

**Report on Responses  
to the 2017-2018 Grand Jury Report:**

*Will the Public Suffer Because of  
Unfunded Pension Liabilities?*

2018-2019 Nevada County Grand Jury

# ***Will the Public Suffer Because of Unfunded Pension Liabilities?***

A Report on Responses to the 2017-2018 Grand Jury Report

## **Summary**

The 2018-2019 Nevada County Grand Jury (Jury) has reviewed the responses to the report entitled *Will the Public Suffer Because of Unfunded Pension Liabilities* issued by the 2017-2018 Jury and inquired about progress toward implementation of those responses where appropriate. This document contains all of the responses received, any results of follow-up investigation, and any comments the Jury may have on those responses.

## **Comments on Responses**

The 2018-2019 Grand Jury has no comments on the responses.

## **Summary from the Original Report**

Most of the pensions of California state and local public employees and teachers are funded through the California Public Employees' Retirement System (CalPERS) or the California State Teachers' Retirement System (CalSTRS). These systems lack the necessary reserves to ensure that funds will be available when needed. This situation, referred to as a Net Pension Liability, requires public employers to increase their annual pension payments into CalPERS and CalSTRS to compensate for the shortage of reserves.

Nevada County agencies have a large and growing Net Pension Liability that must be funded. The availability of funding for new county programs and services as well as continued operations may be impacted. Increases in local taxes may also be necessary.

In fact, the County CEO made the following statement in the 2017-2018 Nevada County Adopted Budget: "the second dark cloud is the continuing increase in pension costs. This year alone there was a 9% increase in CalPERS costs. This will impact the County's ability to give pay increases to its workforce in the future and maintain service levels."

The Nevada County Grand Jury has estimated that the Net Pension Liability for 28 of 31 local public agencies in this county, including local special and school districts, is approximately \$336.3 million.

The annual expense of funding pensions for current and future retirees has risen sharply over the past decade. While every public agency in Nevada County has non-funded pension obligations, some appear to have adequate resources to meet them but many do not. The Grand Jury's aim is

to offer clarity to a complex issue and to encourage public agencies to provide greater transparency to their constituents.

## **Findings and Recommendations from the Original Report**

### **Findings**

- F1** Nearly every Nevada County agency has a Net Pension Liability.
- F2** Many Nevada County agencies, especially schools, lack a sufficient Net Position to successfully comply with the requirement to reduce their Net Pension Liability.
- F3** Some Nevada County agencies, especially schools, have a negative Net Position.
- F4** Transparency demands that financial statements provided by the office of the Superintendent of Schools identify each charter school's Net Pension Liability.
- F5** The strain on Nevada County agency budgets is likely to require cutbacks in services to balance the pension contribution increases.
- F6** Many agencies may spend down their reserves to avoid cutbacks in services.
- F7** New sources of revenue may be requested by many agencies to avoid cutbacks in services or reduction of reserves.
- F8** The public bears most of the risk if CalPERS and CalSTRS investments continue to underperform.
- F9** Higgins Fire Protection District is out of compliance with Government Code 26909 by not filing an audited financial statement for 2015-2016.
- F10** Nevada City School of the Arts' financial statements should reflect their Net Pension Liability.

### **Recommendations**

The Nevada County Grand Jury recommends:

- R1** The Nevada County Chief Executive Officer should provide a separate presentation to the Board of Supervisors describing the County's current Net Pension Liability and providing a plan for addressing the problem. The presentation should not be hidden in the annual budget report presentation.
- R2** Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

- R3** For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.
- R4** Public agencies should consider implementing the suggestions from the League of California Cities.
- R5** Higgins Fire Protection District should comply with Government Code 26909 and file an audited financial statement for 2015-2016.
- R6** Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.
- R7** Nevada City School of the Arts should report its Net Pension Liability in its financial statements.

### **Respondents to the Original Report**

- Nevada County Board of Supervisors for Recommendations R1, R2, and R4 by 10 August 2018.
- City of Grass Valley for Recommendations R2 and R4 by 10 August 2018.
- City of Nevada City for Recommendations R2, R3, and R4 by 10 August 2018.
- Town of Truckee for Recommendations R2 and R4 by 10 August 2018.
- Nevada Irrigation District for Recommendations R2, R3, and R4 by 9 September 2018.
- Nevada County Consolidated Fire District for Recommendations R2, R3, and R4 by 9 September 2018.
- Nevada Cemetery District for Recommendations R2, R3, and R4 by 9 September 2018.
- Ophir Hill Fire Protection District for Recommendations R2, R3, and R4 by 9 September 2018.
- Peardale Chicago Park Fire Protection District for Recommendations R2, R3, and R4 by 9 September 2018.
- Penn Valley Fire Protection District for Recommendations R2, R3, and R4 by 9 September 2018.



