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August 11, 2017

Jay Hamilton-Roth, Foreperson
Marin County Civil Grand Jury
3501 Civic Center Drive, Suite 275
San Rafael, CA 94903

To be scanned

Dear Mr. Hamilton-Roth:

Enclosed please find the Town of Ross's response to the Marin County Civil Grand Jury Report "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?". The responses were approved by the Ross Town Council at a regularly scheduled meeting on August 10, 2017.

We appreciate the opportunity to comment on the report. If you have any questions regarding the responses, please contact Town Manager Joe Chinn at (415) 453-1453 x107 or jchinn@townofross.org.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth Robbins". The signature is fluid and cursive, with the first name being particularly prominent.

Elizabeth Robbins
Mayor

Enclosure

RESPONSE TO GRAND JURY REPORT FORM

Report Title: The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?

Report Date: June 5, 2017

Council Agenda Date: August 10, 2017

Response By: Mayor Robbins and the Ross Town Council

RECOMMENDATIONS:

- Recommendations numbered R3 and R4 have been implemented.

(Attachment A each recommendation R3, R4, and R8)

- Recommendations numbered R8 have not yet been implemented, but will be implemented in the future.
- Recommendation numbered N/A requires further analysis.
- Recommendations numbered N/A will not be implemented because they are not warranted or are not reasonable.

Date: August 11, 2017

Signed: Elizabeth Robbins

Number of pages attached 2

ATTACHMENT "A"

RESPONSE OF THE TOWN OF ROSS TO GRAND JURY REPORT "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?"

This is the official response of the Town of Ross to the recommendations of the Grand Jury's report entitled "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?" The Town Council approved this response at their regularly scheduled board meeting on August 10, 2017.

The Town of Ross has taken numerous steps to reducing future pension costs and liabilities. For example in the last two years, we have:

- Reduced our CalPERS amortization schedule from 30 years to 20 years each of the last two fiscal years which reduces our future costs significantly;
- In Fiscal Year 15-16, paid \$1 million early to PERS reducing the Town's future pension costs by \$2.2 million;
- In Fiscal Year 16-17, paid \$200,000 early to PERS reducing the Town's future pension costs by \$400,000 over the next 20 years; and
- Through a negotiation with the Police Officers Association, implemented additional cost sharing with police officers with their share of PERS costs increasing from 6% in July 2015 to 12% by July 2018, thus reducing the Town's annual PERS contribution.

The Town of Ross was required to respond to recommendations numbered R3, R4 and R8.

Recommendations and Responses:

R3: Agencies should publish long-term budgets (i.e., covering at least five years), update them every other year and report what percent of total revenue they anticipate spending on pension contributions.

Response: Completed. The Town annually conducts a five-year forecast for all General Fund revenues and expenses which is presented and discussed in detail at a Town Council meeting. The five-year forecast includes projections of all revenue lines and expense categories including pensions. The forecast also shows the estimated percentage change from year to year for each of these lines and categories. The Town believes this is sufficient for purposes of identifying all revenues and expenses including pensions.

R4: Each agency should provide 10 years of audited financial statements and summary pension data for the same period (or links to them) on the financial page of its public website.

Response: Implemented. The Town's website provides links to audited financial statements going back to the year ended June 30, 2007. The summary pension data is included within the audited financial statements. The financial statements can be viewed at the Town of Ross website at <http://www.townofross.org/finance/page/financial-audits-archives>.

R8: Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.

Response: The Town of Ross agrees with the premise that government agencies need to properly manage pension costs which is why we have taken numerous steps to reduce future pension costs. That being said, the existing unfunded liabilities have already been incurred. As such, new or supplementary programs will not reduce these liabilities. The costs associated with terminating the current defined benefit plan would be prohibitive under the CalPERS program. In the last labor negotiation agreement with the Ross Police Officers Association (RPOA), the police officers agreed to increase their share of the PERS costs from 6% in July 2015 to 12% by July 2018, thus reducing the Town's annual pension costs. During the next negotiation cycle with bargaining groups, the Town will broach the concept of a defined contribution program within the context of our broader discussion regarding unfunded retirement liability to limit future financial exposure.