluations for each firm: one from the office of the County Auditor-Controller and one from the audited department. The AC looked for excellent reviews and prior work experience with previous Grand Juries or public entities to make its selection of recommended firms. Based upon these reviews, the 2010-2011 AC identified seven (7) firms as potential candidates. Further AC review eliminated two (2) of those seven (7). The AC invited the remaining five (5) to present their qualifications and experience.

The CGJ selected six (6) investigative topics that required expert assistance. An invitation to make a general presentation to the AC and investigative committees was extended to four (4) vendors. Some vendors assisted in refining the project scope on three (3) investigations. Following the presentations, select vendors were invited to respond to a Request for Proposal (RFP) for each investigation. The AC and investigative committees reviewed all proposals submitted and recommended firms for CGJ approval. All contracts must be approved by a Los Angeles County Superior Court Judge.

From the list of five (5) firms the investigative committees selected the three (3) firms they felt were best qualified to conduct their investigation. An AC liaison was then assigned as a resource to each investigative committee to monitor project progress per the contract.

FINDINGS

None

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

CITIZEN COMPLAINTS COMMITTEE

Committee Members

Chairperson - Mitchell Group
James R. Boyd
George E. Candler, Jr.
Kenneth A. Jones
George A. Lyles
Wardah Shakir
Gloria J. Williams

CITIZEN COMPLAINTS COMMITTEE

SUMMARY

State Law mandates that the Los Angeles County Civil Grand Jury (CGJ) establish a Citizen Complaints Committee (CCC) to provide an avenue for complaints submitted by its citizens. This Report addresses the 2010-2011 CGJ procedures and policies to ensure that effective responses are made to complaints filed by citizens of the County.

PURPOSE

The 2010-2011 CCC is a Standing Committee as mandated by State Law with the primary function of providing unbiased and independent evaluation of complaints submitted by Los Angeles citizens. The CGJ jurisdiction does not include reviews of judicial performance, court actions, pending litigation, Federal or State functions, or out-of-State matters and is not permitted to assist citizens in their separate court cases. The CGJ has jurisdiction to:

1. Consider evidence of misconduct by public officials within the County
2. Inquire into the condition and management of jails within the County
3. Investigate and report on functions, accounts and records of L.A. County departments and L.A. City offices, including special districts as designated by State law

BACKGROUND

Every citizen of Los Angeles County has the right to bring their concerns to the CGJ.

The CGJ is tasked with giving voice to all citizens needing advocates.

Filing a Complaint or Request for Investigation

Any citizen may file a complaint with the CGJ. The complaint must be in writing and is confidential. Any request for an investigation must include detailed evidence supporting the complaint. If the CCC determines that investigation is warranted, a CGJ inquiry may be conducted. The complaints may be submitted via letter or on a Citizen Complaint Form (see Attachment). Each complaint is acknowledged by mail. It is essential that the following information be submitted to the CGJ as part of the evaluation process:

1. Governmental agency is the subject of the complaint
2. Exact nature or substance of the complaint
3. Improper or illegal action or conduct
4. Action, conduct or incident occurrence
5. Response or remedy being sought
6. Documents relevant to the complaint included

METHODS AND PROCEDURES

1. The CCC Chairperson receives a complaint and assigns a log-in number, along with receipt date.

2. The Chairperson then assigns the complaint to a Committee Member (CM), along with an analysis, commentary and a recommendations worksheet.

3. The CM reviews and analyzes comments and enters recommendations on the worksheet.

4. The CCC reviews the worksheets prior to voting on the appropriate recommendations.

5. The CCC evaluates each individual complaint and provides recommendations to the CGJ as follows:

    a. No action be taken

    b. No CGJ jurisdiction

    c. A referral letter is sent to the complainant recommending the appropriate agency or individual to conduct further investigation.

    d. If a full investigation is warranted, the complaint is referred to the CGJ.

FINDINGS

The CGJ reviewed sixty-nine (69) citizen complaints. This number does not include multiple communications, updates or additional information received to supplement the original complaint.

Sixty-nine (69) complaints were received by the 2010-2011 CCC. One full investigation was conducted. The subject was related to the filing of a complaint to the 2009-2010 CGJ. The citizen alleges to have been subjected to retaliation, harassment and intimidation since his 2009-2010 CGJ filing. The 2010-2011 Report contains the results of the inquiry/investigation of these actions by the City of Long Beach, “A Whistleblowers Complaint.”

Additionally, one citizen complaint regarding the L.A. District Attorney’s office was referred to the State Attorney General’s Office for a full investigation.

COMPLAINT CATEGORIES	NUMBER OF COMPLAINTS
Law enforcement falsified/wrongful arrest, conviction, testimony, accusation and reports	13
Traffic citations and ordinances	2
State/Federal, court, judges, employees	13
Senior fraud/abuse	2
LAPD, Sheriff abuse and assault	2
Property (real estate and personal)	6
Medical	7
Workplace abuse (Whistleblower)	3
Malfeasance, nonfeasance or corruption	6
Miscellaneous	15
TOTAL	**69**
DISPOSITION ACTIONS BY CIVIL GRAND JURY	
No jurisdiction	33
No action taken	19
Referred for further investigation	17
TOTAL	**69**

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

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CONTINUITY COMMITTEE

Committee Members

Chairperson - Solomon Hailpern
Grace Hernandez
Linda Loding
Brian J. Twomey
Virginia Smith-Rader

CONTINUITY COMMITTEE

SUMMARY

The function of the Continuity Committee (Committee) is primarily archival and then organizational; i.e., maintaining legally mandated records and passing them on to the succeeding Los Angeles County Civil Grand Jury (CGJ) in an orderly library and filing system. The Committee also pursues the fulfillment of the legally mandated obligation of County agencies to respond to CGJ Reports. The Committee is charged with building upon the work of previous CGJ Committees.

PURPOSE

The Committee serves as a bridge connecting the work of all prior, current and future CGJs. A new CGJ is impaneled on July 1st of each year. This Committee is essential as it maintains the record keeping overlap with the previous year's CGJ.

California Penal Code (CPC) §933 mandates that each CGJ maintains at least a five-year record of previous CGJ Reports and at least a five-year record of responses by public agencies to the recommendations of the Reports.

In addition to the above mandates, the Committee has the responsibility to follow up and ensure that public agencies fulfill their legal obligations under CPC §933 (c) by responding in a timely manner to recommendations in the prior year's CGJ Report.

The Committee also organizes and disseminates information from prior years' CGJs to facilitate investigative and reporting efforts of the current CGJ.

BACKGROUND

Previous CGJ Reports, responses and files often were discarded, deleted or lost. In recent years, improvement in the sharing of information between successive CGJs has been noted. The following practices have been undertaken and enhanced, where feasible, by each Committee:

1. Building and maintaining a library of at least five (5) prior years' CGJ Reports, reference books, current directories of Los Angeles County and its cities

2. Updating the Continuity Recommendations and Responses Notebook containing responses to previous years' CGJ Reports

3. Organizing and maintaining a filing system to be made available to successive CGJs

4. Creating and maintaining a computer-based filing system for transferring electronic files to succeeding CGJs

5. Updating the website containing electronic copies of CGJ Reports and responses from County departments, agencies and other governmental entities

6. Maintaining a list of acronyms used by governmental agencies

METHODS AND PROCEDURES

The 2010-2011 CGJ Committee performed the following:

1. Reviewed responses to recommendations made in the 2008-2009 CGJ Final Report and identified non-responders. The 2009-2010 CGJ Committee did not contain this follow-up information
2. Reviewed responses to recommendations made by the 2009-2010 CGJ Final Report and indentified non-responders
3. Filed a copy of all 2008-2009 and 2009-2010 responses in the Continuity Recommendations and Responses Notebook
4. Called government entities that had not responded to CGJ recommendations and informed them of this mandated requirement of Penal Code §933
5. The 2008-2009 CGJ Committee created a system to aid in tracking responses due and those actually made. This process was continued with the Reports of 2008-2009 and 2009-2010
6. Employed the tracking system, listing findings and recommendations from this CGJ Report, so that copies of the Report may be served to investigate agencies in a timely manner. A copy of this tracking system has been left for the 2011-2012 CGJ for their use in tracking responses from this Report.
7. Cataloged, organized and updated resource documents to facilitate easy research access
8. Created an acronym list identifying the agencies investigated by the CGJ from 2003 through 2011[1]
9. Archived appropriate documents as needed

The tables at the end of this Report contain responses from public agencies investigated by the 2008 -2009 and 2009-2010 CGJs.

