



AGENDA
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
September 20, 2011
8:30 a.m.
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

2. ROLL CALL OF THE BOARD OF DIRECTORS

Dave Davis, Chair; Roger Aceves, Vice Chair; Olivia Rodriguez, Secretary; Dick Weinberg, Director; Brian Fahnestock, Director; John Britton, Director; Chuck McQuary, Director

3. REPORT REGARDING POSTING OF AGENDA

CONSENT CALENDAR

4. APPROVAL OF PRIOR MINUTES (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to waive the reading of and approve the draft minutes for the meeting of August 23, 2011.

5. CASH REPORT- (ATTACHMENTS- ACTION MAY BE TAKEN)

The Board will be asked to review the cash report of August 16, 2011 through August 29, 2011 and August 30, 2011 through September 12, 2011.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

Members of the public may address the Board on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk before the meeting is convened, a "Request to Speak" form including a description of the subject you wish to address. Additional public comment will be allowed during each agenda item, including closed session items. Please fill out the Request to Speak form and indicate the agenda item # that you wish to comment on.

7. PROFESSIONAL SERVICES CONTRACT WITH KENNETH B. MILLS FOR PROCUREMENT SERVICES- (ACTION MAY BE TAKEN)

Staff recommends and requests that the Board authorize the General Manager to execute a professional services contract with Kenneth B. Mills for procurement services.

8. **SANTA BARBARA COUNTY CIVIL GRAND JURY REPORT REGARDING LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS IN SANTA BARBARA COUNTY (ACTION MAY BE TAKEN)**
The Board will be asked to approve the draft response to the Santa Barbara County Grand Jury Report regarding Local Government Post Employment Benefits in Santa Barbara County.
9. **GENERAL MANAGER'S REPORT- (ACTION MAY BE TAKEN)**
- a) Coastal Express Limited (CEL) Service
 - b) FTA Audit
 - c) Measure A Ordinance Amendment
 - d) Halloween
 - e) Goleta Valley Community Plan
 - f) Reception - Nancy Alexander
 - g) Other
10. **OTHER BUSINESS AND COMMITTEE REPORTS-- (ACTION MAY BE TAKEN)**
The Board will report on related public transit issues and committee meetings.
11. **RECESS TO CLOSED SESSION- CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION (Section 54956.9 (b)) (ACTION MAY BE TAKEN)**
The Board will meet in closed session pursuant to Government Code § Section 54956.9 (b).
One case: Maria Noria vs. MTD
12. **RECESS TO CLOSED SESSION-- UNION NEGOTIATIONS--SUPERVISORS CONTRACT (ACTION MAY BE TAKEN)**
The Board will meet in closed session pursuant to Government Code §54957.6 to discuss labor negotiations with labor negotiators Sherrie Fisher, General Manager and Jerry Estrada, Assistant General Manager.
PUBLIC COMMENT WILL BE ALLOWED RELATED TO THE CLOSED SESSION ITEM(S) BEFORE THE RECESS.
13. **ADJOURNMENT**

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.



DRAFT MINUTES
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
August 23, 2011
8:30 a.m.
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

- 1. CALL TO ORDER**
Chair Davis called the meeting to order at 8:30 a.m.
- 2. ROLL CALL OF THE BOARD OF DIRECTORS**
Chair Davis reported that all members were present.
- 3. REPORT REGARDING POSTING OF AGENDA**
Imelda Martin, Executive Assistant to the General Manger and Board of Directors reported that the agenda was posted on Friday, August 19, 2011 at MTD's Administration Offices, mailed and emailed to those on the agenda minutes list and posted on our website.

CONSENT CALENDAR

4. & 5. APPROVAL OF PRIOR MINUTES & CASH REPORT- (ATTACHMENTS- ACTION MAY BE TAKEN)

Following an addition to the minutes from Chair Davis, Director Aceves moved to approve draft minutes for the meeting of August 9, 2011 and the cash report of August 2, 2011 through August 15, 2011. Director Britton seconded the motion. Director Fahnestock abstained from the motion due to his absence from the meeting.

THIS CONCLUDES THE CONSENT CALENDAR

- 6. PUBLIC COMMENT**
There was none made.
- 7. TRANSFER OF FEDERAL TRANSIT ADMINISTRATION ASSETS FROM THE SANTA BARBARA METROPOLITAN TRANSIT DISTRICT TO THE CITY OF SANTA MARIA (ACTION MAY BE TAKEN)**

Following a brief introduction by staff, Director Britton moved to approve the authorization to the General Manager to submit a request to the Federal Transit Administration (FTA) to authorize the transfer of seven over-the-road coaches to the City of Santa Maria. MTD served as a pass-through agency for the purchase of these buses, but did not contribute financially to their purchase. Director Weinberg seconded the motion. The motion passed unanimously.

8. DRAFT FINANCIAL STATEMENTS FOR 12-MONTH PERIOD ENDING JUNE 30, 2011 (INFORMATIONAL)

Mr. Estrada reviewed the Draft Financial Statements for the period ending June 30, 2011. Following a brief discussion, the Board thanked Mr. Estrada for his report.

9. ADVERTISING RATES (ACTION MAY BE TAKEN)

Kate Schwab, Assistant Manager of Marketing and Customer Service, provided the Board with a brief presentation of a recent survey of advertising rates for agencies similar in size of service area population as MTD. Following a discussion, Director Aceves moved to approve the recommendation to increase advertising rates 15%, and to request staff to return with a recommendation regarding a set-up fee for advertisers. Director Weinberg seconded the motion. The motion passed unanimously.

10. DRUG AND ALCOHOL TESTING POLICY (ACTION MAY BE TAKEN)

Steve Maas, Manager of Strategic Planning and Compliance, and Gabriel Garcia, Manager of Human Resources and Risk, reviewed proposed revisions to MTD's Drug and Alcohol Testing Policy as required by the Federal Transit Administration. Following a discussion, and a recommendation by Director Rodriguez to add an attachment form for signature as an acknowledgement of changes in the policy, Director Weinberg moved to approve staff's recommendation with the suggested change. Director Rodriguez seconded the motion. The motion passed unanimously.

11. GENERAL MANAGER'S REPORT- (ACTION MAY BE TAKEN)

General Manager Fisher reported that the Valley Express service ended Thursday, August 19th. General Manager Fisher reported that she and Steve Maas attended Buellton and Solvang City Council meetings to report on Valley Express ridership and to thank the cities for their support during the years the service operated. The councils expressed their gratitude for the service provided by MTD.

General Manager Fisher reported that the August service changes became effective Monday, August 22nd.

Director McQuary complimented Mr. Damiano and his department on a great job on the new bus book.

General Manager Fisher reported that the branding for the new Coastal Express Limited service has been completed and invited the Board members to view a bus with the new branding.

Chair Davis and Director Aceves discussed the vote by the SBCAG Board of Directors that resulted in no free transfers between MTD local and regional services and the Coastal Express Limited. Chair Davis discussed his public comment to SBCAG representing the MTD Board position requesting that SBCAG allow passengers to

transfer for free, and reimburse MTD for the lost revenue. Chair Davis indicated that “seamless” transfers were strongly supported by the MTD board and the South Coast Subregional Planning Committee, and reflected the recommendations of the Grand Jury report on the matter. Chair Davis further explained that such a policy would improve customer service, could assist in making the new service successful, and would provide useful information in looking at the development of a more comprehensive county-wide transfer policy.

Councilmember Aceves said he had a meeting with Jim Kemp, SBCAG Executive Director, and had agreed to support SBCAG staff’s recommendation not to fund transfers at this time, but to wait for the larger policy discussion.

The SBCAG Board approved the new Coastal Express Service with no free transfers and, based on a separate motion by Director Aceves, directed SBCAG staff to develop a comprehensive county-wide transfer policy between regional and interregional services and return to the SBCAG board before the end of this year.

12. OTHER BUSINESS AND COMMITTEE REPORTS– (ACTION MAY BE TAKEN)

Director Fahnestock reported that the Finance Committee met on July 26th and there is a meeting scheduled for August 30th to continue the discussion of the Santa Barbara County Civil Grand Jury Report related to Local Government Post Employment Benefits in Santa Barbara County and MTD’s unfunded health insurance liability for retirees.

Chair Davis requested that staff attend the next Santa Barbara County Planning Commission meeting related to the Draft *Goleta Valley Community Plan*.

13. ADJOURNMENT

Director Aceves moved to adjourn the meeting at 9:36 A.M. Director Weinberg seconded the motion. The motion passed unanimously.

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of September 6, 2011
For the Period August 16, 2011 through August 29, 2011

MONEY MARKET

Beginning Balance August 16, 2011 **\$5,161,499.60**

Passenger Fares	197,915.60
Measure "A"	148,482.47
Accounts Receivable	29,369.00
Advertising/Prepaid Deposi	11,725.75
Miscellaneous/Asset Sales	26.92
Total Deposits	387,519.74

Wire Transfer - August 11	(160.00)
ACH Garn/Escrow	(1,595.74)
Bank Fee - August 11	(5,009.18)
ACH Pensions Transfer	(33,509.37)
ACH Tax Deposit	(130,466.19)
Operations Transfer	(138,067.05)
Payroll Transfer	(305,261.27)
Total Disbursements	(614,068.80)

Ending Balance **\$4,934,950.54**

CASH INVESTMENTS

LAIF Account	\$3,301,309.05
Money Market Account	4,934,950.54

Total Cash Balance **\$8,236,259.59**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$1,326,469.29)
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Working Capital **\$6,909,790.30**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
99215	8/18/2011	A-Z BUS SALES INC	BUS PARTS	73.99	
99216	8/18/2011	ANDREWS, HENRY	RETIREE HEALTH REIMBURSEMENT	285.00	
99217	8/18/2011	BIG BRAND TIRES	SERVICE VEHICLE MAINTENANCE	26.82	
99218	8/18/2011	CALIFORNIA ELECTRIC SUPPLY, IN	SHOP/B&G SUPPLIES	315.88	
99219	8/18/2011	CARQUEST AUTO PARTS	BUS/SV PARTS & SUPPLIES	308.89	
99220	8/18/2011	CHANNEL CITY ENGINEERING	BUS REPAIRS	65.00	
99221	8/18/2011	COAST CLUTCH & BRAKE	BUS PARTS	283.66	
99222	8/18/2011	COAST TRUCK PARTS	BUS PARTS	1,497.33	
99223	8/18/2011	CUMMINS CAL PACIFIC LLC	BUS PARTS	216.20	
99224	8/18/2011	D.B ROBERTS CO DBA	SHOP SUPPLIES	143.74	
99225	8/18/2011	DOCUPRODUCTS CORPORATION	OFFICE SUPPLIES	1,899.52	
99226	8/18/2011	EVERYTHING ELECTRIC	BUS PARTS	45.06	
99227	8/18/2011	EXPRESS AUTO PARTS EXCHANGE,	BUS PARTS	1,163.66	
99228	8/18/2011	FEDEX OFFICE	PRINTING SERVICES	92.96	
99229	8/18/2011	FISHER, SHERRIE	REIMBURSEMENT	273.00	
99230	8/18/2011	FRED'S UPHOLSTERY DBA	UPHOLSTERY REPAIRS	700.00	
99231	8/18/2011	FUSES UNLIMITED, INC	BUS PARTS	103.43	
99232	8/18/2011	GAUSMAN & MOORE ASSOCIATES, I	ELECTRICAL ENGINEERING SERVICES	7,500.00	
99233	8/18/2011	GIBBS INTERNATIONAL INC	BUS PARTS	1,406.47	
99234	8/18/2011	GILLIG LLC	BUS PARTS	5,288.99	
99235	8/18/2011	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	9.49	
99236	8/18/2011	HYDREX PEST CONTROL	FUMIGATION	73.00	
99237	8/18/2011	INDOFF, INC.	OFFICE SUPPLIES	782.85	
99238	8/18/2011	JERRY'S PLUMBING & HEATING, IN	PLUMBING	75.00	
99239	8/18/2011	KIMBALL MIDWEST	SHOP SUPPLIES	373.59	
99240	8/18/2011	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,412.52	
99241	8/18/2011	MIKE CUEVAS GARDENING SERVIC	LANDSCAPE MAINTENANCE SERVICE	630.00	
99242	8/18/2011	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	45.44	
99243	8/18/2011	MCI SERVICE PARTS, INC.	BUS PARTS	58.27	
99244	8/18/2011	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	686.25	
99245	8/18/2011	PHILLIPS 66-CONOCO-76	SERVICE VEHICLE FUEL	67.18	
99246	8/18/2011	POWERSTRIDE BATTERY	EV BATTERIES	551.81	
99247	8/18/2011	PUERTA-DIAZ, AZUCENA	TRANSLATOR	61.44	
99248	8/18/2011	RECARO NORTH AMERICA, INC	BUS PARTS	704.95	
99249	8/18/2011	REPUBLIC ELEVATOR, INC	ELEVATOR MAINTENANCE	137.32	
99250	8/18/2011	ROGERS, SHEFFIELD & CAMPBELL,	LEGAL COUNSEL	11,604.84	
99251	8/18/2011	SANTA BARBARA NEWSPRESS DB	SCHEDULE GUIDES/PUBLIC NOTICE	30.16	

