



[Issue](#) | [Background](#) | [Findings](#) | [Conclusions](#) | [Recommendations](#) | [Responses](#) | [Attachments](#)

Awareness Of San Mateo County Government Agencies Of Reporting Requirements For Non-Pension Post-Employment Benefits

Issue

To what extent are government agencies in San Mateo County aware of, and prepared to comply with, Governmental Accounting Standards Board Statement 45?

Summary

The San Mateo County Civil Grand Jury (2007-2008) sent a questionnaire to 73 governmental agencies to determine awareness of Government Accounting Standards Board Statement 45 (GASB 45). GASB 45 requires that agencies report financial obligations for other (non-pension) post employment benefits (OPEB). These benefits are typically health, dental and vision insurance.

Seventy two agencies responded. The Grand Jury concluded that most agencies knew of the reporting requirements and were making a good faith effort to comply with GASB 45.

Fifty three (74%) of the agencies acknowledged having OPEB obligations, and plan to comply with GASB 45 by initially reporting those obligations between 2008 and 2010. Also, these agencies reported that 66% of the health benefits are provided for the lifetime of the recipient.

The Grand Jury recommends that all agencies understand and report their OPEB obligations in strict accordance with GASB 45. Agencies should critically evaluate the effects of their personnel compensation policies on their OPEB liability and on their long-term financial well being.

Awareness Of San Mateo County Government Agencies Of Reporting Requirements For Non-Pension Post-Employment Benefits

Issue

To what extent are government agencies in San Mateo County aware of, and prepared to comply with, Governmental Accounting Standards Board Statement 45?

Background

The Governmental Accounting Standards Board (GASB) sets the accounting and financial reporting standards for government agencies. In June 2004, GASB issued Statement 45 (GASB 45), which states that other post-employment benefits (OPEB) obligations (liabilities) must be reported in a manner similar to that used for pension obligations; i.e., to “Provide information about the *actuarial accrued liabilities* for promised benefits associated with past services and whether and to what extent those benefits have been funded”.¹

Many local governmental agencies provide post-employment benefits other than pensions to retirees. OPEB typically includes health insurance, dental, vision, prescription, or other healthcare benefits provided to eligible retirees, and in some cases their beneficiaries. These benefits accrue to eligible employees while they are still employed, although payment of the benefits begins after their employment has ended. The actuarial accrued liability (AAL) is the estimated amount of OPEB already owed to active and former employees for past services, calculated according to any one of six acceptable actuarial cost methods. Selection of a method is usually based on demographics, benefits offered, and the funding status of the plan.²

Most local agencies have been reporting only their cash outlays for OPEB in a given year, and paying an amount equal to the benefits distributed in that year. Generally, they have not estimated or reported the long-term OPEB liability which they have already incurred. While GASB 45 requires only that the extent of funding of the AAL is disclosed, and not that the AAL be funded (although funding is encouraged), estimation of the AAL will at least give the agency a forecast of the present value of future OPEB payments. Calculation and reporting of OPEB under the GASB 45 standard will help agencies to understand the magnitude of the long-term obligation which they are incurring.

The Grand Jury is interested in the extent to which agencies are aware of, and prepared to comply with, the requirements of GASB Statement 45.

¹ Summary of Statement 45. <http://www.gasb.org/st/index.html>

² OPEB Plain Language Summary http://www.gasb.org/project_pages/opeb_summary.pdf

Investigation

The Grand Jury began by reviewing the financial reports of the County of San Mateo (County) and interviewing the County Manager and Controller's staff. Next, a questionnaire was mailed to the 73 other agencies in the county that are likely to have OPEB obligations. The questionnaire (see Appendix 1) asked not only about awareness of and preparedness to comply with GASB 45, but also for current expenditures and estimates of liability. All the questions and the responses are discussed below in the Findings.

Findings

The prescribed implementation dates for GASB 45 are determined by an agency's annual revenues:

Table 1: Implementation Deadlines

	Annual Revenues	Effective Date for GASB 45
Phase 1	Revenues \$100 million or more	2007-08
Phase 2	Revenues \$10 million or more but less than \$100 million	2008-09
Phase 3	Revenues less than \$10 million	2009-10

The County implemented GASB 45 reporting beginning with the fiscal year ended June 30, 2006. The County's implementation was early; it was required no later than fiscal year 2007-2008. Clearly, the County was aware and prepared to comply well in advance.

Of the 73 agencies (other than the County) that were queried, 72 responded to the questionnaire. This is a response rate of 99%. The Yes/No responses are tallied in Table 2.

Table 2: Summary of Yes/No questions and responses

Question	Response	
	Yes	Percent
1. Is your agency aware of the requirements of GASB 45 in regard to reporting the cost of other post-employment benefits?	70	97
2. Does your agency have either funded or unfunded OPEB liabilities?	53	74
3. If your answer to #2 is Yes, does your agency's current financial statement disclose funded and unfunded OPEB liabilities for your employees as required by GASB 45 standards?	15	21
4. Has your agency retained an actuary to determine the amount, if any, of your OPEB liabilities?	37	51
5. Have you received an actuarial study of your OPEB liabilities?	26	36
6. If your agency has not retained an actuary, do you have an informal estimate of its unfunded OPEB liability?	7	10
7. Has your agency set aside or earmarked any funds for your OPEB liabilities?	23	32
7b. If Yes, is it in a trust?	2	3
Total	72	100

Responses to the Yes/No questions indicated that:

- Seventy of seventy-two agencies were aware of the requirements of GASB 45.³
- While 70 agencies acknowledged awareness of GASB 45, only 53 agencies indicated they had OPEB liabilities; i.e., had an obligation to pay benefits for both current and former employees.
- Even though 53 agencies indicated they had OPEB liabilities, only 15 indicated that they were already reporting those liabilities.⁴ Most were not yet reporting OPEB liabilities because their disclosure dates are from 2008 to 2010.
- More than half of the agencies had retained an actuary to help determine the agency's OPEB obligations.
- About a third of the agencies had set aside or earmarked funds for their OPEB liabilities. Only two of these agencies had deposited said funds in a separate trust account.

³ Two agencies indicated they were unaware of GASB 45 requirements, but one has no employees and the other believes it has no obligations.

⁴ It appears that 13 of these agencies, all school districts, have been reporting their ongoing current year's OPEB expenditures rather than their liabilities.

Agencies were also asked to provide some quantitative information regarding their OPEB expenditures and obligations. The detail data is in Appendix 2. Table 3 shows a summary:

Table 3: Summary Statistics

	Total Eligible Employees & Retirees	Current Eligible Employees	Current Eligible Retirees	Current OPEB Expenditure	Amount Currently Set Aside	Estimated OPEB Liability	Current Expenditure per Retiree	Set Aside per Eligible Employee	Estimated OPEB per Eligible Employee
Minimum	1	0	0	0	2,040	150,000	112	282	8,312
Maximum	1,600	1,000	716	8,158,533	30,115,703	58,218,000	23,182	19,800	123,708
Median	108	85	32	189,744	500,000	5,586,250	4,795	4,380	55,300
Mean	293	194	99	526,294	2,017,020	17,057,060	6,041	5,898	58,612
Standard Deviation	381	242	154	1,193,464	6,169,952	24,406,518	5,003	5,679	42,418
StdDev/Mean	130%	124%	156%	227%	306%	143%	83%	93%	72%

The 72 agencies responding to this survey have a wide range of purposes and sizes; their diversity is evident in Table 3. The large differences between minima and maxima, means and medians, and the large standard deviations (relative to the means) all confirm the diversity (heterogeneity) of the agencies in the County. This diversity is evident not only in terms of purpose and size, but also in the nature of the benefits. The most generous agencies pay full medical coverage premiums for spouses/survivors as well as retirees, and some agencies grant different benefits to different employee categories.

Table 4 (below) shows the number of agencies granting each benefit type to each category of employee. Here again, the diversity of the agencies prevents meaningful generalization. Not all agencies have boards, councils, police or fire staff. More agencies offer health benefits than dental benefits, and so on, moving from left to right.

Table 4: Benefit and Employee Categories

Question 10					
Employee Category	Health	Dental	Vision	Mental Health	Other-specify
Board	12	9	6		1
Council	9	2			
Management	45	20	13	1	1
Administration	43	18	12	2	1
Police	16	1			
Fire	14	2	1		
Public Works	17	1			
Other-specify	31	18	13	1	1
Total	187	71	45	4	4

Table 5 (below) shows that vesting for life is not universal, but is more frequent for the employee categories of council, police, fire and public works. For example, 14 agencies grant health benefits to firefighters (Table 4), and those health benefits are vested for life (Table 5).

The last row in Table 5 shows the percentage of lifetime vesting for each benefit type (the totals of Table 5 divided by the totals of Table 4). In other words, of the 187 instances of health care benefits granted, 124 (66%) of those instances were vested for life.

Table 5: Vesting for Life

Question 11				
Employee Category	Health	Dental	Vision	Mental Health
Board	5	2	2	
Council	9	1		
Management	27	4	2	1
Administration	28	6	4	1
Police	14	1		
Fire	13	2	1	
Public Works	14	1		
Other-specify	14	4	4	1
Total	124	21	13	3
% Vested	66%	30%	29%	75%

Conclusions

Most agencies in the county are making good faith efforts to comply with GASB 45. The 72 agencies who responded to this survey had varying degrees of awareness of the requirements set forth in GASB 45, but none was totally unaware. Fifteen agencies indicated, some perhaps mistakenly, that they are already reporting OPEB liabilities. All of those that had not yet reported, but knew they were required to do so, had submitted deadline dates. However, four of those that have set 2008 deadlines had not yet retained actuaries, so it may be difficult for them to meet their deadlines.

GASB 45 only requires disclosure of actuarially estimated liabilities; it does not require pre-funding of those liabilities, nor does it require analysis of the ability of an agency to fulfill its OPEB commitments. Even pre-funding of the actuarial accrued liability (AAL) does not ensure that an agency will be able to pay its future OPEB costs because:

1. The AAL is a forecast of the cost of benefits already accrued by current employees, vested former employees, and retirees.
2. All estimates of future results, including the AAL, depend on actuarial and financial assumptions which may significantly differ from actual results.
3. The assumptions themselves are usually based on past (albeit recent) experience, which may not be predictive of the future.

Examples of the key assumptions which could change unexpectedly:

- Employee behavior in terms of turnover and age of retirement
- Benefit terms and costs
- Financial rates of return

Many actuarial studies provide multiple estimates of AAL based on varying assumptions. These estimates can vary over a wide range. For example, one responding city's high estimate of its unfunded AAL was more than 50% greater than its low estimate. The high estimate assumed no pre-funding and a rate of return of 4.25%, while the low estimate assumed full pre-funding and a 7.75% return. These pairings of funding methods with rates of return are logical, in that a short-term rate of return of 4.25%, with no pre-funding, was easily attainable in 2006-2007. However, in April 2008, the San Mateo County Investment Pool returned 3.40%, significantly less than its return of 4.75% in May 2007.⁵ Similarly, the pre-funding assumption that a diversified portfolio of long-term investments, including stocks, would return 7% to 8% was realistic, given actual returns for 2003-2007. But a pre-funded, long-term diversified investment portfolio could return much less than 7% in 2008, perhaps even less than 0%. The S&P 500 stock index declined by more than 9% from May 2007 to April 2008 (1,531 to 1,388).

These observations are not meant to disparage. They are presented only to show that actuarial estimates are no better than their assumptions. Over the 20 and 30 year amortization periods typically assumed by these estimates, many changes affecting the adequacy of funding will probably occur. For the reasons cited above, reassessments of OPEB liabilities every two or three years, as mandated by GASB 45, are advisable.

As noted above in the Findings section, the 72 agencies who responded to this survey cover a wide range of purposes and sizes. The attempt to "normalize" size by dividing dollars by numbers of employees was not especially effective, because the demographics and the nature of OPEB benefits granted by the agencies vary significantly. Assessment of each agency's ability to meet its OPEB obligations would require extensive research and analysis.

Even with the uncertainties, GASB 45 estimates serve to alert agencies to the potential effects of their OPEB policies. For example, in a Council Communication dated February 13, 2008, the managerial staff of the City of Vallejo, California (Vallejo) noted that Vallejo's largest unfunded liability was its AAL for OPEB, in the amount of \$135 million. This document also acknowledged that Vallejo had no available cash to fund (amortize) this liability.⁶ On May 23, 2008, Vallejo filed for bankruptcy. This is an extreme case, but it does illustrate the serious effect that OPEB obligations can have on the financial well-being of a city.

⁵ The County Investment Pool is managed by the County Treasurer on behalf of agencies in the county, such as special districts and school districts, which invest in the Pool. According to the County Pooled Investment Policy, "To meet the needs of liquidity and long term investing, the County has established the County Investment Pool. This fund is suitable for planned expenditures or capital funds. The securities in this pool may have longer individual maturities but will have a dollar weighted average maturity of no more than five years."

⁶ <http://www.ci.vallejo.ca.us/uploads/253/021308%20-%20Amended%20City%20Council%20-%20Special%20Meeting%20-%20Budget%20Workshop%20with%20Staff%20Reports.pdf>

Recommendations

The San Mateo County Civil Grand Jury (2007-2008) recommends that all government agencies in the county that have OPEB obligations (other than the County):

1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).
2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.
3. Maintain long-term solvency while meeting OPEB obligations by:
 - a. carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
 - b. adjusting OPEB compensation policies as needed.

Appendix 1

GASB 45 Questionnaire

Excerpted from **GASB: Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45**

As the name suggests, *other postemployment benefits* (OPEB) are postemployment benefits *other than pensions*. OPEB generally takes the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. It may also include some types of life insurance, legal services, and other benefits.

- 1) Is your agency aware of the requirements of GASB 45 in regard to reporting the cost of Other Postemployment Benefits?

Yes _____
No _____

- 2) Does your agency have either funded or unfunded OPEB liabilities?

Yes _____
No _____

- 3) If your answer to #2 is Yes, does your agency's current financial statement disclose funded and unfunded OPEB liabilities for your employees as required by GASB 45 standards?

Yes _____
No _____

If No, please provide either the date at which your agency intends to disclose funded and unfunded OPEB liabilities in accordance with GASB 45, or provide a brief explanation as to why your agency need not do so (example: No OPEB liabilities).

Date: mm ____ dd ____ yy _____

or

Explanation _____

- 4) Has your agency retained an actuary to determine the amount, if any, of your OPEB liabilities?

Yes _____
No _____

- 5) Have you received an actuarial study of your OPEB liabilities?

Yes _____
No _____

If Yes, please provide a copy within 30 days of receipt of this questionnaire.

6) If your agency has not retained an actuary, do you have an informal estimate of its unfunded OPEB liability?

Yes _____
 No _____

If Yes, what is that informal estimate? _____

7) Has your agency set aside or earmarked any funds for your OPEB liabilities?

Yes _____
 No _____

If Yes, how much has been provided? \$ _____

If Yes, is it in a trust? Yes _____ No _____

8) What is the total number of current employees and retirees that will receive OPEB benefits under your current program? _____

How many are current employees? _____

Retirees? _____

9) What was your agency's total cost of premiums/contributions for OPEB in your most recent fiscal year? _____

If your agency does have obligations to provide OPEB to retired employees, please indicate which OPEB benefits are available to each category of employee by checking the cells in the table below

(check if the benefit is available).

	Health	Dental	Vision	Mental Health	Long Term Care	Other-specify
Board						
Council						
Management						
Administration						
Police						
Fire						
Public Works						
Other-specify						

10) Are OPEB benefits vested for life? Please indicate which OPEB benefits are vested for life for each category of employee by checking the cells in the table below (check if the benefit is vested for life).