FINDINGS

None

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

[1] See Acronym Notebook in CGJ Library

GLOSSARY OF ABBREVIATIONS

AUD/CONT	Los Angeles County Auditor-Controller
BOS	Los Angeles County Board of Supervisors
BWPC	Board of Water and Power Commissioners-City of Los Angeles
CCJCC	Countywide Criminal Justice Coordination Committee
CEO	Chief Executive Officer – County of Los Angeles
CIO	Chief Information Officer
CLADPR	City of Los Angeles Department of Parks and Recreation
COPS	Countywide Community Oriented Policing Team
DA	District Attorney –County of Los Angeles
DCEO	Deputy Chief Executive Officer
DCFS	Department of Child and Family Services
DCSS	Department of Community and Senior Services
DHS	Department of Health Services
DMH	Department of Mental Health
DOH	Department of Occupational Health and Safety
DPH	Department of Public Health
DOP	Department of Probation
GLAC-IRWM	Greater Los Angeles County Integrated Water Management Group
GRYD	Gang Reduction and Youth Development
GWP	Glendale Water and Power
INGPD	Inglewood Police Department
IRCC	Independent Regional Coordinating Commission
LABOS	Los Angeles County Board of Supervisors
LACDBS	Los Angeles City Department of Building and Safety
LACDPR	Los Angeles County Parks and Recreation
LACDPW	Los Angeles County Department of Public Works
LACGJ	Los Angeles Civil Grand Jury
LACOE	Los Angeles County Office of Education
LACP	Los Angeles City Department of Personal
LACPD	Los Angeles County Public Defender
LACWD	Los Angeles County Water District
LAC+USC	Los Angeles County/University of Southern California Medical Center
LACDBS	Los Angeles Department of Building and Safety

LB	City of Long Beach
LBWD	Long Beach Water Department
LADWP	Los Angeles Department of Water and Power
LAM	Mayor of Los Angeles
LAPD	Los Angeles Police Department
LASD	Los Angeles Sheriff Department
LAUSD	Los Angeles Unified School District
MLA	Mayor of Los Angeles City
MWD	Metropolitan Water District
NA	Not Applicable
OAC	Office of Auditor Controller-Los Angeles County
OPG	Office of Public Guardian-Los Angeles County
OSP	Office of Safety Police-Los Angeles County
PIO	Public Information Officer
PROB	Probation Department
PS	Palmdale Sheriff
PWD	Pasadena Water and Power
REG/VOT	Los Angeles County Registrar of Voters
SFPWW	San Fernando Public Water Works
SMWD	City of Santa Monica Water Department

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Table 1
Responses to the 2008-2009 Grand Jury Report

Report Title	Agency	Recommendations	Responses							
		Number	Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Did Not Respond	Referred To
YOUTH EMPLOYMENT PROGRAMS	BOS	1.1.	X			X				
		1.2	X				X			
	CEO	1.3	X			X				
	BOS	2.1.1	X			X				
		2.1.2	X							DCSS
		2.1.3	X		X					
		2,2,2	X		X					
		2.2.3	X			X				
		3.1.1	X			X				
	DCFS	3.1.2	X				X			
		3.1.3	X				X			
	CPO	3.2.1	X				X			
		3.2.2	X			X				
	DCFS	3.3	X			X				
	BOS	4.1	X				X			
		4.2	X			X				
HUB CLINICS	DHS	2.1	X			X				
		2.2	X			X				
		2.3	X		X					
	DCFS	3.1	X			X				
		3.2	X			X				
	DHS	3.2	X			X				
		3.3.1	X			X				
		3.3.2	X			X				
	DCFS	3.4	X			X				
	DHS	4.1								MACC
		4.2	X		X					
	DCFS	4.2	X		X					
		4.3.1	X					X		
		4.3.2						X		

Table 1
Responses to the 2008-2009 Grand Jury Report

Report Title	Agency	Recommendations	Responses							
		Number	Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Did Not Respond	Referred To
HUB CLINICS (CONT'D)		4.3.3					X			
		4.3.4	X			X				
		4.4	X		X					
		5.1.1						X		
		5.1.2						X		
		5.2	X			X				
		5.3.1	X			X				
	DHS	5.4	X		X					
		6.1.1	X		X					
		6.1.2	X		X					
REDUCING YOUTH GANGS	BOS	1.1.1	X			X				
		1.1.2	X			X				
	IRCC	1.2	X			X				
	LAM	1.3							X	
		1.4.1							X	
		1.4.2							X	
		1.4.3							X	
		1.5							X	
	LAUSD	2.1.1	X					X		
	LAM	2.1.1							X	
		2.1.2							X	
	GRYD	2.2.1							X	
	LAUSD	2.3.1	X					X		
		2.3.2	X					X		
		2.4	X					X		
LAUSD DROP OUT AND GRADUATION RATE	LAUSD	1.1	X					X		
	BOS	1.2	X			X				
	LAUSD	2.1	X		X					
		2.2	X		X					
		2.3						X		

Table 1
Responses to the 2008-2009 Grand Jury Report

Report Title	Agency	Recommendations	Responses							
		Number	Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Did Not Respond	Referred To
LAUSD DROP OUT AND GRADUATION RATE (CONT'D)		3.1						X		
		3.2						X		
		3.3						X		
ARTS EDUCATION AT LAUSD	LAUSD	3.2.1	X						X	
		3.2.2	X						X	
		3.2.3		X				X		
YOUTH HEALTH INFORMATION SHARING	DCFS	2.1				X				
	DHS	2.1				X				
	CEO	2.2	X			X				
	CEO	3.2	X			X				
		3.4	X			X				
		3.5	X			X				
		4.1	X			X				
	CIO	4.1	X				X			
	DCFS	6.1	X		X					
	DHS	6.1	X		X					
	DMH	6.1	X		X					
	DPH	6.1	X		X					
	CEO	7.1.1	X			X				
		7.2	X				X			
	DHS	8.1	X		X					
	DMH	8.1	X		X					
	PROB	8.1	X		X					
	CEO	8.2	X			X				
	BOS	8.2	X			X				
	DHS	8.3	X			X				
	BOS	8.4								
	CEO	8.4								
	DHS	9.1	X			X				

Table 1
Responses to the 2008-2009 Grand Jury Report

Report Title	Agency	Recommendations	Responses							
		Number	Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Did Not Respond	Referred To
DISASTER PREPAREDNESS IN YOUTH CAMPS	DCFS	1	X							CCLD
	CPO	2	X			X				
		3	X		X					
		4	X		X					
		5	X		X					
		6	X			X				
	AUD/	7	X				X			
	CONT									
EXTENDING FOSTER CARE FROM AGE 18-21	BOS	4.1	X				X			
	DCFS	5.0.1	X			X				
		5.0.4	X				X			
THE SENIOR TSUNAMI AND ELDER ABUSE	DCSS	1.1	X		X					
		1.2	X					X		
		1.3	X		X					
		2.1.1	X		X					
		2.1.2	X			X				
	CEO	2.2	X			X				
	PIO	2.3	X			X				
	DA	2.4	X		X					
		2.5	X		X					
	DCFS	3.1	X		X					
		3.2	X			X				
		3.3.1	X		X					
		3.3.2	X			X				
		3.4	X		X					
		4.1	X			X				
		4.2.1	X		X					
		4.2.2	X			X				
		4.2.3	X					X		
		4.2.4	X		X					