Check #	Date	Company	Description	Amount	Voids
99252	8/18/2011	SERVICE MASTER OF SANTA BARB	JANITORIAL SERV./SUPPLIES	5,146.43	
99253	8/18/2011	SM TIRE, CORP.	BUS TIRE MOUNTING	1,055.70	
99254	8/18/2011	SMART & FINAL	OFFICE/MEETING SUPPLIES	26.07	
99255	8/18/2011	SO. CAL. EDISON CO.	UTILITIES	6,235.00	
99256	8/18/2011	SOUTHERN CALIFORNIA GAS COMP	UTILITIES	136.78	
99257	8/18/2011	SOUTHWEST LIFT & EQUIPMENT, IN	B&G REPAIRS & SUPPLIES	518.49	
99258	8/18/2011	SPORTWORKS NORTHWEST INC.	BIKE RACK PARTS	880.60	
99259	8/18/2011	STEWART'S DE-ROOTING & PLUMBI	PLUMBING REPAIRS	80.00	
99260	8/18/2011	TELCOM, INC.	RADIO HANDSETS	1,415.75	
99261	8/18/2011	THE LIGHTHOUSE	SHOP SUPPLIES	29.72	
99262	8/18/2011	TANK TEAM INC.	TANK TESTS	1,072.90	
99263	8/18/2011	UPS FREIGHT	FREIGHT SHIPPING	158.36	
99264	8/18/2011	VALLEY POWER SYSTEMS, INC.	BUS PARTS	620.06	
99265	8/18/2011	VERIZON CALIFORNIA	TELEPHONES	290.75	
99266	8/18/2011	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	1,968.92	
99267	8/18/2011	WAYNE'S TIRE INC.	VEHICLE TIRES	1,048.64	
99268	8/18/2011	WAYTEK INC.	BUS PARTS & SHOP SUPPLIES	29.15	
99269	8/18/2011	WILSON PRINTING INC.	PRINTING SERVICES	1,897.60	
99270	8/24/2011	APTA	ANNUAL DUES	20,500.00	
99271	8/24/2011	CALIFORNIA ELECTRIC SUPPLY, IN	SHOP/B&G SUPPLIES	142.62	
99272	8/24/2011	CARQUEST AUTO PARTS	BUS/SV PARTS & SUPPLIES	43.81	
99273	8/24/2011	CERTIFIED ENVIRONMENTAL	PROFESSIONAL SERVICES	1,417.43	
99274	8/24/2011	DONALD CHAN	VALLEY EXPRESS REFUND	10.00	
99275	8/24/2011	COAST CLUTCH & BRAKE	BUS PARTS	148.93	
99276	8/24/2011	COAST TRUCK PARTS	BUS PARTS	443.04	
99277	8/24/2011	CUSTOM RADIO CORPORATION	BUS REPAIRS	39.78	
99278	8/24/2011	DEPARTMENT OF MOTOR VEHICLE	VEHICLE REGISTRATION	638.00	
99279	8/24/2011	DENMUN OFFICE EQUIPMENT	OFFICE MACHINE SUPPLIES/MAINTEN	960.00	
99280	8/24/2011	ELECTRONIC DATA MAGNETICS, IN	BUS PASSES	2,523.60	
99281	8/24/2011	FEDERAL EXPRESS CORP.	FREIGHT CHARGES	111.45	
99282	8/24/2011	FEDEX OFFICE	PRINTING SERVICES	1,028.95	
99283	8/24/2011	FIA CARD SERVICES	MISC CREDIT CARD CHARGES	2,509.95	
99284	8/24/2011	4ONE LLC	BUS PARTS	592.16	
99285	8/24/2011	GEM EQUIPMENT	BUS PARTS & SUPPLIES	310.68	
99286	8/24/2011	G.L. HYDRAULICS INC.	VENDOR BUS REPAIRS	311.20	
99287	8/24/2011	GIBBS INTERNATIONAL INC	BUS PARTS	1,123.96	
99288	8/24/2011	GILLIG LLC	BUS PARTS	1,570.13	
99289	8/24/2011	GOODYEAR TIRE & RUBBER CO	LEASED TIRES	10,459.07	
99290	8/24/2011	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	36.01	
99291	8/24/2011	INTERCON TECHNOLOGIES DBA	EV/CHARGER REPAIRS	1,696.44	

Check #	Date	Company	Description	Amount	Voids
99292	8/24/2011	LAGOMARSINO WAREHOUSE	PARKING FOR COASTAL EXPRESS BUS	1,500.00	
99293	8/24/2011	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	175.93	
99294	8/24/2011	MARVAC ELECTRONICS	BUS PARTS & SHOP SUPPLIES	32.24	
99295	8/24/2011	MCI SERVICE PARTS, INC.	BUS PARTS	156.30	
99296	8/24/2011	NEWEGG, INC	COMPUTER SUPPLIES & REPAIRS	936.17	
99297	8/24/2011	CHAD BAILEY NIELSON	WEB DESIGN	1,800.00	
99298	8/24/2011	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	661.48	
99299	8/24/2011	RECARO NORTH AMERICA, INC	BUS PARTS	940.95	
99300	8/24/2011	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	32.46	
99301	8/24/2011	SANTA BARBARA NEWSPRESS DB	SCHEDULE GUIDES/PUBLIC NOTICE	12,583.22	
99302	8/24/2011	SCHWAB, KATE	REIMBURSEMENT	34.43	
99303	8/24/2011	SERVICE MASTER OF SANTA BARB	JANITORIAL SERV./SUPPLIES	267.00	
99304	8/24/2011	SPRINT DBA	WiFi SERVICES	205.33	
99305	8/24/2011	STAPLES CREDIT PLAN	OFFICE & COMPUTER SUPPLIES	175.77	
99306	8/24/2011	STEWART'S DE-ROOTING & PLUMBI	PLUMBING REPAIRS	160.00	
99307	8/24/2011	SB CITY OF-REFUSE/WATER	UTILITIES	788.83	
99308	8/24/2011	UNITED PARCEL SERVICE, INC.	FREIGHT CHARGES	272.17	
99309	8/24/2011	INTERSTATE CAPITAL CORPORATI	UNIFORMS	451.76	
99310	8/24/2011	VALLEY POWER SYSTEMS, INC.	BUS PARTS	262.19	
99311	8/24/2011	VERIZON CALIFORNIA	TELEPHONES	2,630.32	
99312	8/24/2011	VERIZON WIRELESS	WIRELESS PHONES	522.86	
99313	8/24/2011	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	372.87	
99314	8/24/2011	WURTH USA WEST INC.	SHOP SUPPLIES	239.84	
99315	8/26/2011	CHILD SUPPORT ENFORCEMENT AG	PAYROLL RELATED	147.69	
99316	8/26/2011	DEAILE, MARY	PAYROLL RELATED	106.15	
99317	8/26/2011	STATE OF CALIFORNIA	PAYROLL RELATED	228.00	
99318	8/26/2011	UNITED STATES TREASURY - IRS	PAYROLL RELATED	500.00	
99319	8/26/2011	SHERIFF CIVIL BUREAU	PAYROLL RELATED	837.56	
99320	8/26/2011	OTTIERI, ANN BRADY	PAYROLL RELATED	277.00	
99321	8/26/2011	SB COUNTY FEDERAL CREDIT UNIO	PAYROLL DEDUCTION	1,248.00	
99322	8/26/2011	SEELEY, KAREN	PAYROLL RELATED	75.69	
99323	8/26/2011	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	91.00	
99324	8/26/2011	UNITED WAY OF SB	PAYROLL DEDUCTION	88.00	
99325	8/26/2011	YACO SCHOLARSHIP FUND	PAYROLL DEDUCTION	44.00	
				138,067.05	
Current Cash Report Voided Checks:				0.00	
Prior Cash Report Voided Checks:				0.00	
Grand Total:				\$138,067.05	

**Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable**

Date	Company	Description	Amount
8/12/2011	Wayne Kosaka Design	Advertising on Buses	3,343.00
8/16/2011	Godzilla Graphics	Advertising on Buses	3,969.00
8/16/2011	UCSB - Parking Services-7001	Passes/Passport Sales	9,188.00
8/18/2011	Kara Woods Agency	Advertising on Buses	1,700.00
8/18/2011	Kara Woods Agency	Advertising on Buses	8,807.00
8/22/2011	Department of Rehabilitation	Passes/Token Sales	592.00
8/23/2011	Sansum Clinic	Advertising on Buses	1,440.00
8/23/2011	SB County Schools	Passes/Token Sales	330.00
Total Accounts Receivable Paid During Period			\$29,369.00

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of September 20, 2011
For the Period August 30, 2012 through September 12, 2011

MONEY MARKET

Beginning Balance August 30, 2012 **\$4,934,950.54**

SB-325 (LTF)	557,627.82
Passenger Fares	177,196.64
Accounts Receivable	31,783.97
Miscellaneous/Asset Sales	31.30
Total Deposits	766,639.73

Bank Fee - September 11	(61.87)
ACH Garn/Escrow	(1,575.89)
WC Transfer - August 11	(26,645.50)
ACH Pensions Transfer	(33,155.69)
ACH Tax Deposit	(120,547.04)
Payroll Transfer	(278,204.20)
Operations Transfer	(516,888.97)
Total Disbursements	(977,079.16)

Ending Balance **\$4,724,511.11**

CASH INVESTMENTS

LAIF Account	\$3,301,309.05
Money Market Account	4,724,511.11

Total Cash Balance **\$8,025,820.16**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$1,326,469.29)
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Working Capital **\$6,699,350.87**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
99326	8/31/2011	CASH - Juan Perez	CASH - TVM	650.00	
99327	9/1/2011	AQUA-FLO	BUS WASH SUPPLIES	195.44	
99328	9/1/2011	BUENA TOOL, INC.	SV SUPPLIES	92.66	
99329	9/1/2011	CALIFORNIA ELECTRIC SUPPLY, IN	SHOP/B&G SUPPLIES	104.10	
99330	9/1/2011	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	95.42	
99331	9/1/2011	COAST CLUTCH & BRAKE	BUS PARTS	312.99	
99332	9/1/2011	CINTAS FIRST AID & SAFETY LOC #	FIRST AID SUPPLIES	346.93	
99333	9/1/2011	CIO SOLUTIONS, LP	PROFESSIONAL SERVICES	1,181.25	
99334	9/1/2011	COAST TRUCK PARTS	BUS PARTS	45.17	
99335	9/1/2011	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	335.85	
99336	9/1/2011	DILLINGHAM TICKET CO., LLC	BUS INSPECTION FORMS	2,562.07	
99337	9/1/2011	DONS INDUSTRIAL SUPPLY DBA	BUS PARTS/SHOP SUPPLIES	162.30	
99338	9/1/2011	DRUG TESTING NETWORK, INC	DRUG TESTING	34.95	
99339	9/1/2011	EXPRESS AUTO PARTS EXCHANGE,	BUS PARTS	986.70	
99340	9/1/2011	GIBBS INTERNATIONAL INC	BUS PARTS	905.38	
99341	9/1/2011	GILLIG LLC	BUS PARTS	787.41	
99342	9/1/2011	GRAINGER, INC.	SHOP/B&G SUPPLIES	152.58	
99343	9/1/2011	GUARDIAN DENTAL INSURANCE	DENTAL INSURANCE	4,057.95	
99344	9/1/2011	GUARDIAN LIFE INS CO. CORP.	LIFE INSURANCE	943.54	
99345	9/1/2011	HAYNES SALES DBA	B&G REPAIRS & SUPPLIES	1,008.99	
99346	9/1/2011	HILLYARD/LOS ANGELES	SHOP/BUS SUPPLIES	1,972.38	
99347	9/1/2011	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	58.47	
99348	9/1/2011	INTERCON TECHNOLOGIES DBA	EV/CHARGER REPAIRS	46.20	
99349	9/1/2011	KLIPPEL TOOL REPAIR DBA	COMPRESSORS MAINT/BUS PARTS	697.62	
99350	9/1/2011	LARA'S AUTO REPAIR DBA	BUS REPAIRS	45.00	
99351	9/1/2011	MAAS, STEVE	REIMBURSEMENT	100.00	
99352	9/1/2011	JOSH MARTINEZ	TRAVEL PER DIEM	180.00	
99353	9/1/2011	MC CORMIX CORP. (OIL)	LUBRICANTS	3,286.92	
99354	9/1/2011	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,041.37	
99355	9/1/2011	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	191.84	
99356	9/1/2011	MEDICAL EYE SERVICES, INC.	VISION SERVICES	252.54	
99357	9/1/2011	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	23.92	
99358	9/1/2011	MCI SERVICE PARTS, INC.	BUS PARTS	274.73	
99359	9/1/2011	MICHAEL MOORE	VALLEY EXPRESS REFUND	69.33	
99360	9/1/2011	MOTION INDUSTRIES, INC.	BUS PARTS	1,676.58	
99361	9/1/2011	NU-COOL REDI GREEN	COOLANTS & SHOP SUPPLIES	309.84	
99362	9/1/2011	NUGS BY NAY DBA	GRAPHIC DESIGNER	1,600.10	

