



City of Larkspur

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August 16, 2017

The Honorable Judge Kelly V. Simmons
Marin County Superior Court
PO Box 4988
San Rafael, CA 94913-4988

SUBJECT: Response to Grand Jury Report, *The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions*

Judge Simmons:

This letter serves as the Larkspur City Council's response to the Grand Jury's report *The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions*, released on June 5, 2017.

The report asks the City Council to respond to three recommendations, R3, R4, and R8. These specific responses are provided below. As a general comment, the City Council suggests that it would be of benefit to the public for the Grand Jury to expand upon the section of the report labeled "The Exit Doors Are Locked". This section of the report does a good job of explaining the constraints that prevent local government from transitioning to a different retirement benefit for future employees. More information for the public about efforts, or the lack thereof, to create meaningful change in Sacramento may help the public determine toward which governmental bodies people should direct calls for reform.

Grand Jury Recommendation 3: *Agencies should publish long - term budgets (i.e., covering at least five years), update them at least every other year and report what percent of total revenue they anticipate spending on pension contributions.*

Agencies should incorporate the use of economic forecasts and budget projections into the process for adopting an operating budget. The nature of these projections and the period covered by them should be made clear to the public. The City uses a five-year projection to assist in its budget planning. These projections are made available to the public at the public meeting(s) at which they are discussed.

Planning: (415) 927-5038
Public Works: (415) 927-5017

Parks and Recreation: (415) 927-6746
Central Marin Police: (415) 927-5150

Library: (415) 927-5005
Fire: (415) 927-5110

Grand Jury Recommendation 4: *Each agency should provide 10 years of audited financial statements and summary data for the same period (or links to them) on the financial page of its public website.*

Through their websites, agencies should provide as many years of audited financial statements as they have available in a format easily published to their websites; hard copies of audited financial statements that are not available in a digitized format should be made available at an agency's offices. The City currently has eleven years of audited financial statements available on its website.

Grand Jury Recommendation 8: *Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.*

If the City could introduce defined contribution programs for new hires, growth of its unfunded liability would likely be limited to defined benefits accrued by the existing and retired employee base. However, the City is a member of the California Public Employees' Retirement System (CalPERS), and, under current conditions, would have to terminate its membership in CalPERS in order to introduce defined contribution programs. In effect, the Grand Jury is suggesting that the Authority should study what the cost would be to terminate membership in CalPERS. As part of its deliberations for the Fiscal Year 2018-19 budget, the City Council can decide if it is a good use of taxpayer money to pay for an analysis to estimate this termination cost; based on studies conducted by other agencies, it can be speculated that the City's termination cost would be in the tens of millions of dollars.

Sincerely,



Dan Hillmer
Vice Mayor

c: Marin County Grand Jury