

August 18, 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

RE: Santa Barbara County Air Pollution Control District Board of Director's responses to the Fiscal Year 2010-11 Grand Jury Report entitled "Local Government Post Employment Benefits in Santa Barbara County – Complicated and Costly"

Dear Hon. Arthur A. Garcia:

During its regular meeting of August 18, 2011, the Santa Barbara County Air Pollution Control District Board of Directors (Board) adopted the following as the Board's response to the applicable findings and recommendations in the Fiscal Year 2010-11 Civil Grand Jury Report entitled "Local Government Post Employment Benefits in Santa Barbara County – Complicated and Costly."

The Board thanks the Civil Grand Jury for its work on this most important issue regarding the complexity and cost of local government post employment benefits. The directors have carefully reviewed the findings and recommendations presented in the Civil Grand Jury Report and provide the following responses:

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: The Board agrees with this finding.

Finding 2b

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

Response: The Board agrees with this finding.

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: The Board agrees with this finding.

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: This recommendation has been implemented. In FY 2009-10 our Board adopted a prefunding plan for retiree health benefits, which is a more cost effective option than a pay as you go basis. The goal is to eventually fully fund the retiree health benefits and eliminate the District's contributions.

Further, the District provides a flat dollar benefit that is not subject to annual health care cost increases. This eliminates any contribution increases due to health care cost increases. Employers that provide a flat percentage-of-premium benefit, or pay the full premium, are exposed to healthcare cost, and related contribution, increases.

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: This recommendation has been implemented. In FY 2009-10 our Board adopted a prefunding plan for retiree health benefits.

Finding 3

As of June, 2010, public agencies in Santa Barbara County had a total liability for compensated absences of nearly \$61,000,000.

Response: The Board agrees with this finding.

Recommendation 3

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that has compensated absences liabilities, adopt an implementation plan to reduce each agency's compensated absences liability.

Response: This recommendation has been implemented. The District has a number of control measures in place limiting (reducing) its compensated absences liability. The first measure is a negotiated employee vacation accrual limit. The second is a vacation cash-out provision, encouraging employees to have their leave paid out in the year earned.

Thank you once again for your report. If the Santa Barbara County Air Pollution Control District can be of any further assistance, please contact our Business Manager, Donald C. Kendig, CPA, at (805) 961-8854 or kendigd@sbcapcd.org.

Sincerely yours,

Kathleen Reddington
Chair, Santa Barbara County
Air Pollution Control District Board

Cc: Kathryn D. McKee, Foreperson, 2010-11 Santa Barbara County Civil Grand Jury