- Nevada County Resource Conservation District for Recommendations R2, R3, and R4 by 9 September 2018.
- Higgins Fire Protection District for Recommendations R2, R3, R4, and R5 by 9 September 2018.
- Truckee Cemetery District for Recommendation R3 by 9 September 2018.
- Truckee Donner Public Utilities District for Recommendations R2, R3, and R4 by 9 September 2018.
- Truckee Fire Protection District for Recommendations R2, R3, and R4 by 9 September 2018.
- Tahoe-Truckee Sanitation District for Recommendations R2 and R4 by 9 September 2018.
- Truckee Tahoe Airport District for Recommendations R2 and R4 by 9 September 2018.
- Nevada County Superintendent of Schools for Recommendations R2, R3, R4, and R6 by 10 August 2018.
- Grass Valley School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Chicago Park School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Clear Creek School District for Recommendations R2, R3, and R4 by 9 September 2018.
- John Muir Charter School for Recommendations R2, R3, and R4 by 9 September 2018.
- Nevada City School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Nevada County School of the Arts for Recommendations R2, R3, R4, and R7 by 9 September 2018.
- Nevada Joint Union High School District for Recommendations R2, R3, and R4 by 9 September 2018.

- Penn Valley Union Elementary School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Pleasant Ridge Union School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Twin Ridges Elementary School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Union Hill Elementary School District for Recommendations R2, R3, and R4 by 9 September 2018.
- Bitney College Prep High School for Recommendations R3, R4, and R6 by 9 September 2018.
- Forest Charter School for Recommendations R3, R4, and R6 by 9 September 2018.
- Sierra Montessori Academy for Recommendations R3, R4, and R6 by 9 September 2018.
- Twin Ridges Home Study Charter School for Recommendations R3, R4, and R6 by 9 September 2018.
- Yuba River Charter School for Recommendations R3, R4, and R6 by 9 September 2018.

## **Responses to the Original Report**

Begin on the next page.

COUNTY OF NEVADA  
STATE OF CALIFORNIA  
BOARD OF SUPERVISORS



Heidi Hall, 1<sup>st</sup> District  
Chair Edward C. Scofield, 2<sup>nd</sup> District  
Dan Miller, 3<sup>rd</sup> District  
Wm. "Hank" Weston, 4<sup>th</sup> District  
Vice-Chair Richard Anderson, 5<sup>th</sup> District  
Julie Patterson Hunter,  
Clerk of the Board

July 10, 2018

The Honorable Thomas Anderson  
Presiding Judge of the Nevada County Grand Jury  
201 Church Street  
Nevada County, CA 95959

Reviewed  
7/13/18  
JMD

**RE: Response to Grand Jury Report entitled "*Will the Public Suffer Because Of Unfunded Liabilities?*"**

Dear Honorable Judge Anderson:

As required by California Penal Code Section 933, the Board of Supervisors hereby submits its responses to the FY 2017/18 Nevada County Civil Grand Jury Report; dated June 6, 2018 entitled "*Will the Public Suffer Because of Unfunded Pension Liabilities?*"

These responses to the Grand Jury's Findings and Recommendations were approved by the Board of Supervisors at their regular meeting on July 10, 2018. The Responses are based on either personal knowledge, examination of official County records, or information received from the Board of Supervisors and County staff members.

The Board of Supervisors would like to thank the members of the FY 2017/18 Grand Jury for their participation and effort in preparing their Reports, and their participation in the Grand Jury process.

Sincerely,

Edward C. Scofield, Chairman  
Nevada County Board of Supervisors

cc: Thomas Achter, Foreman, Grand Jury  
Richard Haffey, County Executive Officer  
Martin Polt, County Deputy Officer  
Alison Barrett-Green, County Counsel

950 Maidu Avenue, Suite 200, Nevada City CA 95959-8617  
phone: 530.265.1480 | fax: 530.265.9836 | toll free: 888.785.1480 | email: [bdofsupervisors@co.nevada.ca.us](mailto:bdofsupervisors@co.nevada.ca.us)  
website: <http://www.mynevadacounty.com/nc/bos>

NEVADA COUNTY BOARD OF SUPERVISORS RESPONSES TO

2018 Nevada County Civil Grand Jury Report

Will the Public Suffer Because of Unfunded Pension Liabilities?