	Health	Dental	Vision	Mental Health	Long Term Care	Other-specify
Board						
Council						
Management						
Administration						
Police						
Fire						
Public Works						
Other-specify						

1
2
3

Appendix 2 Quantitative Results

	Column:	A	B	C	D	E	F	G	H	I
	Question:	8	8a	8b	9	7a	6a	Col D / C	Col E / A	Col F / A
Agency Name	Agency Type	Total Eligible Employees & Retirees	Current Eligible Employees	Current Eligible Retirees	Current OPEB Expenditure	Amount Currently Set Aside	Estimated OPEB Liability *	Current Expenditure per Retiree	Set Aside per Eligible Employee	Estimated OPEB per Eligible Employee
Belmont	City	179	123	56	358,000	784,000	10,300,000	6,393	4,380	57,542
Brisbane	City	106	81	25	104,000			4,160		
Burlingame	City	472	256	216	1,750,000		54,150,000	8,102		114,725
Daly City	City	814	520	294						
Foster City	City	96	65	31	119,856	1,175,707		3,866	12,247	
Half Moon Bay	City	60	50	10	8,772			877		
Menlo Park	City	302	235	67						
Millbrae	City	140	90	50	267,754	1,500,000		5,355	10,714	
Pacifica	City	120	110	10	146,352			14,635		
Redwood City	City	782	534	248	1,274,643	1,453,747		5,140	1,859	
San Carlos	City	166	106	60	242,000	875,000		4,033	5,271	
San Mateo	City	920	540	380	722,000			1,900		
South San Francisco	City	629	397	232	1,200,000	1,000,000		5,172	1,590	
Atherton	Town	46	34	12	33,365			2,780		
Colma	Town	64	50	14	138,000			9,857		
Hillsborough	Town	167	85	82	677,385	2,000,000		8,261	11,976	
Woodside	Town	20	20	0						
Half Moon Bay	Fire	53	25	28	241,032	60,000	6,556,500	8,608	1,132	123,708
Coastside	Fire	52	25	27	565,890			20,959		
Belmont-SanCarlos	Fire	87	39	48	140,000	385,000	4,616,000	2,917	4,425	53,057
Woodside	Fire	81	47	34	344,800			10,141		
Bayshore	School	7	0	7	42,388	42,388		6,055	6,055	

Belmont - Redwood Shores	School	331	312	19	347,939			18,313		
Brisbane	School	108	76	32	42,839			1,339		
Burlingame	School	23	0	23	93,000			4,043		
Hillsborough	School	203	171	32	49,023			1,532		
Jefferson Elementary	School	541	472	69	407,983			5,913		
Jefferson Union High School	School	624	465	159	1,409,406	263,904		8,864	423	
La Honda - Pescadero	School	5	0	5	40,000		150,000	8,000		30,000
Las Lomas	School	212	145	67	144,038	350,000		2,150	1,651	
Menlo Park	School	334	241	93	404,347	94,325		4,348	282	
Millbrae	School	291	202	89	189,744			2,132		
Pacifica	School	358	260	98	520,000	500,000		5,306	1,397	
Portola Valley	School	10	0	10	37,284	163,614	163,614	3,728	16,361	16,361
Ravenswood	School	612	592	20	100,000			5,000		
Redwood City	School	56	0	56	284,102			5,073		
San Bruno Park	School	277	230	47	199,270		2,302,365	4,240		8,312
San Mateo Union	School	75	0	75	220,000			2,933		
San Mateo Foster City	School	1600	1000	600	919,231	2,811,841		1,532	1,757	
Sequoia Union	School	1138	640	498	2,127,048	1,700,000		4,271	1,494	
South San Francisco	School	660	358	302	1,366,118	0		4,524		
Woodside Elementary	School	16	0	16	80,202	80,202		5,013	5,013	
SMCo Community College	School	1521	805	716	8,158,533	30,115,703		11,395	19,800	
SMCo Transit District	Transportation	893	694	199	597,000		58,218,000	3,000		65,194
Coastside	Water	30	18	12	73,345			6,112		
Mid-Peninsula	Water	22	19	3	30,397	84,000		10,132	3,818	
North Coast County	Water	46	24	22	510,000	700,000		23,182	15,217	
Mid-Coastside Sewer	Sanitary	2	0	2	969			485		
West Bay	Sanitary	40	26	14	1,570			112		
SMCo Mosquito Abatement	District	6	0	6	27,542			4,590		

Midpeninsula Regional Open Space	District	92	87	5	3,088			618		
Broadmoor Police Protection	District	1	0	1	1,800	2,040		1,800	2,040	
SMMCo Harbor	District	37	31	6	78,919	250,000		13,153	6,757	
Lowest Value		1	0	0	0	2,040	150,000	112	282	8,312
Highest Value		1,600	1,000	716	8,158,533	30,115,703	58,218,000	23,182	19,800	123,708

* In Column F, where low and high estimates were provided, this table reports the midpoint between low and high.

4
5
6
7



BOARD OF DIRECTORS 2008

ADRIENNE TISSIER, CHAIR
ZOE KERSTEEN-TUCKER, VICE CHAIR
CAROLE GROOM
ROSE GUILBAULT
SHIRLEY HARRIS
JIM HARTNETT
JERRY HILL
ARTHUR L. LLOYD
KARYL MATSUMOTO

MICHAEL J. SCANLON
GENERAL MANAGER/CEO

July 15, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA. 94063-1655

Dear Judge Scott:

We are in receipt of the San Mateo County Grand Jury report titled "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits."

We concur with the findings and the recommendations of the Grand Jury and will continue to follow the practices described in the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Simon".

Mark A. Simon
Special Assistant to the CEO

Cc: San Mateo County Transit District Board
Michael J. Scanlon, General Manager/CEO
David Miller, General Counsel
Martha Martinez, District Secretary
SamTrans Chief Officers

SAN MATEO COUNTY TRANSIT DISTRICT
1250 San Carlos Ave. – P.O. Box 3006
San Carlos, CA 94070-1306 (650)508-6200



July 24, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

**Re: Coastside County Water District Comments and Response
2007-2008 Grand Jury Report
Awareness of Reporting Requirements for Non-Pension Post-Employment
Benefits**

Hon. Judge Scott:

Coastside County Water District is pleased to respond to the Court's July 10, 2008 letter transmitting Grand Jury findings and recommendations on Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits as follows:

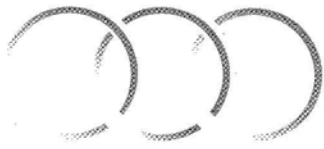
1. The District agrees with the findings in this report as they pertain to Coastside County Water District.
2. The District has not yet implemented the recommendations, as we are not required to comply with GASB 45 until Fiscal Year 2009-2010. We will implement the recommendations by June 30, 2009.

Please call me at 650-726-4405 if there are any questions regarding our response.

Sincerely,

A handwritten signature in blue ink, appearing to read "David R. Dickson".

David R. Dickson
General Manager



SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT

Canada College, Redwood City
College of San Mateo, San Mateo
Skyline College, San Bruno

July 24, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott,

The San Mateo County Community College District (SMCCCD) received the Grand Jury's recent report on Reporting Requirements for Non-Pension Post-Employment Benefits and agrees with the recommendations contained in that report. The finance staff for the College District is well aware of the requirements of GASB 45.

SMCCCD complies with GASB 45 and has had an actuarial study performed according to the regulations. Beginning with the 2008/09 fiscal year, the District's obligations will be reported in the District's financial statements according to GASB 45. In addition, the District has engaged a consultant to assist in making the District's plan a more formal document, establishing a retirement board and developing and implementing an investment strategy. These actions will occur during the 2008/09 fiscal year.

Please contact me if you have any questions about our response.

Sincerely,

Richard Holober, President
Board of Trustees

Office of Director of Finance

1017 Middlefield Road
Redwood City, California 94063
Telephone: (650) 780-7070
Fax: (650) 366-2447
www.redwoodcity.org

July 21, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Response to Grand Jury Recommendations Regarding Non-Pension Post Employment Benefits

Honorable Judge Scott:

The City Council and staff in the City of Redwood City have been well aware of the implications and requirements of Government Accounting Standard Board (GASB) Statement 45 since it was issued in 2004. Inasmuch as Redwood City is required to implement GASB 45 for FY 2007-08 staff presented the City Council a recommendation to implement a funding plan on September 25, 2006. After much discussion the City Council unanimously adopted this recommended plan which has been incorporated into the budgets the Council has adopted since that time. A copy of this recommendation is attached for your review.

When published, the City's FY 2007-08 Comprehensive Annual Financial Report will report the City's other post-employment liabilities (OPEB) as required by the GASB.

The City Council is committed, at this time, not only to fully comply with the provisions of GASB 45 but to also eventually fully fund the City's OPEB liabilities on a current basis (fully funding the City's actuarially required contribution).

We appreciate the extensive efforts that the County Grand Jury has devoted to this project as we believe this is a major financial issue confronting local government agencies in this County.

Sincerely,

Brian Ponty
Director of Finance

Attachment

CC: Honorable Mayor Foust and Members of the City Council
Peter Ingram, City Manager
Bob Bell, Human Resources Director
Silvia Vonderlinden, City Clerk
grandjury@sanmateocourt.org

REPORT

**To the Honorable Mayor and City Council
From the City Manager**

September 25, 2006

Subject

Funding Strategy for Governmental Accounting Standards Board (GASB) Statement Number 45 - Other Post Employment Benefits (OPEB)

Recommendation

Staff recommends that the City Council adopt the proposed OPEB funding plan as presented below.

Background

GASB Statement Number 45 provides new requirements for the accounting and financial reporting by employers for post employment benefits other than pensions (OPEB). The City currently provides one post employment benefit in the form of health insurance for retirees. This new statement is similar to previous GASB guidance for pensions in that it requires the recognition of the cost of post employment benefits during the years of an employee's active years of service to the City rather than the City's current practice of "pay-as-you-go" in which costs are recognized only as payments are made for retirees. Under GASB 45, an actuarial valuation is performed to determine the total cost of the benefit, and from this valuation the Annual Required Contribution (ARC) is calculated. The ARC consists of the value of benefits earned during the year (the normal cost) plus amortization of the unfunded liability.

At the City Council meeting of May 22, 2006, staff presented a financial update to the City Council which included information on OPEB along with a preliminary funding strategy (see Attachment I for OPEB). At that meeting, City Council recognized the potential impact of OPEB on the City's bond rating, and given the City's plans for issuing future debt, directed staff to bring back in the fall of 2006 a comprehensive plan, including several options for implementing OPEB to consider incorporating into the FY 2007/08 budget year.

Subsequent to the May 22, 2006 staff report, at the request of the SEIU bargaining unit, City staff met with representatives from SEIU on July 12, 2006 to review the OPEB actuarial valuation report and to provide them with the City's OPEB information previously provided to the City Council, including staff's recommended phased-in approach for funding the requisite annual contribution amounts. The SEIU representatives appeared satisfied with the information provided and the preliminary recommended funding approach.

Compensated Absences Liability

Separately and in addition to the above events, the City was recently notified that the City's FY 2004/05 Comprehensive Annual Financial Report (CAFR) has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. This awards program entails review of the CAFR with resultant recommendations for improvement which must be addressed or resolved in the

subsequent fiscal year. One comment for the 2004/05 fiscal year addressed the City's liability for compensated absences (e.g. accrued vacation, sick leave earned but not paid) primarily in the City's general fund. The interpretation of accounting rules, which has evolved over the past few years, now dictates that only those liabilities relating to employees who have actually terminated as of the close of the fiscal year (June 30) and which have not yet been paid out by June 30 can be accrued as a liability. The City's practice has been to accrue a liability for all anticipated leave payouts for the upcoming January (compensatory time, sick leave and administrative holiday buyout). As the City's interpretation is not in line with the industry's interpretation, the City must change its accounting practice.

This change in accounting practice will free-up approximately \$1.4 million in the general fund which has previously been tied up in the compensated absences liability. Staff does not anticipate that these funds will be needed to cover leave payouts, as the general fund has been able to cover payouts out of the general fund operating budget each year.

The Finance Director has discussed this change with the Audit Committee, and staff and the Audit Committee recommend that these funds be designated for the general fund's portion of the other post employment benefit liability. It is recommended that this \$1.4 million be used over a four year period to support the general fund's cost of funding the ARC. Using these funds over a four year period (from 2008/09 to 2011/12) is preferred as opposed to initially transferring the total amount of these funds to an irrevocable trust as the general fund would retain liquidity should an emergency arise and the funds are required to be used elsewhere.

Recommendation

General Fund

Given the above information, staff is recommending that the City Council adopt a formal plan for progressive funding of the ARC in the general fund over a five year period beginning in FY 2007/08 through charges to City departments via the payroll system (in a similar manner in which other benefits are charged to departments). As previously mentioned, it is recommended that the funds available from the reduction of the compensated absences liability be used to reduce the impact on the general fund. Staff is not recommending full funding of the ARC in FY 2007/08 as this would unnecessarily tie up funds, when a more moderate funding schedule is likely sufficient to address the concerns of the bond rating agencies that the City has a solid plan in place to address funding the OPEB.

Water and Sewer Funds (Enterprise Funds)

Since the enterprise funds (sewer, water, parking) utilize the full-accrual basis of accounting, the full cost of the ARC must be expensed regardless of whether the ARC is funded (cash paid out). Any part of the ARC which is not funded must then be reflected as a liability on the balance sheet of the enterprise funds. Due to this difference in accounting treatment and the fact that payroll costs are a lower percentage of total costs it is recommended that the ARC be fully funded in FY 2007/08 in the enterprise funds.

All Other Funds

As with the recommendation above for the general fund, it is anticipated that the other funds (including Redevelopment Agency, capital outlay funds, etc.) will be charged at a progressive rate as a percentage of payroll as listed in the table below. However, this rate will be higher than the proposed rate for the general fund as

unlike the general fund there are no revenues available to offset this cost in the other funds.

The tables below illustrate the recommended funding schedules:

General Fund

The following table illustrates the impact of staff's recommendation on the general fund over the next seven fiscal years:

	07/08	08/09	09/10	ARC Fully Funded	11/12	12/13	13/14
	\$	\$	\$	\$	\$	\$	\$
Proposed funding of ARC	363,100	755,249	1,178,188	1,837,974	1,911,493	1,987,953	2,067,471
Amount from "reserves" ¹	0	290,249	463,188	622,974	73,590	(0)	(0)
Net general fund contribution	363,100	465,000	715,000	1,215,000	1,837,903	1,987,953	2,067,471
Total contribution	363,100	755,249	1,178,188	1,837,974	1,911,493	1,987,953	2,067,471
Total general fund revenues	76,729,000	79,101,000	82,146,000	85,616,000	89,040,640	92,602,266	96,306,356
General fund contribution as a % of total revenues	0.47%	0.59%	0.87%	1.42%	2.06%	2.15%	2.15%

Enterprise Funds

	<u>2007/08 Water Fund</u>	<u>2007/08 Sewer Fund</u>
Proposed funding of ARC	193,856	69,589
Proposed funding as % of total revenues	1.01%	0.56%

Please note that the above amounts only reflect the net additional amounts needed to fully fund the ARC within these funds. Since these funds are already paid for retiree medical benefits under the "pay-as-you-go" approach, this latter amount is counted towards funding the total ARC.

All Other Funds

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Funding as % of payroll	1%	2%	3%	4.5%

Discussion with Rating Agency

Recently, staff conferred with Parry Young from Standard & Poor's (S&P), a credit rating agency, regarding OPEB. Mr. Young has published several articles on this subject and is one of S&P's experts in this field. S&P regards OPEB as a cost pressure without offsetting resources that can have financial and management impacts on an agency. When rating an agency, S&P looks at how governments manage these OPEB liabilities. Mr. Young's opinion of the recommended plan is that it "seems reasonable" and that it reflects "much progress on focusing upon this liability." In terms of evaluating the credit quality of a debt

¹ When the compensated absence liability is reduced the funds will then be transferred to fund balance where they will be designated for financing a portion of the general fund's OPEB liability.

issuer, they will examine how the issuer is managing this liability. S&P does not, however, have a prescribed approach to how this liability should be managed.

Alternatives

The City Council may change the recommended progressive funding schedule.

The City Council may opt to not fund any of the ARC, in which case the OPEB unfunded liability will continue to increase. Following this alternative could adversely affect the City's credit rating.

The City Council may choose to not implement GASB 45 in FY 2007/08, in which case the City's independent auditor will issue a qualified or adverse opinion, and there will be an adverse impact on the City's credit rating. Not implementing GASB 45 means that the City would not change its existing accounting practices and would not recognize the ARC as required under GASB 45.

The City Council may opt to fully fund the ARC in which case the City would place funds in an irrevocable trust arrangement. Staff does not favor this approach as funds would be tied up and not available for balancing the City's budget in the event of a downturn in revenues.

A decision on how to fund the OPEB liability should be made by the end of November 2006 if such amounts are to be included in the FY 2007/08 budget.

Fiscal Impact

The fiscal impact upon the general fund and other major funds is presented in the respective tables in the preceding respective sections of this staff report.



Brian Pohty
Director of Finance and
Financial Planning



Ed Everett
City Manager

Attachment:
Attachment 1 - OPEB Executive Summary

EXECUTIVE SUMMARY

Background

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement Number 45 providing new requirements for the accounting and financial reporting by employers for post employment benefits other than pensions (OPEB). This new statement is similar to previous GASB guidance for pensions in that it requires the recognition of the cost of post employment benefits during the years of an employee's active years of service to the City. Under GASB 45, if the costs are recognized and funded during an employee's active years of service, then in theory, when the employee retires, the funds required to pay for the retiree's health would have been previously accumulated and would then be available for the actual health premium payments.

The City currently provides one post employment benefit in the form of health insurance for retirees. This benefit is currently accounted for on a "pay-as-you-go" basis, which means that costs are recognized as payments are made. Therefore, the City is currently recognizing only the health insurance costs associated with the actual retiree health insurance payments being made, and not recognizing the costs of this benefit for active employees. The City currently pays for the health insurance of 268 retirees, and it is projected that the 2006-07 "pay-as-you-go" amount for this benefit will be \$1.3 million.

