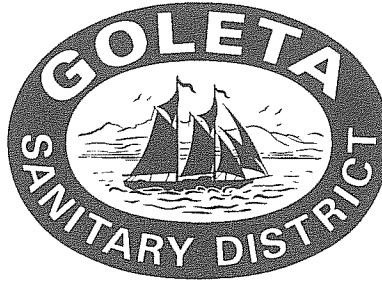


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September 7, 2011

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

Hon. Joni Gray, Chair
Santa Barbara County Board of Supervisors
County Administration Building
105 East Anapamu Street
Santa Barbara, CA 93101

**Re: Response to Grand Jury Report dated June 2011
Local Government Post Employment Benefits**

Dear Judge Garcia:

The purpose of this letter is to provide responses by the Goleta Sanitary District (GSD) to Findings 1a, 1b, 1c, 1d, 1e, 2a, 2b and 2c and Recommendations 1, 2a and 2b contained in the Santa Barbara County Civil Grand Jury report dated June 2011. Said Findings and Recommendations, together with the District's responses thereto, are set forth below.

Finding 1a

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

Response to Finding 1a

GSD does not have sufficient information to either agree or disagree with the finding that most public agencies in Santa Barbara County are participants in large defined benefit pension plan pools. GSD agrees that large defined benefit pension plan pools provide diversification, cost efficiency, spreading of risk, centralized management and centralized investment strategy.

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

GSD does not have sufficient information to either agree or disagree with the finding that 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. GSD knows its own current year required contribution and an estimate of the required contribution for the following year.

Finding 1c

Fitch Ratings 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

GSD does not have sufficient information to either agree or disagree with the findings relating to the announcement by Fitch Ratings or the actions of Moody's Investor Service. GSD agrees with the finding relating to the statement made by the Governmental Accounting Standards Board 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.

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

GSD agrees with Finding 1d.

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

GSD does not have sufficient information to either agree or disagree with Finding 1e as it relates to other public agencies in Santa Barbara County. GSD participates in a defined benefit pension pool through CalPERS. In recent years, CalPERS has not provided GSD with information relating to its individual long-term unfunded actuarial liability. To that extent, GSD agrees with Finding 1e.

Finding 2a

As of June, 2010, public agencies in Santa Barbara County had a total unfunded actuarial liability for post employment healthcare of approximately \$316,000,000.

Response to Finding 2a

GSD does not have sufficient information to either agree or disagree with the finding 2a.

Finding 2b

Some agencies pay all or a portion of the healthcare premium costs for employees.

Response to Finding 2b

GSD assumes that Finding 2b relates to post employment healthcare premium costs for retirees. GSD pays a portion of the post employment healthcare premium costs for its retirees. GSD therefore agrees in part with Finding 2b. GSD does not have sufficient information to either agree or disagree with the finding as it relates to other agencies.

Finding 2c

For the most part, local agency healthcare benefits are pay as you go, and are not structured on a prefunded basis like defined benefit pension plans.

Response to Finding 2c

GSD assumes that Finding 2c relates to post employment healthcare benefits for retirees. GSD has joined the California Employers' Retiree Benefit Trust (CERBT). GSD makes payments to CERBT on an annual basis to prefund a portion of its liabilities for retiree health insurance costs. However, a portion of the post employment healthcare benefits provided by GSD for its retirees is on a pay as you go basis. GSD therefore agrees in part with Finding 2c. GSD does not have sufficient information to either agree or disagree with the finding as it relates to other agencies.

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 publicly available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

Response to Recommendation 1

GSD will undertake reasonable efforts to (i) obtain estimates of its individual unfunded pension pool actuarial liability from an actuary or the plan sponsor by January 1, 2011, and (ii) make that information publicly available each year.

Recommendation 2a

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that contributes some or part of healthcare premium for employees, adopt an implementation plan to reduce those contributions.

Response to Recommendation 2a

GSD assumes that Recommendation 2a relates to post employment healthcare premium costs for retirees. This recommendation has already been implemented. On August 29, 2011 the GSD Governing Board adopted Resolutions 11-518, 11-519 and 11-520 to restructure the post employment healthcare benefits provided by GSD and the method for funding the healthcare premiums. The changes provided for under the Resolutions will reduce GSD's retiree healthcare costs in an amount to be determined by revised actuarial analysis. GSD employees participate in the prefunding of healthcare premiums.

Recommendation 2b

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that provides healthcare premiums for employees, implement prefunding their currently unfunded healthcare liability.

Response to Recommendation 2b

GSD assumes that Recommendation 2a relates to post employment healthcare premium costs for retirees. As indicated in GSD's response to Finding 2c, GSD makes payments to CERBT on an annual basis to prefund a portion of its liabilities for retiree health insurance costs. Accordingly, this recommendation has already been implemented.

The District appreciates the Grand Jury's thorough analysis with respect to the issue of local government post employment benefits.

Sincerely,

GOLETA SANITARY DISTRICT



Steven T. Majoewsky
Governing Board President