Table 1
Responses to the 2008-2009 Grand Jury Report

Report Title	Agency	Recommendations	Responses							
		Number	Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Did Not Respond	Referred To
THE SENIOR TSUNAMI AND ELDER ABUSE (CONT'D)		4.2.5	X					X		
		5.1	X		X					
	DHS	5.1	X		X					
		5.2	X		X					
	LAC+USC	5.3	X		X					
	DCFS	5.4.1	X			X				
		5.4.1	X			X				
		5.4.2	X				X			
	CEO	5.5	X							CEO
		5.6	X			X				
2008 ELECTION AND PROVISIONAL BALLOTS	REG/VOT	1	X		X					
		2	X		X					
DETENTION FACILITIES	INGPD	1	X		X					
	LASD	2	X			X				
		3	X			X				
		4	X		X					
	PROB	5	X		X					
		6	X		X					
		7							X	
		8	X		X					
		9	X		X					
		10	X		X					
	BOS	11	X		X					

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations Number	Responses: Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
CHILD ABUSE REPORT AND RESPONSE	12	DA	1	X				X			
	12		2	X				X			
	12		3	X				X			
	12		4	X				X			
	13		5	X				X			
	13		6	X							
	13		7	X			X				
	13		9	X				X			
	12	DCFS	1	X				X			
	12		2	X				X			
	12		3	X				X			
	12		4	X				X			
	13		5	X				X			
	13		7	X							
	13		8	X					X		
	14		9	X			X				
	12	LASD	1	X					X		
	12		2	X			X				
	12		3	X			X				
	12		4	X			X				
	13		7	X			X				
	13	LACBS	6						X		
	14	PS	9	X			X				
CITY OF LONG BEACH WIRELESS 9-1-1	19	LB	1	X				X			
	19		2					X			
CITY OF PALMDALE	27	LASD	1	X							COPS
DRUG FREE WORK ENVIRONMENT	32	DOH	1	X				X			
	32		2	X			X				
	33	LASD	3	X				X			
	33	DOP	4	X					X		
	34	OSP	5							X	N/A

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations	Responses							
			Number	Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
DRUG FREE WORK ENVIRONMENT (CONT'D)	34	OAC	6	X							
	32	LACP	2				X				
	35		7				X				
	32	CEO	1					X			
	32		2	X			X				
FORENSICS	39	LAPD	1			X					
	39		2			X					
	39		3					X			
	39	LASD	1	X			X				
INMATE HEALTH CARE	48	LASD	1	X					X		
	48		2	X			X				
	48		3	X					X		
	48		4	X			X				
	48	LAC+USC/DHS	1	X					X		
	48		3	X			X				
	48		4	X			X				
LOS ANGELES PARKS AND RECREATION	53	LACDPR	1	X			X				
	53		2	X			X				
	53		3	X						X	
	53		4	X				X			
	53		5	X				X			
	53		6	X				X			
	53		7	X				X			
	53	CLADPR	1			X	X				
	53		2		X		X				
	53		3	X			X				LAPD/ OPS
	53		4		X			X			
	53		5		X		X				
			6	X				X			

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations	Responses							
			Number	Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
LOS ANGELES PARKS AND RECREATION (CONT'D)			7	X			X				
LOS ANGELES UNIFIED SCHOOL DISTRICT PAYROLL	64	LAUSD	1	X			X				
	64		2	X			X				
	64		3	X			X				
	64		4	X			X				
	64		5	X			X				
	64		6	X			X				
	64		7	X			X				
	64		8	X				X			
	64		9		X			X			
OFFICE OF PUBLIC GUARDIAN	66	OPG	1	X			X				
	66		2	X			X				
SOLID WASTE MANAGEMENT	71	LACDPA	1	X				X			
	71		2	X					X		
	71		3	X			X				
VIDEO CONFERENCING TECHNOLOGY	79	DA	1	X			X				
	79		2	X				X			
	79		3	X				X			
	79	CEO	1	X				X			
	79		2	X				X			
	79		3	X				X			
	79	LACDPA	1	X					X		
	79		2	X					X		
	79		3	X							CCJCC
	79	LAPD	1						X		
	79		2						X		
	79		3						X		
	80		4							X	
	80		5					X			

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations	Responses							
			Number	Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
VIDEO CONFERENCING TECHNOLOGY (CONT'D)	79	LASD	1	X				X			
	79		2	X				X			
	79		3	X				X			
WATER FOR LOS ANGELES COUNTY	94	LACBS	1.1								GLAC-IRWM
	94		1.2								GLAC-IRWM
	94		1.3								GLAC-IRWM
	95		1.6							X	
	99		1.15	X							
	66		1.16								MWD
	95	LACWD	1.4							X	
	95		1.5							X	
	95	GWB	1.7		X			X			
	95	GWB	1.8		X				X		
	97		1.10			X					
	98		1.11	X			X				
	99		1.12		X					X	
	99		1.13	X			X				
	99		1.14		X		X				
	128		3.1	X			X				
	128		3.2	X			X				
	128		3.3	X			X				
	128		3.4	X			X				
	128		3.5	X			X				
	95	LBWD	1.7	X			X				
	95		1.8	X			X				
	97		1.10			X					
	98		1.11	X			X				
	99		1.12	X			X				

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations	Responses							
			Number	Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
WATER FOR LOS ANGELES COUNTY (CONT'D)	99		1.14			X					
	128	LBWD	3.1	X			X				
	128		3.2	X				X			
	128		3.3	X				X			
	128		3.4	X			X				
	128		3.5	X			X				
	128		3.6	X			X				
	95	LADWP	1.7		X					X	
	95		1.8		X					X	
	97		1.10		X					X	
	98		1.11		X		X				
	99		1.12		X		X				
	99		1.13	X							
	99		1.14		X					X	
	105		2.1		X			X			
	108		2.3	X				X			
	108		2.4	X				X			
	108		2.5	X				X			
	111		2.6	X			X				
	114		2.17			X					
	117		2.21		X						
	118		2.22		X		X				
	120		2.24		X			X			
	120		2.25	X				X			
	120		2.26	X				X			
	121		2.27	X			X				
	122		2.28	X			X				
	122		2.29		X				X		
	128		3.1		X		X				
	128		3.2		X		X				
	128		3.3	X			X				

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations Number	Responses: Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
WATER FOR LOS ANGELES COUNTY (CONT'D)	128		3.4		X				X		
	128		3.5	X				X			
	128	LADWP	3.6	X			X				
	129		4.1	X			X				
	129		4.2	X			X				
	95	PWD	1.7	X				X			
	95		1.8	X				X			
	95		1.9	X					X		
	97		1.10	X				X	X		
	98		1.11	X			X				
	99		1.12	X			X				
	99		1.14			X					
	128		3.1	X					X		
	128		3.2	X						X	
	128		3.3	X					X		
	128		3.4	X			X				
	128		3.5	X			X				
	128		3.6	X			X				
	95	SFPWW	1.7	X				X			
	95		1.8	X				X			
	97		1.10			X				X	
	98		1.11	X			X				
	99		1.14	X				X			
	128		3.1						X		
	128		3.2							X	
	128		3.3	X				X			
	128		3.4	X			X				
	128		3.5	X				X			
	128		3.6	X				X			
	95	SMWD	1.7	X				X			
	95		1.8	X				X			

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommen dations	Responses							
			Number	Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
WATER FOR LOS ANGELES COUNTY (CONT'D)	97		1.10	X				X			
	98		1.11	X				X			
	99		1.12			X					
	99	SMWD	1.14	X							
	128		3.1	X			X				
	128		3.2	X				X			
	128		3.3	X			X				
	128		3.4			X					
	128		3.5			X					
	128		3.6			X					
	105	MLA	2.1	X			X				
	105		2.2	X				X			
	111		2.6	X				X			
	113		2.12	X			X				
	114		2.13	X			X				
	112	BWPC	2.7		X			X			
	112		2.8	X			X				
	112		2.9		X		X				
	112		2.10	X							
	112		2.11	X			X				
	113		2.14			X					
	113		2.15		X		X				
	114		2.16			X					
	117		2.18	X			X				
	117		2.19	X			X				
	117		2.20	X			X				
	119		2.23		X		X				
AUDIT COMMITTEE	131	CEO		X							
BUILDING AND SAFETY	176	DBS/LAC	1	X			X				
	176	LACDBS	2	X			X				
CORONER	185	CEO	1	X							