DATED June 10, 2018

Responses to findings and recommendations are based on either personal knowledge, examination of official county records, review of the responses by the County Executive Officer, Chief Fiscal Officer or testimony from the Board of Supervisors and county staff members.

**A. RESPONSES TO FINDINGS**

F1. Nearly every Nevada County agency has a Net Pension Liability.

**Agree**

**Responding only for the County of Nevada agencies.**

F2. Many Nevada County agencies, especially schools, lack a sufficient Net Position to successfully comply with the requirement to reduce their Net Pension Liability.

**Disagree.**

**Responding only for County of Nevada agencies. Annual required contributions (ARC) set by CalPERS are intended to pay down the Net Pension Liability over a period of time. The County has always met the ARC and expects to do so in the future.**

F3. Some Nevada County agencies, especially schools, have a negative Net Position.

**Disagree.**

**Responding only for the County of Nevada agencies. The County's total net position as of June 30, 2017 was positive \$270 million.**

F5. The strain on Nevada County agency budgets is likely to require cutbacks in services to balance the pension contributions increases.

**Partially Disagree.**



**The County of Nevada takes this matter very seriously and has taken numerous proactive measures to mitigate the impact of rising pension costs and manage Net Pension Liability impacts. The County maximizes revenue opportunities and has accumulated fund balance to help address rising pension costs. If the economy and revenues drop significantly for a sustained period of time, or there are additional changes from CalPERS requiring higher contributions than are currently known, there may be impacts to services.**

F6. Many agencies may spend down their reserves to avoid cutbacks in services.

**Partially Disagree.**

**Responding only for County of Nevada agencies. Nevada County has a budget policy, which states that the “budget will only use reserve funds for emergency and one-time expenditures or for purposes that the reserve is designated to fund. Every effort will be used to preserve funds.”**

**This policy has been in place since just after the Great Recession and has led to the County generally maintaining or building reserves in recent years. In addition, the County Board of Supervisors has adopted a Fund Balance Policy, which guides decisions on use of fund balances, generally for emergencies or economic uncertainties or targeted priority expenditures. Every economic downturn causes the consideration of spending reserves to avoid cutbacks in services. This finding is not specific to the pension liability issue.**

F7. New sources of revenue may be requested by many agencies to avoid cutbacks in services or reduction of reserves.

**Agree.**

**Responding only for County of Nevada agencies. The County of Nevada agencies continuously seek new sources of revenue to fund services. Most of these revenues are from State and Federal sources for specific programs.**

F8. The public bears most of the risk if CalPERS and CalSTRS investments continue to underperform.

**Partially Disagree.**

**Responding only for County of Nevada agencies. The County of Nevada is unable to respond to this finding as we have no way of knowing how CalPERS and CalSTRS**

will mitigate the risk of underperforming investments or how much risk will be passed on and to whom.

## **B. RESPONSES TO RECOMMENDATIONS**

R1: The Nevada County Chief Executive Officer should provide a separate presentation to the Board of Supervisors describing the County's current Net Pension Liability and providing a plan for addressing the problem. The presentation should not be hidden in the annual budget report presentation.

**This recommendation will not be implemented because it is unwarranted. The County Executive Office already reports specifically on the Net Pension Liability issue multiple times during the year. It is presented in depth during the budget hearings, at the Board of Supervisors Annual Workshop and throughout the year as Board actions are recommended by the County Executive Office. Pension costs have been highlighted in the last twelve budget messages delivered by the CEO and CFO.**

R2. Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**This recommendation will not be implemented because it is not reasonable. Employee pension contributions are determined by the Public Employees' Pension Reform Act of 2013 (PEPRA). County staff currently share in pension contributions by the amount specified in the PEPRA.**

R4. Public agencies should consider implementing the suggestions from the League of California Cities.