Check #	Date	Company	Description	Amount	Voids
99363	9/1/2011	DEBBIE NORTHEMSCOLD	VALLEY EXPRESS REFUND	15.00	
99364	9/1/2011	PEREZ, JUAN	TRAVEL PER DIEM	180.00	
99365	9/1/2011	PERFORMANCE TURBOCHARGERS	BUS PARTS	621.44	
99366	9/1/2011	PACIFICARE OF CALIFORNIA	HEALTH INSURANCE	51,387.09	
99367	9/1/2011	R.T. WELDING AND FABRICATION	SV REPAIRS & SUPPLIES	440.00	
99368	9/1/2011	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	8.89	
99369	9/1/2011	SCHWAB, KATE	REIMBURSEMENT	14.28	
99370	9/1/2011	DORA D. SMITH	VALLEY EXPRESS REFUND	50.00	
99371	9/1/2011	SANTA BARBARA SIGNS, INC. DBA	PRINTING SERVICES	1,105.34	
99372	9/1/2011	SM TIRE, CORP.	BUS TIRE MOUNTING	606.50	
99373	9/1/2011	SHARON SIMKINS	RETIREE HEALTH REIMBURSEMENT	285.00	
99374	9/1/2011	SMARDAN-HATCHER CO., INC	B&G REPAIRS & SUPPLIES	126.05	
99375	9/1/2011	SMART & FINAL	OFFICE/MEETING SUPPLIES	87.97	
99376	9/1/2011	SO. CAL. EDISON CO.	UTILITIES	9,321.93	
99377	9/1/2011	SOCAL SIGNWORX DBA	REBRANDING MCI'S	19,368.06	
99378	9/1/2011	SPECIALTY TOOL & BOLT, LTD	SHOP SUPPLIES	298.66	
99379	9/1/2011	STAPLES CREDIT PLAN	OFFICE & COMPUTER SUPPLIES	221.91	
99380	9/1/2011	STEWART'S DE-ROOTING & PLUMBI	PLUMBING REPAIRS	90.00	
99381	9/1/2011	THE MEDCENTER	MEDICAL EXAMS	2,380.00	
99382	9/1/2011	VALLEY POWER SYSTEMS, INC.	BUS PARTS	88.14	
99383	9/1/2011	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	868.10	
99384	9/1/2011	WAYTEK INC.	BUS PARTS & SHOP SUPPLIES	131.56	
99385	9/1/2011	WILSON PRINTING INC.	PRINTING SERVICES	1,699.16	
99386	9/9/2011	CHILD SUPPORT ENFORCEMENT AG	PAYROLL RELATED	147.69	
99387	9/9/2011	COX COMMUNICATIONS	INTERNET & CABLE TV	243.67	
99388	9/9/2011	DEAILE, MARY	PAYROLL RELATED	106.15	
99389	9/9/2011	DELTA DENTAL - CLIENT SERVICES	DENTAL INSURANCE	6,787.20	
99390	9/9/2011	DELTACARE USA #06485-0001	DENTAL INSURANCE	1,636.50	
99391	9/9/2011	STATE OF CALIFORNIA	PAYROLL RELATED	53.00	
99392	9/9/2011	UNITED STATES TREASURY - IRS	PAYROLL RELATED	500.00	
99393	9/9/2011	IPC (USA), INC.	BUS FUEL	155,095.53	
99394	9/9/2011	SHERIFF CIVIL BUREAU	PAYROLL RELATED	617.66	
99395	9/9/2011	OTTIERI, ANN BRADY	PAYROLL RELATED	277.00	
99396	9/9/2011	SB COUNTY FEDERAL CREDIT UNIO	PAYROLL DEDUCTION	1,248.00	
99397	9/9/2011	SEELEY, KAREN	PAYROLL RELATED	75.69	
99398	9/9/2011	SO. CAL. EDISON CO.	UTILITIES	3,166.75	
99399	9/9/2011	SB CITY OF-REFUSE/WATER	UTILITIES	4,397.83	
99400	9/9/2011	SB COUNTY-AUDITOR/CONTROLLE	LAFCO BUDGET PRO RATA SHARE	6,192.00	
99401	9/9/2011	TEAMSTERS MISC FUND	UNION MEDICAL/DENTAL	120,807.00	
99402	9/9/2011	TEAMSTERS PENSION TRUST	UNION PENSION	88,991.70	

Check #	Date	Company	Description	Amount	Voids
99403	9/9/2011	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	9,362.00	
				<u>516,888.97</u>	
			Current Cash Report Voided Checks:	0.00	
			Prior Cash Report Voided Checks:	0.00	
			Grand Total:	<u><u>\$516,888.97</u></u>	

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
8/30/2011	Coast Truck Parts	Miscellaneous	328.01
8/30/2011	Rabobank, N.A.	Advertising on Buses	287.50
8/30/2011	UCSB Bookstore	Passes/Passport Sales	287.50
8/31/2011	Cottage Hospital	Passes/Token Sales	4,000.00
8/31/2011	Cottage Hospital	Passes/Token Sales	-4,000.00
8/31/2011	Cottage Hospital	Passes/Token Sales	7,000.00
8/31/2011	Cottage Hospital	Passes/Token Sales	-7,000.00
9/1/2011	United Way	Advertising on Buses	2,070.00
9/2/2011	Department of Rehabilitation	Passes/Token Sales	60.00
9/2/2011	Measure A, Section 3 LSTI	Measure "A" Funds	1,976.39
9/6/2011	ASTI Holding Company, LLC	Overpass Property Lease	14,663.28
9/6/2011	Calles, Gilbert & Leandra	Health Insurance - Retiree	284.02
9/6/2011	Fountain, Melvin and Elizabeth	Health Insurance - Retiree	284.02
9/6/2011	Kara Woods Agency	Advertising on Buses	8,807.00
9/6/2011	Kara Woods Agency	Advertising on Buses	1,700.00
9/7/2011	Cottage Hospital	Passes/Token Sales	236.25
9/12/2011	City of SB - Public Works	Advertising on Buses	800.00
Total Accounts Receivable Paid During Period			\$31,783.97




BOARD OF DIRECTORS REPORT

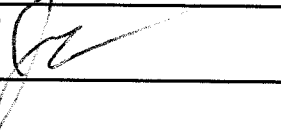
MEETING DATE: SEPTEMBER 20, 2011 AGENDA ITEM #: 7

TYPE: ACTION

PREPARED BY: BRAD DAVIS

REVIEWED BY: ASSISTANT GM



Signature


Signature

SUBJECT: PROFESSIONAL SERVICES CONTRACT WITH KENNETH B. MILLS FOR PROCUREMENT SERVICES

RECOMMENDATION:

Staff recommends and requests that the Board authorize the General Manager to execute a professional services contract with Kenneth B. Mills for procurement services.

DISCUSSION:

Purpose

The capital budget for the current fiscal year includes a number of complicated and time-consuming projects, some with funding deadlines. These include the emergency backup generators, initiation of the AVL project, the Transit Center expansion study, additional diesel bus replacements, and the ongoing battery-electric shuttle acquisition. These are in addition to the typical ongoing projects such as battery acquisitions, lift replacements, driveway repairs, and TC improvements all slated for this year. It is necessary to augment the current resources dedicated to the procurement function in order to meet this capital program schedule.

Because the size of the current capital program is seen as an aberration, it is best addressed through the use of an outside consultant rather than through an addition to MTD staff. Mr. Mills recently retired from Gold Coast Transit after 11 years as their procurement specialist. Prior to that, he was the head of the contracting division at Point Magu Naval Air Station. Thus, Mr. Mills comes to MTD uniquely qualified with his experience in FTA, federal, and state procurement and contracting practices.

Cost, Budget & Funding

The contract includes a \$70 per hour consulting fee. It is anticipated that Mr. Mills would average between 5 and 10 hours per week. This would fluctuate based upon project status, but Ken does wish to limit his hours to take advantage of his "retirement." For the current fiscal year, outlays for the consulting services are estimated at \$22,000.

Because the procurement consultant services would be limited to capital projects, the cost would be considered part of the acquisition and not classified as an operating expense. The

outlays would be funded through capital revenue, the source of which would vary from project to project, but may potentially include LTF, STA, Prop 1B, or FTA capital funds.

Procurement Process

Because the contract falls into the realm of small purchases, MTD procurement policy requires obtaining at least two verbal quotes for the services. MTD recently received a quote from an engineering consultant for procurement services for \$160 per hour. Typically, it is the engineering pool from which such consultants stem because there is a dearth of procurement consultants in the market. It should be noted that if it appears that the contract expenditures will exceed \$25,000, the small purchases threshold, MTD will need to consider issuing a formal request for proposals.

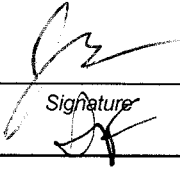
BOARD OF DIRECTORS REPORT

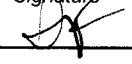
MEETING DATE: SEPTEMBER 20, 2011 AGENDA ITEM #: 8

TYPE: ACTION

PREPARED BY: JERRY ESTRADA

REVIEWED BY: GENERAL MANAGER



Signature


GM Signature

SUBJECT: DRAFT RESPONSE TO THE SANTA BARBARA COUNTY GRAND JURY REPORT REGARDING LOCAL POST EMPLOYMENT BENEFITS IN SANTA BARBARA COUNTY.

RECOMMEDATION:

Staff recommends that the Board of Directors approve staff's proposed response to the Santa Barbara County Civil Grand Jury regarding its report on Local Government Post Employment Benefits in Santa Barbara County.

DISCUSSION:

Staff discussed the findings and recommendations proposed by the Grand Jury with the Finance Committee in August. After careful consideration of the Grand Jury's report, the Finance Committee recommended some changes to staff's proposed response. Those changes are reflected in the attached draft response. A copy of the Grand Jury's report is also attached.

Draft

September 20, 2011

Kathryn D. McKee, Foreperson
Santa Barbara County Grand Jury
Grand Jury Room
Santa Barbara County Courthouse
1100 Anacapa Street
Santa Barbara, Ca 93101

Dear Ms. Mckee:

This letter is the Santa Barbara Metropolitan Transit District's (MTD) official response to the Civil Grand Jury's June 2011 Report Entitled, "Local Government Post Employment Benefits in Santa Barbara County – Complicated and Costly."

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:

As noted on page 5 "Outliers" of the Civil Grand Jury's Report of June 2011, MTD contributes toward a Teamsters sponsored defined-benefit plan on behalf of its represented employees, i.e., drivers, operations supervisors and maintenance personnel). The Western Conference of Teamsters Pension Trust recently reported that "The Plan's funded percentage for the 2011 Plan Year, determined as of January 1, 2011, is projected to be 93.4%."

MTD's non-represented employees (staff and management) participate in a 401(k) defined-contribution pension plan. MTD does not provide a defined-benefit pension plan for this group of employees.

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:

MTD is in compliance with this finding. Prior to the start of each fiscal year MTD adopts its operating budget for the forthcoming year. The budgeted pension expense for participants of the Teamsters defined-benefit plan for the year represents MTD's estimate. Furthermore, MTD adopts a "Financial Forecast" that extends the estimate out a number of years.

Draft

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 pensions to their employees. Moody's Investor Service has begun to recalculate the states' debt burdens in a way that includes unfunded pensions. The Governmental 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:

MTD is aware of the Governmental Accounting Standards Board (GASB) requirements and will continue to be in full compliance with all GASB-required disclosures and will incorporate any future GASB changes to pension disclosure requirements.

Finding 1d

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

Response:

The Western Conference of Teamsters Pension Trust Plan has a projected funding level of 93.4% for calendar year 2011, which represents a 17% improvement over the 80.1% figure reported in calendar year 2008. MTD will continue to work with its represented employees via the collective bargaining process to further address the matter of unfunded retiree pension liability.

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:

As noted on page 5 "Outliers" of the Civil Grand Jury's Report of June 2011, MTD provided the Grand Jury with an estimate of its long-term unfunded actuarial liability.

Finding 2a

As of June, 2010, public agencies in Santa Barbara County had a total unfunded actuarial liability for post employment healthcare of approximately \$316,000,000.

Response:

MTD's Board of Directors took action prior to the initiation of the Grand Jury's survey to address its unfunded actuarial liability for post employment healthcare. MTD has modified its retiree health care benefit, for non-represented employees, eliminating the possibility of earning the benefit prior to the age of 65. Currently, non-represented employees must reach the age of 65 and provide 20-years of service.

Draft

Similarly, MTD and the Teamsters agreed, via the collective bargaining process, to reduce the same benefit to the age of 65 for represented employees. Presently, represented employees must reach the age of 65 and provide 20-years of continuous service.