Table 2
Responses to the 2009-2010 Grand Jury Report

Report Title	Page	Agency	Recommendations	Responses							
			Number	Agree	Partial Agree	Disagree	Implemented	Will Implement	Will Study	Will Not Implement	Referred To
CORONER (CONT'D)	185	CORONER	2	X				X			
	185		4	X						X	
	185		5	X				X			
	185	DHS	3	X					X		

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EDIT COMMITTEE

Committee Members

Chairperson - Virginia Smith-Rader
James R. Boyd
Meg George
Grace Hernandez
Linda Loding
Leah Markus
Susan Stetson
Max E. Van Doren

EDIT COMMITTEE

SUMMARY

Each committee of the 2010-2011 Los Angeles Civil Grand Jury (CGJ) is charged with submitting a report to the Edit Committee to compile, edit and publish for inclusion in the Final Report. The committee categories are Investigative, Standing and Areas of Review. The Final Report, approved by the Presiding Judge of the Los Angeles Superior Court, or his designee, is distributed to those persons and/or government agencies the CGJ investigates, as well as the general public and the media.

PURPOSE

The Edit Committee's ultimate goal is to produce a Final Report that is grammatically correct, uniform in format, and readable, consisting of findings, conclusions and recommendations generated by the various CGJ committees. The Final Report is the only document through which the CGJ communicates with the public.

BACKGROUND

Penal Code 933(a) requires that the CGJ submit a Final Report to the Presiding Judge of the Los Angeles County Superior Court at the end of each jury term. Prior to publication, all reports must be approved by the CGJ. Each report is then submitted to the CGJ Foreperson, County Counsel (the CGJ's legal advisor) and the aforementioned Presiding Judge. The Final Report summarizes the result of the activities, inquiries, audits and investigations conducted by the CGJ committees.

Also included in Final Report distribution are: County Board of Supervisors, Superior Court Judges, District Attorney, Public Defender, Los Angeles City Attorney, Probation Department, Sheriff, various County departments, Chiefs of Police in cities throughout the County, Mayors' offices, City Councils, State Legislature, Special Districts, Public Libraries, public interest groups and other interested parties. The Final Report is also available on the internet.

METHODS AND PROCEDURES

The CGJ, with 14 approval votes, determines topics of investigation. Pertinent data is compiled; studies are conducted, including research and interviews. When investigations are completed and reports are written by the respective committees, each report is submitted to the Edit Committee for editing and publication preparation.

Report content is not changed; facts are not altered by the Edit Committee, whose mandate is making format, spelling, and grammatical changes, as well as determining layout, styles of type, format, photos and disposition of Final Reports. The Edit Committee's responsibility is to suggest changes toward making the Final Report clear and readable. To this end, the Edit Committee's Production Team is charged with standardizing the format.

FINDINGS

The Final Los Angeles Civil Grand Jury Report 2010-2011 can be accessed on the Grand Jury website: http://grandjury.co.la.ca.us/gjreports.html

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

JAILS COMMITTEE

Committee Members

Chairperson -Linda Loding
Co-Chairperson: George E. Candler Jr.
Hazel A. Dial
Mitchell Group
Grace Hernandez
Laura M. Holmes
Kenneth A. Jones
Beverly T. Kishimoto
George A. Lyles

Leah Markus
Alfred E. Orosco
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John A. Rangel
Wardah Shakir
Virginia Smith-Rader
Susan Stetson
Gloria Williams

JAILS COMMITTEE

SUMMARY

The 2010-2011 Civil Grand Jury (CGJ) selected a number of jails to consider for inspection and visitation. This Report reflects those jails and facilities visited and inspected by the CGJ. This included housing conditions, medical needs, food, staff training, safety and fire procedures, administrative processes and guidelines as well as inmate living needs. These inspections were conducted using the guidelines and standards required and applicable to Los Angeles County as set forth in Title 15 and 24 of the California Administrative Code and prepared by the California Board of Corrections.

PURPOSE

California Penal Code §919(b) charges the CGJ with the duty of inquiring into the conditions and management of the public prisons within the County. Accordingly, the 2010-2011 CGJ visited those prisons that were not visited by the 2009-2010 CGJ, as well as those prisons that were found to be unsatisfactory and those that were found to be excellent.

BACKGROUND

For some time, California's prison system has been viewed as being inadequate, fragmented and expensive. In short, the system has been overwhelmed, adding to the problems of the incarcerated experience, which ultimately affects society.

METHODS AND PROCEDURES

The 2010-2011 CGJ visited a total of fifty-six (56) facilities. Refer to the Adult and Juvenile Detention Facilities Inspections Reports for individual locations visited and the associated findings.

FINDINGS

1. Of the fifty-six (56) jails/juvenile facilities visited, nine (9) were found to be exceptional:
    a. Beverly Hills Police Department
    b. Glendale Police Department
    c. Gonzalez Juvenile Facility
    d. Mira Loma Detention Center
    e. Palmdale Station
    f. Pasadena Police Department
    g. Peter Pitchess Detention Center
    h. Pico Rivera Police Department

  i. San Dimas Sheriff's Station

2. The Peter Pitchess Detention Center was found to be a blueprint for success. Their MERIT program is exceptional and gives hope to those who have none. The CGJ interfaced with some of the inmates and was told what the program meant to them. One inmate indicated that he could go back to the use of heroin, but the MERIT program gave him hope and a sense of purpose in life.

3. There were three (3) facilities that were found to be less than satisfactory:

   a. The Long Beach Courthouse lock up facility is in need of cleaning. There were latex gloves strewn throughout the facility. It appeared that they had been there for months.

   b. Pasadena Courthouse lock up facility needs cleaning and is greatly in need of painting. A few detectives in Pasadena bought their own paint and painted their quarters on their own time. In a back hallway, "the green mile," there were latex gloves hanging from the overhead pipes. It appeared that they'd been there for a long time.

   c. West Los Angeles Police Department staff was not well versed in existing policies and procedures. The CGJ had to interview three (3) separate individuals in order to obtain standard policy and procedural information.

4. It was found that many of the facilities visited did not have the following:

   a. Annual evacuation drills

   b. Central location for safety gear

RECOMMENDATIONS

The following recommendations are made for the three (3) facilities with less than satisfactory findings:

1. Long Beach Courthouse lock up facility –
   a. Establish a cleaning schedule for the Courthouse jail
   b. Establish a checklist to ensure that areas are cleaned effectively

2. Pasadena Courthouse lock up facility –
   a. Establish a process to identify areas in the facility that require painting
   b. Establish a checklist to ensure that areas are cleaned regularly

3. West Los Angeles Police Department –
   a. Establish continuous training for the staff:
      i. To ensure they are informed of the results of the previous Correctional Standards Report

ii. To ensure that staff adhere to the recommendations made in the previous Correctional Standards Report

b. Establish a central location for safety gear

REQUEST FOR RESPONSE

California Penal Code Sections[1] §933(c) and §933.05 require a written response to all Recommendations contained in this Report which shall be made no later than ninety (90) days after the Civil Grand Jury publishes its Report (filed with the Clerk of the Court).

