



Santa Cruz County Civil Grand Jury

2014-2015 Response Packet

Funded for the Future?

Retirement Costs and Obligations in Santa Cruz County

Watsonville 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

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 Individual responses from members of a governing body will not be published.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.

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.

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”):

The City recognizes the risk rising costs of retirement obligations in the short term and in the long term. Budget and Financial presentations made as part of Public Hearings to the City Council each budget year have emphasized this issue as one which needs addressing and planning into the future. Examples of these presentations can be found in the City's website.

- February 10, 2015, Audited Statements Financial Presentation to City Council (see pages 11 and 12 of this document). In addition, the full audited financial report was provided to the City Council as part of that public hearing. The financial audit contains information related to the unfunded liability and its status on pages 82 through 84. The document was also made available to the public for review.

http://cityofwatsonville.org/download/City_Council/City_Council_Documents/2015/021015/Item%206.2a%20Mid%20Year%202014-15%20Budget%20Report.pdf

- May 26, 2015, Budget Study Session Presented to City Council (refer to pages 7 and 8 of the report). The report highlights the challenge to continue funding continually rising retirement costs and obligations in the current year and future years.

http://cityofwatsonville.org/download/City_Council/City_Council_Documents/2015/052615/Item%208.3%20Proposed%20Budget%202015-16%20&%202016-17%20Report.pdf

- June 9, 2015, Budget Public Hearing conducted by the City Council (refer to pages 9 and 10 of the report). The report highlights the challenge to continue funding continually rising retirement costs and obligations in the current year and future years.

http://cityofwatsonville.org/download/City_Council/City_Council_Documents/2015/060915/Item%206.2a%20Budget%20Summary%20Report.pdf

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”):

Budget and Financial presentations made as part of Public Hearings to the City Council each budget year have emphasized this issue as one which needs addressing and planning into the future. Examples of these presentations can be found in the City’s website.

- February 10, 2015, Audited Statements Financial Presentation to City Council (see pages 11 and 12 of this document). In addition, the full audited financial report was provided to the City Council as part of that public hearing. The financial audit contains information related to the unfunded liability and its status on pages 82 through 84. The document was also made available to the public for review.

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The City will enhance what is already being presented to make a more complete statement about the retirement costs and obligations of the City.

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”):

The California Employers' Benefit Trust (CERBT) Fund is a Section 115 trust fund dedicated to prefunding Other Post Employment Benefits (OPEB) for all eligible California public agencies. While the City of Watsonville has reported a net OPEB obligation of \$4.5 million for fiscal year ending 06/30/2014; this liability will be significantly reduced in FY 2014-15 and future years due to changes made by the City to its health plan and how it segregates the costs and premiums associated with retirees.

The City offers employees who have retired from service the option to continue receiving health care benefits at their own cost until age sixty-five. For the retiree to be fully eligible to participate in the plan offered by the City of Watsonville, the employee must be at least 50 years of age and have at least five years of service. Retirees pay for their benefit at 105% of the active per-capita health costs, as reset by the administrator every January 1st. In the past the City self-funded this plan by paying for the actual costs of claims received under the plan. Effective July 1, 2013; the City migrated to a pooled plan which limits the liability to the City to the monthly premium paid for each participating member of the City's plan. This limits the current and future year obligations of the City for active employees and helps more closely align the cost paid for health care costs for retirees each fiscal year and their employee paid premiums. This shift will result in a significant reduction in the OPEB liability.

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:

The City recognizes the risk rising costs of retirement obligations in the short term and in the long term. Accordingly, the City has presented this information in public meetings in various occasions each year. Examples of these presentations can be found in the City's website.

- February 10, 2015, Audited Statements Financial Presentation to City Council (see pages 11 and 12 of this document). In addition, the full audited financial report was provided to the City Council as part of that public hearing. The financial audit contains information related to the unfunded liability and its status on pages 82 through 84. The document was also made available to the public for review.

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http://cityofwatsonville.org/download/City_Council/City_Council_Documents/2015/060915/Item%206.2a%20Budget%20Summary%20Report.pdf

The City will enhance what is already being presented to make a more complete statement about the retirement costs and obligations of the City. This enhanced reporting will be available with the publication of the FY 2015-16 budget document.

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 City will enhance what is already being presented to make a more complete statement about the retirement costs and obligations of the City. This enhanced reporting will be available with the publication of the FY 2015-16 budget document.

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:

The California Employers' Benefit Trust (CERBT) Fund is a Section 115 trust fund dedicated to prefunding Other Post-Employment Benefits (OPEB) for all eligible California public agencies. While the City of Watsonville has reported a net OPEB obligation of \$4.5 million for fiscal year ending 06/30/2014; this liability will be significantly reduced in FY 2014-15 and future years due to changes made by the City to its health plan and how it segregates the costs and premiums associated with retirees.

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