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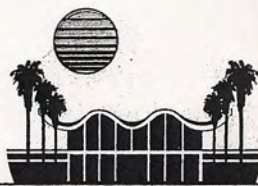
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SANTA MARIA

PUBLIC AIRPORT DISTRICT

November 28, 2011

The Honorable Arthur A. Garcia
Assistant Presiding Judge
Santa Barbara Superior Court
312 East Cook Street
P.O. Box 5369
Santa Maria, CA 93456-5369

Honorable Judge Garcia:

The 2010-11 Santa Barbara County Civil Grand Jury released its report entitled *Local Government Post Employment Benefits in Santa Barbara County: Complicated and Costly*. The Santa Maria Public Airport District (SMPAD) was included in this report as an affected agency. Following is a list of the required responses to the applicable findings and recommendations.

Finding 1a

"Most public agencies in Santa Barbara County are participants in large defined benefit pension plan pools, which provide diversification, cost efficiency, spreading of risk, centralized management and centralized investment strategy."

Response to Finding 1a: The SMPAD agrees with this finding.

Finding 1b

"Public agencies in Santa Barbara County participating in defined benefit pension pools know their current year required contribution and an estimate of the following year's contribution."

Response to Finding 1b: The SMPAD agrees with this finding.

Finding 1c

"Fitch Ratings is a global rating agency that has announced new disclosure requirements because current disclosure requirements make it impossible for Fitch to accurately allocate a cost-sharing multiple-employer system's unfunded pension liability to the numerous participating employers that use pools to provide pension to their employees. Moody's Investor Service has begun to recalculate the states' debt burdens in a way that includes unfunded pensions. The Government Accounting Standards Board has stated that each government agency participating in a cost sharing pension plan should report a net liability based on its proportion of the unfunded obligation of all the participating governments."

Response to Finding 1c: The SMPAD disagrees with Finding 1c.

The Government Accounting Standards Board (GASB) has not issued a formal pronouncement with regard to this matter. An exposure draft regarding possible new reporting pension standards has been issued and if adopted it will be effective for plan years after June 15, 2013.

Finding 1d

"Unfunded long-term liability can have an important impact on future funding requirement that the rate payer, taxpayer and each individual agency needs to know."

Response to Finding 1d: The SMPAD agrees with Finding 1 d.

Finding 1e

"Public agencies in Santa Barbara County participating in defined benefit pension pools do not know their individual long-term unfunded actuarial liability."

Response to Finding 1e: The SMPAD agrees with Finding 1e. However, Finding 1e reflects a fundamental misunderstanding regarding the nature of so-called defined benefit pension pools, e.g., CalPERS and CalSTRS. The unfunded liability of such public pension plans is actuarially determined for the plan as a whole, but is not calculated and reported for individual participating agencies.

Recommendation 1

"That, no later than January 1, 2012 all local government agencies that belong to multiple-employer pension pools obtain, and for each year thereafter, make publically available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor."

Recommendation 1 will not be implemented because it is not warranted and is unreasonable.

The SMPAD is a member CalPERS which does not provide an estimated individual unfunded actuarial liability. The SMPAD is one of several hundred member agencies within the pension pool. The cost of conducting an independent actuarial study each year, even assuming such an individual actuarial study would even be reasonable possible without complete access to CalPERS membership and investment information, would be financially significant and would not be warranted in terms of any potential benefits realized by the SMPAD ratepayers in terms of meaningful information to assist SMPAD in future decision-making.

In addition a new disclosure requirement is currently being considered by GASB and, if passed, would become effective for the plan years beginning after June 15, 2013. The GASB requirement may itself help local agencies participating in pooled pension funds to better understand their proportionate shares of the overall unfunded liability of the funds in which they participate.

Finding 3

"As of June 2010, public agencies in Santa Barbara County had a total liability for compensated absences of nearly \$61,000,000."

Response to Finding 3: The SMPAD agrees with the finding that there are liabilities for compensated absences in Santa Barbara County public agencies, but cannot verified the total dollar amount cited in the above finding.

Recommendation 3

"That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that has compensated absences liabilities, adopt an implementation plan to reduce each agency's compensated absences liability.

Response to Recommendation 3: The SMPAD already has an implementation plan in place that limits the amount of accrued leave balances. All vacation days must be taken not later than the calendar year immediately following the year in which they accrue, unless the employee obtains the consent of the General Manager. Vacation accruals may not exceed twice an employee's current annual entitlement without approval by the Board of Directors. When an employee reaches the maximum accrual he/she shall cease earning vacation. Sick leave accrual will not exceed nine hundred and sixty hours.

Thank you for the opportunity to respond to the Grand Jury's Report. Please contact me at (805) 922-1726 with any additional questions or concerns.

Sincerely,



Chris Hastert
General Manager

Cc: SMPAD Board of Directors

Raymond A. Biering, District Counsel

Kathryn D. McKee, Foreperson, Santa Barbara County Grand Jury, Grand Jury Room, Santa Barbara County Courthouse, Santa Barbara, CA 93101