Respond to:

Presiding Judge
Los Angeles County Superior Court
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street,
Eleventh Floor, Room 11-506
Los Angeles, CA 90012

All responses for the 2010 - 2011 CGJ Report's Recommendations must be submitted to the above address on or before the end of business **September 30, 2011.**

Responses are required from:

Recommendation Number(s)	Responding Agency
1	County of Los Angeles Sheriff's Department - Long Beach Courthouse
2	County of Los Angeles Sheriff's Department - Pasadena Courthouse
3	City of Los Angeles Police Department - West Los Angeles Police Department

[1] Reference California Penal Code Sections §933(c) and §933.05 at the beginning of this 2010-2011 Civil Grand Jury Report

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ADULT DETENTION FACILITIES INSPECTIONS

Facility	Type	Managed	Compliant	Non-Compliant	Comments	Address	Telephone
77th Street Division (Regional Hdq.) PD	1	LAPD	x		Well run facility. Staff well versed in process and procedures. Need more Detention Officers. Personnel problems an issue.	7600 South Broadway Los Angeles, CA 90003	(213) 485-4164
Alhambra Courthouse	C	LASD			Not Visited	150 W. Commonwealth Ave. Alhambra, CA 91801	(626) 308-5521
Alhambra PD	1	PD			Not Visited	211 South 1st St. Alhambra, CA 91801	(626) 570-5151
Altadena Station	T	LASD			Not Visited	780 E. Altadena Dr. Altadena, CA 91001	(626) 798-1131
Antelope Valley Court (North District)	1	LASD	x		Well run. Staff well versed in process and procedures.	42011 4th Street, West Lancaster, CA 91731	661-974-7200
Arcadia PD	1	PD			Not Visited	250 W. Huntington Dr. Arcadia, CA 91723	(626) 574-5150
Avalon Station	1	LASD			Not Visited	215 Sumner Ave. Avalon, CA 90704	(310) 510-0174
Azusa PD	1	PD	x		Well run. Staff well versed in policies and procedures.	725 N. Alameda Ave. Azusa, CA 91702	(626) 812-3200
Baldwin Park PD	1	PD			Not Visited	14403 E. Pacific Ave. Baldwin Park, CA 91706	(626) 960-4011
Bell Gardens PD	1	PD			Not Visited	7100 Garfield Ave. Bell Gardens, CA 90201	(562) 806-7600

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Bell PD	1	PD	x		Well run facility. Staff well versed in policies and procedures. Could use more cameras.	6326 Pine Ave. Bell, CA 90201	(323) 585-1245
Bellflower Courthouse	1	LASD	x		Well run. Staff well versed in process and procedures.	10025 Flower St. Bellflower, CA 90706	(562) 804-8025
Beverly Hills PD	1	PD	x		Extremely well run facility. Would like roof-top exercise area.	464 N. Rexford Dr. Beverly Hills, CA 90210	(310) 285-2100
Beverly Hills Courthouse	C	LASD	x		Well run facility. Staff well versed in process and procedures.	9355 Burton Way Beverly Hills, CA 90210	(310) 288-1308
Burbank PD	1	PD	x		Well run facility. Staff well versed in process and procedures. Have "Pay to Stay" program.	200 N. Third St. Burbank, CA 91502	(818) 238-3000
Burbank Courthouse (N. Central District)	C	LASD			Not Visited	300 E. Olive Ave. Burbank, CA 91502	(818) 557-3482
Carson Station	1	LASD	x		Well run facility. Staff well aware of policies and procedures.	21356 S. Avalon Blvd. Carson, CA 90745	(310) 830-1123
Central Area PD	T	LAPD			Not Visited	251 E. 6th St. Los Angeles, CA 90014	(213) 485-6588
Central Arraignment Courthouse	C	LASD			Not Visited	429 Bauchet St. Los Angeles, CA 90012	(213) 261-0711
Century Regional Detention Center	2	LASD			Visited but not investigated. See Speakers and Events Committee Report.	11705 S. Alameda St. Lynwood, CA 90262	(323) 568-4800

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Cerritos Station	1	LASD	x		Well run. Staff well versed in process and procedures.	18135 Bloomfield Ave. Cerritos, CA 90703	(562) 860-0044
Claremont PD	1	PD			Not Visited	570 W. Bonita Ave. Claremont, CA 91711	(909) 399-5411
Compton Courthouse (South Central District)	C	LASD			Not Visited	200 W. Compton Blvd. Compton, CA 90220	(310) 762-9100
Covina PD	1	PD			Not Visited	444 N. Citrus Ave. Covina, CA 91723	(626) 858-4413
Crescenta Valley Station	1	LASD	x		Well run. Staff well versed in process and procedures.	4554 N. Briggs Ave. La Crescenta, CA 91214	(818) 248-3464
Criminal Courts (Clara Shortridge Foltz)	C	LASD			Not Visited	210 W. Temple St. Los Angeles, CA 90012	(213) 974-6581
Culver City PD	1	PD	x		Well run. Staff well versed in policies and procedures.	4040 Duquesne Ave. Culver City, CA 90232	(310) 837-1221
Devonshire PD	1	LAPD			Not Visited	10250 Etiwanda Ave. Northridge, CA 91325	(818) 832-0633
Downey Courthouse	C	LASD			Not Visited	7500 Imperial Hwy. Downey, CA 90242	(562) 803-7044
Downey PD	1	PD			Not Visited	10911 Brookshire Ave. Downey, CA 91502	(562) 861-0771

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
East Los Angeles Courthouse	C	LASD			Not Visited	4848 E. Civic Center Way East Los Angeles, CA 90022	(323) 780-2017
East Los Angeles Station	1	LASD			Not Visited	5019 E. Third St. East Los Angeles, CA 90022	(323) 264-4151
El Monte (Rio Hondo) Courthouse	C	LASD			Not Visited	11234 E. Valley Blvd. El Monte, CA 91731	(626) 575-4116
El Monte PD	1	PD	x		Well run facility. Food supplied by Newport Farms which supplies institutional food.	11333 Valley Blvd. El Monte, CA 91731	(626) 580-2110
El Segundo PD	1	PD	x		Well run facility; staff is well versed in policies and procedures.	348 Main St. El Segundo, CA 90245	(310) 524-2760
Foothill (Pacoima) PD	1	LAPD			Not Visited	12760 Osborn St. Pacoima, CA 91331	(818) 756-8865
Gardena PD	1	PD			Not Visited	1718 162nd St. Gardena, CA 90247	(310) 323-7911
Glendale Courthouse	C	LASD			Not Visited	600 E. Broadway Ave. Glendale, CA 91206	(818) 500-3551
Glendale PD	1	PD	x		Well run. Staff well versed in process and procedures.	140 N. Isabel St. Glendale, CA 91206	(818) 548-4840
Glendora PD	1	PD			Not Visited	150 S. Glendora Ave. Glendora, CA 91741	(626) 914-8250

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Harbor Area PD	1	LAPD	x		Beautiful facility that is closed due to lack of funding.	221 Bayview Ave. Wilmington, CA 90744	(310) 522-2042
Hawthorne PD	1	PD			Not Visited	12501 Hawthorne Blvd. Hawthorne, CA 90250	(310) 675-4443
Hermosa Beach PD	1	PD			Not Visited	540 Pier Ave. Hermosa Beach, CA 90254	(310) 318-0300
Hollenbeck PD	T	LAPD			Not Visited	1936 E. 1st St. Los Angeles, CA 90033	(323) 266-5964
Hollywood PD	1	LAPD	x		Well run facility. Staff well versed in policies and procedures. Need additional staff & jailer.	1358 Wilcox Ave. Los Angeles, CA 90028	(213) 485-2510
Huntington Park PD	1	PD			Not Visited	6542 Miles Ave. Huntington Park, CA 90255	(323) 584-6254
Industry Station	1	LASD			Not Visited	150 N. Hudson Ave. City of Industry, CA 91744	(626) 330-3322
Inglewood Courthouse	C	LASD			Not Visited	One Regent St. Inglewood, CA 90301	(310) 419-5132
Inglewood PD	1	PD	x		Well run facility. Staff well versed in procedures and policies.	1 Manchester Blvd. Inglewood, CA 90301	(310) 412-5200
Irwindale PD	T	PD			Not Visited	5050 N. Irwindale Ave. Irwindale, CA 91706	(626) 430-2244

