



**Santa Cruz County Civil Grand Jury**

**2014-2015 Response Packet**

**Funded for the Future?**

*Retirement Costs and Obligations in Santa Cruz County*

Scotts Valley City Council

**Due date: 90 Days (by Thursday, Sept.10, 2015)**

When finished, email the completed response packet as a file attachment to:  
[grandjury@co.santa-cruz.ca.us](mailto:grandjury@co.santa-cruz.ca.us)

## Instructions for Respondents

California law PC § 933.05 requires that those responding to a Grand Jury report must provide a response for each individual finding and recommendation within a report, not a generalized response to the entire report. Explanations for disagreements and timeframes for further implementation or analysis must be provided.

Please follow the format below when preparing your response.

### Response Format

1. Find the Responses Required table that appears near the end of the report. Look for the row with the name of the entity you represent and then respond to the Findings and/or Recommendations listed in that row using the custom packet provided to you.
2. For Findings, indicate one of the following responses and provide the required additional information:
  - a. AGREE with the Finding,
  - b. PARTIALLY DISAGREE with the Finding and specify the portion of the Finding that is disputed and include an explanation of the reasons therefor, or
  - c. DISAGREE with the Finding and provide an explanation of the reasons therefor.
3. For Recommendations, select one of the following actions and provide the required additional information:
  - a. HAS BEEN IMPLEMENTED, with a summary regarding the implemented action,
  - b. HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE, with a timeframe or expected date for implementation,
  - c. REQUIRES FURTHER ANALYSIS, with an explanation and the scope and parameters of an analysis or study, and a timeframe for that analysis or study; this timeframe shall not exceed six months from the date of publication of the grand jury report,
  - d. WILL NOT BE IMPLEMENTED because it is not warranted or is not reasonable, with an explanation therefor.

If the respondent is a governing body, please provide the voted response of the body as a whole. Individual responses from members of a governing body will not be published.

If you have questions about the response report please contact the Grand Jury by calling 831-454-2099 or by sending an e-mail to [grandjury@co.santa-cruz.ca.us](mailto:grandjury@co.santa-cruz.ca.us).

## **How and Where to Respond**

1. Please download and fill out the Response Packet provided to you for your responses. Please respond to each finding and recommendation. Be sure to save any changes you make to the packet.
2. Print and send a hard copy of the Response Packet to:  
The Honorable Judge Rebecca Connelly  
Santa Cruz Superior Court  
701 Ocean Street  
Santa Cruz, Ca 95060
3. Email the completed Response Packet, as an attachment, to the Grand Jury at [grandjury@co.santa-cruz.ca.us](mailto:grandjury@co.santa-cruz.ca.us).

## **Due Dates**

Elected officials or administrators are required to respond within 60 days of the Grand Jury report's publication. Responses by the governing body of any public entity are required within 90 days.

## Penal Code § 933.05

1. For Purposes of subdivision (b) of § 933, as to each Grand Jury finding, the responding person or entity shall indicate one of the following:
  - a. the respondent agrees with the finding,
  - b. the respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
2. For purpose of subdivision (b) of § 933, as to each Grand Jury recommendation, the responding person shall report one of the following actions:
  - a. the recommendation has been implemented, with a summary regarding the implemented action,
  - b. the recommendation has not yet been implemented but will be implemented in the future, with a timeframe for implementation,
  - c. the recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report, or
  - d. the recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.
3. However, if a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a County department headed by an elected officer, both the department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision-making authority. The response of the elected department head shall address all aspects of the findings or recommendations affecting his or her department.
4. A Grand Jury may request a subject person or entity to come before the Grand Jury for the purpose of reading and discussing the findings of the Grand Jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.
5. During an investigation, the Grand Jury shall meet with the subject of that investigation regarding that investigation unless the court, either on its own determination or upon request of the foreperson of the Grand Jury, determines that such a meeting would be detrimental.

A Grand Jury shall provide to the affected agency a copy of the portion of the Grand Jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

6.

## Findings

**Finding 1:** Continually rising retirement costs and obligations put funding of jurisdictions' services and projects at risk.

**AGREE**

**PARTIALLY DISAGREE** - explain disputed portion below

**DISAGREE** - explain below

### **Response explanation (required for responses other than "Agree"):**

Rising retirement costs do put pressure on the budget, but it is not the only factor. Personnel costs in general are 80% of the City's General Fund budget. Retirement costs are a part (13%) of that overall cost. The City needs to stay competitive with salaries to keep qualified employees. Salaries are a much larger part of the budget at 42%.

