



City of Buellton

February 28, 2022

Ms. Pamela Olsen, Foreperson
Santa Barbara County Grand Jury
Santa Barbara Courthouse
1100 Anacapa Street
Santa Barbara, CA 93101

Re: Response to 2021 Grand Jury Report: Pensions in Santa Barbara County Require Vigilance

Dear Ms. Olsen and Members of the Grand Jury:

Per the request of the Grand Jury, the City of Buellton presents the following responses to the report regarding public employee pension debt. We appreciate the opportunity to respond to your inquiry and to convey the City's position and action regarding this issue.

Finding 1a

The cities of Buellton, Carpinteria, Goleta, Guadalupe, Solvang and the County of Santa Barbara are at less potential pension plan solvency risk.

Response to Finding 1a - *AGREE*

Finding 1c

Unfunded Accrued Liabilities have risen for all cities since 2016, and with the announced change in the Discount Rate, are expected to rise further, which could impact the cities' ability to deliver expected services to residents.

Response to Finding 1c - *AGREE*

Recommendation 1

That each city council and the Santa Barbara County Board of Supervisors develop and publish a comprehensive plan by June 30, 2022, addressing their pension plans and how they intend to properly assure future obligations are paid when due, without impacting the timely delivery of essential and promised services to residents.

Response to Recommendation 1 – WILL BE IMPLEMENTED – The City is in the process of developing a strategy to proactively reduce its Unfunded Accrued Liability (UAL). This plan will be

brought before the City Council for consideration in the next several months. The recommended date of June 30, 2022 for development and publication of the plan may not be met, but full consideration by the City Council and a decision on a plan is expected before August 31, 2022.

Finding 2

Section 115 Trusts, Pension Obligation Bonds, and Pension Reserve Funds can be effective mechanisms to protect cities from dramatic impacts to the financial markets or declines in General Fund revenues.

Response to Finding 2 - *AGREE*

Recommendation 2

That each city council and the Santa Barbara County Board of Supervisors study and determine by June 30, 2022, whether a Section 115 Trust, Pension Obligation Bond, or Pension Reserve Fund would be an effective hedge against risks to their pension plans for their city.

Response to Recommendation 2 – WILL BE IMPLEMENTED – The City is in the process of developing a strategy to proactively reduce some or all of its Unfunded Accrued Liability (UAL). The plan may include the use of a Section 115 Trust, Pension Obligation Bond, Pension Reserve Fund, or other appropriate mechanism to aid in stabilizing costs and reducing risk to the City's pension plan. This plan will be brought before the City Council for consideration in the next several months. The recommended date of June 30, 2022 for a determination on the plan may not be met, but full consideration by the City Council and a decision on a plan is expected before August 31, 2022.

The City of Buellton hopes that you have found these responses both sufficient and useful. Should additional information be required, please feel free to contact me directly.

Respectfully Submitted,


Scott Wolfe, ICMA-CM
City Manager