To determine the costs of OPEB, GASB 45 requires a biennial actuarial valuation of benefits. The City retained Bartel Associates to prepare this valuation. The actuarial valuation calculates the Actuarial Accrued Liability (AAL), or the discounted value of benefits earned by employees to-date, the Actuarial Value of Assets (AVA) which is the value of assets available to fund the AAL (the city currently has no assets), the Unfunded Actuarial Liability (UAL) which represents the difference between the AAL and the AVA, and the Annual Required Contribution (ARC) which is the actuarially determined contribution requirement. The ARC consists of the value of benefits earned during the year (the normal cost) plus amortization of the UAL over a period not to exceed 30 years. A discount rate is utilized in actuarial calculations and represents the estimated interest earnings on accumulated funds that will offset the OPEB costs. This discount rate ranges from 4.25% for assets held by the City and pooled with the City's investments, or 7% for assets held in an irrevocable trust (most likely placed with a trustee). The irrevocable trust provides a higher discount rate as these assets are restricted solely for OPEB, and are invested in securities with longer-term maturities. The use of the higher discount rate results in a lower ARC. However, by entering into an irrevocable trust agreement, the City loses access to those funds.

GASB 45 does not require the City to fully fund the ARC, however, any unfunded portion must be recorded as a liability in the Enterprise Funds (Water, Sewer, Parking and Port Funds), and in the Statement of Net Assets for the Governmental Funds (General Fund, Redevelopment Agency, et al.). Additionally, any unfunded ARC will increase subsequent ARC calculations when the next biennial valuation is performed. The City may choose to fund the ARC at any level, from zero to fully funded. Any amount of the ARC funded over the current "pay-as-you-go" amount will trigger the need for the City to report these funds in a pension trust fund, unless the City utilizes an outside administrator, in which case the plan administrator will account for and invest these funds (at the previously mentioned higher discount rate).

At this time, CalPERS is reviewing the possibility of administering OPEB and providing trustee services to cities. The services provided would be the same as the services provided by CalPERS for the City's pension plan. However, the requirements for participation are unknown at this time, and the City's participation in a CalPERS administered OPEB plan may require full funding of the ARC as is currently required under CalPERS pension participation.

It is recommended that the City implement GASB 45 along with a plan for funding the ARC as bond rating agencies, while realizing that cities cannot immediately fund the OPEB liability, will possibly look at the cities' plans for progressively funding OPEB. Failure to develop a plan may adversely affect an issuer's credit rating. The City is currently in the middle of issuing a series of bonds to fund the Recycled Water Project, and a decline in the City's credit rating would increase the cost of borrowing. **Additionally, failure to implement GASB 45 would result in a qualified or adverse audit opinion.**

The required GASB 45 implementation date for the City is FY 2007/08. The City must make decisions for implementation including the following:

- Funding level of ARC – zero to full funding
- Funding source – budgeted annual departmental charges, one-time monies such as unanticipated increases in available fund balance
- Trustee/Self Administer – If any part of OPEB is funded above the current “pay-as-you-go” level, a determination must be made whether the City will self administer the plan and use an outside trustee for investment purposes, or utilize an outside administrator/trustee such as CalPERS.

The City may also review the current level of post employment benefits currently provided, and possibly look at implementing a tiered approach for new hires. Any changes in this benefit would impact the total cost of OPEB and the resultant ARC.

Recommendation

Staff is recommending a phased in approach for increased funding of the ARC over four years until the ARC is fully funded in the fourth year of implementation (2010-11). Staff proposes the following schedule:

	ARC	Current Pay-Go	Balance Remaining	Proposed Additional Payroll Charge%	Proposed Additional Charge \$	Additional Charge as a % of Total Revenues	Net Unfunded ARC
General Fund							
2007-08	3,627,031	1,175,918	2,451,113	1.00%	363,100	0.49%	2,088,012
2008-09	3,706,826	1,411,102	2,295,724	2.00%	755,249	0.97%	1,540,475
2009-10	3,788,376	1,693,322	2,095,054	3.00%	1,178,188	1.46%	916,865
2010-11	3,875,509	2,031,987	1,843,522	4.50%	1,837,974	2.17%	5,548

Enterprise Funds

				% Set to Fully Fund			
Water Fund							
2007-08	352,856	159,000	193,856	5.49%	193,856	1.01%	0.00
Sewer Fund							
2007-08	132,589	63,000	69,589	5.24%	69,589	0.56%	0.00

The above figures are based on projections for the General Fund, Water Fund and Sewer Fund. All funds with employee costs will be impacted.

South San Francisco Unified School District

Response to San Mateo County Grand Jury Report

Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits

Findings:

General responses from the South San Francisco Unified School District to the Grand Jury Report dated July 10, 2008:

The District agrees with the findings that the District has made a good faith effort to educate itself with respect to GASB 45 and to adopt and implement a GASB 45 compliant plan by the effective reporting deadline of FY 2008-09. For the better part of FY 2007-08, the District researched GASB 45 specifics, dialogued with numerous financial advisors and public accountants, and sought out best practices among public sector agencies during the development of the District's GASB 45 Funding Plan.

The District also agrees with the Grand Jury's finding that accurate assumptions on which requisite actuarial studies can be based are pivotal to determining realistic estimates of current and future OPEB liability.

Recommendation 1:

Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).

SSFUSD Response: Agrees with recommendation

Recommendation has been implemented. The District's Board of Trustees adopted a **GASB 45 Compliance Plan** at its May 8, 2008 meeting after a public study session. Comprehensive study materials were provided that offered an analysis of GASB 45 issues including results of the district's actuarial analysis, e.g.- calculated ARC, UAAL, AAL; pay-as-you-go costs versus long term liabilities; funding options; and, timelines for implementation.

Recommendation 2:

Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

SSFUSD Response: Agrees with recommendation

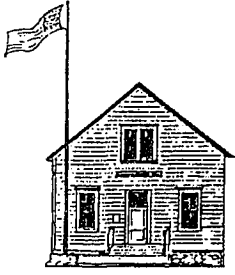
The recommendation will be implemented by reporting OPEB liability on 2008-09 financial statements, as required by GASB 45 for a district with our annual revenues.

Recommendation 3:

Maintain long-term solvency while meeting OPEB obligations by: a) carefully reviewing the assumptions and results of actuarial OPEB liability estimates; and, b) adjusting OPEB compensation policies as needed.

SSFUSD Response: Agrees with recommendation

Recommendation has been implemented. As part of the District's GASB 45 Compliance Plan, actuarial assumptions will be reviewed as part of the required commission of a bi-annual actuarial study. In addition, the District will re-evaluate the affects of OPEB on compensation levels and on accrued liability in response to the completion of every actuarial study. The GASB 45 Compliance Plan will be adjusted accordingly to maintain long term fiscal sustainability and well being.



The Town of
Woodside

July 23, 2008

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

RE: 2007-08 GRAND JURY REPORT – AWARENESS OF SAN MATEO COUNTY
GOVERNMENT AGENCIES OF REPORTING REQUIREMENTS FOR NON-PENSION POST-
EMPLOYMENT BENEFITS

Dear Judge Scott,

The Town Council of the Town of Woodside reviewed the referenced Grand Jury Report during its meeting of July 22, 2008. On behalf of the Town Council, I would like to offer the following.

The Town Council agrees with all of the findings in the Grand Jury's report on the awareness of reporting requirements for non-pension post-employment benefits. There are three recommendations included in the Grand Jury Report:

1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).
2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.
3. Maintain long-term solvency while meeting OPEB obligations by:
 - a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
 - b. Adjusting OPEB compensation policies as needed.

P.O. Box 620005
2955 Woodside Road
Woodside, CA 94062

The Town understands GASB 45, as is recommended in number 1, and understands the requirement of GASB 45 to report both the present value of long-term obligations for non-pension retirement benefits, such as health insurance, and the extent to which they have been funded. Under GASB 45, the Town's implementation deadline is Fiscal Year 2009-10. The Town will implement recommendation 2 starting with next fiscal year. The Town will implement recommendation 3 in Fiscal Year 2009-10 and in subsequent years, as part of the annual budget process, as well as the semi-annual review of the five-year budget forecast.

The Town greatly appreciates the efforts of the Grand Jury. On behalf of the Town Council, I would like to extend our thanks for an opportunity to respond to the work of the 2007-08 Grand Jury. Please do not hesitate to call our Town Manager, Susan George, should you require any further information.

Sincerely,

Ron Romines
Mayor

650-851-6790

Fax: 650-851-2195

townhall@woodsidetown.org

July 30, 2008

Hon. Joseph C. Scott
Judge of the Superior Court Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Findings on Reporting Requirements for Non-Pension Post-Employment Benefits

Dear Judge Scott:

The City of Brisbane agrees with all three findings of the Grand Jury.

1. As a San Mateo County government agency with OPEB Obligation, the City of Brisbane understands the requirements of GASB45 and the reporting of long-term liabilities (Annual required contribution less contributions made equals Net OPEB obligation).
2. The City of Brisbane is required to implement GASB45 for fiscal year 2008-09. We are planning for that implementation date and have engaged an actuary to determine our OPEB obligation. At this time, our council has directed us to continue with pay as you go rather than full funding. We will prepare the note disclosures for the Comprehensive Annual Report for the Fiscal Year Ending June 30, 2009.
3. As one cost saving move, the City of Brisbane has just changed the retirement policy for future hires. As such, we plan to have the actuary update our report for the fiscal year 2009/10. Under direction from council, we will review and adjust our assumptions accordingly.

Sincerely,

Stuart Schillinger
Administrative Services Director



PVSD

PORTOLA VALLEY SCHOOL DISTRICT

4575 Alpine Road • Portola Valley, CA 94028

Phone: (650) 851-1777 • Fax: (650) 851-3700 • www.pvsd.net

Anne E. Campbell, Superintendent
Tim Hanretty, Asst. Superintendent

Board of Trustees
Donald Collat
Steven Humphreys
Judith Ann Mendelsohn
Ray Villareal
William Youstra

August 18, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott,

The Portola Valley School District Governing Board has received the Grand Jury's recommendations regarding reporting requirements for non-pension post-employment benefits.

The Governing Board agrees with the findings of the Grand Jury and responds as follows:

1. The Business Office of the Portola Valley School District fully understands the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB). The PVSD budget contains a line item for these liabilities.
2. The Portola Valley School District is in compliance with GASB 45 and has disclosed its liabilities in accordance with the implementation deadlines. Furthermore, the District has reviewed this matter with its independent financial auditor, and the annual audit has substantiated that this action has been taken.
3. The Portola Valley School District Governing Board takes very seriously its fiduciary responsibility to assure the long-term solvency of the school district and carefully monitors OPEB obligations.

Thank you for the opportunity to respond regarding this important issue.

Very truly yours,

Ray Villareal, Board President

CITY OF SAN CARLOS

CITY COUNCIL

BRADFORD LEWIS, MAYOR
ROBERT GRASSILLI, VICE MAYOR
MATTHEW GROCOTT
OMAR AHMAD
RANDY ROYCE



CITY COUNCIL
600 ELM STREET
SAN CARLOS, CALIFORNIA 94070-3085
TELEPHONE: (650) 802-4219
FAX: (650) 595-6719
WEB: <http://www.cityofsancarlos.org>

August 25, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd floor
Redwood City, CA 94063-1655

Dear Judge Scott:

Please accept this as the City of San Carlos' formal response to the July 10, 2008 letter from the Superior Court communicating comments made to all Agencies in San Mateo County by the Civil Grand Jury about "Awareness of Reporting Requirements for Non-Pension Post-Employment Benefits."

The City has reviewed the Civil Grand Jury comments and I would offer these responses on behalf of the City Council and the City of San Carlos as the Mayor of San Carlos:

Recommendation # 1

Understand the requirements of GASB 45

The City of San Carlos is aware of the requirements of GASB 45 and has received reports and expert advice on these requirements over the last few years.

Recommendation # 2

Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation guidelines

The City has disclosed its GASB 45 obligations publicly each year. In addition, the GASB 45 OPEB liability at the Belmont-San Carlos Fire Department (BSCFD) is now fully funded and the GASB 45 OPEB liability for the City itself is partially funded (\$600,000 of the \$900,000 per year cost is included in the 2008-09 City Budget). Going forward the City plans to bring its GASB 45 OPEB funding up to the full level (as at BSCFD) in coming years on a phased basis.

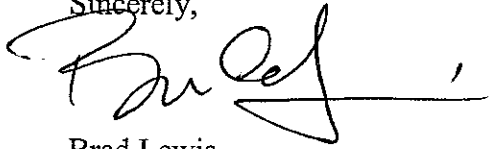
Recommendation # 3

Maintain long-term solvency while meeting OPEB obligations

As noted in Item # 2, the City has a phased strategy to bring GASB 45 OPEB funding up to the full level in coming years on a phased basis.

Thanks for this opportunity to share what's being done in the City of San Carlos when it comes to GASB 45 and OPEB funding.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Lewis", with a long horizontal stroke extending to the right.

Brad Lewis
Mayor

Cc: City Council
City Attorney
City Manager

CITY COUNCIL 2008

PEDRO GONZALEZ, MAYOR
KARYL MATSUMOTO, MAYOR PRO TEM
MARK N. ADDIEGO, COUNCILMEMBER
RICHARD A. GARBARINO, COUNCILMEMBER
KEVIN MULLIN, COUNCILMEMBER

BARRY M. NAGEL, CITY MANAGER

August 22, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report

Dear Judge Scott:

The City Council and staff for the City of South San Francisco received the Grand Jury's report on Reporting Requirements for Non-Pension Post-Employment Benefits and agree with the recommendations contained in the report.

The City is aware of the reporting requirements of GASB Statement 45 and has acquired an actuary to perform the necessary study. The City will report on other post-employment benefits (OPEB) in its financial statements by June 30, 2009.

The City recognizes the long-term liabilities associated with retiree healthcare and has begun to earmark funds for its OPEB liabilities, study investment vehicles/trust accounts, and examine the viability of current benefit levels.

The City of South San Francisco appreciates the work by the San Mateo County Civil Grand Jury. Feel free to contact Jim Steele, the City's Finance Director, if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Pedro Gonzalez". The signature is written in a cursive, flowing style.

Pedro Gonzalez, Mayor
City of South San Francisco

cc: Barry M. Nagel, City Manager
Jim Steele, Director of Finance

August 7, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott:

The Hillsborough City School District Board of Trustees has asked me to respond to the Grand Jury's report regarding Reporting Requirements for Non-Pension Post-Employment Benefits Report.

Findings:

This respondent agrees with the findings.

Recommendations:

1. This recommendation has been implemented. This District has completed an actuarial study and has had the Board of Trustees receive information regarding the options for compliance in 2008-09. The Board will decide this school year how it intends to fund or delay funding this liability.
2. This recommendation has been implemented. The liabilities have been reported at a public meeting. Our auditor will make certain we are in compliance with all public reporting requirements.
3. This recommendation has been implemented. These concepts will become a major part of all future labor negotiations.

Sincerely,

Marilyn Loushin-Miller
Superintendent, Hillsborough City School District

MLM:td



Pacifica School District

375 Reina Del Mar Avenue • Pacifica, California 94044
(650) 738-6600 • (650) 557-9672 (fax)

Academic Excellence ★ Standards for Success

www.pacificasd.org

Board of Trustees

Karen Ervin
Laurie Frater
Connie Menefee
Michael O'Neill
Joan Weideman

District Administration

James Lianides, Ed.D.
Superintendent
Susan Vickrey
Assistant Superintendent
Josephine Peterson
Chief Business Official

August 28, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Non-Pension Post-Employment Benefits

Dear Judge Scott:

The Pacifica School District is in receipt of the July 10, 2008 San Mateo Civil Grand Jury Report which contains findings and recommendations regarding Non-Pension Post-Employment Benefits.

The Pacifica School District agrees with the findings and submits the following in response to the Grand Jury's recommendations:

1. Recommendation:

To understand the requirements of GASB 45, especially the difference between current expenditures and long-term liabilities for post employment liabilities.

District Response:

The Pacifica School District Board of Trustees and staff will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2008-09 fiscal year.

2. Recommendation:

Comply with GASB 45 and disclose liabilities in accordance with implementation deadlines.

District Response

The Pacifica School District Board of Trustees and staff will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2008-09 fiscal year.

3. Recommendation:

Maintain long term solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and adjusting OPEB compensation policies as needed.

District Response

The Pacifica School District Board of Trustees and staff will carefully review the findings and recommendations of the actuary reports and implement adjustments as necessary beginning with the 2008-09 fiscal year.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Lianides', with a horizontal line extending to the right.

James Lianides, Ed. D.
Superintendent

JL:sc

Cc: Pacifica School District, Board of Trustees



CITY OF DALY CITY

DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

DONALD W. McVEY
DIRECTOR

September 2, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City CA 94063

RE: Civil Grand Jury Findings on Reporting Requirements for Nonpension Post-Employment Benefits

Dear Justice Scott:

As one of the respondents to the Grand Jury's original inquiry regarding GASB 45 Other Post Employment Benefits, the City of Daly City concurs with the finding that all agencies understand and report their OPEB obligations in strict accordance with GASB 45. We are also very much aware of the effects of this reporting on our personnel compensation policies given the expected future costs of providing these post-retirement benefits.

We are required to implement GASB 45 disclosure in our comprehensive annual report for the year ended June 30, 2009, and expect to have our independent actuary produce the final valuation before that time.

Should you or the Grand Jury need additional information please let me know. I would be pleased to discuss this matter at your convenience.

