



CITY of BIGGS

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July 14, 2016

Honorable Robert A. Glusman
Presiding Judge
Butte County Superior Court
One Court Street
Oroville, CA 95965

Re: 2015-2016 Butte County Grand Jury Report, City of Biggs Responses

Dear Judge Glusman:

The Biggs City Council has reviewed the 2015-2016 Grand Jury Report, and is providing the following responses to the findings and recommendations.

GASB Gasp! Grand Jury Findings:

F1. Calculation of the unfunded liability is complex and unique to each municipality.

Response: Agree.

F2. The five Cities in Butte County and the County itself have unfunded liabilities primarily due to CalPERS pension costs.

Response: Agree.

F3. Additional unfunded liabilities exist for retiree health care, but these are not yet on the balance sheets.

Response: Agree, however, any unfunded liabilities which exist for retiree health care are described in the OPEB (Other Post-Employment Benefits) portion of the annual CAFR (Comprehensive Annual Financial Report).

F4. Increases in a governmental entity's unfunded liability would impact its financial status and credit rating.

Response: Agree in principle. Please see F1. The significance of the impact would depend upon the amount of the increase in unfunded liability and the proportionality to revenues. An increase in a governmental entity's unfunded liability *could have a material* impact to its financial status and credit rating.

F5. Municipal contributions to CalPERS are projected to continue to rise which will result in pressure to cut services and/or require additional revenue.

Response: Agree, however, again the amount of the rise and size relative to available sources of funding varies widely among Butte County agencies. A review of a three years of CalPERS annual valuation reports of various entities within Butte County reveals a very wide variety of CalPERS employer contribution rates, and a dramatic difference in the rate of rise in those employer contribution rates.

F6. The unfunded liability is likely to increase for many years before it begins to decrease.

Response: Agree.

Grand Jury Recommendations:

R1. The County and Cities should post their CAFR and CalPERS Actuarial Valuations Reports on their websites.

Response: Implemented. City of Biggs CAFR's have been posted on the City website for many years. CalPERS Annual Valuation Reports have been easily accessed from the CalPERS website for many years. The past three years of City of Biggs CalPERS Annual Valuation Reports have been added to the City of Biggs website.

R2. The County and Cities should report on their unfunded liabilities, contribution rates and trend lines.

Response: Implemented. The City of Biggs has posted the past 3 years of CalPERS Annual Valuation Reports on its website.

R3. The County and Cities should conduct an analysis similar to the Bartel report and make that information available to the public on their websites.

Response: The City Council will evaluate the cost and benefit of such an analysis. While that \$5,000 analysis clearly has value to that organization with \$99 million in unfunded liability, 40% employer contribution rates and significant rate volatility, the cost benefit may be different for an agency with \$376,344 in unfunded liability, 9% employer contribution rates and a much lower level of rate volatility.

Sincerely



Roger Frith
Mayor