Board Inquiry Form

Board Member	
Carbajal	
Wolf	X
Farr	
Gray	
Centeno	

Department: County Executive Office Date: Thursday, June 04, 2009

Budget Page: A-20 - Updated with potential retirement policy changes and no Jail.

Request/Question:
How would the General Fund Five-Year Forecast trend if the Santa Barbara County Employee's Retirement System (SBCERS) enacted funding policy changes and no debt service or operational costs related to the new County Jail – Northern Branch?

Report Back by:
John Jayasinghe, CEO Fiscal & Policy Analyst

Response:

On April 7th, 2009, the County Board of Supervisors (BoS) and SBCERS Board of Retirement (BoR) conducted a joint retirement workshop. At the workshop, the BoS presented six guiding principles for the BoR to consider. The two guiding principles primarily related to this revised forecast are:

- **Controlling annual change in contribution rate**
  - The change in the County's contribution rate should be limited to less than 5% of payroll per year except in rare circumstances.
    - (2009-10 equals 23.3%, thus a high of 28.3% and a low of 18.3% for 2010-11)
- **Long term maximum sustainable contribution rate**
  - County's maximum long term sustainable contribution rate is 30% of payroll.
    - (2009-10 equals 23.3, thus a high of 30% over a five to ten year horizon)

Various scenarios were presented at the workshop based upon the projected negative return on investments. Through March 2009, SBCERS is yielding a -31% return. The only scenario that approached the two main fiscal guiding principles extends the 15 year amortization to 30 years. In this scenario, the contribution rate jumps to over 30% and remains at that level for the remainder of the five year forecast.

The attached revised chart (v.1) depicts a scenario with a 30 yr amortization. This is still a 29% increase in pension cost or $22.9m. Per supervisor request, v.1 also omits capital and operating expenditures for a new County Jail.

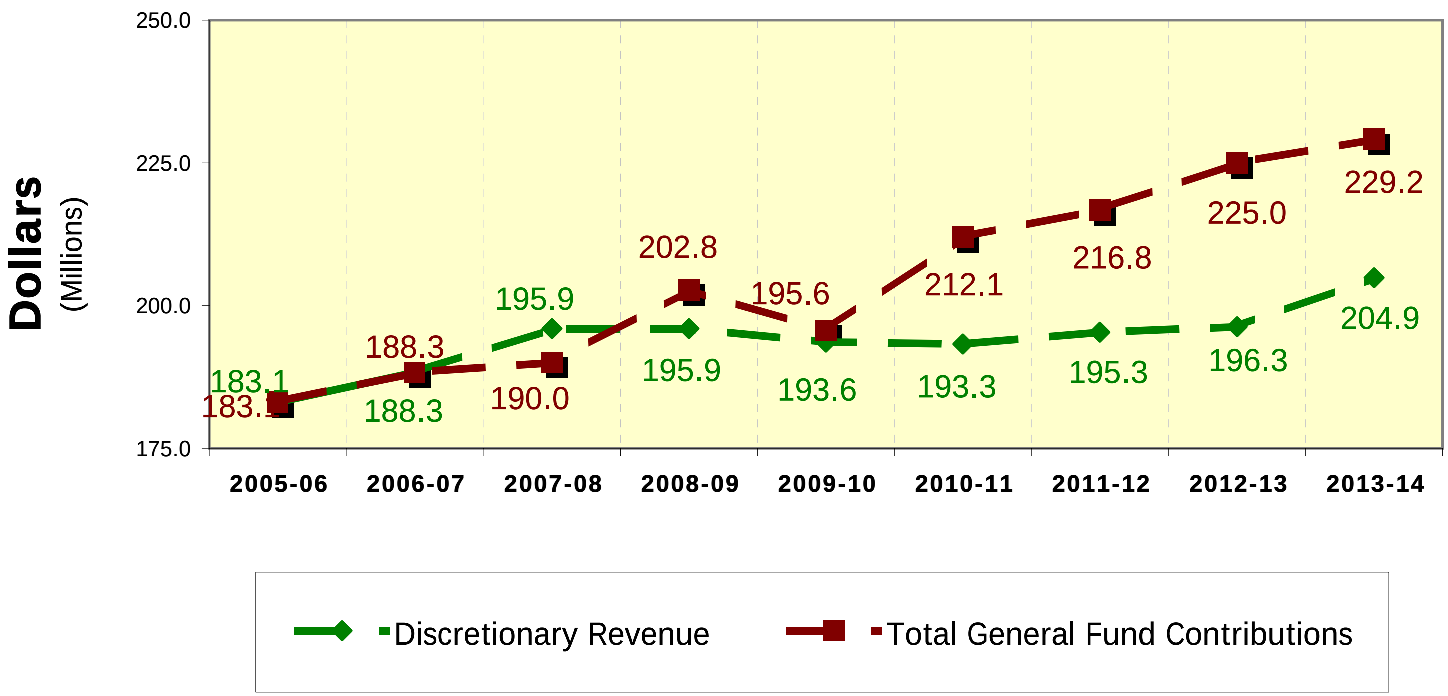
Also attached is a second revised Five-Year scenario (v.2). This version depicts retirement remaining at FY 09-10 rates and the removal of funding for a new county jail. This version highlights the Five-Year fiscal challenges without these two large expenditure outlays.

Attachments
- Original chart from book
- Revised chart with modified revenue estimates
- v.1 – Revised chart with: 1) Modified revenue, 2) 30% contributor rate, 3) No jail
- v.2 – Revised chart with: 1) Modified revenue, 2) No retirement increases, 3) No jail

Five Year
Local Discretionary Revenue &
General Fund Contribution

Revised v.1:

1. Post-Book revenue revisions of -$3.5m (-$1.5m FY 2008-09 and -$2m FY 2009-10)
2. Board's guiding principle to SBCERS of a maximum sustainable rate of pension contribution of 30%
3. No General Fund allocation for new County jail debt or operations



Five Year
Local Discretionary Revenue &
General Fund Contribution

Revised - v.2:

1. Post-Book revenue revisions of -$3.5m (-$1.5m FY 2008-09 and -$2.0m FY 2009-10)
2. No retirement increases from the amount budgeted in FY 2009-10
3. No General Fund allocation for new County jail debt or operations