Very truly yours,

Donald W. McVey
Director of Finance and
Administrative Services

Cc: Patricia E. Martel, City Manager
Maria Cortes, City Clerk



August 28, 2008

City Council

Helen Fiscaro
Mayor

Joanne F. del Rosario
Vice Mayor

Frossanna "Fro" Vallerga
Council Member

Joseph Silva
Council Member

Diana Colvin
Council Member

City Treasurer
Rae P. Gonzalez

City Officials

Laura Allen
Interim City Manager

Robert L. Lotti
Chief of Police

Roger Peters
City Attorney

Richard Mao
City Engineer

Andrea Ouse
City Planner

Brian Dossey
Director of Recreation
Services

Lori Burns
Human Resources Manager

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott:

Please accept this as the Town of Colma's formal response to the July 10, 2008 letter from the Superior Court transmitting a report from the Civil Grand Jury entitled Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits.

The Town has reviewed the Grand Jury comments and I offer these responses on behalf of the City Council and the Town of Colma as the Mayor:

Recommendation #1: Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for OPEB.

Response: This recommendation has been implemented. Since August of 2006 several key staff members have attended training sessions sponsored by ABAG, California Society of Municipal Finance Officers (CSMFO), California Municipal Treasurers Association, NorCal¹ and CalPERS highlighting the requirements of GASB 45. These staff members include the Human Resources Manager, the Interim City Manager (who is also the Town's Finance Director) and the previous City Manager. In addition, these staff members read several articles published by the League of California Cities, CSMFO, CMTA and the Government Finance Officers Association (GFOA) and shared these articles with the City Council. The Town purchased copies of GFOA's publication on this topic entitled An Elected Official's Guide to Employer's Accounting for Pensions and Other Post-Employment Benefits (OPEB) and distributed them to key staff and members of the Council.

Recommendation #2: Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

Response: This recommendation has not yet been implemented, but will be implemented within the timeframe required under GASB 45. The status of implementation is described below:

¹ Human Resources Directors' group

Currently the Town, like most governmental agencies, accounts for OPEB expenses on a pay-as-you-go basis, so the immediate costs are identified but the long range total is not. For the past two fiscal years the Town has paid between \$100,000 and \$138,000 in health and dental premiums for retirees, their spouses and dependents.

On April 16, 2008, the City Council approved a contract with the Nicolay Consulting Group to determine the Town's retiree medical and dental benefits actuarial liability² (unfunded accrued liability) as of June 30, 2007, and provide an analysis of various funding strategies that might be considered for funding the cost of benefits associated with past service and options for reducing the cost of the benefits going forward.

The GASB 45 implementation schedule is based on the size of the organization. The Town needs to develop a plan by June 30, 2008 and implement it by June 30, 2009. Staff is on track to meet this deadline and has a workshop scheduled with the Council on August 27th to discuss the report.

Recommendation #3: Maintain long-term solvency while meeting OPEB obligations by:

- a. carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and**
- b. adjusting OPEB compensation policies as needed.**

Response: The recommendation has not yet been implemented, but will be implemented in the future. As stated above the Town is required to comply by the end of FY 2008-09 and is on track to meet that date. Some adjustments have been made to medical and dental benefits for future employees in advance of the actuarial report.

Thank you for the opportunity to respond to the survey and report on this important topic.

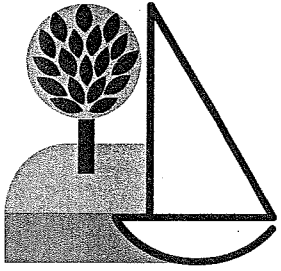
Sincerely,



Helen Fisicaro
Mayor

Cc: City Council
City Attorney
City Manager

² The consultant will calculate the future cost of OPEB benefits using a three step process: project future benefit payments, discount future benefit payments to their present value, and allocate the present value of future benefit payments to the appropriate period of employee service. Numerous assumptions are made in these calculations, including the amortization period which ranges from 15 to 30 years.



City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222
(650) 286-3200
FAX (650) 574-3483

September 2, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott:

Thank you for the opportunity to review the 2007-2008 San Mateo County Civil Grand Jury's report on Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits. The City of Foster City appreciates the Grand Jury's effort in making sure that all government agencies in San Mateo County that have Other Post Employment Benefits (OPEB) understand the requirements of Government Accounting Standard Board (GASB) Statement No. 45.

The City of Foster City agrees with the findings and will be in full compliance with the requirements of GASB Statement No. 45 by June 30, 2009.

Our Financial Services staff has attended seminars on GASB Statement No. 45 provided by the Government Finance Officers Association and California Society of Municipal Finance Officers in March, 2004. The staff continuously attends seminars of this topic provided by both organizations. The California Committee on Municipal Accounting also provided some guidelines intended to assist California Cities and certain other local governments and their auditors in the accounting and reporting of OPEB, primarily to clarify issues not addressed in other publications. We are familiar with the OPEB expenditures recognition for contributions to an OPEB plan including long term liabilities.

The City will comply with GASB Statement No. 45 implementation deadlines, and will provide the required notes to the Financial Statements such as the basic plan information, plan contribution policy, and the plan funded status. We will provide the required disclosures to Unfunded Actuarial Accrued Liability (UAAL) at the end of the fiscal year ending June 30, 2009.

Honorable Joseph C. Scott
September 2, 2008
Grand Jury Report
Page 2

The City will continue to work with our consultant to obtain an annual actuarial study of the OPEB plan. The current information will allow the City to carefully review the results of the actuarial OPEB liability and make adjustments accordingly.

Please feel free to contact me if you seek additional information or have any questions regarding this response to the Grand Jury's report.

Sincerely,

A handwritten signature in black ink that reads "Pam Frisella". The signature is written in a cursive, flowing style with a large initial "P" and "F".

Pam Frisella
Mayor

Cc: Members of the City Council
James C. Hardy, City Manager
Ricardo G. Santiago, Finance Director
Therese Calic, City Clerk



Jefferson Union High School District

ADMINISTRATIVE OFFICES – SERRAMONTE DEL REY
699 Serramonte Boulevard, Suite 100
Daly City, CA 94015-4132
650-550-7900 • FAX 650-550-7888

Board of Trustees

Jean E. Brink
Maria S. Luna
David K. Mineta
Thomas A. Nuris
Katherine C. Zarate

Michael J. Crilly
Superintendent

September 23, 2008

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, California 94063-1655

Re: **Awareness Of San Mateo County Government Agencies Of Reporting Requirements For Non-Pension Post-Employment Benefits Issue**

Dear Judge Scott:

The Jefferson Union High School District agrees with the finding of the Grand Jury concerning OPEB obligations.

Specifically:

- 1. Understanding the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).**

The district understands the requirements of GASB 45, and the specific difference between current expenditures and long-term liabilities for other post employment benefits.

- 2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.**

The district has complied and disclosed OPEB liabilities in public board meetings in accordance with the implementation deadlines.

- 3. Maintain long-term solvency while meeting OPEB obligations by:**
 - a.) Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and**
 - b.) Adjusting OPEB compensation policies as needed.**

The district has complied with GASB45 requirements and performs actuarial studies every three years at which time current employee statistics as well as changes in OPEB compensation are updated. Most recently in 2007/2008, the district increased the number of years required to attain OPEB compensation with its bargaining units.

Sincerely,

Michael J. Crilly
Superintendent

c Board of Trustees



September 11, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Hon. Scott:

This letter is in response to the Grand Jury report filed on July 10, 2008 pertaining to Non-Pension Post-Employment Benefits and the request for information from our public agency.

We, as a District, understand the requirements of GASB 45, including the periodic actuarial valuations to measure and disclose our retiree healthcare benefits. Our District contracted with Demsey, Filliger and Associates to conduct an actuarial study in April 2007.

The final report received listed our options with regards to our commitments for current and future retirees. Currently, our District is a pay-as-you-go district.

Our District maintains a high reserve based on the District's adopted reserve policy of 7-12%, with the past few years hovering around 10%. The District is confident it will be able to meet its commitment for many years as it stands. With that said, our Other Post Employment Benefits (OPEB) policies will be reviewed routinely to ensure we are able to meet those requirements in the future.

Sincerely,

Dianne Talarico
Superintendent

Board of Trustees

Michael Barber
Marc J. Friedman
Liz Gindraux
Mark G. Intrieri
Gregory Land

District Administration

Dianne Talarico
Superintendent

Suzanne Hall, Ed.D.
Assistant Superintendent,
Curriculum & Instruction

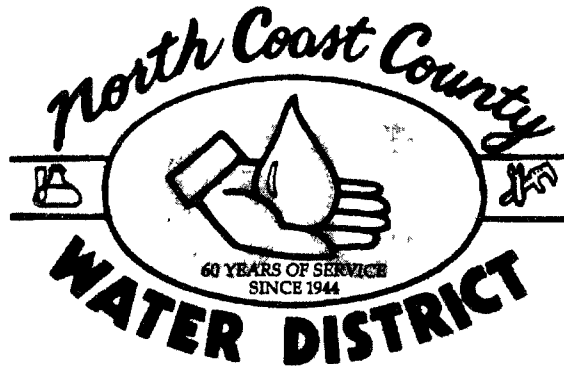
Robert Clark, Ed.D.
Assistant Superintendent,
Chief Business Official

Lourdes S. Desai
Director, Special Education &
Categorical Programs

DIRECTORS
THOMAS J. PICCOLOTTI
JOSHUA COSGROVE
J. MASON BROWN, JR. P.E.
ANNE DE JARNATT
BOB VETTER

RUSSELL CONROY
Director Emeritus

2400 Francisco Blvd.
P.O. Box 1039, Pacifica, CA 94044
www.nccwd.com



STAFF
KEVIN O'CONNELL
General Manager
CARI C. LEMKE
ASSISTANT GENERAL MANAGER
-ADMINISTRATION

Phone (650) 355-3462
FAX (650) 355-0735

October 1, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Special District Report filed July 10, 2008

Honorable Joseph C. Scott:

The North Coast County Water District (NCCWD) hereby submits its responses to the recommendations of the Grand Jury regarding its review of "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report".

1. *"Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB)."*

The NCCWD agrees with this finding. Further, the District has prepared an actuarial evaluation of its OPEB obligation and will be adopting GASB 45 in accordance with the implementation schedule.

2. *"Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines."*

The NCCWD agrees with this finding and intends to disclose its OPEB liabilities in accordance with the implementation schedule.

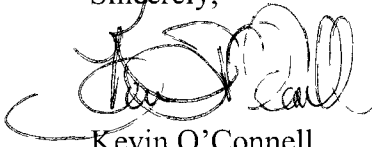
3. *"Maintain long-term solvency while meeting OPEB obligations by:
a. carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
b. adjusting OPEB compensation policies as needed.."*

Special District Report filed July 10, 2008
North Coast County water District
Page 2

The NCCWD agrees with this finding and will fund its OPEB obligation in a trust account to help maintain long-term solvency.

The District appreciates this opportunity to respond to the Grand Jury report on GASB 45. Should you require any additional information please do not hesitate to contact Cari Lemke, Assistant General Manager – Administration at (650) 355-3462.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Connell", with a large, sweeping flourish extending to the left.

Kevin O'Connell
General Manager

Cc: Board of Directors



San Mateo County
Mosquito and Vector Control District
1351 Rollins Rd
Burlingame CA 94010
(650) 344-8592 Fax (650) 344-3843
www.smcmad.org

September 10, 2008

Honorable Joseph C Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City CA 94063-1665

Judge Scott,

This letter is to formally acknowledge the findings of the Grand Jury in regards to awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits.

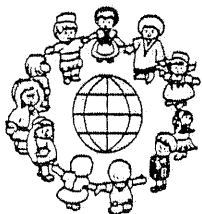
It is San Mateo County Mosquito and Vector Control District's position that we agree with all three Grand Jury recommendations in regard to the above subject*. It is to be noted that our District has not implemented your recommendations at this time but will be doing so in fiscal year 2009-2010. Due to the size of our fiscal budget, a small district such as ours is not required to implement the OPEB obligations until that time. We will be taking steps to initiate the process upon further discussion with our Auditors, the County Controller's Office and a potential actuarial firm to assist us with the arrangements.

Respectfully,

A handwritten signature in black ink that reads "Leon Nickolas". The signature is fluid and cursive, with a long horizontal stroke at the end.

Leon Nickolas
Board President
San Mateo County Mosquito and Vector Control District

*Recorded in board minutes September 10, 2008



Jefferson School District

*Martin Luther King Jr. Education Center
101 Lincoln Ave. • Daly City, CA 94015
(650) 746-2431 • Fax (650) 992-2265
Web Address: www.jsd.k12.ca.us*

Governing Board

Marie Brizuela

Adam Duran

Hans E. Hansen

K. Annette Hipona

Marianne E. Petroni

*Annette Hipona
Board President*

September 10, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Jefferson Elementary School District Comments
2007-2008 Grand Jury
Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report

Honorable Joseph C. Scott,

We, the members of the Jefferson Elementary School District Board of Trustees, have been kept well informed and are familiar with the requirements of the Governmental Accounting Standard Board (GASB) **Statement 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions**. The District administration has done a good job in preparing us and our community for the implementation of this new accounting requirement.

The San Mateo County Civil Grand Jury (2007-2008) recommends that all government agencies in the county that have Other Post-Employment Benefits (OPEB) obligations (other than the County):

1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).

District Comment: The District has implemented this recommendation. The administration has presented to the Board of Trustees several times on the requirements related to the implementation of GASB Statement 45. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the District's financial reports. The presentations included explanations on the timeline for implementation, the disclosure requirement in the financial statement, and explanations regarding the difference between or current pay-as-you-go expenditures and our future obligations to current employees for other post employment benefits (OPEB). The administration has made it very clear that even though GASB Statement 45 simply requires that public agencies disclose their OPEB liability in the financial statements, that this future liability for our employees must be funded.

2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

District Comment: The District will implement this recommendation. Based on District annual revenue we are implementing GASB Statement 45 in phase 2 (after December 15, 2007, for government agencies with total annual revenues of \$10 million or more but less than \$100 million).

The financial annual audit report as of June 30, 2008, will include the GASB Statement 45 required disclosure related to OPEB. It will reflect an updated actuarial valuation of the other post employment benefits for eligible district employees. This disclosure requirements of GASB Statement 45 improves the relevance and usefulness of the district's financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

3. Maintain long-term solvency while meeting OPEB obligations by:
 - a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
 - b. Adjusting OPEB compensation policies as needed.

District Comment: The District has not yet implemented this recommendation, but it will implement it within the next 18 months. It is the intent of this Board of Trustees, to the extent that it is financially feasible, to implement a plan to fund the actuarial accrued liability resulting from OPEB. The administration is discussing options for the Board's consideration to a) establish an irrevocable trust to fund our current actuarial accrued liability and b) to find ways to reduce the OPEB liability in the future. At its regular meeting of September 10, 2008, the Board of Trustees authorized a Supplemental Early Retirement Incentive program for teachers. If successful, the projected savings to the District from this program, will be used to establish the irrevocable trust to start funding the OPEB liability.

Sincerely,



Matteo Rizzo
Superintendent



San Mateo-Foster City School District
1170 Chess Drive • Foster City • California • 94404
Office (650) 312-7777 • Fax (650) 312-7736

September 30, 2008

Superior Court of San Mateo County
Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center
2nd Floor
Redwood City, CA 94063-1655

RE: Awareness of San Mateo County Government Agencies of Reporting Requirements for
Non-Pension Post-Employment Benefits Report

Dear Hon. Joseph C. Scott:

Per your request in your letter dated July 10, 2008, the San Mateo-Foster City School District's
Response to the Grand Jury report filed on July 10, 2008 follows.

San Mateo-Foster City School District's Response to Findings

The District agrees in general with the findings of the Grand Jury report on the subject of
Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-
Pension Post-Employment Benefits.

San Mateo-Foster City School District's Response to Recommendations

Response to Recommendation #1:

The District understands the requirements of GASB45, especially with regard to the different
expenditures and long-term liabilities for other post employment benefits (OPEB).

Response to Recommendation #2:

The District will continue to comply with the GASB45 and disclose their OPEB liabilities in
accordance with the implementation deadlines.

Dr. Pendery Clark, Superintendent of Schools

Lory L. Lawson, President Cathy Rincon, Vice President Jack E. Coyne, Clerk Colleen Sullivan, Trustee Mark D. Hudak, Trustee



San Mateo-Foster City School District
1170 Chess Drive • Foster City • California • 94404
Office (650) 312-7777 • Fax (650) 312-7736

Response to Recommendation #3:

The District consistently reviews and adjusts its budget in order to maintain long-term solvency. The District will continue to conduct actuarial studies and carefully review the assumptions and results of the actuarial OPEB liability estimates. While the District can continue to work with the employee groups to adjust OPEB compensation policies, any changes to existing policies and contracts are subject to negotiation.

Please contact Micaela Ochoa, Chief Business Official, at 650.312.7274 if you have further questions.