**This recommendation will be implemented in part. In reviewing the six stated suggestions from the League of California Cities, the County responds with the following:**

- 1. The recommendation has been partially implemented. The County has funded an irrevocable trust to assist in paying increased pension costs; the County maintains a Pension Contributions assignment in the General Fund to prioritize pension stability; the County pre-pays the Safety UAL; in FY 18/19 the County will consider a Pension Management Policy to provide further direction on managing the pension liability.**
- 2. The recommendation will not be implemented. The foreseeable situation does not warrant the County seeking additional taxes to fund the pension liability.**

3. The recommendation has been implemented. The County participates in the PARS Section 115 Pension Trust program.
4. The recommendation has been implemented. The County's budget policies require departments and programs to streamline resources where needed in an effort to provide the same level of service each year; streamlining has included major department restructuring and consolidation and investment in technology. The County also contracts with community based service providers where possible to maximize service delivery, efficiency and effectiveness.
5. The recommendation has been implemented. Employee organizations contribute their full share of employee contribution costs to the annual required contributions.
6. The recommendation will not be implemented. The County will not issue Pension Obligation Bonds. The League of Cities report referenced recommends *against* issuing pension obligation bonds.





**GRASS VALLEY CITY COUNCIL**  
125 East Main St., Grass Valley, CA 95945  
Tim Kiser, City Manager  
Kristi Bashor, City Clerk

**Council Members**  
Howard Levine, Mayor  
Lisa Swarthout, Vice Mayor  
Jan Arbuckle  
Jason Fouyer  
Ben Aguilar

July 24, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed  
8/25/18  
TMA

Dear Honorable Thomas Anderson –

The following is the City of Grass Valley’s (City) response to the 2017-2018 Grand Jury Report – *Will the Public Suffer Because of Unfunded Pension Liabilities*. The City appreciates the Grand Jury’s interest in helping to ensure the City’s ability to continue providing uninterrupted high levels of service in the wake of increasing pension liability payments by employers countywide.

The City has taken a proactive approach to mitigating the potential impacts of increasing pension payments, particularly as they relate to the annual amortization payment for the City’s unfunded pension liability. As demonstrated in the responses to the report’s recommendations noted below, the City remains steadfast in maintaining high levels of service while assuring promised current and future pension benefits due its employees remain intact.

The following are our response to the two recommendations noted in the report:

**Recommendation #2:**

Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**Reported Action:** This recommendation has been *implemented*.

The City has successfully bargained with both the Police and Fire labor groups to implement pension “cost sharing”, in which the employee is responsible for a paying portion of the employer’s pension premium. Both the Police and Fire labor groups currently pay three percent of pensionable salary in addition to the annually required employee share. Payment of additional pension premiums by employees helps enable the City to set-aside reserves specifically assigned



for future pension costs, effectively mitigating the impacts of increases in pension costs on City service levels.

As existing contracts with labor groups are opened and re-negotiated in the future, particularly those that do not currently “cost share”, the City will continue to discuss how costs related to pension liabilities may be ultimately shared between both the employer and employees.

**Recommendation #4:**

Public agencies should consider implementing the suggestions from the League of California Cities.

**Reported Action:** This recommendation has been *partially implemented*.

In January 2018 the League of California Cities (League) issued a Retirement System Sustainability Study and Findings which includes suggestions for cities to address fiscal challenges associated with rising pension costs and the potential impacts on sustainability of service levels. Several of the League’s suggestions have been or are currently in the process of being implemented.

The City currently has a \$1.75 million Pension Stabilization Reserve earmarked for future pension costs. These reserves are currently held in the City’s fund balances, and will soon be recommended for investment into an Internal Revenue Service (IRS) Section 115 Trust Fund as a “Pension Stabilization Program”. The original principal of \$1.75 million, in addition to future investment earnings and additional contributions will be used to systematically pay down pension-related unfunded liabilities and increasing pension costs with the intention of mitigating service level impacts.

As discussed in the response to Recommendation #2 above, the City has also bargained for employer premium cost-sharing and will continue to assure future bargaining sessions include a transparent overview and discussion on pension costs.

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This response was reviewed and approved by the City Council at its July 24, 2018 meeting.

Sincerely,



Tim Kiser, City Manager  
City of Grass Valley



# City of Nevada City

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August 8, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed  
8/20/18 TMA

Dear Honorable Thomas Anderson,

The following is a response from the City of Nevada City regarding the 2017-2018 Grand Jury Report *Will the Public Suffer Because of Unfunded Pension Liabilities*. The City respects and acknowledges the value of the Grand Jury's attention to this matter and the interest in ensuring the City of Nevada City's ability to maintain provision of high quality full service levels in the wake of the environment of significantly increasing pension costs.