These changes are not reflected in the unfunded actuarial liability amount reported to the Grand Jury as they were implemented after the last Actuarial Study issued by MTD. The changes will be reflected in the new Actuarial Study currently in progress as a part of MTD's fiscal year 2010-11 financial statements.

Furthermore, the agency is committed to reducing the unfunded liability and will work within the constraints of the collective bargaining process to meet that goal. The agency is awaiting the updated Actuarial Study for fiscal year 2010-11 and answers to supplemental questions posed to the actuarial as a part of this process.

Finding 2b

Some agencies pay all or a portion of the healthcare premium costs for employees.

Response:

As of June 30, 2011, MTD had 19 retirees for which it provided a healthcare benefit. Nine of the retirees are formerly non-represented employees, for which, MTD pays the entire premium associated with their retiree healthcare. MTD contributes a maximum of \$285 per month toward the healthcare premium of its ten represented employees. As discussed earlier, MTD is working with an actuarial firm to identify changes to its retiree healthcare policies that would result in a reduction of the unfunded actuarial liability. A change to the amount MTD contributes toward the retiree healthcare premium is under consideration.

Finding 2c

For the most part, local agency healthcare benefits are pay-as-you-go, and are not structured on a prefunded basis like defined benefit pension plans.

Response:

MTD funds its OPEB obligation on a pay-as-you-go basis and records the liability for the difference between pay-as-you-go and the actuarially determined annual required contribution cost.

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:

MTD agrees with the amount reported regarding its liability for compensated absences.

Draft

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 publicly available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

Response:

As noted on page 5 “Outliers” of the Civil Grand Jury’s Report of June 2011, MTD provided the Grand Jury with an estimate of its long-term unfunded actuarial liability as it pertains to pension. MTD feels it is compliant with this recommendation.

Recommendation 2a

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that contributes some or part of healthcare premium for employees, adopt an implementation plan to reduce those contributions.

Response:

As discussed in MTD’s response to “Finding 2a” and to “Finding 2b”, actions were taken prior to the initiation of the Grand Jury survey to help reduce the long-term unfunded actuarial liability. Furthermore, the agency will be proposing additional policy changes to address the remaining unfunded actuarial liability.

Recommendation 2b

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that provides healthcare premiums for employees, implement prefunding their currently unfunded healthcare liability.

Response:

MTD’s Board of Directors has taken action to reduce the unfunded actuarial liability and is considering additional policy changes for non-represented employees. MTD will pursue further concessions from its represented employees during the course of future labor negotiations as well.

MTD agrees that prefunding the liability is the best approach. Benefit cuts, service cuts and rate increases will all be considered to meet this requirement. MTD’s intent is to identify additional policy changes that would provide a reasonable retiree healthcare benefit to its current employees, while reducing the unfunded actuarial liability to a significantly reduced level. The feasibility of pre-funding OPEB costs will be considered by the Finance Committee and its findings presented to the Board of Directors at a future time. Pre-funding is a complex and comprehensive matter that will take time to complete as it will potentially require additional labor concessions.

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.

Draft

Response:

To date, MTD's focus as it pertains to retirement benefits has been on its unfunded actuarial liability for retiree healthcare. MTD will develop an implementation plan to reduce the agency's compensated absence liability.

If you have any questions regarding this matter, please feel free to contact Jerry Estrada at (805) 963-3364 ext. 232.

Sincerely,

Sherrie Fisher
General Manager

cc: MTD Board of Directors

LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS IN SANTA BARBARA COUNTY

Complicated and Costly

SUMMARY

In March, the 2010-11 Santa Barbara County Civil Grand Jury (Jury) published a report on the results of its survey of salaries and benefits offered by local government agencies within the county.

While the March survey and report proved to be an illuminating endeavor, the Jury realized the data presented represented only a review of current total compensation. The Jury decided to conduct a follow-on survey of post employment benefits including pension and other post employment benefits (OPEB) incurred by the same government agencies for employees who would be retiring. The following report is an outgrowth of that survey.

The Jury learned that while the majority of these agencies make annual contributions to fund post employment benefit programs, many of the agencies do not know their total post employment obligations nor the asset values, either actuarial or market, supporting such obligations. The reason for this lack of knowledge is that they participate in retirement pools either through Santa Barbara County Employees Retirement System (SBCERS), California Public Employees Retirement System (CalPERS), or California State Teachers Retirement System (CalSTRS). With the exception of Santa Barbara County's participation in SBCERS, each member represents a relatively small component of these centrally managed pools.

Furthermore, actuarial estimates are not currently available for the individual pool members. However, the pooling concept makes sense for these agencies – both by spreading risk and spreading costs of operation. As noted, the Jury finds the majority of local government employers in the county are not aware of their individual share of their defined benefit plan's assets or future obligations.

In addition, many agencies fund their post employment healthcare benefits on a pay-as-you-go basis. As stable as the current funding situation may be for current retirees (and those nearing retirement), there is a serious potential shortfall of funding for future retirees.

The Jury believes there is a need to know the extent of these unfunded future obligations, for the agencies, their employees, and for the Santa Barbara County ratepayers and taxpayers.

LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS

The Jury believes that all ratepayers and taxpayers in the county are entitled to estimates of future funding requirements.

BACKGROUND

Due to national public focus on the future funding requirements of pension obligations for governmental employees, the 2010-11 Santa Barbara County Civil Grand Jury (Jury) conducted a survey of pension, healthcare, and other post employment benefit obligations for local government agencies¹ within the county to determine the total countywide unfunded liability. The term “unfunded liability” applies to pension plans and other post employment obligations.²

This report is not intended as an in-depth study of the future post employment obligations of governmental agencies within Santa Barbara County, but as a survey of those obligations.

METHODOLOGY

The Jury conducted a survey of the total unfunded post employment benefit liabilities for local government agencies in Santa Barbara County. The survey included Santa Barbara County, cities, school districts, and special districts. Each agency has a different unfunded actuarial liability because of demographic and economic assumptions. An actuary was interviewed to gain a better understanding of the methodology and complexity of estimating a particular agency’s pool liability.

The Jury emailed a questionnaire on post employment obligations to nearly all agencies operating within the county. A few agencies without staff or with minimal budgets per the compensation survey were not sent surveys.

The Jury learned that numerous agencies were unable to respond completely because specific information was unavailable due to their participation in pension pools which manage their retirement plans. It was this surprising information that prompted the Jury to make the recommendations contained in this report.

The Jury reviewed certain Governmental Accounting Standards Board (GASB)³ rules for the financial reporting of pension and other post employment obligations. GASB Statements issued that pertain to accounting for pensions and other post employment benefits are Nos. 25, 26, 27, 43, and 45.

PENSIONS IN GENERAL

¹ “Local government agencies” refers to Santa Barbara County, its cities, school districts and special districts (See Exhibit 1).

² Glossary, Table 4.

³ Governmental Accounting Standards Board, <http://www.gasb.org>

LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS

The majority of agencies within the county that have pension plans for their employees contribute to a defined benefit pension plan. Wikipedia⁴ defines a defined benefit pension plan as follows:

*... a **defined benefit pension plan** is a type of pension plan in which an employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending on investment returns. It is 'defined' in the sense that the formula for computing the employer's contribution is known in advance.*

In contrast, Wikipedia defines a defined contribution plan as follows:

*... a **defined contribution plan** is a type of retirement plan in which the amount of the employer's annual contribution is specified. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings on the money in the account. Only employer contributions to the account are guaranteed, not the future benefits. In defined contribution plans, future benefits fluctuate on the basis of investment earnings. The most common type of defined contribution plan is a savings and thrift plan. Under this type of plan, the employee contributes a predetermined portion of his or her earnings (usually pretax) to an individual account, all or part of which is matched by the employer.*

Defined Benefit Pension Plans

Within Santa Barbara County, there are three primary retirement systems providing defined benefit pension plans for local government employees:

SBCERS, Santa Barbara County Employees' Retirement System

- SBCERS operates as a cost-sharing multiple-employer defined benefit plan for Santa Barbara County and is governed by an 11 member Board of Retirement, six of whom are elected by members, four appointed by the Board of Supervisors and the county treasurer. Members of the SBCERS system are the County of Santa Barbara, nine other special districts located within the county, and the Superior Court
- The SBCERS system currently offers four general retirement plans, one for general or miscellaneous members, two for safety members and one for the Air Pollution Control District (APCD)

⁴ Defined Benefit Plan and Defined Contribution Plan, <http://en.wikipedia.org>

LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS

CalPERS, State of California Public Employees' Retirement System

- CalPERS is the largest public pension plan in the nation, providing retirement and healthcare plans to state employees and other governmental agencies within the state. CalPERS administers 13 defined benefit retirement formulas for more than 2,500 state, school (classified employees only), and public agency employers. The system is governed by a 13 member Board of Administration, six of whom are elected by members, three are state officers, two are appointed by the governor, one appointed by the State Personnel Board, and one by the speaker of the assembly and Senate Rules Committee
- CalPERS currently manages over 450 individual defined benefit plans for agencies with 100 members or more. For agencies with fewer than 100 members, CalPERS offers five Miscellaneous Risk pools, four Safety Risk pools, and one Inactive Plan pool.⁵ As an example of a plan, under a 2% @ 55 formula, an employee with 30 years of service retiring at age 55 would receive an annual pension of 60% (2% for each year of service) of his or her highest annual average salary for either one year or three years, depending upon the plan. School employees who do not qualify as teachers for inclusion in the CalSTRS program are members of the CalPERS Miscellaneous 2% @ 55 Risk Pool
- Risk pools provide a sharing of risk among the agencies and also economies of scale insofar as it would be inefficient and costly to maintain an individual plan with few employee members. As shown on Exhibit 2, three agencies (cities) in Santa Barbara County have individual plans with CalPERS. The remaining CalPERS agencies' employees are members of various risk pools
- In addition to defined benefit pension plans, CalPERS also provides defined contribution plans and other employee benefit plans⁶

CalSTRS, California State Teachers' Retirement System

- CalSTRS currently manages the CalSTRS Defined Benefit Program for "California public school employees, prekindergarten through community college, who teach, are involved in selecting and preparing instructional materials, or are supervising people engaged in those activities."⁷ The system is governed by a 12 member Teacher's Retirement Board, three of whom are elected by members; one retired member appointed by the governor and approved by the senate; three public representatives appointed by the governor and confirmed by the senate; one school board representative appointed by the governor and approved by the senate; and four members who serve in an ex-officio capacity by

⁵ CalPERS Facts At A Glance: General, April 2011, <http://www.calpers.ca.gov>

⁶ CalPERS Supplemental Income Plans, <http://www.calpers.ca.gov>

⁷ CalSTRS Comprehensive Annual Financial Report – 2010, <http://www.calstrs.com>

LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS

virtue of their office: director of finance, state controller, state superintendent of public instruction, and state treasurer

- School employees who do not qualify as members of CalSTRS are members of the CalPERS Miscellaneous 2% @ 55 Risk Pool⁸
- In addition to the Defined Benefit Program, CalSTRS also provides a Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefit Program⁹
- All defined benefit plans discussed above include some form of disability coverage and allow for optional survivor coverage. Some provide for a death benefit. Furthermore, each of the systems provides optional health benefit plans

Outliers

- Agencies whose employees are not part of one of the previously discussed systems either have a defined contribution plan of some type or no plan. As shown in Exhibit 1, employees of four agencies participate in a defined contribution or similar plan and 12 agencies do not have an employee plan
- Santa Barbara Metropolitan Transit District's (MTD) represented employees are members of the Western Conference of Teamsters Pension Plan, a pooling of various employers. The MTD did obtain an estimate of its portion of the pool's assets and obligations prepared by its consultants; non-represented employees participate in a defined contribution plan
- Exhibit 1 shows the plans to which each agency participates

Pension Highlights

All information shown in the exhibits and tables is taken from information published by the retirement systems or from surveys prepared by the individual agencies. No attempt was made to independently verify any of the data obtained.

SBCERS, Santa Barbara County Employees Retirement System:

The following summarizes SBCERS pension fund performance for fiscal years since year 2000.