Sincerely,

Pendery A. Clark, Ed.D.
Superintendent

CC: Board of Trustees, San Mateo-Foster City School District
Dr. Jean Holbrook, County Superintendent of Schools
Micaela Ochoa, Chief Business Official
Dr. Mary Willis, Assistant Superintendent of Human Resources
Steve Mak, Director of Fiscal Services

Dr. Pendery Clark, Superintendent of Schools

Lory L. Lawson, President Cathy Rincon, Vice President Jack E. Coyne, Clerk Colleen Sullivan, Trustee Mark D. Hudak, Trustee

October 2, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Honorable Judge Scott:

The Sewer Authority Mid-Coastside (SAM) is in receipt of the Grand Jury Report (Report) dated July 10, 2008 on *Awareness Of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits* which contains findings and recommendations. Appendix 2, Quantitative Results, shows that SAM has the lowest total annual expenditure for non-pension post-employment benefits. SAM has no comment on the Report at this time.

The San Mateo County Civil Grand Jury (2007-2008) recommends that all government agencies in the county that have OPEB obligations (other than the County):

1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).

SAM understands the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for OPEB.

2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

SAM will be in full compliance with GASB 45 and will disclose our OPEB liabilities in accordance with the implementation deadlines. SAM will be required to apply the requirements of GASB 45 for the period beginning after December 15, 2008 or in SAM's fiscal year ending June 30, 2010 financial statements.

3. Maintain long-term solvency while meeting OPEB obligations by:
 - a. carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
 - b. adjusting OPEB compensation policies as needed.

Hon. Joseph C. Scott
October 2, 2008
Page 2 of 2

SAM will maintain long-term solvency while meeting OPEB obligations by carefully reviewing the assumptions and performing a calculation of liability estimates (GASB 45 permits SAM to use an alternative measurement method in lieu of an actuarial study due to having less than 100 employees). SAM will adjust OPEB compensation policies as needed.

As such, SAM has implemented these recommendations.

If you require any additional information, please do not hesitate to contact me at 650-726-0124.

Sincerely,

SEWER AUTHORITY MID-COASTSIDE

A handwritten signature in black ink, appearing to read "John F. Foley III". The signature is fluid and cursive, with a large initial "J" and "F".

John F. Foley III
Manager

cc: Board of Directors



Town of Atherton
Office of the Mayor

91 Ashfield Road
Atherton, California 94027
650-752-0500
Fax 650-688-6528

September 19, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Awareness of San Mateo County Government Agencies of Reporting
Requirements for Non-Pension Post-Employment Benefits Report

Hon. Judge Scott:

The Town of Atherton agrees with the findings in the Grand Jury Report and will comply with the three recommendations:

1. The Town of Atherton understands the requirements of GASB 45 (Other Postemployment Benefits, "OPEB"), which are required to be implemented for the Town's Annual Report for the year ending June 30, 2009.
2. The Town's Finance Department will be calculating the OPEB liabilities this fall and making recommendations for funding those liabilities before the preparation of next year's Budget for FY 2009-2010.
3. The Town is in strong financial condition and is prepared to address this obligation.

Sincerely,

James R. Janz
MAYOR



Millbrae School District

555 Richmond Drive, Millbrae, CA 94030

650-697-5693 • 650-697-6865 (fax) • <http://www.MillbraeSchoolDistrict.org>

SHIRLEY MARTIN
Superintendent

NANCY PALMER
Chief Business Official

SHARON DE BIAGIO
Director of Curriculum

BRIAN INGLESBY
Director of Student Services

September 16, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott:

The Millbrae School District is in receipt of the 2007-2008 Grand Jury report entitled "Awareness of San Mateo County Government Agencies of Reporting Requirement for Non-Pension Post-Employment Benefit Report"

The District has no basis to agree or disagree with the Findings because the District does not have personal knowledge of the Findings information.

As to the Grand Jury Recommendation, the District understands its OPEB obligations under GASB 45. The District's budget is between \$10,000 and \$100,000 and therefore, obligated to report beginning with the 2008-2009 fiscal year.

Enclosed you will find a copy of the District's responses to the GASB 45 Questionnaire.

Sincerely,

Shirley Martin
Superintendent

SM/edm



REDWOOD CITY SCHOOL DISTRICT

750 Bradford Street
Redwood City, California 94063-1727
(650) 423-2200

Board of Education
Shelly Masur, President
Maria Diaz-Slocum, Vice-President
Dennis McBride, Clerk
Alisa MacAvoy
Hillary Paulson

September 29, 2008

Jan Christensen
Superintendent

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Honorable Judge Scott:

The Redwood City School District ("RCSD") received the Grand Jury report dated July 10, 2008, on "Reporting Requirements for Non-Pension Post-Employment Benefits" and agrees with the findings contained in the report. RCSD administration is aware of the requirements of GASB 45.

RCSD complies with GASB 45 and had the actuarial study performed. The district will continue to fund its obligation via pay-as-you-go method and the unfunded liabilities will be reported in the district's financial statement for the fiscal year 2008/09.

RCSD is required to perform actuarial study every two years. At which time, the assumptions will be adjusted based on the current demographics of the district's staffing, the current rate of return and other factors affecting the calculation of the obligation. The district will also assess its ability to fund its Annual Required Contribution above and beyond the pay-as-you-go-method.

Please contact me if you have any questions about our response.

Sincerely,

Jan Christensen
Superintendent



Scenic Pacifica

CITY HALL
170 Santa Maria Avenue • Pacifica, California 94044-2506
www.ci.pacifica.ca.us

MAYOR
James M. Vreeland, Jr.

MAYOR PRO TEM
Julie Lancelle

COUNCIL
Calvin Hinton
Sue Digre
Peter DeJarnatt

October 6, 2008

Honorable Judge Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655
grandjury@sanmateocourt.org

Subject: Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report – City of Pacifica Response

Honorable Judge Joseph C. Scott:

The City of Pacifica has reviewed the report and findings for the *Awareness of San Mateo County Government Agencies Reporting Requirements for Non-Pension Post-Employment Benefits Report*.

The City of Pacifica appreciates the Grand Jury's interest and commitment to bring attention to non-pension post-employment benefit obligations under the Governmental Accounting Standards Board Statement 45 (GASB 45). The report is helpful in gaining a perspective on how other cities are complying with GASB 45.

The City of Pacifica would like to respond to the report.

- Regarding the report's **Findings:**

The City of Pacifica agrees with the **findings** of the report.

- Regarding the report's **Recommendations:**

Recommendation 1

The City of Pacifica understands the requirements of GASB 45 with regard to current expenditures and long-term liabilities for non-pension post employment benefits (OPEB), has completed the necessary actuarial studies

CITY MANAGER'S OFFICE
TEL (650) 738-7301
FAX (650) 359-6038

CITY ATTORNEY
TEL (650) 738-7409
FAX (650) 359-8947

CITY CLERK
TEL (650) 738-7307
FAX (650) 359-6038

CITY COUNCIL
TEL (650) 738-7301
FAX (650) 359-6038

ENGINEERING
TEL (650) 738-3767
FAX (650) 738-3003

FINANCE
TEL (650) 738-7392
FAX (650) 738-7411

FIRE ADMINISTRATION
TEL (650) 991-8138
FAX (650) 991-8090

HUMAN RESOURCES
TEL (650) 738-7303
FAX (650) 359-6038

**PARKS, BEACHES
& RECREATION**
TEL (650) 738-7381
FAX (650) 738-2165

**PLANNING &
ECONOMIC DEVELOPMENT**
TEL (650) 738-7341
FAX (650) 359-5807
• Building
TEL (650) 738-7344
• Code Enforcement
TEL (650) 738-7343

POLICE DEPARTMENT
TEL (650) 738-7314
FAX (650) 355-1172

PUBLIC WORKS
TEL (650) 738-3760
FAX (650) 738-9747



to determine liability, and is in the process of implementation of a long-term financial planning process to address long-term liabilities.

It should be noted that on page 12 (Appendix 2) of the report, Pacifica's current OPEB expenditure is \$65,946 (column D) and the current expenditure per retiree is \$2,198 (column G). The City has 30 current eligible retirees (column C).

Recommendation 2

The City of Pacifica has complied with GASB 45 and will be reporting OPEB liabilities in accordance with implementation guidelines for FY 2008-09.

Recommendation 3

The City of Pacifica is committed to maintaining long-term financial solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of the now completed actuarial OPEB liability estimates and will continue to educate staff and adjust OPEB compensation policies as needed through the labor negotiation process.

The City of Pacifica appreciates the efforts of the Grand Jury to provide awareness of OPEB liability and the requirements of GASB 45 reporting.

Sincerely,



Ann Ritzma
Administrative Services Director

Cc: City Manager, Steve Rhodes
City Councilmembers
City Clerk, Kathy O'Connell



Brisbane School District
One Solano Street, Brisbane, Ca 94005
Tel: 415-467-0550 Fax: 415-467-2914

Board of Trustees
Joseph Blank
Diane Crampton
Bob Dettmer
Tom Ledda
Ken Walker

Building Thoughtful Citizens

Superintendent
Toni Presta

October 1, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Response to Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report

Dear Judge Scott,

Thank you for the opportunity to review and comment on the findings of the Grand Jury. This letter serves as response from the Brisbane School District to the recommendations found therein.

Findings:

We agree with Grand Jury's findings regarding various agencies' knowledge and implementation of GASB 45.

Recommendations by the Grand Jury:

The San Mateo County Civil Grand Jury (2007-2008) recommends that all government agencies in the county that have OPEB obligations (other than the county):

- 1 Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).*

The recommendation is being implemented. The district has employed a GASB 45 consultant so that we may better understand and implement the requirements.

2 *Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.*

The recommendation is currently being implemented. The district has employed a firm (Dempsey Filliger and Associates) to perform an actuarial study of the district's post employment benefits other than pensions (OPEB) in order to prepare for our June 30, 2009 GASB 45 implementation deadline.

3 *Maintain long-term solvency while meeting OPEB obligations by:*
a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
b. Adjusting OPEB compensation policies as needed.

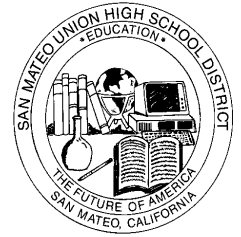
The recommendation will be implemented when we receive the results of the actuarial study of our OPEB liability estimates. The district will adjust OPEB compensation policies as needed.

Sincerely,

Toni Presta
Superintendent

CC: Brisbane Board of Trustees
grandjury@sanmateocourt.org (via email)

San Mateo Union High School District



David Miller, Ph.D., Superintendent

Elizabeth McManus, Deputy Superintendent

Kirk Black, Associate Supt. Human Resources-Admin. Services

Matt Biggar, Associate Supt. Instructional Services

650 North Delaware Street - San Mateo, CA 94401-1795

(650) 558-2299

(650) 762-0249 FAX

October 3, 2008

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

RE: AWARENESS OF SAN MATEO COUNTY GOVERNMENT AGENCIES OF REPORTING
REQUIREMENTS FOR NON-PENSION POST-EMPLOYMENT BENEFITS REPORT

Dear Judge Scott:

On July 10, 2008, the Grand Jury of San Mateo County published its "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report."

As a School Board we are charged with setting policies and overseeing the implementation of those policies. The Board takes this responsibility very seriously and has not and will not allow, permit or approve any inappropriate action. The San Mateo Union High School District completed its GASB 45 study. Due to our prudent fiscal oversight, the District has minimal post employment benefits liabilities.

Please find our specific responses in the paragraphs below.

DISTRICT'S RESPONSE TO GRAND JURY'S FINDINGS

The Grand Jury's Findings appear below:

Findings on Page 3:

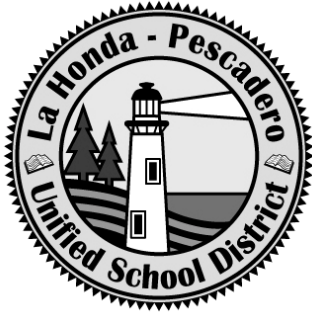
The District agrees that the implementation dates for GASB 45 are determined by an agency's annual revenues. Based on San Mateo Union High School District's revenues, implementation for GASB 45 is scheduled for fiscal year 2008-09.

An actuarial study to measure the amount of post employment liability was performed in 2007-08. The District will begin to disclose the actuarial estimated liabilities in the 2008-09 audited financial records. San Mateo Union High School will reassess their OPED liabilities every two years thereafter as required by GASB 45.

In closing, the District, on behalf of its communities and students, would like to thank the members of the Grand Jury for the work that they do to the benefit of the citizens of San Mateo County.

Sincerely,

David Miller, Ph.D.
Superintendent and Secretary to the
Board of Trustees



LA HONDA-PESCADERO UNIFIED SCHOOL DISTRICT
P.O. Box 189 • 620 North Street, Pescadero, CA 94060
650-879-0286 • FAX 650-879-0816

Timothy A. Beard, Superintendent

October 8, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Grand Jury Report on Awareness of Requirements for Non-Pension Post-Employment Benefits Reports

Hon. Judge Scott:

This letter is in reference to the 2007-08 County Grand Jury report on Awareness of Requirements for Non-Pension Post-Employment Benefits Reports. La Honda-Pescadero Unified School District has considered the Grand Jury's findings and submits this letter in response to the recommendations to government agencies in the County.

La Honda-Pescadero Unified School District agrees with the findings and submits the following in response to the Grand Jury's recommendations:

1. Recommendation:

Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment liabilities.

District Response:

La Honda-Pescadero Unified School District will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2009-10 fiscal year.

2. Recommendation:

Comply with GASB 45 and disclose OPEB liabilities in accordance with implementation deadlines.

District Response

La Honda-Pescadero Unified School District will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2009-10 fiscal year.

3. Recommendation:

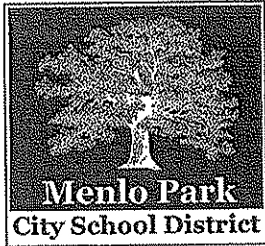
Maintain long term solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and adjusting OPEB compensation policies as needed.

District Response

La Honda-Pescadero Unified School District will carefully review the findings and recommendations of the actuary reports and implement adjustments as necessary beginning with the 2009-10 fiscal year.

Sincerely,

Timothy A. Beard,
District Superintendent



District Office
181 Encinal Avenue
Atherton, California 94027
650-321-7140
FAX: 650-321-7184
www.mpcsd.org

Board of Education
Jeff Child
Deborah Fitz
Bruce Ives
Laura Rich
Terry Thygesen

*A Community of educators, scholars, parents and staff working together
to inspire, serve, challenge and enrich all students*

Kenneth Ranella,
Superintendent

September 22, 2008

Jo Sauer Mitchell,
Asst.Supt/Curriculum &
Instruction

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Diane White,
Chief Business Official

Olivia Mandilk,
Dir. Of Student Services

Re: To What Extent are government agencies in San Mateo County aware of, and prepared to comply with, Governmental Standards Board Statement 45?

Jim Bowlby
Dir. Of Technology

In response to the request from the 2007-08 San Mateo County Grand Jury regarding the issue: To what extent are government agencies in San Mateo County aware of and prepared to comply with Governmental Standards Board Statement 45, the following is submitted for your consideration:

Kathryn Tinio,
Human Resources

Ahmad Sheikholeslami
Facility Program Manager

- The Menlo Park City School District has an effective date for implementation of GASB 45 for the 2008-09 fiscal year.
- Menlo Park City School District completed an actuarial study in 2006, which benchmarked the unfunded AAL at \$7,306,532.
- In December of 2006, the Menlo Park City School District Board of Education adopted a resolution directing contributions to a District reserve fund beginning with \$94,325 and increasing annually by approximately 3% as outlined by the actuarial study.
- In December of 2006, the District approved the establishment of Fund 20 for the reserve.
- The Resolution by the Board of Education in 2006 directed that the funds be placed in an irrevocable trust no later than January 1, 2009.
- In two years the Menlo Park City School District has contributed \$188,475 to Fund 20 for its unfunded liability and has budgeted \$100,100 for transfer for 2008-09.

Dennis Hatfield
Supervisor Maintenance,
Transportation,
Operations

- During the 2006-07 fiscal year, the Menlo Park City School District negotiated a significant reduction in OPEB benefits with certificated and classified employees, eliminating such benefits for new certificated employees after April 2007 and requiring 20 years of service for eligibility for classified employees.
- All classified and certificated employees employed before April 2007 are eligible for lifetime employee benefits at an amount of \$325 per month for certificated employees and \$341 per month for classified employees. Following is the total number of eligible employees: 153 certificated; 91 classified.
- In 2007-08 the total cost for retiree benefits was \$397,685 for 96 retirees.
- The Menlo Park City School District is currently contracting for an updated actuarial study to be completed during the 2008-09 fiscal year.

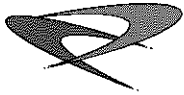
Hopefully this outline of activities since 2006 and other information responds substantially to the Grand Jury request for information.

Sincerely,



Kenneth J. Ranella
Superintendent

c: Board of Education



MID-PENINSULA WATER DISTRICT

3 DAIRY LANE – POST OFFICE BOX 129

BELMONT, CALIFORNIA 94002

PHONE (650) 591-8941

FAX (650) 591-4998

September 26, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Mid-Peninsula Water District Response to Review of all San Mateo County local government agencies' prospective compliance with Government Accounting Standards (GASB45)

DIRECTORS

Dear Judge Scott:

MATTHEW P. ZUCCA
PRESIDENT

This responds to the July 10, 2008 letter from John C. Fitton, Court Executive Officer, requesting written comments from the Mid-Peninsula Water District ("District") responding to the 2007-2008 Grand Jury's Review of all San Mateo County local government agencies' prospective compliance with Government Accounting Standards (GASB45). The Board of Directors of the Mid-Peninsula Water District reviewed and approved the response to the Grand Jury Report at its regular Board meeting on September 25, 2008. The Report included three recommendations and the District's responses are set forth below.