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
La Verne PD	1	PD			Not Visited	2061 Third St. La Verne, CA 91750	(909) 596-1913
LAC+USC Jail Ward	2	LASD			Not Visited	1200 N. State St. Los Angeles, CA 90033	(323) 409-4563
Lakewood Station	1	LASD			Not Visited	5130 N. Clark Ave. Lakewood, CA 90712	(562) 866-9061
Lancaster Station	1	LASD	x		New facility. Well run facility. Staff is knowledgeable as to procedures and policies.	501 W. Lancaster Blvd. Lancaster, CA 93534	(661) 948-8466
Lennox Station	1	LASD			Not Visited	4331 Lennox Blvd. Inglewood, CA 90304	(310) 671-7531
Lomita Station	1	LASD			Not Visited	26123 Narbonne Ave. Lomita, CA 90717	(310) 539-1661
Long Beach Courthouse	C	LASD		x	In need of paint and clean up. Latex gloves were strewn everywhere.	415 W. Ocean Blvd Long Beach, CA 90802	(562) 491-6234
Long Beach PD	1	PD			Not Visited	400 W. Broadway Long Beach, CA 90802	(562) 570-7260
Lost Hills (Malibu) Station	1	LASD	x		Well run facility. Staff well aware of policies and procedures. Need more staff.	27050 Agoura Rd. Agoura, CA 91301	(818) 878-1808
LAX Courthouse	C	LASD			Not Visited	11701 S. La Cienega Blvd. Los Angeles, CA 90045	(310) 727-6020

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Malibu Courthouse	C	LASD			Not Visited	23525 W. Civic Center Way Malibu, CA 90265	(310) 317-1331
Manhattan Beach PD	1	PD			Not Visited	420 15th St. Manhattan Beach, CA 90266	(310) 802-5140
Marina Del Rey Station	1	LASD			Not Visited	13851 Fiji Way Marina Del Rey, CA 90292	(310) 823-7762
Maywood PD	1	PD			Not Visited	4319 E. Slauson Ave. Maywood, CA 90270	(323) 562-5005
Men's Central Jail	2	LASD			Visited but not investigated. See Speakers and Events Committee Report.	441 Bauchet St. Los Angeles, CA 90012	(213) 974-0103
Mental Health Courthouse	C	LASD	x		Well run. Staff well versed/procedures. Need upgrade in inmate transport, more security.	1150 N. San Fernando Rd. Los Angeles, CA 90065	(323) 226-2944
Metropolitan Traffic Courthouse	C	LASD	x		Well run. Staff well versed in process and procedures. Need more staff & cameras.	1945 S. Hill St. Los Angeles, CA 90007	(213) 744-4101
Mission Hills PD	1	LAPD	x		Well run. Staff well versed in process and procedures.	11121 North Sepulveda Blvd. Mission Hills, CA 91345	(818) 838-9800
Mira Loma Detention (Fed)	3	LASD	x		Well run. Staff well versed in process and procedures.	45100 N. 60th Street, West Lancaster, CA 93536	(661) 949-3801
Monrovia PD	1	PD			Not Visited	140 E. Lime Ave. Monrovia, CA 91016	(626) 256-8000

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Montebello PD	1	PD			Not Visited	1600 Beverly Blvd. Montebello, CA 90640	(323) 887-1313
Monterey Park PD	1	PD			Not Visited	320 W. Newmark Ave. Monterey Park, CA 91754	(626) 307-1266
Newton Area PD	T	LAPD			Not Visited	3400 S. Central Ave. Los Angeles, CA 90011	(323) 846-6547
North Hollywood PD	T	LAPD	x		Well run. Staff well versed in policies and procedures.	11640 Burbank Blvd. North Hollywood, CA 91601	(818) 756-8822
Northeast (LA/Eagle Rock) PD	1	LAPD			Not Visited	3353 San Fernando Rd. Los Angeles, CA 90065	(213) 485-2566
Norwalk Courthouse (Southeast District)	C	LASD			Not Visited	12720 Norwalk Blvd. Norwalk, CA 90650	(562) 807-7285
Norwalk Station	1	LASD			Not Visited	12335 Civic Center Dr. Norwalk, CA 90650	(562) 863-8711
Olympic PD (Korea Town)	1	LAPD	x		Well run. Staff well versed in policies and procedures.	1130 S. Vermont Ave. Los Angeles, CA 90006	(213) 382-9102
Pacific Area PD	1	LAPD			Not Visited	12312 Culver Blvd. Los Angeles, CA 90066	(310) 482-6334
Palmdale Station	1	LASD	x		Well run. Staff well versed in process and procedures.	750 E. Avenue Q Palmdale, Ca 93550	(661) 272-2400

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Palos Verdes Estates PD	1	PD			Not Visited	340 Palos Verde Dr. Palos Verdes Estates, CA 90274	(310) 378-4211
Parker Center PD	1	LAPD			Not Visited	150 N. Los Angeles St. Los Angeles, CA 90012	(213) 485-2510
Pasadena Courthouse	C	LASD		x	Well run facility. Needs paint and camera in hallways.(Latex gloves thrown on pipes in back hallway.)	300 E. Walnut St. Pasadena, CA 91101	(626) 356-5689
Pasadena PD	1	PD	x		Extremely well run facility. Police Administrator was exceptional.	207 N. Garfield Ave. Pasadena, CA 91101	(626) 744-4545
Pico Rivera Station	1	LASD	x		Very well run. Model for other facilities. Staff well versed in policies and procedures.	6631 Passons Blvd. Pico Rivera, CA 90660	(562) 949-2421
Pitchess Detention Center-East Facility	3	LASD	x		Oldest jail in LA county built 1950. Maximum security facility/POD structure/37 acres/5 housing units.	29310 The Old Road Castaic, CA 91384	(661) 295-8812
Pitchess Detention Center-North Facility	3	LASD	x		Everything brought to inmates/food, meds, counselling, religion. Inmates stay in POD.	29320 The Old Road Castaic, CA 91384	(661) 295-8092
Pitchess Detention Center-South Facility	3	LASD	x		Educational Based Training.180 inmates in classes 7 hr/day. Wait list for MERIT program.	29330 The Old Road Castaic, CA 91384	(661) 295-8822
Pitchess-North County Correctional Facility	3	LASD	x		Can isolate buildings in 30 secs. In emergencies all PODS are alike and easy for training.	29340 The Old Road Castaic, CA 91384	(661) 295-7969
Pomona (North) Courthouse	C	LASD			Not Visited	350 W. Mission Blvd. Pomona, CA 91766	(909) 802-9944

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Pomona PD	1	PD			Not Visited	490 W. Mission Blvd. Pomona, CA 91766	(909) 622-1241
Rampart Division PD	1	LAPD			Not Visited	1401 W. 6th St. Los Angeles, CA 90017	(213) 484-3400
Redondo Beach PD	1	PD			Not Visited	401 Diamond St. Redondo Beach, CA 90277	(310) 379-2477
San Dimas Station	2	LASD	x		Well run. Staff well versed in process and procedures. New computer system. New facility.	270 S. Walnut Ave. San Dimas, CA 91773	(909) 450-2700
San Fernando PD	1	PD			Not Visited	910 First St. San Fernando, CA 91340	(818) 898-1267
San Fernando Court (North Valley District)	C	LASD	x		Well run facility. Staff well versed in process and procedures.	900 Third St. San Fernando, CA 91340	(818) 898-2403
San Gabriel PD	T	PD			Not Visited	625 Del Mar Ave. San Gabriel, CA 91776	(626) 308-2828
San Marino PD	T	PD	x		San Marino no longer maintains a holding cell. Arrestees taken to Alhambra, Pasadena & Twin Towers.	2200 Huntington Dr. San Marino, CA 91105	(626) 300-0720
Santa Clarita Courthouse	1	LASD	x		Well run facility. Staff well versed in policies and procedures. Could use more cameras.	23747 W. Valencia Blvd. Valencia, CA 91355	(661) 253-7313
Santa Clarita Valley Station	1	LASD	x		Well run facility. Staff well versed in policies and procedures. Could use more cameras.	23740 W. Magic Mountain Pkwy. Valencia, CA 91355	(661) 255-1121

