

RESPONSE TO GRAND JURY REPORT FORM

Report Title: Retiree Health Care Costs: I Think I'm Gonna Be Sick

Report Date: March 19, 2007

Response by: JON ELAM Title: GENERAL MANAGER

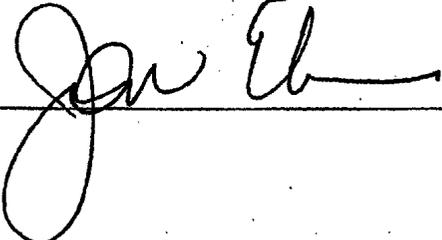
BOARD: TAMALPAIS COMMUNITY SERVICES DISTRICT

FINDINGS

- I (we) agree with the findings numbered: F - 1,2,3,4,5,8,9  
R - 2,3,4,5
  - I (we) disagree wholly or partially with the findings numbered: F - 6,7,10,11,12 R - 1
- (Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered          have been implemented.  
(Attach a summary describing the implemented actions.)
- Recommendations numbered          have not yet been implemented, but will be implemented in the future.  
(Attach a timeframe for the implementation.)
- Recommendations numbered          require further analysis:  
(Attach 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 publication of the grand jury report.)
- Recommendations numbered          will not be implemented because they are not warranted or are not reasonable.  
(Attach an explanation.)

Date: 6-14-07 Signed: 

Number of pages attached 4

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May 15, 2007

Mr. Jon Elam, General Manager  
Tamalpais Community Services District  
305 Bell Lane  
Mill Valley, Ca. 94941

Ref: Grand Jury Request regarding FASB 45

Dear Jon,

The Grand Jury of the County of Marin has requested responses from all of the cities, municipalities and special districts regarding retiree health care costs. Their letter asks all 36 special districts to answer questions F1-F11 and R3-R6.

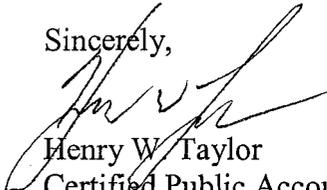
- F1: Health care is a valuable benefit to attract and retain employees. Response: Yes
- F2: Government entities generally pay more of their compensation in the form of Benefits than the private sector. Response: Yes
- F3: Most government entities providing retiree health care and other non-pension retirement benefits must disclose the future and accrued cost of those benefits to public within the next four years pursuant to GASB 45. Response: Agree if the district has any liability.
- F4: Government budgets and union negotiations will be affected by the implementation of GASB 45. Response: Agree
- F5: Unless legally determined otherwise, the issue of vesting for retiree health care benefits requires a fact-specific analysis. Response: Agree
- F6: Some government entities have not done the extensive research to determine if retiree health care benefits and the manner in which they are calculated are vested or can be changed or eliminated. Response: We have no idea what other entities may or may not have done.
- F7: Public comments on vesting by government entities could result in creating a vested right when none previously existed Response: This is a legal question best answered by legal counsel.

- F8: Unless government employers prudently manage the liability for retiree health care benefits, they will be forced to cut services, reduce benefits, and/or raise taxes to satisfy credit agencies. Response: It is a cost of doing business and must be evaluated like every other cost.
- F9: Financially weak government entities faced with staggering liabilities will be required to reduce benefits, raise taxes or reduce services. Failure to manage the liability could well result in bankruptcy for those government entities. Response: As with any cost failure to manage it could be a problem.
- F10: The municipalities and special districts have not taken appropriate aggressive steps to understand and begin to comply with the requirements of GASB 45. Response: We have no idea what other districts have done with this requirement.
- F11: Whether elected or appointed, public employees managing the retiree health care liability may also be eligible to receive the retiree health care benefits they manage. They are subject to a conflict of interest. Response: This is a legal question and must be answered by legal counsel.
- F12: Eight special districts and the city of Novato believe they do not have to comply GASB 45. Answer: All government agencies must comply with GASB 45. TCSD does not have any financial obligations regarding retiree health care costs. The district pays the county retirement system according to their payment schedule which includes the health care costs for the retired employees. This district has several retired employees who are receiving benefits under this policy. Since there is no liability there is no need for disclosure under GASB 45.
- R2: Why do the districts not have to comply with GASB 45. Answer: They do have to Comply if a liability exists.
- R3: All municipalities and special districts do extensive research on the facts and seek professional help to determine vesting issues. This should be done by the end of 2007. Response: Agree
- R4: The county, all municipalities and the special districts offering health care benefits consult with professional advisers to state clearly in employee and public communications whether retiree health care benefits are vested and the extent to which they can be changed, modified or eliminated. Response: Agree as to the liability of the district.
- R5: Unless they are certain of the status of vesting for retiree health care benefits, no government entity should comment publicly on the question of vesting because doing so may create a vested right where none exists currently. Response: Agree

R6: The municipalities and special districts take immediate, aggressive steps to understand now the requirements of GASB 45 reporting and that these entities including the county, begin using the information generated for GASB 45 in labor negotiations and in budgeting. Response: Agree

I believe this answers all of the questions that the grand jury is requesting from the district. Please let me know if any other information is needed.

Sincerely,



Henry W. Taylor  
Certified Public Accountant