MARK FELDMAN
VICE-PRESIDENT

1. *Recommendation: Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employee benefits (OPEB).*

LOUIS J. VELLA

Reply:

The District agrees with this recommendation. The District already has taken steps to learn about the GASB 45 requirements. In 2007 the District hired an outside consultant to perform an Actuarial Analysis. Based on this analysis, the District has started placing funds in a reserve account to assist in offsetting current and future OPEB expenses.

BETTY L. LINVILL

2. *Recommendation: Comply with GASB 45 and disclose their OPEB liabilities*

DAVID ALTSCHER

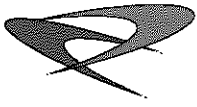
OFFICERS

PAUL R. REGAN
GENERAL MANAGER

CATHY REMELEH
DISTRICT SECRETARY

JANINE O'FLAHERTY
ENGINEER

JOAN L. CASSMAN
ATTORNEY



in accordance with the implementation deadline.

Reply: The District agrees with this recommendation. Since the District's annual revenues are less than \$10 million, the reporting disclosure requirement applicable to the District commences for the fiscal year beginning after December 2008. The District will comply with this implementation deadline.

3. *Recommendation: Maintain long-term solvency while meeting OPEB obligations by:*
- a. carefully reviewing the assumptions and results of actuarial OPEB liability estimates and*
 - b. adjusting OPEB compensation policies as needed.*

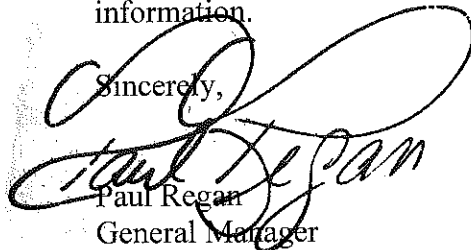
Reply: The District agrees with this recommendation. The District will continue to meet its obligations and maintain its long-term solvency by:

- a. Making annual contributions into a reserve account in accordance with the findings of an actuarial study showing OPEB liability estimates; and
- b. Continually reviewing its OPEB obligations, adjusting its reserve policies as needed and considering other types of trust vehicles to satisfy its OPEB compensation obligations.

We appreciate the opportunity to participate in the Grand Jury's review of all San Mateo County local government agencies' prospective compliance with Government Accounting Standards (GASB45) and are pleased to provide this response to the 2007-2008 Grand Jury Report.

Please call me at (650) 591-8941 if you have any questions or would like further information.

Sincerely,



Paul Regan
General Manager

cc: Mid-Peninsula Board of Directors



October 1, 2008

Hon. Joseph C Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Awareness of San Mateo County Government Agencies of Reporting
Requirements for Other (Non-Pension) Post-Employment Benefits (OPEB)
Report

In response to your letter dated July 10, 2008, City of Belmont concurs with the finding contained in the report filed by Grand Jury and has implemented the required recommendations.

Be advised that the City of Belmont City Council approved funding of the OPEB obligation in accordance with GASB 45, by Resolution # 9985. The effective date for implementation of GASB 45 is fiscal year 2009-10.

This letter should satisfy all required comments by the October 8th deadline.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack R. Crist".

Jack R. Crist
City Manager



Superior Court of San Mateo County

Hall of Justice and Records
400 County Center
Redwood City, CA 94063-1655

RECEIVED
JUL 11 2008

BELMONT CITY MANAGER

John C. Fitton
Court Executive Officer
Clerk & Jury Commissioner

(650) 599-1711
FAX (650) 363-4698

July 10, 2008

City Council
City of Belmont
1070 Sixth Avenue
Belmont, CA 94002

Re: Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension
Post-Employment Benefits Report

Dear Councilmembers:

The 2007-2008 Grand Jury filed a report on July 10, 2008 which contains findings and recommendations pertaining to your agency. Your agency must submit comments, within 90 days, to the Hon. Joseph C. Scott.

As you are the public agency that has been commented upon by the Grand Jury, your comments are due no later than October 8, 2008 to:

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655.

For all findings, the responding person or entity shall indicate one of the following:

1. The respondent agrees with the finding.
2. 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.

Additionally, as to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.

2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame 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 time frame shall not exceed six months from the date of publication of the Grand Jury report.
4. The recommendation will not be implemented because it is not warranted or reasonable, with an explanation therefor.

Please submit your responses as follows:

1. **Responses to be placed on file with the Clerk of the Court by the Court Executive Office.**
 - **Prepare original on letterhead, address and mail to Judge Scott.**
2. **Responses to be placed at the Grand Jury website.**
 - **Copy response and send by e-mail to: grandjury@sanmateocourt.org. (Insert agency name if it is not indicated at the top of your response.)**
3. **Responses to be placed with the clerk of your agency.**
 - **File a copy of the response directly with the clerk of your agency. Do not send this copy to the Court.**

For up to 45 days after the end of the term, the foreperson and the foreperson's designees are available to clarify the recommendations of the report. To reach the foreperson, please call the Grand Jury Clerk at (650) 599-1711.

If you have any questions regarding these procedures, please do not hesitate to contact Michael P. Murphy, County Counsel, at (650) 363-4762.

Very truly yours,



John C. Fitton
Court Executive Officer

JCF:mc
Enclosure

cc: Hon. Joseph C. Scott
Michael P. Murphy

✓ Information Copy: City Manager



The City of Burlingame

City Hall – 501 Primrose Road
Burlingame, CA 94010-3997

September 17, 2008

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Re: Response to Grand Jury Report – Awareness of OPEB Reporting Requirements

Dear Judge Scott:

The City of Burlingame agrees with the findings of the Grand Jury report pertaining to the reporting requirements for Non-Pension Post Employment Benefits. The city participated in the survey of San Mateo County governments and provided information to assist the Grand Jury in its deliberations. The city thanks you and the members of the Grand Jury for their interest and time in examining this important matter.

Grand Jury Recommendations

- 1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).**

Status of Recommendation: To be implemented in the future in accordance with GASB.

City Response:

The city of Burlingame currently provides retiree health benefits using a two-tier system. The Memorandums of Understanding with each of the city's bargaining units defines the retiree health benefits that are in place.

The city completely understands the requirements of GASB 45. Burlingame is a Phase 2 city, with revenues of \$10 million or more but less than \$100 million. The GASB 45 liability will be posted on the financial schedules of the Comprehensive Annual Financial Report for Fiscal Year 2008-09. The city has performed two preliminary actuarial analyses to identify the potential unfunded accrued actuarial liability for retiree health benefits. The preliminary analyses were limited in scope and used to determine strategies for negotiating the current two-tier system of retiree health benefits with labor groups.

A formal actuarial analysis will be completed in spring of 2009 to identify the liability as of June 30, 2009. The current city budget contains funds for the study.

The city funds retiree health on an annual basis using available cash. Currently, there is no funding identified to offset the long-term liability for retiree health. Costs in the increase of monthly health premiums for retirees are covered in each new budget.

2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

Status of Recommendation: To be implemented in the future in accordance with GASB.

City response:

The city is on schedule to comply with the requirements of GASB 45 in accordance with the implementation deadlines.

- 3. Maintain long-term solvency while meeting OPEB obligations by:**
- a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates; and**
 - b. Adjusting OPEB compensation policies as needed.**

Status or Recommendation: To be implemented in the future in accordance with GASB.

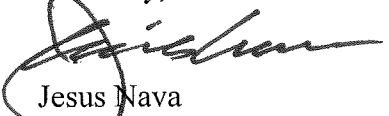
City response:

The city intends to maintain its long-term solvency while meeting its OPEB obligations. The city's assets as of June 30, 2007 were \$289 million with liabilities of \$136 million for ending net assets of \$121 million. To this amount you can add restricted and unrestricted assets of \$26 million for total net assets of \$150 million.

The city continues to look at retiree health benefits within each collective bargaining unit in an effort to identify mutually acceptable modifications to the benefit that will result in lessening the retiree health benefit liability. In addition, the city is exploring prefunding options that may exist and be economically feasible for the city to pursue.

Please feel free to contact me if you have additional questions or need more information regarding the City of Burlingame's GASB 45 reporting and funding plans.

Sincerely,



Jesus Nava
Finance Director/Treasurer



ADMINISTRATIVE SERVICES

Council Meeting Date: October 7, 2008

Staff Report #: 08-149

Agenda Item #: D-3

CONSENT: Approval of Response to the County Grand Jury Report, “Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report”

RECOMMENDATION

Staff recommends that the City Council approves the City’s response to the Grand Jury Report, “Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report”, to be placed on file with the Clerk of the Court by the Court Executive Office.

BACKGROUND

The 2007-08 Grand Jury filed a report on July 10, 2008 which contains findings and recommendations regarding compliance with Governmental Accounting Standards Board Statement 45 as it pertains to government agencies in San Mateo County (Attachment A). Each agency is required to respond to the recommendations (page 8) of the report no later than October 8, 2008.

ANALYSIS

Late last year the San Mateo County Civil Grand Jury (2007-2008) sent out a questionnaire to determine the extent to which governmental agencies in San Mateo County are aware of, and prepared to comply with, Governmental Accounting Standards Board Statement 45 (GASB 45). GASB 45 requires that agencies report financial obligations for other (non-pension) post employment benefits (OPEB). From the results of the questionnaire, the Grand Jury concluded that most agencies knew of the reporting requirements and are making efforts to comply with GASB 45. The Grand Jury recommend in its report that all agencies strictly comply with GASB 45, and critically evaluate the effect of personnel compensation policies and liabilities on their long-term fiscal condition.

The City of Menlo Park is prepared for full implementation of GASB 45 a full year prior to the required date of compliance. As such, the City’s response to the Grand Jury’s report (Attachment B) indicates complete agreement with the Grand Jury’s findings and recommendations.

IMPACT ON CITY RESOURCES

The impacts of complying with GASB 45 have been previously considered by the Council in the establishment of a policy that provides for the full funding of the City's OPEB obligations.

POLICY ISSUES

The City provides for the pre-funding of actuarially-determined OPEB obligations through contributions to a qualified trust fund. No changes in City policy or spending priorities are anticipated as a result of the Grand Jury's report.

ENVIRONMENTAL REVIEW

Environmental Review is not required.

Carol Augustine, Finance Director
Report Author

Attachments: [A. Grand Jury Report, "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report"](#)

[B. City of Menlo Park response to the Grand Jury Report](#)

ANDY COHEN
MAYOR

HEYWARD ROBINSON
VICE MAYOR

JOHN BOYLE
COUNCIL MEMBER

RICHARD CLINE
COUNCIL MEMBER

KELLY FERGUSSON
COUNCIL MEMBER



701 LAUREL STREET, MENLO PARK, CA 94025-3483
www.menlopark.org

October 8, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Subject: Response to the County Grand Jury Report, "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits"

Hon. Joseph C. Scott:

In response to the Grand Jury report referenced, the City of Menlo Park respectfully submits comments related to each recommendation contained in the report. This letter of response was approved by the City Council at its regular meeting held on October 7, 2008.

Recommendation 1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).

Response: The respondent agrees with the finding. The City of Menlo Park first took steps towards compliance with GASB 45 in fiscal year 2005-06, with the development of an RFP to procure two actuarial studies – an initial valuation (as of 6/30/06) to determine the magnitude of the City's unreported OPEB liabilities, and a second to enable early implementation as of 6/30/2008. The first study was completed in May 2006, followed by a Council study session at which the actuarial findings were discussed and the options available for compliance were put in the context of the City's long-term financial plan.

Recommendation 2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

Response: The respondent agrees with the finding. The City of Menlo Park will be in compliance with GASB 45 requirements upon the completion of its Comprehensive Financial Report for the year ended June 30, 2008.

Building

TEL 650.330.6704
FAX 650.327.5403

City Clerk

TEL 650.330.6620
FAX 650.328.7935

City Council

TEL 650.330.6630
FAX 650.328.7935

City Manager's Office

TEL 650.330.6610
FAX 650.328.7935

Community Services

TEL 650.330.2200
FAX 650.324.1721

Engineering

TEL 650.330.6740
FAX 650.327.5497

Environmental

TEL 650.330.6763
FAX 650.327.5497

Finance

TEL 650.330.6640
FAX 650.327.5391

Housing & Redevelopment

TEL 650.330.6706
FAX 650.327.1759

Library

TEL 650.330.2500
FAX 650.327.7030

Maintenance

TEL 650.330.6780
FAX 650.327.1953

Personnel

TEL 650.330.6670
FAX 650.327.5382

Planning

TEL 650.330.6702
FAX 650.327.1653

Police

TEL 650.330.6300
FAX 650.327.4314

Transportation

TEL 650.330.6770
FAX 650.327.5497

ANDY COHEN
MAYOR

HEYWARD ROBINSON
VICE MAYOR

JOHN BOYLE
COUNCIL MEMBER

RICHARD CLINE
COUNCIL MEMBER

KELLY FERGUSSON
COUNCIL MEMBER



701 LAUREL STREET, MENLO PARK, CA 94025-3483
www.menlopark.org

Building

TEL 650.330.6704
FAX 650.327.5403

City Clerk

TEL 650.330.6620
FAX 650.328.7935

City Council

TEL 650.330.6630
FAX 650.328.7935

City Manager's Office

TEL 650.330.6610
FAX 650.328.7935

Community Services

TEL 650.330.2200
FAX 650.324.1721

Engineering

TEL 650.330.6740
FAX 650.327.5497

Environmental

TEL 650.330.6763
FAX 650.327.5497

Finance

TEL 650.330.6640
FAX 650.327.5391

Housing & Redevelopment

TEL 650.330.6706
FAX 650.327.1759

Library

TEL 650.330.2500
FAX 650.327.7030

Maintenance

TEL 650.330.6780
FAX 650.327.1953

Personnel

TEL 650.330.6670
FAX 650.327.5382

Planning

TEL 650.330.6702
FAX 650.327.1653

Police

TEL 650.330.6300
FAX 650.327.4314

Transportation

TEL 650.330.6770
FAX 650.327.5497

Recommendation 3. Maintain long-term solvency while meeting OPEB obligations by:

- (a) carefully reviewing the assumptions and results of actuarial liability estimates, and;
- (b) adjusting OPEB compensation policies as needed.

Response: The respondent agrees with the finding. Though not required by GASB 45, the City of Menlo Park determined that the full pre-funding of OPEB liabilities as of June 30, 2008 would provide the benefits beyond mere compliance with the statement:

- Transparency in financial transactions
- Full identification and funding of liabilities
- Funding of expenses in year incurred to identify true operating costs
- Ease of accurately calculating impact of changes to personnel benefits
- Framing of all decisions with an emphasis on long-term sustainability

Menlo Park's focus on the long term continues with an actuarial re-assessment of OPEB liabilities every 2 years, and analysis of changes in each actuarial valuation.

Truly yours,

Glen Rojas
City Manager



BOARD OF TRUSTEES

Jeni Benelli
Catherine Bonnar
Karen Clancy
Cathy Wright

Dr. Emerita Orta-Camilleri
Superintendent

Penny Weaver
*Assistant Superintendent,
Educational Services and Personnel*

Nellie Hungerford
*Assistant Superintendent,
Business Services and Operations*

CENTRAL SCHOOL
Cori McKenzie, Principal
525 Middle Road, Belmont
650-637-4820

CIPRIANI SCHOOL
Maria Lang-Gavidia,
Interim Principal
2525 Buena Vista Ave, Belmont
650-637-4840

FOX SCHOOL
Chris Marchetti, Principal
3100 St. James Road, Belmont
650-637-4850

NESBIT SCHOOL
Cherie Ho, Principal
500 Biddulph Way, Belmont
650-637-4860

RALSTON MIDDLE SCHOOL
Jennifer Kollmann, Principal
2675 Ralston Ave, Belmont
650-637-4880

SANDPIPER SCHOOL
Linda McDaniel, Principal
801 Redwood Shores Parkway
Redwood City, CA 94065
650-631-5510

**Belmont-Redwood Shores
School District**
2960 Hallmark Drive
Belmont, CA 94002-2999
650-637-4800 - Main
650-637-4811 - Fax

<http://www.belmont.k12.ca.us>

September 29, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Re: Awareness of San Mateo County Government Agencies of
Reporting Requirements for Non-Pension Post-Employment
Benefits Report

Dear Judge Scott:

The Belmont-Redwood Shores School District is in receipt of the July 10, 2008, San Mateo Civil Grand Jury Report which contains findings and recommendations regarding Non-Pension Post-Employment Benefits.

The Belmont-Redwood Shores School District agrees with the finding that all agencies in San Mateo County should be aware of, and prepared to comply with, Government Accounting Standards Board Statement 45 and submits the following in response to the Grand Jury's recommendations:

1. To understand the requirements of GASB 45, especially the difference between current expenditures and long-term liabilities for post employment liabilities.