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	Type	Managed	Compliant	Non-Compliant	Comments	Address	Telephone
Santa Monica PD	1	PD			Not Visited	1685 Main St. Santa Monica, CA 90401	(310) 458-8491
Sierra Madre PD	T	PD			Not Visited	242 Sierra Madre Blvd. Sierra Madre, CA 91024	(626) 355-1414
Signal Hill PD	1	PD			Not Visited	1800 E. Hill St. Signal Hill, CA 90806	(562) 989-7200
South Gate PD	1	PD	x		Facility is old but well run. Staff is well versed in the policies and procedures.	8620 California Ave. South Gate, CA 90280	(323) 563-5400
South Pasadena PD	T	PD			Not Visited	1422 Mission St. South Pasadena, CA 91030	(626) 403-7270
Southeast Area (108th St) PD	C	LAPD	x		Closed jail. Holding cell only. Personnel well versed in policies and procedures.	145 W. 108th St. Los Angeles, CA 90061	(213) 972-7828
Southwest Area (MLK Blvd) PD	1	LAPD	x		Facility closed. Inmates are taken to Van Nuys, 77th, and Twin Towers.	1546 W. Martin Luther King Blvd. Los Angeles, CA 90062	(213) 485-2615
Temple City Station	1	LASD	x		Well run facility. Staff is well versed in policies and procedures. Serves 5 neighboring communities.	8838 Las Tunas Dr. Temple City, CA 91780	(626) 285-7171
Topanga PD	1	LAPD	x		Well run facility. High tech state of art equipment and facilities. No Overnight inmates.	12501 Schoenborn St. Canoga Park, CA 91304	(818) 756-4800
Torrance PD	1	PD			Not Visited	5019 3300 Civic Center Dr. Torrance, CA 90503	(310) 328-3456

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Torrance Courthouse	C	LASD			Not Visited	825 Maple Ave. Torrance, CA 90503	(310) 222-8801
Twin Towers (Correctional) Jails	2	LASD			Visited but not investigated. See Speakers and Events Committee Report.	450 Bauchet St. Los Angeles, CA 90012	(213) 893-5050
Van Nuys (West) Court (Northwest District)	1	LASD			Not Visited	14400 Erwin Street Mall Van Nuys, CA 91401	(818) 374-2174
Vans Nuys Division PD	1	LAPD	x		Well run facility. Laying off custodians due to budget, hindering ability to keep fully clean and well maintained.	6240 Sylmar Ave. Van Nuys, CA 91401	(818) 374-2208
Vernon PD	1	PD			Not Visited	4305 S. Sante Fe Ave. Vernon, CA 90058	(323) 587-5171
Walnut/Diamond Bar Station	1	LASD			Not Visited	21695 E. Valley Blvd. Walnut, CA 91789	(909) 595-2264
West Covina Courthouse	C	LASD	x		Well run facility. Staff is well versed in policies and procedures. Serves 5 neighboring communities.	1427 West Covina Pkwy. West Covina, CA 91790	(626) 813-3236
West Covina PD	1	PD	x		Well run facility. Staff is well versed in policies and procedures.	1440 W. Garvey Ave. West Covina, CA 91790	(626) 939-8500
West Hollywood Station	1	LASD	x		Well run facility. Staff well versed in policies and procedures. Not all administrators are Deputy Sheriffs .	780 N. San Vicente Blvd. West Hollywood, CA 90069	(310) 855-8850
West LA PD	1	LAPD		x	Talked to 3 staff members regarding answers to policy and procedures. Not well versed.	16603 Butler Ave. Los Angeles, CA 90025	(310) 442-0702

ADULT DETENTION FACILITIES INSPECTIONS							
Facility	**Type**	**Managed**	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
West Valley (Reseda) PD	1	LAPD			Not Visited	19020 Vanowen St. Reseda, CA 91335	(818) 374-7611
Whittier Courthouse	C	LASD			Not Visited	7339 S. Painter Ave. Whittier, CA 90602	(562) 907-3127
Whittier PD	1	PD			Not Visited	7315 Painter Ave. Whittier, CA 90602	(562) 945-8250
Wilshire Area PD	T	LAPD			Not Visited	4861 W. Venice Blvd. Los Angeles, CA 90019	(213) 473-0746

Definitions:

LAPD	Los Angeles Police Department
LASD	Los Angeles Sheriff Department
PD	Police Department of the City
C	Court Holding facility - detainees held for court appearance, up to 12 hours
T	Temporary Holding facility - where booking or non-booking of persons occur, but held here usually less than 6 hours
1	Type 1 facility - detention of persons for not more than 96 hours after booking, excluding holidays
2	Type 2 facility - local facility used for detention of persons pending arraignment, during trial, and upon sentencing
3	Type 3 facility - local facility used only for the detention of convicted and sentenced persons

JUVENILE DETENTION FACILITIES INSPECTIONS					
Facility	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Courts:					
Alfred McCourtney Juvenile Justice Center			Not Visited	1040 W. Avenue J Lancaster, CA 93534	(661) 949-6503
Eastlake Juvenile	x		Well run facility. Staff well versed in policies and procedures. Need more programs for female minors.	1605 Eastlake Ave. Los Angeles, CA 90033	(323) 226-8611
Edelman Children's Dependency Court			Not Visited	201 Centre Plaza Dr. Monterey Park, CA 91754	(323) 526-6657
Inglewood Juvenile			Not Visited	110 E. Regent St. Inglewood, CA 90301	(310) 419-5267
LA-Kenyon - Juvenile Justice Center	x		Well run facility. Staff well versed in policies and procedures.	7625 S. Central Ave. Los Angeles, CA 90001	(323) 586-6103
San Fernando Valley Juvenile			Not Visited	16350 Filhert St. Sylmar, CA 91342	(818) 364-2011

JUVENILE DETENTION FACILITIES INSPECTIONS					
Facility	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Halls/Centers:					
Barry J. Nidorf (Sylmar Juvenile) Hall	x		Well run facility. Staff well versed in policies and procedures. Has a family resource center to help juveniles and their parents after release.	16350 Filbert St. Sylmar, CA 91342	(818) 364-2011
Central (Eastlake Detention Center) Juvenile Hall			Not Visited	1605 Eastlake Ave. Los Angeles, CA 90033	(323) 226-8611
Los Padrinos Juvenile Hall			Not Visited	7285 Quill Dr. Downey, CA 90242	(562) 940-8631
Dorothy Kirby Treatment Center	x		Well run facility. Juveniles are responsible for their own laundry. 2-3 hot meals/day. Need annex to house psychotic juveniles now taken to USC.	1500 S. McDonnell Ave. Los Angeles, CA 90022	(323) 981-4301
Camps:					
Afflerbaugh			Not Visited	6631 N. Stephens Ranch Rd. La Verne, CA 91750	(909) 593-4937

JUVENILE DETENTION FACILITIES INSPECTIONS					
Facility	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Challenger			Not Visited	5300 W. Avenue "I" Lancaster, CA 93536	(661) 940-4000
Challenger - McNair			Not Visited	5300 W. Avenue "I" Lancaster, CA 93536	(661) 940-4146
Challenger - Onizuka			Not Visited	5300 W. Avenue "I" Lancaster, CA 93536	(661) 940-4144
Challenger - Resnick			Not Visited	5300 W. Avenue "I" Lancaster, CA 93536	(661) 940-4044
Challenger - Scobee			Not Visited	5300 W. Avenue "I" Lancaster, CA 93536	(661) 940-4011
Challenger - Smith			Not Visited	5300 W. Avenue "I' Lancaster, CA 93536	(661) 940-4011
Gonzales	x		BEST RUN JUVENILE FACILITY. Staff well versed in policies and procedures.	1301 N. Las Virgenes Rd. Calabasas, CA 91302	(818) 222-1192

JUVENILE DETENTION FACILITIES INSPECTIONS					
Facility	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Holton			NO LONGER A JUVENILE CAMP. Short-term prisoners trained in fighting fires.	12653 N. Little Tujunga Canyon Rd. San Fernando, CA 91352	(818) 896-0571
Kilpatrick			Not Visited	427 S. Encinal Canyon Rd. Malibu, CA 90265	(818) 889-1353
Mendenhall			Not Visited	42230 Lake Hughes Rd. Lake Hughes, CA 93532	(661) 724-1213
Miller			Not Visited	433 S. Encinal Canyon Rd. Malibu, CA 90265	(818) 889-0260
Munz			Not Visited	42220 N. Lake Hughes Rd. Lake Hughes, CA 93532	(661) 724-1211
Paige (Fire Camp)			Not Visited	6601 N. Stephen Ranch Rd. La Verne, CA 91750	(909) 593-4921
Rockey (Glenn)			Not Visited	1900 N. Sycamore Canyon Rd. San Dimas, CA 91773	(909) 599-2391