SBCERS Pension Fund Performance (all dollar amounts in millions)							
Valuation	Market	Actuarial	Actuarial	Unfunded	Unfunded	Funding	Funding

⁸ Ibid

⁹ Ibid

LOCAL GOVERNMENT POST EMPLOYMENT BENEFITS

Year (Notes 1 and 2)	Value of Assets (Dollars)	Value of Assets (Dollars)	Accrued Liability (Dollars)	Liability - Assets @ Market Values (Dollars)	Liability - Assets @ Actuarial Values (Dollars)	Ratio @Market Values (Note 3)	Ratio @ Actuarial Values (Note 4)
Dec-00	n/a	1,171	1,146	n/a	(25)	n/a	102.2%
Dec-01	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dec-02	n/a	1,296	1,364	n/a	68	n/a	95.0%
Jun-03	n/a	1,347	1,455	n/a	108	n/a	92.6%
Jun-04	1,347	1,379	1,579	232	200	85.3%	87.4%
Jun-05	1,476	1,444	1,688	212	244	87.4%	85.6%
Jun-06	1,629	1,553	1,810	181	257	90.0%	85.8%
Jun-07	1,900	1,735	1,957	57	222	97.1%	87.1%
Jun-08	1,763	1,894	2,136	373	242	82.5%	88.6%
Jun-09	1,421	1,706	2,264	843	558	62.8%	75.4%
Jun-10	1,609	1,927	2,616	1,007	689	61.5%	73.7%

Note 1 - Information for years prior to 2007 was provided by prior actuaries
Note 2 - "Prior to 2007, non-valuation assets reserves were included with the Actuarial Value of Assets (AVA), non-valuation asset reserves were also added to Actuarial Accrued Liabilities (AAL) prior to 2007. Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL." (Source SBCERS 2007 Financial Report)

Note 3 - Funding Ratio @ Market Values - Market Value of Assets divided by Actuarial Accrued Liability
Note 4 - Funding Ratio @ Actuarial Values - Actuarial Value of Assets divided by Actuarial Accrued Liability

The 2010 employers' pension costs, as a percent of payroll as of June 30, 2010, the most recent fiscal year, are shown below.¹⁰ It is important to note that agencies make annual contributions to the defined benefit pension fund which includes two cost components - normal cost and amortization cost.

SBCERS - Percent of Payroll				
	General Members	Safety Members	APCD Members	Average
Net Employer Normal Cost	13.85%	24.33%	14.76%	16.58%
Amortization of Unfunded Actuarial Accrued Liability	16.09%	22.95%	18.41%	17.90%
Totals	29.94%	47.28%	33.17%	34.48%

The above rates are only the employers' portion of the pension costs. "Member contribution rates are actuarially determined on the basis of plan and age upon entry into the retirement system."¹¹ However, in many cases, the employing agency is paying a portion or all of the required member contribution.

Due to agency participation in pools, SBCERS does not provide separate actuarial reports for each agency (the Air Pollution Control District is an exception because it is the only participant in its pool). Consequently, the public and management do not know the

¹⁰ SBCERS 2010 Financial Statements, <http://www.countyofsb.org>

¹¹ SBCERS plan description for safety members, <http://www.countyofsb.org>

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unfunded pension liability for each individual agency. While the unfunded liability for each agency could be estimated, it appears this is seldom done.

CalPERS, State of California Public Employees Retirement System:

With the exception of three cities in the county participating in CalPERS with individual plans, most agencies and school districts employees who are not members of CalSTRS contribute to pooled funds with statewide participants, making it impossible to determine even a total local liability.

In summary, the various statewide pools, as of 2009, included in the June 30, 2010, CalPERS annual report, totaled as follows:¹²

CalPERS Funded Ratios –Statewide Pools	
(all dollar amounts in millions)	
Actuarial Accrued Liability	\$20,584
Actuarial Value of Assets	\$17,154
Unfunded Liability (line 1- line 2)	\$3,431
Funded Ratio (line 2 / line 1)	83.3%
Side Funds*	(\$1,552)
Actuarial Value of Assets excluding Side Funds (line 1 – line 5)	\$18,706
Unfunded Liability excluding Side Funds (line 1 – line 6)	\$1,879
Funded Ratio excluding Side Funds (line 6 / line 1)	90.9%
Market Value of Assets	\$12,513
Unfunded Liability at Market Values (line 1 – line 9)	\$8,071
Funded Ratio at Market Values (line 10 / line 1)	60.8%
<p>*Side funds were created at the time CalPERS implemented risk pools to ensure that plans with varying funded status could participate in the same pool. Each side fund is subject to a fixed amortization schedule. Anytime an employer improves benefits for their plan, the side fund is adjusted to ensure the employer pays for the benefit improvement and a new 20-year amortization is established. (Source – CalPERS website)</p>	

The following shows CalPERS pension fund performance since year 2000 as reported in CalPERS financial reports:

¹² Total of all funds set forth in CalPERS summary attached as Exhibit 2

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CalPERS Pension Fund Performance							
(all dollar amounts in millions)							
Valuation Year (June 30 fiscal year)	Market Value of Assets (Dollars)	Actuarial Value of Assets (Dollars)	Actuarial Accrued Liability (Dollars)	Unfunded Liability - Assets @ Market Values (Dollars)	Unfunded Liability - Assets @ Actuarial Values (Dollars)	Funding Ratio @Market Values (Note 1)	Funding Ratio @ Actuarial Values (Note 2)
2000	172,163	162,439	135,970	(36,193)	(26,469)	126.6%	119.5%
2001	156,053	166,860	149,155	(6,898)	(17,705)	104.6%	111.9%
2002	142,455	156,067	163,961	21,506	7,894	86.9%	95.2%
2003	144,330	158,596	180,922	36,592	22,326	79.8%	87.7%
2004	167,110	169,899	194,609	27,499	24,710	85.9%	87.3%
2005	189,103	183,680	210,301	21,198	26,621	89.9%	87.3%
2006	211,188	199,033	228,131	16,943	29,098	92.6%	87.2%
2007	251,162	216,484	248,224	(2,938)	31,740	101.2%	87.2%
2008	238,041	233,272	268,324	30,283	35,052	88.7%	86.9%
2009	178,860	244,964	294,042	115,182	49,078	60.8%	83.3%

Note 1 - Funding Ratio @ Market Values - Market Value of Assets divided by Actuarial Accrued Liability
 Note 2 - Funding Ratio @ Actuarial Values - Actuarial Value of Assets divided by Actuarial Accrued Liability

CalPERS reports a year in arrears. The above shows the data from its June 30, 2010 financial reports, which are also used to calculate the rates for the 2010-11 fiscal year.

The CalPERS website reports that, for agencies within Santa Barbara County, employers' rates for the 2009-10 year for non-safety members ranged from a low of 5.123% of payroll to a high of 18.564%. For safety members, rates ranged from a low of 10.256% to a high of 30.833%. The school employer rate was 9.709%. Employee contribution rates were reported as varying between 5% and 9%. In some agencies, a portion or all of the employee's rates were actually paid by the employer.

Data for agencies having individual plans are shown in Exhibit 3.

CalSTRS, California State Teachers Retirement System:

The following shows CalSTRS pension fund performance since year 2000 as reported in CalSTRS' financial reports:

CalSTRS Pension Fund Performance							
(all dollar amounts in millions)							
Valuation Year (June 30 fiscal year)	Market Value of Assets (Note 1)	Actuarial Value of Assets (Note 2) (Dollars)	Actuarial Accrued Liability (Dollars)	Unfunded Liability - Assets @ Market Values	Unfunded Liability - Assets @ Actuarial Values (Dollars)	Funding Ratio @Market Values (Note (n/a))	Funding Ratio @ Actuarial Values (Note 3)
2000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2001	n/a	107,654	109,881	n/a	2,227	n/a	98.0%

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2002	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2003	n/a	108,667	128,104	n/a	19,437	n/a	84.8%
2004	n/a	114,094	134,677	n/a	20,583	n/a	84.7%
2005	n/a	121,882	142,193	n/a	20,311	n/a	85.7%
2006	n/a	131,237	150,872	n/a	19,635	n/a	87.0%
2007	n/a	148,427	167,129	n/a	18,702	n/a	88.8%
2008	n/a	155,215	177,734	n/a	22,519	n/a	87.3%
2009	n/a	145,142	185,683	n/a	40,541	n/a	78.2%
<i>Note 1</i>							
-	<i>Market Values not provided</i>						
<i>Note 2</i>							
-	<i>"Except for year ended June 30, 2004 actuarial valuations were not prepared in even numbered years. No estimation using actuarial methodology is made in years between valuations." (Source - CalSTRS 2006 Financial Report)</i>						
<i>Note 3</i>							
-	<i>Funding Ratio @ Actuarial Values - Actuarial Value of Assets divided by Actuarial Accrued Liability</i>						

CalSTRS contribution rates are 8.25% paid by the employer, 8% paid by the employee (increased from 6% effective January 1, 2011) and 2.017% paid by the state, provided however, the state may be required to contribute additional funds for shortfalls. It is not known if any of the required employee contributions are being made by the employer. Whereas the contribution rates for SBCERS and CalPERS are calculated based on actuarial determined rates, CalSTRS contribution rates are set by the State legislature.

As with SBCERS and CalPERS pools, the school districts within Santa Barbara County are pooled with other districts in California and do not know the amount of their respective individual unfunded liability.

OBSERVATIONS AND ANALYSIS

Funding

Defined benefit retirement plans are prefunded systems that receive regular contributions for an employee from three sources: the employee, the employer, and investment returns. These contributions are made for an employee throughout his or her career. This is different than a pay as you go system which uses contributions from current employees to pay benefits to current retirees. Investment returns are a significant source of the funding that pays for benefits. Nationally, between 1993 and 2006, 19.6% of state and local government pension fund receipts came from employers, 10.8% from employees, and 69.6% from investment earnings.¹³

As can be seen from the above tables, there are significant annual variations in the unfunded liabilities and funding ratios for each of the defined benefit retirement systems. Investment performance dictates the employer contribution portion because returns increase or decrease the employer's annual share of actuarially required contributions. If

¹³ *Pensionomics - Measuring the economic impact of State and Local Pension Plans*, Ilana Boivie and Beth Almeida, February, 2009, National Institute of Retirement Security, www.nirosionline.org

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high investment returns are realized, the employer's contribution decreases. Conversely, if investments perform poorly, the employer's contribution increases to make up for the loss of investment earnings.

Fitch Ratings¹⁴

Fitch Ratings (Fitch) is a major global rating agency providing the world's credit markets with independent and prospective credit opinions, research, and data. Fitch notes that 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 pensions to their employees. Fitch will now request from states that it rates, a documented estimate of the portion of the unfunded liability of each state-run, cost-sharing multiple-employer system that is attributable to the state itself and, if possible, to participating local government employers.

The Governmental Accounting Standards Board (GASB) is formulating significant changes to pension disclosure requirements that are expected to improve transparency and reliability. Fitch will revisit its analytical framework after these changes are made and enhanced disclosure becomes available.

Moody's Investor Service (Moody's)¹⁵

Moody's is a provider of credit ratings, credit and economic related research, data and analytical tools, risk management software and quantitative credit risk measures, credit portfolio management solutions, training and financial credentialing and certification services. Moody's has begun to recalculate the states' debt burdens in a way that includes unfunded pensions, something states and others have ardently resisted until now.

Moody's new approach may now turn the tide in favor of more disclosure. In the past, Moody's looked at a state's level of bonded debt alone when assessing its creditworthiness. Pensions were considered "soft debt" separate from the bonds, using a different method. Moody's had decided it is important to consider total unfunded pension obligations because they could contribute to current budget woes. Government agencies "...have a tax base. They have contractually obligated themselves to make these payments. These are part of the ongoing budget stress ... It ultimately all comes back to being an operating cost. Addressing those problems is really what's happening today."

Governmental Accounting Standards Board (GASB)¹⁶

¹⁴ *Fitch Ratings: Enhancing the Analysis of U.S. State and Local Government Pension Obligations*, February 17, 2011, <http://reports.fitchratings.com>

¹⁵ Mary Williams Walsh, New York Times, January 27, 2011, "Moody's to Factor Pension Gaps in State's Ratings," <http://www.nytimes.com/2011/01/27/business>

¹⁶ Institutional Investor <http://www.institutionalinvestor.com/Article/2812574/GASB-Readying-Public-Pension-Accounting-Changes.html>

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“In June 2010, the GASB issued a Preliminary Views entitled *Pension Accounting and Financial Reporting by Employers* that contains a preliminary set of views about how to improve the effectiveness of the existing pension standards for state and local governments.”¹⁷ If adopted, these views would revise actuarial assumptions currently employed by most local governments and which could affect current income. In addition, “The GASB believes that the unfunded portion of a cost-sharing pension plan’s obligation is the primary responsibility of the participating governments as a group. Each participating government, therefore, should report a net liability based on its proportion of the unfunded obligation of all the participating governments.” The deadline for public comment was September 17, 2010. The GASB will release a draft, for comment, of its proposed pension accounting changes as soon as June 2011.

