



Michael Watenpaugh, Ed.D., Superintendent  
DISTRICT OFFICE

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August 14, 2017

The Honorable Kelly V. Simmons  
Marin County Superior Court  
P.O. Box 4988  
San Rafael, CA 94913-4988

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

Dear Judge Simmons and Mr. Hamilton-Roth:

Attached please find the response requested by the 2016-2017 Marin County Civil Grand Jury from the San Rafael City Schools Board of Education to the recommendations (R3, R4, R8) from the report "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?".

Thank you for your continued interest in and support of our public schools.

Sincerely,

Michael Watenpaugh, Ed.D  
District Superintendent

Rachel Kertz, President  
San Rafael City Schools Board of Education

## **RESPONSE TO GRAND JURY REPORT**

### **The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions? San Rafael City Schools**

August 14, 2017

#### **RECOMMENDATION**

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

#### **Response:**

The recommendation requires further analysis.

The State of California requires all public school districts to submit three year financial projections three times per year in Standardized Account Code System (SACS) Financial Reports. In addition, we address the impact of the pension system rate increases in narratives that accompany our budget reports to the governing board of the school district. The projections are approved by our governing board. The District's budgets and audited financial statements are posted to our website and can be found at <http://www.srscs.org/business>.

The District will need to consider the necessity of a five year projection, and the impact to staff time to prepare the additional analysis and the value and accuracy of a five year projection (noting the projections are less reliable in the fourth and fifth year). We will make this determination by November 30, 2017.

#### **RECOMMENDATION**

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

#### **Response:**

The recommendation requires further analysis.

The District currently provides eight years of audited financial statements on its website, which can be found at <http://www.srscs.org/business>. These financial statements include footnote disclosure of pension data as required by Governmental Accounting Standards Board Statements 67 and 68. Additionally, copies of audited financial reports prior to June 30, 2009 may be requested from the District's Business Office. We are exploring the relative benefit to our community of posting an additional two years of these reports and will make a determination by November 30, 2017.

## **RECOMMENDATION**

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

### **Response:**

The recommendation will require further analysis.

As stated in the Grand Jury report, implementing defined contribution programs is precluded by existing statutes and made impractical by the imposition of termination fees by the pension funds that manage public agency retirement assets. Payment of these fees would retire the unfunded liabilities at the time of termination, but would create a significant financial burden on the school districts' budget. In addition, any such change would need to be negotiated with our relevant collective bargaining units.

In 2013, the State of California implemented the Public Employees' Pension Reform Act (PEPRA). PEPRA is consistent with pension reform initiatives implemented by states across the nation to address defined benefit public pension system liabilities. This reform applies to both Cal PERS and Cal STRS, and will reduce the increasing rate of liability for both systems. The reform measures included raising the retirement age for new employees, increasing employee contribution rates, eliminating "spiking" of compensation and prohibiting retroactive pension increases. When fully implemented, the plan will eliminate the unfunded liabilities.

Within this context, the District will explore whether or not the introduction of defined contribution plans is feasible. We will make this determination by November 30, 2017.