The District does have awareness of the GASB 45 requirements and in 2007 contracted with Total Compensation Systems, Inc., for the preparation of an actuarial study to analyze liabilities associated with its current and future retiree health program as of July 1, 2007. The report indicates that the District, as of July 1, 2007, has an Actuarial Accrued Liability of \$1,224,799. The study will be conducted every two years, taking care in establishing the assumptions, as recommended.

2. Comply with GASB 45 and disclose liabilities in accordance with implementation deadlines.

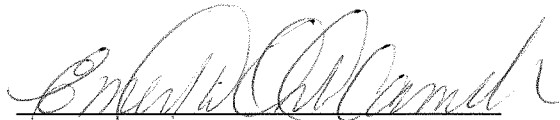
Belmont-Redwood Shores will implement GASB 45 in Phase 2, fiscal year 2008-2009, reflecting the other post-employment benefit (OPEB) liabilities in the government wide financial statements. Following the actuarial study, a formal presentation of findings was presented to the Board

of Trustees. At this time, the District has not established a separate irrevocable trust fund. Until a formal plan is developed, Fund 20 will be established to set aside a portion of the \$119,751 additional contributions for OPEB. Funds are budgeted in the 2008-2009 General Fund for a future transfer to Fund 20 in fiscal year 2008-2009. The District continues to fund out of the District's General Fund, the \$71,099 in "Pay-As-You-Go" costs for current retirees.

3. Maintain long term solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and adjusting OPEB compensation policies as needed.

The Belmont-Redwood Shores staff and Board of Trustees will continue to review the assumptions used in the actuarial study conducted every two years, as well as, review the findings and implement adjustments as necessary beginning in 2008-2009.

Sincerely,



Dr. Emerita Orta-Camilleri
Superintendent



CITY OF HALF MOON BAY

City Hall, 501 Main Street
Half Moon Bay, CA 94019

September 4, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

RE: Response to Inquiry Dated July 10, 2008 Regarding Reporting Requirements for Non-Pension Post-Employment Benefits Report

Dear Joe,

The City of Half Moon Bay hereby submits a formal response to the Grand Jury regarding the reporting requirements for non-pension post-employment benefits.

The City of Half Moon Bay agrees with the findings of the San Mateo Superior Court report regarding the reporting requirements for non-pension post-employment benefits.

Grand Jury Recommendations

Recommendation: The Grand Jury recommends that all agencies understand and report their OPEB obligations in strict accordance with GASB 45. Agencies should critically evaluate the effects of their personnel compensation policies on the OPEB liability and on their long-term financial well being.

City Response:

The recommendation has been implemented in the City. An actuarial analysis has been completed and the City will report its OPEB obligations in accordance with GASB 45 by June 30, 2009. The City is sensitive to, aware of and will critically evaluate the effects of its personnel compensation policies on its OPEB liability and its long-term financial well being.

Recommendation: Understand the requirements of GASB 45, especially with regard to the difference between current and long-term liabilities for other post employment benefits (OPEB).

City Response: The recommendation has been implemented in the City. The City understands the requirements of GASB 45, especially with regard to the difference between current and long-term liabilities for other post employment benefits (OPEB).

Recommendation: Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

City Response: The recommendation has been implemented in the City. The City will comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

Recommendation: Maintain a long-term solvency while meeting OPEB obligations by:

- a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
- b. Adjusting OPEB compensation policies as needed.

City Response: The recommendation has been implemented in the City. The City will maintain long-term solvency while meeting OPEB obligations by:

- c. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
- d. Adjusting OPEB compensation policies as needed.

Please advise if you have any further questions or require any additional information.

Sincerely,



Marcia Raines
City Manager

cc. Hector Lwin, Interim Finance Director



COASTSIDE FIRE PROTECTION DISTRICT

1191 MAIN STREET ■ HALF MOON BAY, CA 94019

TELEPHONE (650) 726-5213

FAX (650) 726-0132

September 22, 2008

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: 2007-08 GRAND JURY REPORT – AWARENESS OF SAN MATEO COUNTY
GOVERNMENT AGENCIES OF REPORTING REQUIREMENTS FOR NON-PENSION
POST-EMPLOYMENT BENEFITS

Dear Judge Scott:

The Board of Directors of the Coastside Fire Protection District reviewed the referenced Grand Jury Report during its meeting of September 24, 2008. On behalf of the Board of Directors, I would like to offer the following.

The Board of Directors agrees with all of the findings in the Grand Jury's report on the awareness of reporting requirements for non-pension post-employment benefits. There are three recommendations included in the Grand Jury report:

1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).
2. Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.
3. Maintain long-term solvency while meeting OPEB obligations by:
 - a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates; and
 - b. Adjusting OPEB compensation policies as needed.

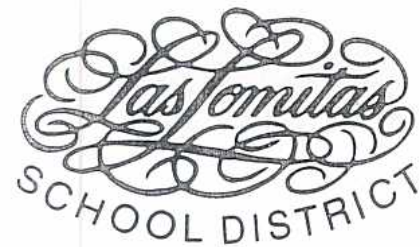
The District understands GASB 45, as is recommended in number 1, and understands the requirement of GASB 45 to report both the present value of long-term obligations for non-pension retirement benefits, such as health insurance, and the extent to which they have been funded. Under GASB 45, the District's implementation deadline is Fiscal Year 2009-10. The District will implement recommendation 2 starting with next fiscal year. The District will implement recommendation 3 in Fiscal Year 2009-10 and in subsequent years, as part of the annual budget process, as well as the semi-annual review of the five-year budget forecast.

The District greatly appreciates the efforts of the Grand Jury. On behalf of the Board of Directors, I would like to extend our thanks for an opportunity to respond to the work of the 2007-08 Grand Jury. Please do not hesitate to call our Fire Chief, Paul Cole, should you require any further information.

Sincerely,

Gary Burke
President

A handwritten signature in cursive script, appearing to read "G. Burke", written in dark ink over the typed name and title.



Administrative Offices
1011 Altschul Avenue
Menlo Park, CA 94025
(650) 854-2880

Las Lomas School
299 Alameda de las Pulgas
Atherton, CA 94027
(650) 854-5900

La Entrada School
2200 Sharon Road
Menlo Park, CA 94025
(650) 854-3962

September 12, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott:

At its regular meeting on September 10, 2008, the Board of Trustees of the Las Lomas Elementary School District held a public discussion on the Grand Jury Report "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits."

The discussion yielded the following responses.

RESPONSE TO FINDINGS

The District agrees with the finding that the GASB 45 implementation is phased with the deadline for Las Lomas Elementary School District effective 2009-10.

RESPONSE TO RECOMMENDATIONS

1. Grand Jury recommends that districts understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).

District Response: This recommendation has been implemented. District staff has presented GASB 45 information at Board meetings and Board workshops. An actuarial study was completed in May 2004. The District is in the process of having another actuarial study completed and expects to have this report finalized early this fall.

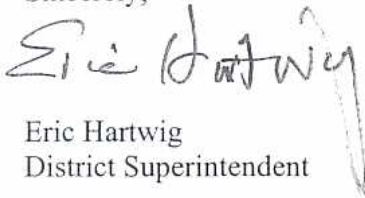
2. Grand Jury recommends that districts comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.

District Response: This recommendation has been partially implemented and will be fully implemented when the District's audit report for fiscal year 2009-10 is completed. The District currently complies with the State SACS requirements of reporting long-term liabilities in the J200 Criteria and Standards Review for first and second interim reports and the annual budget and in the Schedule for Long-Term Liabilities in the SACS document.

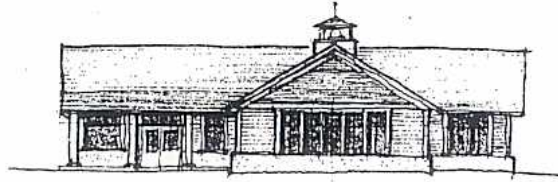
3. Grand Jury recommends that districts maintain long-term solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of actuarial OPEB liability estimates and adjusting OPEB compensation policies as needed.

District Response: This recommendation has been implemented. The Governing Board has received and reviewed information regarding the District's long-term post-employment liability. Funds totaling \$450,000 have been earmarked for GASB 45 obligations in Fund 17 and additional transfers into this reserve are planned on an annual basis. Board policy on Financial Reserves stipulates a GASB Reserve to accommodate funds necessary to meet the cost of negotiated post-employment benefits be a component of the District's reserves.

Sincerely,

A handwritten signature in black ink that reads "Eric Hartwig". The signature is written in a cursive style with a long, vertical flourish extending downwards from the end of the name.

Eric Hartwig
District Superintendent



Woodside Elementary School District
3195 Woodside Road, Woodside, CA 94062
650-851-1571 – fax: 650-851-5577
www.woodside.k12.ca.us

September 17, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott,

The Woodside Elementary School District Governing Board has received the Grand Jury's recommendations regarding reporting requirements for non-pension post-employment benefits.

The Governing Board agrees with the findings of the Grand Jury and responds as follows:

1. The Business Office of the Woodside Elementary School District fully understands the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB). The PVSD budget contains a line item for these liabilities.
2. The Woodside Elementary School District is in compliance with GASB 45 and has disclosed its liabilities in accordance with the implementation deadlines. Furthermore, the annual audit has substantiated that this action has been taken.
3. The Woodside Elementary School District Governing Board takes very seriously its fiduciary responsibility to assure the long-term solvency of the school district and carefully monitors OPEB obligations.

Thank you for the opportunity to respond regarding this important issue.

Very truly yours,

Bettina U. Pike, Board President

Regional Open Space

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

October 8, 2008

The Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063

Re: Response to the San Mateo County Grand Jury Report Dated July 10, 2008 Regarding
Awareness of Government Accounting Standards Board Statement 45 (GASB 45)

To the Honorable Joseph C. Scott:

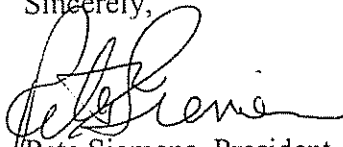
The Board of Directors of the Midpeninsula Regional Open Space District has received the San Mateo County Grand Jury Report entitled "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits."

At its meeting of September 24, 2008, the Board of Directors adopted the following response to the Grand Jury Report and authorized the Board President to execute it. In accordance with statute, this response is also being submitted to the San Mateo Superior Court Clerk, the Grand Jury, and will be filed with the District Clerk.

The District agrees with all of the findings in the Report. The District also agrees with all of the recommendations in the Report. The District's financial obligations for these liabilities was reported in its Fiscal Year 2007-2008 Audit and will be reflected in all District audits. The District has prefunded 97% of its current OPEB obligations to date, is in compliance with GASB 45, and will reassess these obligations as the Grand Jury recommends to insure that the District remains able to meet its OPEB obligations.

For clarification, please note that Appendix 2, Column F, of the Grand Jury Report includes no data pertaining to the District. While the District has pre-funded virtually all of its accrued OPEB liability in the amount of \$1.9 million, there is a small remaining balance of \$49,000.

Sincerely,



Pete Siemens, President

Board of Directors

PS:ss

cc: San Mateo Superior County Clerk
San Mateo County Grand Jury at grandjury@sanmateocourt.org
Board of Directors

TOWN OF HILLSBOROUGH
SAN MATEO COUNTY



1600 FLORIBUNDA AVE.
HILLSBOROUGH,
CALIFORNIA
94010

Maria Edna J. Masbad
Finance Director
Tel No 650.375.7408
Fax No 650.375.7417
email address - emasbad@hillsborough.net

September 4, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center 2nd Floor
Redwood City, CA 94063-1655

RE: AWARENESS OF SAN MATEO COUNTY GOVERNMENT AGENCIES OF REPORTING
REQUIREMENTS FOR NON-PENSION POST-EMPLOYMENT BENEFITS REPORT

Honorable Judge Scott:

Response to the 2007-2008 Grand Jury Report Relating to Reporting Requirements for Non-Pension
Post Employment Benefits

FINDINGS

The prescribed implementation dates for GASB 45 are determined by an agency's annual revenues:

Table 1: Implementation Deadlines

	Annual Revenues	Effective Date For GASB 45
Phase 1	Revenues \$100 million or more	2007-08
Phase 2	Revenues \$10 million or more but less than \$100 million	2008-09
Phase 3	Revenues less than \$10 million	2009-10

The County implemented GASB 45 reporting beginning with the fiscal year ended June 30, 2006. The County's implementation was early; it was required no later than fiscal year 2007-2008. Clearly, the County was aware and prepared to comply well in advance.

Of the 73 agencies (other than the County) that were queried, 72 responded to the questionnaire. This is a response rate of 99%.

RESPONSE

The Town of Hillsborough is very much aware of the GASB 45 requirements. Since GASB 45 was still at the exposure draft level, the Town has taken several steps towards addressing the OPEB liability issue. From FY 2001-02, the Town started putting aside funds towards funding the liability. In FY 2002-03, the Town contracted with an actuarial consultant to estimate the Town's OPEB liability and determine an adequate funding mechanism. Realizing the potential cost of this benefit, the Town has successfully negotiated with 3 of its 4 labor groups to migrate to a less expensive retirees' health insurance benefit for employees hired after January 1, 2002 for the Miscellaneous Group and March 1, 2002 for the Police Group.

As a Phase 2 government, the Town is implementing GASB 45 in the current fiscal year, 2008-09. More importantly, the Town's current plans include pre-funding its OPEB liability as discussed in the Response to the Grand Jury Recommendations below. Appropriations for an actuarial study was requested in the budget year 2007-08; the request for an actuarial study was put out in August 2007 and the actuarial valuation was presented to the Town's Financial Advisory Committee (FAC) on February 2008. The City Council adopted a resolution accepting the actuarial report at its May 12, 2008 meeting. An FAC sub-committee met with 3 potential trust administrators on May 30, 2008. The Council subsequently adopted a resolution to prefund OPEB, amortized over a period of 30 years through CalPERS using a Section 115 irrevocable trust, and approved an initial contribution of approximately \$2.2 million to the trust fund covering the annual required contribution for the next 3 years.

RECOMMENDATIONS

The San Mateo County Civil Grand Jury (2007-2008) recommends that all government agencies in the county that have OPEB obligations (other than the County):

- 1) Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liability for other post-employment benefits (OPEB).
- 2) Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.
- 3) Maintain long-term solvency while meeting OPEB obligations by:
 - a. carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
 - b. adjusting OPEB compensation policies as needed.

RESPONSE

The Governmental Accounting Standards Board (GASB) has established standards for the measurement, recognition and reporting of costs associated with OPEB which are offered by many state and local governments as part of a total compensation package for employees. The Town's OPEB obligations include retiree healthcare benefits to certain employees currently consisting of 83 retirees and 84 out of 115 active employees. In the past, the Town has accounted for this obligation on a pay-as-you-go basis. Effective 2008/09, in implementing the requirements of GASB 45, the City Council considered prefunding the OPEB obligation (\$15.4 million based on 6/30/07 valuation) as fiscally prudent. The annual required contribution (ARC) is approximately \$1.4 million consisting of \$1 million towards the unfunded liability amortized over 30 years and \$0.4 million for the normal cost – the value of benefits being earned by active employees. The \$1.4 million total annual contribution is \$679,500 more than the pay-as-you-go costs of approximately \$784,000. As of the implementation date, the Town has approximately \$2.2 million in the OPEB reserve which it intends to use to fund the gap between the annual required contribution and the pay-as-you-go costs for the next 3 years. The Town believes that it will have enough revenues to fund the difference in the following years.

The Town's actuarial analysis was prepared by Bartel Associates, LLC. – one of the more respected actuaries in the industry and one of the very few that CalPERS will recognize and accept in this program. The Town is confident of the actuary's assumptions and estimates.

Staff, the Financial Advisory Committee and the Council continues to review the Town's compensation policies to find ways to mitigate the Town's OPEB costs.

Cordially,



Ma. Edna J. Masbad
Finance Director



BELMONT - SAN CARLOS FIRE DEPARTMENT

600 Elm Street, 2nd Floor, San Carlos, CA 94070
(650) 802-4255 • Fax (650) 592-4714
www.bscfd.org

FIRE CHIEF
Douglas Fry

October 28, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Re: Awareness of San Mateo County Government Agencies of Reporting Requirements for
Non-Pension Post-Employment Benefits Report.

Sir;

Let me first apologize for the tardiness of my response. This response is to be placed on file with the Clerk of the Court by the Court Executive Office. Therefore my response for the agency is as follows:

The Respondent – Belmont-San Carlos Fire Department agrees with the finding.

Additionally, each of the recommendations has been implemented. We have reported to the Governmental Accounting Standards Board (GASB) issued statement 45, that Other Post-Employment Benefits (OPEB) obligations (liabilities) must be reported in a manner similar to that of pension obligations. The Actual Accrued Liability (AAL) is currently being funded 100 % by our agency (Belmont-San Carlos Fire Department) and we plan to fund the long-term obligation in which we are incurring.

We have complied with GASB 45 and are meeting the OPEB liabilities in accordance with the deadlines.

We will be reviewing the assumptions and results of actuarial OPEB liability estimates and adjust our OPEB compensation policies as needed. Our goal is to maintain long-term solvency by meeting these OPEB obligations.