The City has been discussing the increasing CalPERS costs to the City, and has successfully been able to annually budget for these increases. The City staff has also evaluated and presented to the City Council the future impacts on the City's finances associated to the changing actuarial assumptions in the CalPERS methodology calculating pension obligations. The City has recognized that the rising pension costs could have significant impact on the City's budget.

As demonstrated in the responses to the Grand Jury's recommendations, included below, the City has been working towards identifying, researching and implementing approaches to be able to mitigate/absorb these increasing costs while maintaining the quality full services that the City is currently providing, while assuring that current and future pension benefits for City personnel remain intact.

The following are our responses to the three recommendations noted in the report:

**Recommendation #2**

Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.



### **Response**

*The recommendation requires further analysis.*

In February 2010 the City approved moving to 2<sup>nd</sup> tier CalPERS formula for new incoming employees. Safety personnel at 2%@55 and Miscellaneous at 2%@60. When the California Pension Employees' Reform Act (PEPRA) was implemented in 2013 new incoming employee formulas were extremely low compared to many other jurisdictions because the PEPRA formulas were tied to the City's 2<sup>nd</sup> tier formulas which were the lowest CalPERS had available at the time. The PEPRA formula for Safety became 2%@57 and 2%@62 for Miscellaneous employees (the lowest PEPRA formulas).

The City has a salary structure that is significantly lower than in the neighboring jurisdictions and with these very low PEPRA formulas, the City has been experiencing an environment in which there is significant difficulty in attracting the "right" employees and impediment in the City's ability to retain good employees. This has proven to increase training costs for the City and impact the institutional knowledge the City once had. For these reason the City needs to further analyze bargaining for greater pension contribution on the behalf of the employee.

The City, prior to 2014, contributed the entire employee portion of CalPERS costs. Since then the City negotiated with all bargaining units to bring each member into alignment with contributing the entire employee portion (not applicable to PEPRA employees as their full contribution is required by the regulatory reform). As of 2017 all employees are paying the full employee portion. The offset in this savings has aided in the City continuing to absorb the increasing pension costs. Currently the City has a total of 13-Safety and Miscellaneous 1<sup>st</sup> tier employees, 2-2<sup>nd</sup> tier employees, and 19-Safety and Miscellaneous PEPRA employees. The increased number of PEPRA employees has also contributed to costs savings in pension normal and unfunded pension obligations.

### **Recommendation #3**

For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of the public website.

### **Response**

*The recommendation is fully implemented.*

The City's audited annual financials and annual CalPERS actuarial/valuation reports with the City's pension data reside on the website under the Finance and Administration Department.

### **Recommendation #4**

Public agencies should consider implementing the suggestions from the League of California Cities.

### **Response**

*The recommendation is in the beginning stages of being implemented.*

In January 2018 the League of California Cities presented the "Retirement System Sustainability Study and Findings". Within the study there was a section suggesting "what cities can do today". Outlined were six suggestions; 1) develop and implement a plan to pay down the city's unfunded actuarial liability (UAL), 2) consider local ballot measures to enhance revenues, 3) create a pension rate stabilization program, 4) change service delivery methods and levels of certain public services, 5) use procedures and transparent bargaining to increase employee pension contributions and 6) issue a pension obligation bond.

- 1) The City has not implemented a plan to pay down the City's UAL but will be reviewing different options during the FY 18/19 prior to the beginning of the budgetary process for upcoming FY 19/20.
- 2) The City in the last two years approved the permitting of a medical cannabis dispensary and the permitting of other medical cannabis businesses (nurseries, manufacturing, distribution and testing laboratories). During this process the Council chose to move forward with a ballot measure for taxing medical cannabis businesses. The cannabis business tax ballot measure (Measure "F") passed on June 5, 2018 and will be executed on all permitted cannabis businesses. This will enhance the City's revenue.
- 3) The City is scheduled in the month of August 2018 to meet with two firms who offer 115 Trusts Funds. Once research is complete, City Staff bring forward to City Council a plan to establish a 115 Trust Fund. The City, 5 years ago, recognized the potential for rising pension increases and established a pension reserve of \$175k which could in part or full be used to establish this fund.
- 4) The City's goal during rising pension environment is to do everything possible to mitigate any consideration for reducing public service levels.
- 5) As noted in recommendation #2, transparent bargaining to increase employee pension contributions will require further analysis.
- 6) The City, at this time, does not support or have interest in issuing a pension obligation bond (POB).