Actuarial Valuations

The following is a CalPERS quotation that the Jury believes has wide applicability.¹⁸

What will the pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

First, all actuarial calculations, including those in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- *Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire each future year.*
- *Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.*
- *While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long-term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed 7.75% for the past twenty year period ending June 30, 2010, returns for each fiscal year ranged from -24% to +20.1%.*

Second, the vary nature of actuarial funding produces the answer to the question of plan or pool cost as the sum of two separate pieces:

- *The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and*

¹⁷ GASB release, June 2010

¹⁸ CalPERS, 2% at 55 Risk Pool, June 30, 2009, Cost and Volatility, <http://www.calpers.ca.gov>

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- *The Past Service Cost or Accrued Liability (i.e., representing the current value of the benefit all credited past service of current members) which is expressed as a lump sum dollar amount.*
- *The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the plan or pool rate will vary depending on the amortization period chosen. And as the first point above states; these results depend on all assumptions being exactly realized.*

The calculation of unfunded liability for each plan is based on a negotiated pension formula, amortization of side funds and unfunded liability, smoothing periods, and various other actuarial assumptions. Actuarial assumptions also include projected rates of return on investments, employment longevity, salary increases and cost of living increases, which are different for each of the retirement systems. Consequently, it is not possible to make direct comparisons of the retirement systems or their results. Tables 1, 2 and 3 summarize the retirement plans and major actuarial assumptions for SBCERS, CalPERS, and CalSTRS, respectively. Table 4 is a Glossary of Actuarial Terms that can be used in evaluating all the plans.

In addition, although this report has been prepared from information provided by the agencies for the fiscal year ending June 30, 2010, there are differences in the actual dating of the information, as follows:

- SBCERS - Assets are appraised as of the valuation date of June 30, 2010 and Contribution Rates for the following fiscal year determined by the Actuarial Valuation
- CalPERS – The pension information provided by the agencies in their annual reports of June 30, 2010, actually represents the results of CalPERS actuarial valuation of June 30, 2009. Contribution Rates for the July 1, 2011 through June 30, 2012 fiscal year are based on the June 30, 2009 valuation date
- CalSTRS – As with CalPERS, the pension information provided by the agencies in their annual reports of June 30, 2010, actually represent the results of CalSTRS actuarial valuation of June 30, 2009. Contribution Rates are fixed by and subject to revision by the state legislature

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Other Post Employment Obligations (OPEB)

In addition to pensions, many agencies provide some form of post employment health care coverage. As reflected below, these aggregate amounts for all three systems are sizeable and will have to be included in future budgets and funded from future revenues.

Healthcare Benefits

While not having received the same level of attention, the OPEB healthcare obligations, which include medical, dental, vision and other health related benefits, if applicable, can be sizable and are required to be reported in financial statements. As shown in Exhibit 4A, as of June 30, 2010, the date of the agencies' last fiscal year, the Actuarial Accrued Liabilities as reported by the agencies totaled \$325,193,581, of which \$9,136,137 had been funded, leaving a total actuarial unfunded liability balance for all agencies of \$316,057,444.

Other Than Healthcare Benefits

As shown in Exhibit 4B, three agencies reported other post employment obligations totaling \$5,562,620, which includes: \$3,805,000 accrued sick leave benefits by the City of Santa Barbara, \$150,000 for voluntary resignation incentive plan by College School District, and \$1,607,620 for early retirement and medical benefits for a former supervisor by Lompoc Unified School District.

Compensated Absences

In addition, 48 agencies reported Compensated Absences Liability for vacation, sick days and other unfunded obligations that would be payable upon an employee's separation from the entity. As shown in Exhibit 4C, the total obligation for all agencies was \$60,756,644.

CONCLUSIONS

The implications of the data reflected in this report are staggering. The recent market recovery will reduce the size of the unfunded liabilities, assuming that markets remain stable and there are no major changes in the actuarial assumptions. Anticipated GASB rule changes can be expected to increase unfunded liabilities. Based on actuarial value of assets, as of June 30, 2010, the Santa Barbara County Employees' Retirement System (SBCERS) had an unfunded pension liability of approximately \$689,000,000.¹⁹ Based on actuarial value of Assets statewide, the California Public Employees Retirement System (CalPERS) pools and California State Teachers' Retirement System (CalSTRS) plans had unfunded liabilities overall in excess of \$42,400,000,000. Local government agencies who participate in pools are unable to break out their specific individual unfunded

¹⁹ SBCERS unfunded liability includes Santa Barbara County Superior Court employees, but who are state employees.

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accrued liability. As a result, the agencies do not know the extent of their specific future obligations, which makes it difficult to do strategic financial planning for pension expense beyond the next year or so.

Agencies in Santa Barbara County offering retiree health benefits have an additional unfunded liability of \$316,000,000 for these plans as well. They are principally on a pay as you go basis, wherein new hires and current employees or the employer pays for retiree benefits as a part of operational costs. In order to manage future costs, thought should be given to either containing the benefit or funding it. These liabilities can be expected to grow as the number of employees retiring expands and health costs continue to increase.

Current pension and other post employment benefit plans were negotiated by the individual agencies and their respective employee bargaining units, and approved by their governing bodies. Change would be subject to collective bargaining and approval by the applicable governing body.

Those agencies participating in a SBCERS, CalPERS or CalSTRS plan have little control over their plans other than to switch an existing plan to a different plan within the system, such as switching from a CalPERS Safety 2% @ 50 Risk Pool to a Safety 2% @ 55 Risk Pool. Any such change would be subject to collective bargaining and approval by the applicable governing body.

Other Post Employment Benefit unfunded accrued liabilities, particularly healthcare obligations, are sizable. Many agencies fund their post employment healthcare benefits on a pay as you go basis.

This report is a wake-up call for agencies to seek the information and take action that will allow them to better plan for their financial future.

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.

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.

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

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allocate a cost-sharing multiple-employer system's unfunded pension liability to the numerous participating employers that use pools to provide pensions to their employees. Moody's Investor Service has begun to recalculate the states' debt burdens in a way that includes unfunded pensions. The Governmental 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.

Finding 1d

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

Finding 1e

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

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 publicly available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

Finding 2a

As of June, 2010, public agencies in Santa Barbara County had a total unfunded actuarial liability for post employment healthcare of approximately \$316,000,000.

Finding 2b

Some agencies pay all or a portion of the healthcare premium costs for employees.

Finding 2c

For the most part, local agency healthcare benefits are pay as you go, and are not structured on a prefunded basis like defined benefit pension plans.

Recommendation 2a

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that contributes some or part of healthcare premium for employees, adopt an implementation plan to reduce those contributions.

Recommendation 2b

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that provides healthcare premiums for employees, implement prefunding their currently unfunded healthcare liability.

Finding 3

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

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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.

REQUEST FOR RESPONSE

In accordance with *California Penal Code Section 933.05*, each agency and government body affected by or named in this report is requested to respond in writing to the findings and recommendation in a timely manner. The following are the affected agencies for this report, with the mandated response period for each.

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e, 2a, 2b, 2c, 3

Recommendation 1, 2a, 2b, 3

Santa Barbara County
Santa Barbara County Education Office
Ballard School District
Carpinteria Unified School District
Guadalupe Union School District
Lompoc Unified School District
Orcutt Union School District
Santa Barbara School District
Santa Maria-Bonita School District
Santa Maria Joint Union High School District
Allan Hancock College

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e, 2a, 2b, 2c

Recommendation 1, 2a, 2b

Buellton Union School District
Cold Spring School District
College School District
Hope School District
Montecito Union School District
Santa Barbara City College

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e, 3

Recommendation 1, 3

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Cuyama Joint Unified School District
Goleta Union School District
Los Alamos School District
Los Olivos School District
Santa Ynez Valley Union High School District

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e
Recommendation 1

Blochman Union School District
Solvang School District
Vista del Mar Union School District

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e, 2a, 2b, 2c, 3
Recommendation 1, 2a, 2b, 3

City of Buellton
City of Carpinteria
City of Lompoc
City of Solvang
Cachuma Operations & Maintenance Board
Carpinteria / Summerland Fire Protection District
Carpinteria Public Cemetery District
Carpinteria Sanitary District
Carpinteria Valley Water District
Goleta Cemetery District
Goleta Water District
Goleta West Sanitary District
Montecito Fire Protection District
Montecito Sanitary District
Montecito Water District
Mosquito and Vector Management District of SBC
Santa Barbara Metropolitan Transit District
Santa Maria Cemetery District
Santa Ynez River Water Conservation District ID No. 1
Summerland Sanitary District

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e, 2a, 2b, 2c
Recommendation 1, 2a, 2b

Santa Barbara County Association of Governments
Goleta Sanitary District

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Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e, 3

Recommendation 1, 3

City of Goleta

City of Guadalupe

Isla Vista Recreation and Park District

Oak Hill Cemetery District

Santa Maria Public Airport District

Vandenberg Village Community Services District

Each Agency Listed Below - 90 days

Finding 1a, 1b, 1c, 1d, 1e

Recommendation 1

Cuyama Valley Recreation and Park District

Los Alamos Community Services District

Each Agency Listed Below - 90 days

Finding 2a, 2b, 2c, 3

Recommendation 2a, 2b, 3

Santa Barbara Air Pollution Control District

City of Santa Barbara

City of Santa Maria

Each Agency Listed Below - 90 days

Finding 3

Recommendation 3

Cachuma Resource Conservation District

Cuyama Community Services District

Lompoc Cemetery District

Lompoc Valley Medical Center

Mission Hills Community Services District

Santa Ynez Community Services District

EXHIBIT I - AGENCY PLAN PARTICIPATION

Agency Name
 Listing is by Retirement System and then by: County Agencies, Cities, Schools Districts, Colleges, and Special Districts

N/A	CalSTRS	Individual	PLAN DESCRIPTIONS								Teamsters	Defined Contribution		
			MISCELLANEOUS POOLS				SAFETY POOLS							
			2% @ 60	2% @ 55	2% @ 57	2.5% @ 55	2.7% @ 55	3% @ 60	2% @ 55	2% @ 50			3% @ 55	3% @ 50
		Plan(s)												

A. SBCERS

Santa Barbara County X X X
 Santa Barbara County Association of Governments X X X
 Santa Barbara County Air Pollution Control District 2% @ 55 X X X
 Carpinteria / Summerland Fire Protection District X
 Carpinteria Public Cemetery District X
 Goleta Cemetery District X
 Mosquito and Vector Management District of SBC X
 Oak Hill Cemetery District X
 Santa Maria Cemetery District X
 Summerland Sanitary District X

B. CalPERS

City of Buellton X
 City of Carpinteria X
 City of Goleta X
 City of Guadalupe X
 City of Lompoc: X
 Miscellaneous 2% @ 55 X
 Safety City of Santa Barbara: X
 Miscellaneous 2.7% @ 55 X
 Safety - Fire Plan 3% @ 50 X
 Safety - Police 3% @ 50 X
 Safety & Service Retirement Plans n/a
 City of Santa Maria: X
 Miscellaneous 2.7% @ 55 X
 Safety - Fire Plan (through 6-30-11) X
 Safety - Police (through 6-30-11) X
 City of Solvang X
 Cachuma Operations & Maintenance Board X
 Carpinteria Sanitary District X
 Carpinteria Valley Water District X
 Cuyama Valley Recreation and Park District X

EXHIBIT 2 - CalPERS RISK POOLS

Actuarial Valuation Results for Risk Pools as of June 30, 2009

*The valuation results below are based on the June 30, 2009 actuarial valuations completed in November 2010. They do not reflect any benefit improvements that might have occurred after November 2010.

Benefit Formula	Miscellaneous Risk Pools				Safety Risk Pools				
	2.0% at 60	2.0% at 55	2.5% at 55	2.7% at 55	3.0% at 60	2.0% at 55	2.0% at 50	3.0% at 55	3.0% at 50
Number of Plans	243	430	163	178	89	44	61	116	266
Number of Active Members	3,506	12,375	5,492	6,856	2,450	387	935	2,563	10,786
Retirees and Beneficiaries Receiving Payments	1,516	8,257	4,286	4,396	1,819	216	945	2,320	13,130
Risk Pool's Required Base Employer Rate									
Pool's Gross Employer Normal Cost	6.91%	8.34%	9.48%	10.66%	11.45%	13.43%	14.73%	17.42%	19.00%
Less: Surcharges for Class I Benefits	0.29%	0.65%	0.77%	0.76%	1.19%	0.32%	0.72%	1.70%	1.83%
Pool's Net Employer Normal Cost	6.62%	7.68%	8.71%	9.89%	10.25%	13.10%	14.01%	15.72%	17.16%
Payment on Pool's Amortization Base	1.11%	1.85%	4.03%	4.22%	3.89%	2.07%	5.15%	4.58%	5.92%
Pool's Base Employer Rate	7.73%	9.53%	12.74%	14.11%	14.13%	15.20%	19.16%	20.30%	23.09%
Funded Status of the Risk Pool									
1. Entry Age Normal Accrued Liability	\$582,841,859	\$3,104,798,222	\$1,834,424,640	\$2,140,438,884	\$883,394,429	\$73,625,106	\$440,333,381	\$1,802,882,330	\$9,721,675,347
2. Actuarial Value of Assets	\$553,953,526	\$2,758,511,101	\$1,493,430,831	\$1,674,260,302	\$694,384,975	\$63,095,026	\$368,645,673	\$1,520,081,328	\$8,027,158,724
3. Unfunded Liability [(1) - (2)]	\$28,888,343	\$346,287,121	\$340,993,809	\$466,178,582	\$189,009,454	\$10,530,080	\$71,687,708	\$282,801,002	\$1,694,516,623
4. Funded Ratio [(2)/(1)]	95.0%	88.9%	81.4%	78.2%	78.6%	85.7%	83.7%	84.3%	82.6%
5. Side Funds	\$580,003	(\$134,900,555)	(\$133,165,243)	(\$189,069,871)	\$93,693,110	(\$4,979,433)	(\$28,531,145)	(\$137,709,170)	(\$830,821,231)
6. Actuarial Value of Assets excluding Side Funds [(2) - (5)]	\$553,373,523	\$2,893,411,656	\$1,626,596,074	\$1,863,330,173	\$788,078,085	\$68,074,459	\$391,176,818	\$1,657,790,498	\$8,857,979,955
7. Unfunded Liability excluding Side Funds [(1) - (6)]	\$29,468,346	\$211,386,566	\$207,828,566	\$277,108,711	\$95,316,344	\$5,550,647	\$43,156,563	\$145,091,832	\$863,695,392
8. Funded Ratio excluding Side Funds [(6)/(1)]	94.9%	93.2%	88.7%	87.1%	89.2%	92.3%	90.2%	92.0%	91.1%
9. Market Value of Assets (MVA)	\$403,325,924	\$2,014,366,226	\$1,088,733,372	\$1,224,530,092	\$507,263,008	\$46,048,400	\$270,100,582	\$1,108,159,710	\$5,850,794,301
10. Funded Ratio (MVA [(9)/(1)])	69.2%	64.9%	59.4%	57.2%	57.4%	62.3%	61.3%	61.5%	60.2%