Sincerely,

Douglas Fry
Fire Chief

DEPARTMENT VALUES

Professionalism • Dedication • Respect • Teamwork • Ethical Behavior • Compassion • Honesty and Integrity



1933 – 2008

Celebrating 75 Years

San Mateo County Harbor District

Board of Harbor Commissioners

Ken Lundie, President
Leo Padreddii, Vice President
Sally Campbell, Treasurer
Pietro Parravano, Secretary
James Tucker, Commissioner

Peter Grenell, General Manager

October 28, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: ***San Mateo County Harbor District Comments and Response 2007-2008 Grand Jury Report:
Awareness of Reporting Requirements for Non-Pension Post-Employment Benefits***

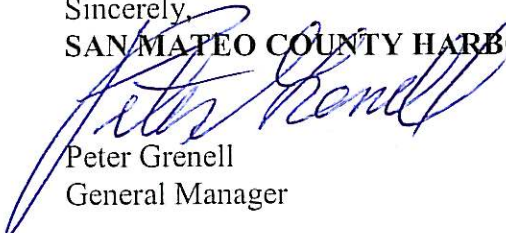
Hon. Judge Scott:

San Mateo County Harbor District is pleased to respond to the Court's July 8, 2008 letter transmitting Grand Jury findings and recommendations on Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits as follows:

1. The District agrees with the findings in this report as they pertain to San Mateo County Harbor District.
2. The District has not yet implemented the recommendations, as we are not required to comply with GASB 45 until Fiscal Year 2009-2010. As such, we will implement the recommendations by June 30, 2010.

Please call me at 650-583-4400 if there are any questions regarding our response.

Sincerely,
SAN MATEO COUNTY HARBOR DISTRICT


Peter Grenell
General Manager



BROADMOOR POLICE DEPARTMENT

388 Eighty Eighth Street
Broadmoor, CA 94015-1717
(650) 755-3838 • Fax (650) 755-9732



Gregory Love
Chief of Police

Board of Police Commissioners
Hon. J. Wayne Johnson
Hon. Glynis A. Carreira
Hon. Joseph P. Sheridan

August 28, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits Report (2007-2008 Grand Jury Report)

Dear Judge Scott:

The Broadmoor Police Protection District has received the Grand Jury's report on Reporting Requirements for Non-Pension Post-Employment Benefits. The District agrees with the findings and recommendations contained in this report.

The District is aware of the reporting requirements and will report on other post-employment benefits in its annual financial audit by June 30, 2010.

Thank you for this opportunity to respond to the Grand Jury's report regarding on Reporting Requirements for Non-Pension Post-Employment Benefits.

If you have any further questions, please do not hesitate to contact me direct at 650-755-9514.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Gregory Love".

Gregory Love
Chief of Police/District Manager
Broadmoor Police Protection District

BOARD OF TRUSTEES
Jennifer Blanco
Russ Hanley
William J. Henderson Jr.
Kevin J. Martinez
James R. Prescott




ADMINISTRATION
David E. Hutt, Ed.D.
Superintendent
Lynn Orong
Chief Business Officer

Response to Recommendation

The Respondent agrees with the finding. The Recommendations have been implemented:

1. District governance and staff understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post-employment benefits (OPEB).
2. San Bruno Park School District complies with GASB 45 and discloses the Districts' OPEB liabilities in open public session in accordance with implementation deadlines.
3. Continuing and sustained work takes place to ensure long-term solvency is ongoing. In addition, collaborative work, such as that happening in SB1447 (Yee) is framing alternative means for capitalizing ongoing obligations from "one-time" opportunities.



Kevin J. Martinez
Clerk, San Bruno Park School District
Governing Board

08/13/08

Date

SEQUOIA UNION HIGH SCHOOL DISTRICT

480 JAMES AVENUE, REDWOOD CITY, CALIFORNIA 94062-1098

ADMINISTRATIVE OFFICES (650) 369-1412

BOARD OF TRUSTEES
DON GIBSON
GORDON LEWIN
OLIVIA G. MARTINEZ
LORRAINE RUMLEY
SALLY D. STEWART

PATRICK R. GEMMA
SUPERINTENDENT

November 21, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, Second Floor
Redwood City, CA 94063-1655

Re: Non-Pension Post-Employment Benefits

Dear Judge Scott:

The Sequoia Union High School District is in receipt of the July 10, 2008, San Mateo Civil Grand Jury Report which contains findings and recommendations regarding Non-Pension Post-Employment Benefits.

The Sequoia Union High School District agrees with the findings and submits the following in response to the Grand Jury's recommendations:

Recommendation Number 1

To understand the requirements of GASB 45, especially the difference between current expenditures and long-term liabilities for post employment liabilities.

District Response

The Sequoia Union High School District Board of Trustees and staff will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2008-09 fiscal year.

Recommendation Number 2

Comply with GASB 45 and disclose liabilities in accordance with implementation deadlines.

District Response

The Sequoia Union High School District Board of Trustees and staff will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2008-09 fiscal year.

Recommendation Number 3

Maintain long term solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and adjusting OPEB compensation policies as needed.

District Response

The Sequoia Union High School District Board of Trustees and staff will carefully review the findings and recommendations of the actuary report and implement adjustments as necessary beginning with the 2008-09 fiscal year.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick R. Gemma", with a long horizontal flourish extending to the right.

Patrick R. Gemma, Ed.D.
Superintendent

JL/PG:sr

c: Board of Trustees



City of Millbrae
621 Magnolia Avenue, Millbrae, CA 94030

GINA PAPAN
Mayor
ROBERT G. GOTTSCHALK
Vice Mayor
PAUL SETO
Councilman
DANIEL F. QUIGG
Councilman
MARGE COLAPIETRO
Councilwoman
MARY VELLA TRESELER
Treasurer

November 4, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Outstanding Grand Jury Report Responses/Comments

Dear Judge Scott:

Thank you for your reminder for comments on your report regarding reporting requirements for non-pension post-employment benefits. The City of Millbrae has initiated a number of actions to address these matters.

First of all, many of our employees are in the Teamsters Trust program which does not have any post-retirement funding obligation on the City. The medical benefits are fully funded by the active Teamster employees and when a Millbrae employee retires, the City's obligations end and the union picks them up.

Secondly, this October, the City initiated a Retirement Health Plan for all police and fire employees. This is a tax shelter program under U.S. Treasury regulations which allows an employer to make a defined contribution to the employees' individual medical retirement plan, and the employee can supplement the City's contribution.

For the remaining small group of employees, mostly management and confidential, the City has requested an actuarial study to determine the amount of its obligations for post retirement benefits. In anticipation of those costs, the City has established and budgeted a designated reserve fund to begin to meet obligations.

I hope this information addresses the issues raised by the Grand Jury. If I can provide further response, please call on me.

Sincerely,

Ralph L. Jaeck
City Manager

City Council/City Manager (650) 259-2334	City Clerk (650) 259-2334	Public Works/Engineering (650) 259-2339	Recreation (650) 259-2360	Police Department (650) 259-2300
Personnel (650) 259-2334	Finance/Water (650) 259-2350	Community Development (650) 259-2341	Building Division (650) 259-2330	Fire Department (650) 259-2400



AYSHORE SCHOOL DISTRICT

ONE MARTIN STREET, DALY CITY, CA 94014
TEL: 415-467-5443 FAX: 415-467-1542

BOARD OF TRUSTEES

ANITA FLETCHER
RACHEL GARIBALDI
THERESA GERIGK
CECIL T. OWENS
EDITH RENDEROS

SUPERINTENDENT

NORMAN D. FOBERT

PRINCIPAL

ELAINE H. WHITNEY

Cultivating Thoughtful Citizens

1 December 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Awareness of San Mateo County Government Agencies of Reporting
Requirements for Non-Pension Post-Employment Benefits Report

Dear Honorable Joseph C. Scott:

The Bayshore Elementary School District is in receipt of the 2007-2008 Grand Jury report entitled "Awareness of San Mateo County Government Agencies of Reporting Requirement for non-Pension Post-Employment Benefit Report," and agrees with the findings contained in the report. We appreciate the opportunity to review and comment on the findings of the Grand Jury. Please accept this letter as response from the Bayshore Elementary School District Board of Education.

Findings:

We agree with the Grand Jury's findings regarding various agencies' knowledge and implementation of GASB45.

Recommendations by the Grand Jury:

The San Mateo County Civil Grand Jury (2007-2008) recommends that all governmental agencies in the county that have OPEB obligations (other than the county):

- 1. Understand the requirements of GASB45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).*

We are currently planning for the implementation of this recommendation. The District has only medical and STRS liabilities for classified and certificated employees and so may be able to determine its liability without the need for a consultant.

Continued on next page



AYSHORE SCHOOL DISTRICT

ONE MARTIN STREET, DALY CITY, CA 94014
TEL: 415-467-5443 FAX: 415-467-1542

BOARD OF TRUSTEES

ANITA FLETCHER
RACHEL GARIBALDI
THERESA GERIGK
CECIL T. OWENS
EDITH RENDEROS

SUPERINTENDENT

NORMAN D. FOBERT
PRINCIPAL
ELAINE H. WHITNEY

Cultivating Thoughtful Citizens

1 December 2008

Continued from page 1

2. *Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.*

Our budget guidelines provide for the actuarial determination and GASB 45 implementation deadline as June 30, 2009. We intend to implement by that time.

3. *Maintain long-term solvency while meeting OPEB obligations by:*
 - a. *Carefully reviewing the assumptions and results of actuarial OPEB liability estimate, and*
 - b. *Adjusting OPEB compensation policies as needed.*

The recommendation will be implemented at the completion of the actuarial study of the OPEB liability estimates for the district, at which time the district will also adjust OPEB compensation policies as needed.

Sincerely,

Norman D. Fobert
Superintendent

Cc: Bayshore Board of Trustees
grandjury@sanmateocourt.org

OFFICE OF THE CITY MANAGER



330 West 20th Avenue
San Mateo, California 94403-1388
Telephone: (650) 522-7000
FAX: (650) 522-7001
Website: //www.cityofsanmateo.org

October 30, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Judge Scott:

We are in receipt of the San Mateo County General Grand Jury report titled "Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits."

We concur with the findings and the recommendations of the Grand Jury and will continue to follow the practices described in the report.

Sincerely,


Susan M. Loftus
City Manager

Cc: City Council
Shawn Mason, City Attorney
Hossein Golestan, Finance Director
Norma Gomez, City Clerk



AYSHORE SCHOOL DISTRICT

ONE MARTIN STREET, DALY CITY, CA 94014
TEL: 415-467-5443 FAX: 415-467-1542

BOARD OF TRUSTEES

ANITA FLETCHER
RACHEL GARIBALDI
THERESA GERIGK
CECIL T. OWENS
EDITH RENDEROS

SUPERINTENDENT

NORMAN D. FOBERT

PRINCIPAL

ELAINE H. WHITNEY

Cultivating Thoughtful Citizens

3 December 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Awareness of San Mateo County Government Agencies of Reporting
Requirements for Non-Pension Post-Employment Benefits Report

Dear Honorable Joseph C. Scott:

The Bayshore Elementary School District is in receipt of the 2007-2008 Grand Jury report entitled "Awareness of San Mateo County Government Agencies of Reporting Requirement for non-Pension Post-Employment Benefit Report," and agrees with the findings contained in the report. We appreciate the opportunity to review and comment on the findings of the Grand Jury. Please accept this letter as response from the Bayshore Elementary School District Board of Education.

Findings:

We agree with the Grand Jury's findings regarding various agencies' knowledge and implementation of GASB45.

Recommendations by the Grand Jury:

The San Mateo County Civil Grand Jury (2007-2008) recommends that all governmental agencies in the county that have OPEB obligations (other than the county):

- 1. Understand the requirements of GASB45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment benefits (OPEB).*

We are currently planning for the implementation of this recommendation. The District has only medical and STRS liabilities for classified and certificated employees and so may be able to determine its liability without the need for a consultant.

Continued on next page



AYSHORE SCHOOL DISTRICT

ONE MARTIN STREET, DALY CITY, CA 94014
TEL: 415-467-5443 FAX: 415-467-1542

BOARD OF TRUSTEES

ANITA FLETCHER
RACHEL GARIBALDI
THERESA GERIGK
CECIL T. OWENS
EDITH RENDEROS

SUPERINTENDENT

NORMAN D. FOBERT
PRINCIPAL
ELAINE H. WHITNEY

Cultivating Thoughtful Citizens

3 December 2008

Continued from page 1

2. *Comply with GASB 45 and disclose their OPEB liabilities in accordance with the implementation deadlines.*

Our budget guidelines provide for the actuarial determination and GASB 45 implementation deadline as June 30, 2009. We intend to implement by that time.

3. *Maintain long-term solvency while meeting OPEB obligations by:*
 - a. *Carefully reviewing the assumptions and results of actuarial OPEB liability estimate, and*
 - b. *Adjusting OPEB compensation policies as needed.*

The recommendation will be implemented at the completion of the actuarial study of the OPEB liability estimates for the district, at which time the district will also adjust OPEB compensation policies as needed.

Sincerely,

Norman D. Fobert
Superintendent

Cc: Bayshore Board of Trustees
grandjury@sanmateocourt.org



“OUR CHILDREN – OUR FUTURE”

Ravenswood City School District

2120 Euclid Avenue, East Palo Alto, California 94303
(650) 329-2800 Fax (650) 323-1072

Board Members:

M. F. Chester Palesoo , President
Larry Moody, Vice President
Marcelino López, Clerk
John Bostic, Member
Jacqueline Wallace Greene, Member

María M. De La Vega
Superintendent

December 1, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Dear Honorable Joseph C. Scott:

RE: Grand Jury Report on Awareness of Requirements for Non-Pension Post-Employment Benefits Reports

This letter is in reference to the 2007-08 County Grand Jury report on Awareness of Requirements for Non-Pension Post-Employment Benefits Reports. After reviewing the findings in the report the Ravenswood City School District submits this letter as a response to the recommendations to government agencies in the County.

The school district is aware of the requirements of GASB 45. In summary the School District agrees with the findings and submits the following in response to the Grand Jury's recommendations:

1. Recommendation:

Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post employment liabilities.

District Response:

The School District will continue to gain further understanding of the implications of GASB 45 and will work with its independent auditors to correctly implement the reporting and funding requirements beginning in the 2009-10 fiscal year.

2. Recommendation:

Comply with GASB 45 and disclose OPEB liabilities in accordance with implementation deadlines.

District Response

The school district will continue to gain further understanding of the implications of GASB 45 in order to adhere to the reporting requirements and implement the recommendation beginning with the 2009-10 fiscal year.

3. Recommendation:

Maintain long term solvency while meeting OPEB obligations by carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and adjusting OPEB compensation policies as needed.

District Response

The school district has contracted with an actuary to better understand our long-term obligations. This report must be updated is completed every two years. When the actuarial report is completed we will carefully review the findings and implement adjustments as necessary.

Please contact me if you need additional information.

Respectfully,

A handwritten signature in cursive script that reads "Maria M. De La Vega".

Maria M. De La Vega
Superintendent

December 1, 2008

Hon. Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Woodside Fire Protection District Comments and Response 2007-2008 Grand Jury Recommendations, regarding reporting requirements for Non-Pension Post-Employment benefits.

Hon. Judge Scott:

Woodside Fire Protection District is pleased to respond to the Court's July 10, 2008 letter transmitting the Grand Jury's findings and recommendations on Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits as follow:

1. The Fire District agrees with the findings in this report as they pertain to Woodside Fire Protection District.
2. The Fire District has not yet implemented the recommendations, as we are not required to comply with GASB 45 until Fiscal year 2009-2010. We will implement the recommendation by June 30, 2009.

If there are any questions please feel free to contact me at (650) 851-1594.

Sincerely,



Armando Muela
Fire Chief



Serving Our Community Since 1902

500 Laurel Street, Menlo Park, California 94025-3486 (650) 321-0384 (650) 321-4265 FAX

In reply, please refer to our

File No. 1591.1

December 5, 2008

Honorable Joseph C. Scott
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: 2007-08 Grand Jury Report – Awareness of San Mateo County Government Agencies of Reporting Requirements for Non-Pension Post-Employment Benefits

Dear Judge Scott:

This letter is to confirm that the District plans to discuss selection of a firm to evaluate the District's obligations under GASB 45 at a regular Board meeting in January, 2009. Specifically, the District understands and agrees to the three recommendations included in the Grand Jury's report on the awareness of reporting requirements for non-pension post-employment benefits. There are three recommendations included in the Grand Jury Report:

1. Understand the requirements of GASB 45, especially with regard to the difference between current expenditures and long-term liabilities for other post-employment benefits (OPEB).
2. Comply with GASB 45 and disclose OPEB liabilities in accordance with the implementation deadlines.
3. Maintain long-term solvency while meeting OPEB obligations by:
 - a. Carefully reviewing the assumptions and results of actuarial OPEB liability estimates, and
 - b. Adjusting OPEB compensation policies as needed.

We appreciate the efforts of the Grand Jury in producing this report. Please contact me at (650) 321-0834 if you have questions or would like to discuss this matter further.

Sincerely,

WEST BAY SANITARY DISTRICT

Vivian W. Housen
Interim District Manager

VWH/pyd