



City of Buellton

July 12, 2018

The Honorable Patricia L. Kelly
Superior Court Presiding Judge
County of Santa Barbara
Santa Barbara, CA 93101

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BY: _____

RE: Grand Jury Report: *Pensions in Santa Barbara County*

Honorable Judge Kelly,

We have received the above Grand Jury Report dated June 18, 2018, and offer the following responses.

Finding 1: Pension solvency risks are moderate in Buellton and Goleta; pension liquidity risks, as indicated by projected years of negative cash flow under projected CalPERS actuarial returns, are nil.

Response: Agree.

Finding 8: The 12 PEPRA plans in the cities of the County of Santa Barbara have a funded ratio of 0.90 and the 20 non-PEPRA plans have a funded ratio of 0.68. This is small, but positive, sign that the PEPRA law is having the intended effect of strengthening the security of pension benefits in the County.

Response: Agree.

Finding 9: Funded ratios on the municipal pension systems in Santa Barbara County are sensitive to the discount rate applied by CalPERS. A cut in that rate to 6 percent, from the 2018-19 rate of 7 percent, would push the funded ratios of several municipal systems close to 0.5 and might impose further increases in the employer's contributions in Lompoc, in the City of Santa Barbara and in Santa Maria.

Response: Agree.

Recommendation 1: That in view of the 12 findings, the governments of the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria and Solvang and the County of Santa Barbara analyze capital spending, employer/employee contribution rates,

staffing levels, and all existing taxes and revenue sources under the control to identify potential revenue gains and cost savings..

Recommendation 9: That the governments of the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria and Solvang and of the County of Santa Barbara issue public reports. To be discussed at open sessions of their respective governing bodies, on the potential revenue gain and cost-saving measures that may be necessary to ensure continued adequate funding of their pension plans.

Response: Have been implemented. The Buellton City Council received a full pension report at their May 24, 2018, public meeting including potential cost saving measures. The City Council directed staff to implement the following:

- Begin paying the unfunded liability with a 20-year amortization period to save interest costs
- Pay into a “rainy day” fund each year to cover unanticipated pension costs

If you have any questions or require further information, please contact me at 805-688-5177.

Sincerely,



Marc P. Bierdzinski
City Manager

CC: Santa Barbara County Grand Jury