EXHIBIT 3 - INDIVIDUAL PLANS

Agency Name	Plan	June 30, 2010 Reported Amounts						
		Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability - Assets @ Market Values	Unfunded Liability - Assets @ Actuarial Values	Funding Ratio @ Market Values (column 1 / 3)	Funding Ratio @ Actuarial Values (column 2 / 3)
Santa Barbara County Air Pollution District (Note 1)	SBCERS	\$ 21,760,392	\$ 26,056,912	\$ 34,631,911	\$ 12,871,519	\$ 8,574,999	62.8%	75.2%
City of Lompoc	CalPERS	75,749,476	104,111,766	122,797,890	47,048,414	18,686,124	61.7%	84.8%
City of Santa Barbara	CalPERS	382,726,884	523,802,029	669,686,684	286,959,800	145,884,655	57.2%	78.2%
City of Santa Maria	CalPERS	134,450,128	184,088,669	219,379,228	84,929,100	35,290,559	61.3%	83.9%
Santa Barbara Metropolitan Transit District (Note 2)	Teamsters	16,543,688	18,920,500	23,609,779	7,066,991	4,689,279	70.1%	80.1%
		<u>\$ 631,230,568</u>	<u>\$ 856,979,876</u>	<u>\$ 1,070,105,492</u>	<u>\$ 438,874,924</u>	<u>\$ 213,125,616</u>	<u>59.0%</u>	<u>80.1%</u>

Note 1 - Although Santa Barbara County Air Pollution Control District is a part of SBCERS, it is reported separately.

Note 2 - Santa Barbara Metropolitan Transit District's plan for represented employees is with the Teamsters Union Fund which is a pool; however, MTD has made a best efforts estimate of its share of the pooled assets and liabilities.

EXHIBIT 4 - OBLIGATIONS OTHER THAN PENSIONS

Agency Name	June 30, 2010 Reported Amounts				
	Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Actuarial Accrued Liability	Unfunded Liability at Market Value

For convenience, Agencies have been listed by:
County Agencies, Cities, Schools Districts,
Colleges, and Special Districts

A. OPEB OBLIGATIONS - HEALTH CARE BENEFITS (see Notes 1 and 2)

Santa Barbara County	\$ 173,943,536	\$ 1,874,929	\$ 1,874,929	\$ 172,068,607	\$ 172,068,607
Santa Barbara County Association of Governments	458,841	-	-	458,841	458,841
Santa Barbara Air Pollution Control District	1,822,303	275,096	275,096	1,547,207	1,547,207
Santa Barbara County Education Office	1,549,925	-	-	1,549,925	1,549,925
City of Buellton	1,210,956	-	-	1,210,956	1,210,956
City of Carpinteria	3,336,816	-	-	3,336,816	3,336,816
City of Lompoc	10,055,000	2,063,000	2,105,503	7,992,000	7,949,497
City of Santa Barbara	30,697,000	-	-	30,697,000	30,697,000
City of Santa Maria	6,798,520	-	-	6,798,520	6,798,520
City of Solvang	1,918,713	-	-	1,918,713	1,918,713
Ballard School District (K-6)	202,852	-	-	202,852	202,852
Buellton Union School District (K-8)	19,500	19,500	19,500	-	-
Carpinteria Unified School Dist. (K-12)	2,338,173	-	-	2,338,173	2,338,173
Cold Spring School District (K-6)	281,234	-	-	281,234	281,234
College School District (K-8)	397,665	-	-	397,665	397,665
Guadalupe Union School District (K-6)	319,280	-	-	319,280	319,280
Hope School District (K-6)	198,836	-	-	198,836	198,836
Lompoc Unified School District (K-12)	307,012	362,778	362,778	(55,766)	(55,766)
Montecito Union School Dist. (K-6)	264,893	-	-	264,893	264,893
Orcutt Union School District (K-9)	5,050,407	-	-	5,050,407	5,050,407
Santa Barbara School District	10,766	-	-	10,766	10,766
Santa Maria-Bonita School Dist. (K-8)	9,756,298	-	-	9,756,298	9,756,298
Santa Maria Joint. Union High School District (9-12)	12,464,084	-	-	12,464,084	12,464,084
Allan Hancock College	7,220,666	3,057,587	3,057,587	4,163,079	4,163,079
Santa Barbara City College	681,720	-	-	681,720	681,720
Cachuma Operations & Maintenance Board	1,164,773	-	-	1,164,773	1,164,773
Carpinteria / Summerland Fire Protection District	2,558,975	-	-	2,558,975	2,558,975
Carpinteria Public Cemetery District	64,270	-	-	64,270	64,270
Carpinteria Sanitary District	40,136	-	-	40,136	40,136
Carpinteria Valley Water District	440,624	-	-	440,624	440,624
Goleta Cemetery District	137,676	77	77	137,599	137,599
Goleta Sanitary District	2,773,266	272,130	275,388	2,501,136	2,497,878
Goleta Water District	16,079,140	-	-	16,079,140	16,079,140
Goleta West Sanitary District	750,326	1,208,994	1,361,032	(458,668)	(610,706)
Montecito Fire Protection District	14,752,000	-	-	14,752,000	14,752,000
Montecito Sanitary District	281,750	-	-	281,750	281,750
Montecito Water District	144,729	-	-	144,729	144,729
Mosquito and Vector Management District of SBC	41,844	-	-	41,844	41,844
Santa Barbara Metropolitan Transit District	12,186,000	-	-	12,186,000	12,186,000
Santa Maria Cemetery District	331,582	2,046	2,046	329,536	329,536
Santa Ynez River Water Conservation District ID No. 1	2,058,383	-	-	2,058,383	2,058,383
Summerland Sanitary District	83,111	-	-	83,111	83,111
Totals all Agencies	<u>\$ 325,193,581</u>	<u>\$ 9,136,137</u>	<u>\$ 9,333,936</u>	<u>\$ 316,057,444</u>	<u>\$ 315,859,645</u>

Note 1 - The above OPEB data for SBCERS participants has been updated by the Milliman Actuarial Valuation dated as of June 30, 2010 delivered March 16, 2011. Insofar as this data might not have been available for the preparation of the respective agencies June 30, 2010 annual reports, there may be difference between the above data and the annual reports.

Note 2 - The above OPEB data for CalPERS and CalSTRS participants may be reported a year in arrears.

B. OTHER OPEB OBLIGATIONS

City of Santa Barbara	\$ 3,805,000	\$ -	\$ -	\$ 3,805,000	\$ 3,805,000
College School District (K-8)	150,000	-	-	150,000	150,000
Lompoc Unified School District (K-12)	1,607,620	-	-	1,607,620	1,607,620
Totals all Agencies	<u>\$ 5,562,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,562,620</u>	<u>\$ 5,562,620</u>

EXHIBIT 4 - OBLIGATIONS OTHER THAN PENSIONS

Agency Name	June 30, 2010 Reported Amounts				
	Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Actuarial Accrued Liability	Unfunded Liability at Market Value

C. COMPENSATED ABSENCES LIABILITIES

Santa Barbara County	\$ 29,887,683	\$ -	\$ -	\$ 29,887,683	\$ 29,887,683
Santa Barbara County Air Pollution Control District	370,006	-	-	370,006	370,006
Santa Barbara County Education Office	52,962	-	-	52,962	52,962
City of Buellton	68,069	-	-	68,069	68,069
City of Carpinteria	51,830	-	-	51,830	51,830
City of Goleta	318,671	-	-	318,671	318,671
City of Guadalupe	191,998	-	-	191,998	191,998
City of Lompoc	3,309,623	-	-	3,309,623	3,309,623
City of Santa Barbara	8,293,978	-	-	8,293,978	8,293,978
City of Santa Maria	5,884,867	-	-	5,884,867	5,884,867
City of Solvang	115,659	-	-	115,659	115,659
Ballard School District (K-6)	10,357	-	-	10,357	10,357
Carpinteria Unified School Dist. (K-12)	324,467	-	-	324,467	324,467
Cuyama Joint Unified School Dist. (K-12)	14,377	-	-	14,377	14,377
Goleta Union School District (K-6)	76,490	-	-	76,490	76,490
Guadalupe Union School District (K-6)	28,953	-	-	28,953	28,953
Lompoc Unified School District (K-12)	673,105	-	-	673,105	673,105
Los Alamos School District (K-8)	4,220	-	-	4,220	4,220
Los Olivos School District (K-8)	9,679	-	-	9,679	9,679
Orcutt Union School District (K-9)	205,607	-	-	205,607	205,607
Santa Barbara Secondary School District	1,285,594	-	-	1,285,594	1,285,594
Santa Maria Joint Union High School District (9-12)	371,845	-	-	371,845	371,845
Santa Maria-Bonita School Dist. (K-8)	40,030	-	-	40,030	40,030
Santa Ynez Valley Union High School District (9-12)	51,446	-	-	51,446	51,446
Allan Hancock College	815,042	-	-	815,042	815,042
Cachuma Operations & Maintenance Board	104,583	-	-	104,583	104,583
Cachuma Resource Conservation District	19,672	-	-	19,672	19,672
Carpinteria / Summerland Fire Protection District	659,163	-	-	659,163	659,163
Carpinteria Public Cemetery District	2,000	-	-	2,000	2,000
Carpinteria Sanitary District	121,365	-	-	121,365	121,365
Carpinteria Valley Water District	220,769	-	-	220,769	220,769
Cuyama Community Services District	25,668	-	-	25,668	25,668
Goleta Cemetery District	27,737	-	-	27,737	27,737
Goleta Water District	797,136	-	-	797,136	797,136
Goleta West Sanitary District	243,351	-	-	243,351	243,351
Isla Vista Recreation and Park District	42,061	-	-	42,061	42,061
Lompoc Cemetery District	54,039	-	-	54,039	54,039
Lompoc Valley Medical Center	1,771,933	-	-	1,771,933	1,771,933
Mission Hills Community Services District	78,804	-	-	78,804	78,804
Montecito Fire Protection District	958,744	-	-	958,744	958,744
Montecito Sanitary District	186,444	-	-	186,444	186,444
Montecito Water District	347,730	-	-	347,730	347,730
Mosquito and Vector Management District of SBC	63,020	-	-	63,020	63,020
Oak Hill Cemetery District	8,958	-	-	8,958	8,958
Santa Barbara Metropolitan Transit District	837,096	-	-	837,096	837,096
Santa Maria Cemetery District	50,179	-	-	50,179	50,179
Santa Maria Public Airport District	115,136	-	-	115,136	115,136
Santa Ynez Community Services District	43,360	-	-	43,360	43,360
Santa Ynez River Water Conservation District ID No. 1	101,047	-	-	101,047	101,047
Summerland Sanitary District	46,723	-	-	46,723	46,723
Vandenberg Village Community Services District	87,774	-	-	87,774	87,774
Totals all Agencies	\$ 59,471,050	\$ -	\$ -	\$ 59,471,050	\$ 59,471,050

TABLE 1 - SBCERS

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM "SBCERS"

