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BY: _____

Hon. Patricia L. Kelly
Superior Court
County of Santa Barbara
1100 Anacapa Street
Santa Barbara, CA 93101

Santa Barbara County Grand Jury
1100 Anacapa Street
Santa Barbara, CA 93101

RE: Response to Grand Jury Report "*Pensions in Santa Barbara County*"

This letter shall serve as the response to the Civil Grand Jury inquiry dated June 18, 2018.

Finding 2

In Carpinteria, Guadalupe and Solvang, pension solvency risks are minimal to moderate, except in the closed Carpinteria Safety Plan. Pension liquidity risks in those cities are higher, with several years in all three cities having negative cash flows under projected CalPERS actuarial returns.

Response to Finding 1: The City of Solvang agrees with this finding. The City of Solvang pension plans (3) are funded at an average of 84.6% based on the most recent (August 2016) CalPERS Valuation reports.

Finding 8

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

Response to Finding 3: The City of Solvang Miscellaneous pension plan is funded 73.2% and our PEPRA plan is funded at 91.2%. We agree that the PEPRA law is reducing the pension liability for Solvang for employees hired on or after January 1, 2013.

Finding 9

Funded ratios of 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 to Finding 9: The City of Solvang agrees that funded ratios are sensitive to the discount rate applied by CalPERS. Based on the data as of June 30, 2016, the Solvang Miscellaneous plan would go from a funded status of 73.2% to 60.6% had the discount rate changed to 6%.

Recommendation 1

That in view of the 112 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 their control to identify potential revenue gains and cost savings.

Response to Recommendation 1: The City of Solvang agrees with this recommendation.

Recommendation 2

That the governments of the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria and Solvang and 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 to Recommendation 2: The City of Solvang had a public presentation by our CalPERS actuary at its September 25, 2017 City Council meeting and is scheduling an additional presentation by our actuary for later this year. The City of Solvang CalPERS Annual Valuation Reports are available to the public on the CalPERS website.

If you have any questions please contact me at (805)688-5575.

Sincerely,



Brad Vidro
City Manager

cc: Solvang City Council
Santa Barbara County Grand Jury