

**ADMINISTRATION  
DEPARTMENT**

**City of Guadalupe  
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February 1, 2012

Hon. Arthur A. Garcia  
Assistant Presiding Judge,  
Santa Barbara Superior Court  
312 East Cook Street  
P.O. Box 5369  
Santa Maria, CA 93456-5369

**SUBJECT:** Responses to 2010-2011 Santa Barbara County Civil Grand Jury report "Local Government Post Employment Benefits in Santa Barbara County – Complicated and Costly."

Dear, Hon. Judge Garcia:

The City of Guadalupe is pleased to provide the following requested responses to the findings and recommendations in the above-referenced report:

**Finding 1a:**

Most public agencies in Santa Barbara County are participants in large defined benefits pension plan pools, which provide diversification, cost efficiency, spreading of risk, centralized management and centralized investment strategy.

**Response to Finding 1a:** The City of Guadalupe agrees with this finding.

**Finding 1b:**

Public agencies in Santa Barbara County participating in defined benefit pension pools know their current year required contribution and an estimate of the following year's contribution.

**Response to Finding 1b:** The City of Guadalupe agrees with this finding.

**Finding 1c:**

Fitch Rating is a global rating agency that has announced new disclosure requirements because current disclosure requirements make it impossible for Fitch to accurately allocate a cost-sharing multiple-employer system's unfunded pension liability to the numerous participating employers that use pools to provide pensions to their employees. Moody's Investor Service has begun to recalculate the states' debt burdens in a way that includes unfunded pensions. The Governmental Accounting Standards Board has stated that

each government agency participating in a cost-sharing pension plan should report a net liability based on its proportion of the unfunded obligation of all the participating governments.

**Response to Finding 1c:** The City of Guadalupe partially agrees with this finding. The Government Accounting Standards Board (GASB) has issued a view on how government agencies should report pension liabilities and has not issued a formal pronouncement on this matter. The City of Guadalupe does agree with the GASB's preliminary view that government agencies should have to report net liability for unfunded obligations of cost-sharing pension plans.

#### **Finding 1d**

Unfunded long-term liability can have an important impact on future funding requirements that the ratepayer, taxpayer and each individual agency needs to know.

**Response to Finding 1d:** The City of Guadalupe agrees with this finding.

#### **Finding 1e**

Public agencies in Santa Barbara County participating in defined benefit pension pools do not know their individual long-term unfunded actuarial liability.

**Response to Finding 1e:** The City of Guadalupe partially agrees with this finding. The City of Guadalupe receives an actuarial report from CalPERS on an annual basis, however that report does not specifically address OPEB. The report includes an unfunded actuarial liability for the entire pooled fund. It does not separate out Guadalupe's unfunded portion of the pool and we do not get a specific report for Guadalupe, however, we do know that our amount in fiscal year 2010/2011 was only \$5,637, which is very low and extremely manageable.

#### **Recommendation 1**

That, no later than January 1, 2012 all local government agencies that belong to multiple employer pension pools obtain, and for each year thereafter, make publically available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

**Response to Recommendation 1:** The City of Guadalupe will make the CalPERS actuarial liability valuation available for anyone who is interested in viewing the document (OPEB is not addressed in our document).

#### **Finding 3**

As of June, 2010, public agencies in Santa Barbara County had a total liability for compensated absences of nearly \$61,000,000.

**Response to Finding 3:** The City of Guadalupe only has information related to the City's liability for compensated absences and cannot agree or disagree with this finding related to all agencies in the County.

#### **Recommendation 3**

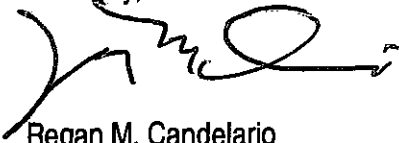
That, no later than January 1, 2012, in the best interest of ratepayers and taxpayer, each government agency that has compensated absences liabilities, adopt an implementation plan to reduce each agency's compensated absences liability.

**Response to Recommendation 3:** The City of Guadalupe currently has a program in place that limits the amount of accrued vacation leave balances. First, the City has established caps on the accrual of compensated leaves. Vacation Leave can only accrue to a maximum of 320 hours, while all other types of compensated leave other than Sick Leave, must be used within the fiscal year they are received. The maximum accrual for earned Sick Leave is 2,080 hours. At the time of separation from the City, an employee may choose to be paid 50% of the unused Sick Leave, to a maximum of 480 hours. Upon retirement, unused Sick Leave accrual may be converted to PERS retirement credit per the City's contract with PERS.

Second, the City's Personnel Rules allow for three annual cash out of up to 40 hours of accrued vacation leave (excluding POA with no restrictions), which is a tool to further reduce the City's compensated absences liabilities.

This concludes our responses to the Grand Jury's Report. For any additional assistance we can provide on this, please feel free to contact Carolyn Galloway-Cooper, Finance Director at (805) 356-3895.

Sincerely,



Regan M. Candelario  
City Administrator

cc: Dave Fleishman, City Attorney  
Kathryn D. McKee, Foreperson, Santa Barbara County Grand Jury, Grand Jury Room, Santa Barbara County Courthouse, Santa Barbara, CA 93101