Date of Report(s)	June 30, 2010		
Defined Benefit Programs (only)			
Membership:			
Active		4,228	
Retired & Beneficiaries		3,318	
Vested Terminated Employees		902	
Terminated Members (with Contributions)		279	
Total Membership		<u>8,727</u>	
Plans:	Rate Tier	Formula	Type
General	Plan 5	2% @ 57	Contributory
Safety	Plan 4	3% @ 55	Contributory
Safety	Plan 6	3% @ 50	Contributory
APCD	Plan 1 & 2	2% @ 55	Contributory
General	Plan 2	2% (SSA Integrated)	Non-Contributory
Annualized Payroll as of the Valuation Date:			
Annual Total	\$	306,963,000	
Monthly Average	\$	6,050,000	
Average Monthly Benefit to Current and Beneficiaries	\$	2,637	
Expected Investment Return		7.75%	
Inflation Factor		3.25%	
Wage growth		3.75%	
Asset Smoothing (subject to limits)		5 Years	
UAAL amortization period		17 Years	
Retirees cost of living increases (subject to CPI limitations)		3.00%, Compounded (except for Plan 2)	
Actuarial Accrued Liability		\$2,616,147,000	
Valuation date of Assets		June 30, 2010	
Assets:			
Market Value of Fund	\$	1,609,449,000	
Actuarial Value of Assets	\$	1,927,229,000	
Funded Ratios:			
Market Value of Assets		61.50%	
Actuarial Value of Assets		73.70%	
Unfunded Accrued Liabilities:			
Unfunded Actuarial Accrued Liability	\$	688,918,000	
Unfunded Market Value Actuarial Liability	\$	1,006,698,000	
Required Employer contribution rate for all tiers combined as a percent of total payroll			
Gross Normal Cost		21.12%	
Member Contributions		<u>-4.54%</u>	
Employer Normal Cost		16.58%	
UAAL Amortization		<u>17.90%</u>	
Total Employer Rate		<u>34.48%</u>	

Note - By agreement with the bargaining units, some agencies have agreed to pay all or a portion of the required Member Contribution

TABLE 2 - CalPERS

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS) VARIOUS PLANS

Date of Report(s)	June 30, 2010		
Defined Benefit Programs (only)			
Membership (excluding Legislators and Judges)			
Active and Inactive			1,116,044
Retired & Beneficiaries			513,623
Total Membership			<u>1,629,667</u>
Plans:	Rate Tier	Formula	Type
Local	Misc.	2% @ 60	Contributory
Local	Misc.	2% @ 55	Contributory
Local	Misc.	2.5% @ 55	Contributory
Local	Misc.	2.7% @ 55	Contributory
Local	Misc.	3% @ 60	Contributory
Local	Safety	2% @ 50	Contributory
Local	Safety	2% @ 55	Contributory
Local	Safety	2.5% @ 55	Contributory
Local	Safety	3% @ 50	Contributory
Local	Safety	3% @ 55	Contributory
Annualized Payroll as of the Valuation Date:			
Annual Total			Not provided
Monthly Average			Not provided
Average Monthly Benefit to Current and Beneficiaries			
			Not provided
Expected Investment Return			
			7.75%
Inflation Factor			
			3.00%
Wage growth			
			3.25%
Asset Smoothing (subject to limits)			
			15 Years
UAAL amortization period			
			16 Years for Safety 31 Years for Misc.
Retirees cost of living increases (subject to CPI limitations)			
			2.00%, Compounded (Optional 3%, 4% or 5%)
Actuarial Accrued Liability			
			By Plan or Pool
Valuation date of Assets			
			June 30, 2009
Assets:			
Market Value of Fund			By Plan or Pool
Actuarial Value of Assets			By Plan or Pool
Funded Ratios:			
Market Value of Assets			By Plan or Pool
Actuarial Value of Assets			By Plan or Pool
Unfunded Accrued Liabilities:			
Unfunded Actuarial Accrued Liability			By Plan or Pool
Unfunded Market Value Actuarial Liability			By Plan or Pool
Required Employer contribution rate for all tiers combined as a percent of total payroll			
Gross Normal Cost			By Plan or Pool
Member Contributions			By Plan or Pool
Employer Normal Cost			By Plan or Pool
UAAL Amortization			By Plan or Pool
Total Employer Rate			By Plan or Pool

TABLE 3 CalSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CalSTRS) DEFINED
BENEFIT PROGRAM

Date of Report(s):	June 30, 2010		
Defined Benefit Program (only):			
Membership:			
Active		441,544	
Inactive		166,976	
Retired & Beneficiaries		235,215	
Disability Benefit Recipients		8,581	
Total Membership		<u>852,316</u>	
Plans:	Rate Tier	Formula	Type
	General	2% @ 60 (up to 2.4% at 63)	Contributory
Annualized Payroll as of the Valuation Date:			
Annual Total	\$	27,327,000,000	
Monthly Average	\$	2,277,250,000	
Average Monthly Benefit to Current and Beneficiaries	Not Provided		
Expected Investment Return	8.00%		
Inflation Factor	3.25%		
Wage growth	4.25%		
Interest on Accounts	6.00%		
Asset Smoothing (subject to limits)	3 Years		
UAAL amortization period	30 Years		
Retirees cost of living increases (subject to CPI limitations)	2.00%, Simple (80% - 85% purchasing power protection)		
Actuarial Accrued Liability	\$	185,683,000,000	
Valuation date of Assets	June 30, 2009		
Assets:			
Market Value of Fund	(not provided)		
Actuarial Value of Assets	\$	145,142,000,000	
Funded Ratios:			
Market Value of Assets	(not provided)		
Actuarial Value of Assets	78.00%		
Unfunded Accrued Liabilities:			
Unfunded Actuarial Accrued Liability	\$	40,541,000,000	
Unfunded Market Value Actuarial Liability	(not provided)		
CALSTRS Contributions:			
Members:	Though 12-31-10	6.00%	
	Therafter	8.00%	
Employers		8.25%	
State		2.017% (subject to adjustment)	

TABLE 4

GLOSSARY OF ACTUARIAL TERMS

Accrued Liability (also called Actuarial Accrued Liability or Entry Age Normal Accrued Liability)

The total dollars needed as of the valuation date to fund all benefits earned in the past for current members

Actuarial Assumptions

Assumptions made about certain events that will effect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actual value of assets.

Actuarial valuation

The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change in plan provisions

Actuarial Value of Assets

The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognize 1 subsequent years

Amortization Basis

Separate payment schedules for different portions of the unfunded liability. The total unfunded liability of a risk pool or non-pooled plan can be segregate by "cause", creating "bases" and each such base will be separately amortized and paid for over a period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in unfunded liability due to amendments, actuarial assumption changes, actuarial methodology changes, and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change

Amortization Period

The number of years required to pay off an amortization base.

Annual Required Contribution (ARC)

The employer's period require annual contributions to a defined benefit pension plan as set forth in GASB Statement No. 7, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal the Lump Sum Prepayment.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan or risk pool. In most cases, this is age of the member on their date of hire.

Entry Age Normal Cost method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to yield a rate expressed as a level percentage of payroll.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member on the date of hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund future benefits.)

TABLE 4

GLOSSARY OF ACTUARIAL TERMS

Fresh Start

A fresh start is the single amortization base created when multiple amortization bases are collapsed into one base and amortized over a new funding period.

Funding Status

A measure of how well funded a plan is. Or equivalently, how "on track" a plan is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. A funded ratio based on Actuarial value of Assets indicates the progress toward fully funding the plan using actuarial cost methods and assumptions. A funded ratio based on Market value of Assets indicates the short-term solvency of the plan.

GASB 27

Statement No. 27 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting for pensions.

Lump Sum Contribution

A contribution made by the employer to reduce or eliminate the unfunded liability.

Normal Cost

The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long term contribution rate.

Pension Actuary

A person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution

A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Rolling Amortization Period

An amortization period that remains the same each year rather than declining.


Overfunded

A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions of the rate covered by that valuation may be waived.

Unfunded Liability or Unfunded Accrued Liability (UAL)

A plan with an actuarial value of assets below the accrued liability is said to have an unfunded liability and must temporarily increase contributions to get back on schedule.

Source: CalPERS Actuarial Valuation for Required Contributions for Fiscal Year July 1, 2011 - June 30, 2012

To: Chair Davis
Members of the Board of Directors
From: Sherrie Fisher, General Manager 
Date: September 15, 2011
Subject: Administrative Update

The Coastal Express Limited service began on August 29th; a three day introductory promotion offered free rides that helped the service begin with relatively high ridership. Once the promotion expired and a fare was charged, the ridership dropped significantly. Staff continues to work directly with local employers to promote the service and to garner information. MTD also continues to work with SBCAG staff to explore inexpensive promotional opportunities.

Prior to the start of the Limited, several items were completed. The partial lease for the property at 3810 Transport Street in Ventura, now our Terminal 4, was implemented. The property realtor has worked with Operations staff regarding the multi-lock securing of the gate, location of portable restroom, parking area for personal vehicles, and other details. The MCI fare boxes were programmed with the new fareset. The Luminators (head signs) were programmed with the new information. Approximately 32 drivers and supervisors were trained for the new service, and training will continue to be offered to any interested operator. The service has been monitored daily as drivers report to terminal 4, pre-op their units, and depart to the Ventura stop on Hill Road. The buses have also been monitored to ensure they are operational when needed. MTD received a specific compliment for driver Jim Eaton due to his friendly manner. Several comments have been received complimenting MTD on exceptionally clean buses. The Limited schedules are currently being evaluated for on-time performance issues due to peak period traffic.

As is typical of the beginning of the Santa Barbara City College (SBCC) school year, Line 15x (between Isla Vista and SBCC) has been experiencing significant overloads. Staff is working to educate SBCC students of other options that will get them to campus in the case of overloads. Due to budgetary constraints, MTD is not in a position to continue to boost Line 15x beyond what is currently scheduled.

The Sustainability Project will be hosting an electric car show on October 5th at Santa Barbara Junior High. Steve Hahn will be demonstrating his new Volt, and MTD's electric shuttles will be on display.

Staff will once again be participating in the Senior Expo at the Earl Warren Showground on October 19th. Staff will be manning a booth distributing information on MTD, as well as displaying a bus to demonstrate the kneeling feature and ramp deployment.

MTD currently has openings for five additional drivers (due to recent voluntary terminations and retirements). Staff is currently processing background and references for the applicants. A new Customer Service Representative began at the Transit Center this week, temporarily replacing a staff member on leave.

Operations staff attended a project planning meeting at Flowers and Associates on August 18 to discuss possible impacts on MTD routes associated with a street repair project that will encompass Carrillo and surrounding streets from San Andres to Chapala. Work will be sectioned off approximately two blocks at a time. The Project Manager remains in contact with MTD as the project nears.

MTD affixed red, white and blue ribbons to the shuttles on Sunday, September 11, to honor Remembrance Day and remember those who died ten years ago.

The recent CITA (Caught in the Act of doing something great) recipients are as follows: Jill, Gabe, Imelda & Hattie. All four Breath Alcohol Technicians (BAT) were complimented by the instructor/tester for their excellence in the recent retraining provided to our in-house techs. The CITAs were given for volunteering to be a breath alcohol technician and helping the team receive excellent reviews for the recertification company. Terance Hinson was given a CITA for assisting a passenger after a fall.

This year Halloween falls on a Monday. Due to significant budget constraints, it is the recommendation of both the Planning and Operations Departments that fewer resources be allocated to Halloween crowd control. However, both departments feel it would be in the best interest of the district to allocate some resources to road supervision and to boosting specific routes to accommodate the anticipated heavier-than-normal loads.

MTD's Triennial Review by the Federal Transit Administration was held on September 12 & 13. The review was successful, with only minor revisions recommended to MTD procedures. The reviewer was very complimentary to MTD regarding our compliance with Federal regulations.

Sherrie Fisher and Brian Fahnestock attended a Coalition for Sustainable Transportation (COAST) retreat on Saturday, August 27. The COAST Board appreciated MTD's input as they discussed their goals for the upcoming year.

Steve Maas attended a meeting of SBCAG's Technical Transportation Advisory Committee (TTAC) on Thursday, September 1. MTD is a voting member of TTAC. The Committee received an update on the SBCAG Board's direction to their staff to develop recommendations for a countywide transfer policy between interregional transit services and local and regional services. Steve discussed MTD's two existing transfer agreements: the pilot program allowing free transfers between MTD and the Ventura County Transportation Commission's VISTA

service, and MTD's agreement with Caltrans and Amtrak to reimburse MTD for transfers from Amtrak to MTD.

Steve Maas attended meetings of the Santa Barbara County Planning Commission on September 7 and September 14 regarding the Draft *Goleta Valley Community Plan*.

New Gillig bus #616 is out of service awaiting tow to Cummins in Ventura. ECM codes relating to the throttle position sensor are the unresolved issue.

A Gillig field retrofit program is underway for replacement of the DEF tank filler neck on the fourteen new buses. One bus is completed.

The LiFePO₄ battery L102 from EV19 is undergoing testing and possible cell replacement may be done to enhance ampere hour capacity.

The four E-Bus shuttles from Anaheim Transportation Network (ATN) are now here. Additionally, two nearly complete sets of desirable components previously removed from the four shuttles have been included. The signed released titles have been received and processed at the DMV as non-operating.

Forty spare lead-acid batteries from Hoppecke have been received.

Quotes are being solicited for installation of a heater in the last repair bay of the newer shop addition.