The economy is another large factor to having the resources to provide services. The City has endured two economic downturns in the last 10 years. These were prior to the latest increase in retirement costs. The City needed to take measures during those time periods to maintain its budget. The City will continue to take necessary steps in the future due to any factors affecting its budget.

**Finding 2:** A clear and complete statement of the total retirement costs and obligations has not been provided in the budget narrative for either the public or elected officials.

**AGREE**

**PARTIALLY DISAGREE** - explain disputed portion below

**DISAGREE** - explain below

### **Response explanation (required for responses other than "Agree"):**

The City does provide more information in its annual financial statements as required disclosures directed by the Governmental Accounting Standards Board. The budget provides budgeted line items for each department, but also provides a General Fund recap of total amounts for each budget line item, including retirement. The budget is primarily a document for that fiscal year's budgeted revenues and expenditures, but information regarding future costs could be incorporated into the narratives.

**Finding 3:** Enrollment in the CalPERS Employers Retiree Benefit Trust Fund reduces employer contributions, prevents retiree health obligations from becoming a significant budget liability, and contributes to a positive credit rating.

**AGREE**

**PARTIALLY DISAGREE** - explain disputed portion below

**DISAGREE** - explain below

**Response explanation (required for responses other than “Agree”):**

Enrollment is only part of the solution. There are no mandatory contributions for this Trust Fund. Contributions can be made as the City wants or has the resources to do so. Having sufficient funds to invest in the Trust Fund is the main issue. This relates back to Finding #1 above regarding budget impacts on the City and having sufficient funds to meet the various competing needs in the budget.

Employer contributions are reduced through investment earnings from City funds invested in the Trust Fund. Without sufficient resources to invest, any meaningful reduction in employer contributions will not happen. The same holds true for preventing the retiree health obligations from becoming a significant budget liability and contributing to a positive credit rating.

## Recommendations

**Recommendation 1:** To prevent reductions in public services, each of the six public agencies studied in this report should increase, and make public, their efforts to manage and reduce retirement costs and obligations.

**HAS BEEN IMPLEMENTED**

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE**

- indicate timeframe below

**REQUIRES FURTHER ANALYSIS** - explain scope and timeframe below (not to exceed six months)

**WILL NOT BE IMPLEMENTED** - explain below

### Response summary, timeframe or explanation:

As discussed above in Finding 1, retirement costs are not the only factor in the budget. Competitive salaries and the economy also play a part in the development of a balanced budget. Most recently, the City did have an agenda item on its August 5 Council meeting to discuss the City's structural deficit in general. The City plans to have further meetings on this subject in the future. Further back, the City has discussed the actions it has taken to manage the City's budget during its budget discussion Council meetings.

**Recommendation 2:** Each of the six public agencies studied in this report should provide, in language understandable to the public, the totality of retirement obligations in their annual budget narratives beginning with the fiscal year 2015/16 budget.

**HAS BEEN IMPLEMENTED**

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** - indicate timeframe below

**REQUIRES FURTHER ANALYSIS** - explain scope and timeframe below (not to exceed six months)

**WILL NOT BE IMPLEMENTED** - explain below

### Response summary, timeframe or explanation:

The budget document for the 2015-16 fiscal year had already been prepared by the time this Grand Jury report was received by the City. More information will be provided in next year's budget document.

The City does provide information on its retirement plan and retiree medical plan in its annual financial statements. The annual financial statements are normally available in December after the June 30 fiscal year end date. The information provided is according to the disclosure requirements of the Governmental Accounting Standards Board.

**Recommendation 3:** The Board of Supervisors and the City Councils of Santa Cruz, Scotts Valley and Watsonville should enroll in the California Employers Retiree Benefit Trust Fund (CalPERS Trust Fund) to pre-fund retiree health obligations and unfunded liabilities.

**HAS BEEN IMPLEMENTED**

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** - indicate timeframe below

**REQUIRES FURTHER ANALYSIS** - explain scope and timeframe below (not to exceed six months)

**WILL NOT BE IMPLEMENTED** - explain below

**Response summary, timeframe or explanation:**

At the City Council's August 5, 2015, meeting, Council decided that the City should set aside reserves for retiree medical obligations. The City will enroll in the CalPERS Trust Fund by the end of the calendar year and will fund it in accordance with direction from Council.