JUVENILE DETENTION FACILITIES INSPECTIONS					
Facility	**Compliant**	**Non-Compliant**	**Comments**	**Address**	**Telephone**
Routh (Fire Camp)			Not Visited	12500 Big Tujunga Canyon Rd Tujunga, CA 91042	(818) 352-4407
Scott (Girls' Camp)	x		Well run facility where staff knows policy and procedures.	28700 N. Bouquet Canyon Rd. Santa Clarita, CA 91350	(661) 296-8500
Scudder (Girls' Camp)	x		Well run facility where staff knows policy and procedures. Problem girls are sent to Scott Girls Camp.	28750 N. Bouquet Canyon Rd. Santa Clarita, CA 91350	(661) 296-8811

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SOCIAL COMMITTEE

Committee Members

Chairperson - Hazel A. Dial
Co-Chairperson: Gloria J. Williams
Grace Hernandez
Beverly T. Kishimoto
George A. Lyles
Alfred E. Orosco
Wardah Shakir

SOCIAL COMMITTEE

SUMMARY

The Social Committee (Committee) conducted special social events throughout the 2010-2011 Civil Grand Jury (CGJ) year to bring a friendly and cohesive atmosphere to members of the CGJ.

PURPOSE

The purpose of the Committee was to provide CGJ members a high level of camaraderie.

BACKGROUND

It was recognized that in order to promote continued enthusiasm among CGJ members, an occasional break from their commitment to serve a full year term would be beneficial in maintaining a level of excellence.

METHODS AND PROCEDURES

During the year, the Committee of five (5) met weekly to arrange for the following social events:

- Birthdays
- Thanksgiving
- Christmas
- Special Luncheons

FINDINGS

None

RECOMMENDATIONS

None

REQUEST FOR RESPONSE

None

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SPEAKERS AND EVENTS

Committee Members

Chairperson - Meg George
Laura M. Holmes
Leah Markus
John A. Rangel

SPEAKERS AND EVENTS COMMITTEE

SUMMARY

A total of fifty-four (54) speakers and field trips were scheduled by the 2010-2011 Los Angeles County (LAC) Civil Grand Jury (CGJ). Of the fifty-four, thirty-four (34) were speakers and twenty (20) were field trips. The speakers were comprised of various department heads and leaders from the County, the cities within the County, Joint Powers Agencies, and Special Districts which function within the jurisdiction, and private industry.

PURPOSE

These speakers and events provided the jurors with perspective and insight regarding local government.

BACKGROUND

The CGJ is an independent 'watchdog' body whose statutory obligation is to explore and examine governmental entities and operations within the County. Speaker presentations and field trips help educate the jury and assist the jury in making an informed selection of issues for more thorough examination.

METHODS & PROCEDURES

Speakers and field trips were proposed to the entire CGJ through the motion and voting process. All speakers and field trips that received majority approval were then scheduled. A listing of the guest speakers and field trips is provided at the end of this report.

FINDINGS

None

RECOMMENDATIONS

None

REQUEST FOR RESPONSES

None

LIST OF GUEST SPEAKERS FOR 2010-2011 CIVIL GRAND JURY

- Mike Antonovich
  Los Angeles County (LAC) Supervisor 5th District.
- Lee Baca
  LAC Sheriff
- Charlie Beck
  Chief, Los Angeles Police Department
- Austin M. Beutner
  Interim General Manager, Los Angeles City Department of Water and Power
- Donald Blevins
  LAC Chief Probation Officer
- Scott Carbaugh
  LAC Head Deputy District Attorney – Public Assistance Fraud Division
- Mike Connors
  Long Term Care Advocate, CA Advocate for Nursing Home Reform (CANHR)
- Steve Cooley
  LAC District Attorney
- Dave Demerjian
  LAC Deputy District Attorney - Public Integrity Division
- Pedro Echeverria
  Chief Assistant, Los Angeles City Attorney
- Dr. Jonathan E. Fielding
  LAC Director and Health Officer, Public Health Department
- Michael Freeman
  LAC Fire Chief
- William Fujioka
  LAC Chief Executive Officer
- Gordon Graham
  Risk Management, Graham Research Consultants
- Wendy Greuel
  Los Angeles City Controller
- Michael P. Judge
  LAC Public Defender
- Joel Justice
  Captain III, City of Los Angeles 911 Center, City of Los Angeles Police Department
- Don Knabe
  LAC Supervisor 4th District

LIST OF GUEST SPEAKERS FOR 2010-2011 CIVIL GRAND JURY (continued)

- Tom LaBonge
  Los Angeles City Council, Councilmember 4th District
- Dave Michaelson
  Chief Assistant, Los Angeles City Attorney
- Trish Ploehn
  Director, LAC Department of Children and Family Services
- Robert Quon
  LAC Assessor
- Bill Robertson
  Director, Bureau of Street Services, Los Angeles City Department of Public Works
- Ellen F. Sandt
  LAC Deputy CEO - Operations
- Jim Schneiderman
  Chief, Audit Division, LAC Auditor-Controller
- Patrick J. Sequeira
  LAC Assistant Head Deputy District Attorney – Public Assistance Fraud Division
- Sheila Shima
  LAC Deputy CEO – Health and Mental Health Services
- Michael Suzuki
  Head Deputy, Sexually Violent Predator Branch, LAC Public Defenders Office
- Carmen Trutanich
  Los Angeles City Attorney
- Wendy Watanabe
  LAC Auditor-Controller
- Jackie White
  LAC Deputy CEO - Public Safety
- James G. Yannota
  Assistant Director Water Resources, City of Los Angeles Department of Water and Power
- Zev Yaroslavsky
  LAC Supervisor 3rd District
- Chief Alexander Yim
  Chief, Correctional Services Division, LAC Sheriff's Department

List of Field Trips for 2010-2011 Civil Grand Jury

Los Angeles County

- LAC Sheriff's Century Regional Detention Facility Jail (Lynwood): Tour, Presentation/Q&A
- LAC Sheriff's Inmate Reception Center (IRC): Tour, Presentation/Q&A
- Court Line, LAC Sheriff's Inmate Reception Center (IRC): Tour/Q&A
- LAC Sheriff's Men's Central Jail: Tour, Presentation/Q&A
- LAC Sheriff's Twin Towers Jail: Tour, Presentation/Q&A
- LAC Sheriff's Pitchess Facility Jail, MERIT Program: Tour, Presentation/Q&A
- Clara Shortridge Foltz Criminal Justice Center, Presiding Judge Peter Espinoza: Tour, Presentation/Q&A
- Hall Of Justice: Tour, Presentation/Q&A
- High Tech Forensic Labs, Los Angeles District Attorney's Office and Los Angeles Police Department/Secret Service: Tour, Presentation/Q&A
- LAC – USC Medical Center: Tour, Presentation/Q&A
- LAC Coroner: Tour, Presentation/Q&A, Autopsy

City of Los Angeles

- Los Angeles City Hall: Tour, Presentation/Q&A
- Los Angeles City Police Department, City Of Los Angeles 911 Center: Tour
- Los Angeles City Police Department, Headquarters: Tour
- Los Angeles City Police Department, Metropolitan Detention Center: Tour, Presentation/Q&A
- Los Angeles Department of Water and Power Headquarters: Tour, Presentation/Q&A
- Port Of Los Angeles: Tour, Presentation/Q&A
- Donald C. Tillman Water Reclamation Plant and Japanese Gardens, City of Los Angeles Department of Public Works: Tour, Presentation/Q&A
- Los Angeles City Police Department, Bomb Squad: Tour/Q&A

City of Beverly Hills

- Beverly Hills Police and Fire Departments: Tour, Presentation/Q&A