This response was reviewed and approved by the City Council at its August 8, 2018 meeting.

Sincerely,



Catrina Olson, City Manager  
City of Nevada City

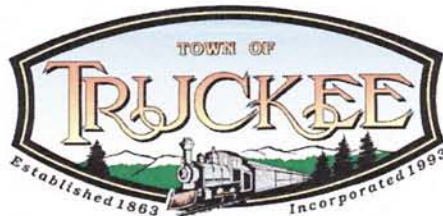


Town Council

Carolyn Wallace Dee, Mayor

David Tirman, Vice Mayor

Patrick Flora, Council Member  
Jessica Abrams, Council Member  
Morgan Goodwin, Council Member



Department Heads

Jeff Loux, Town Manager  
Andy Morris, Town Attorney  
Robert Leftwich, Chief of Police  
Denyelle Nishimori, Community Development Director  
Kim Szczurek, Administrative Services Director  
Judv Price, Town Clerk  
Daniel Wilkins, Public

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, California 95959

July 20, 2018

*Reviewed  
7/24/18  
DMA*

Judge Anderson and the Grand Jury:

The Town of Truckee ("Town") is in receipt of the Grand Jury's report entitled *Will the Public Suffer Because of Unfunded Pension Liabilities*. This letter will serve as the Town's requested response to the report. The Town appreciates the Grand Jury's attention to this issue and agrees with the importance of diligence related to this issue. The Town has been exercising that diligence routinely and on an ongoing basis.

Grand Jury Recommendations:

R2: Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**The recommendation has been implemented and included in all Town negotiations with the Town's three employee associations over the last twelve years.**

The Town has actively and routinely worked with its employee associations to address the effects of the retirement cost increases related to the CalPERS defined benefit pension plan. The prior two employment contracts transitioned the Town's employees from paying none of the "employee" cost of CalPERS to paying all of the employee costs for the retirement benefit for all employee groups.

The Town has also just completed negotiations with two of the three employee groups (one group has not been completed yet) for five year memorandums of understanding ("MOU"). Those completed MOU's consciously addressed the ever-increasing cost of pensions by focusing on increases in employee compensation that are not eligible for (or required to have) a CalPERS contribution. Examples of this include increased Town contributions to health insurance premiums for employees, and increased contributions to employee deferred compensation, which are not subject to CalPERS contributions, rather than inflation-related salary increases that do increase the Town's CalPERS obligations.

R4: Public Agencies should consider implementing the suggestions from the League of California Cities.

Grand Jury Letter  
July 20, 2018

**While the Town appreciates the League's suggestions, the Town has taken actions to minimize its pension liability without affecting services to its constituents or adding taxes. Although the Town declines to implement the League's suggestions, the Town has considered those suggestions and has therefore implemented recommendation R4.**

As mentioned above, the Town has used transparent collective bargaining to address the increasing retirement costs. The Town does not believe that a pension obligation bond or prepayment of the actuarial unfunded liability are prudent financing instruments in this circumstance, particularly given that the Town is in a pooled CalPERS plan. There is no provision in the California retirement law that requires that any prepayment or pay down of an unfunded actuarial liability by an agency in a pooled plan to be credited to that agency in perpetuity. As a result, there is a very real risk that a prepayment would not benefit the Town.

The Town will continue to actively assess the effects of pension costs on its primary mission of providing services to our taxpayers.

Best Regards,



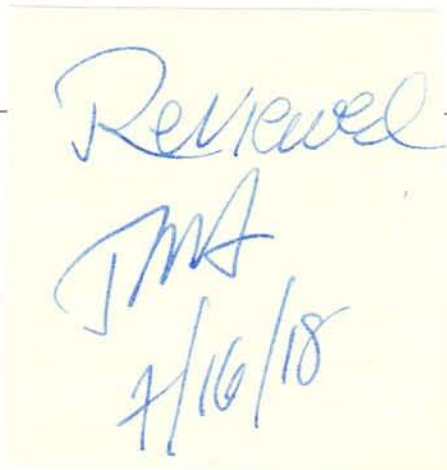
Kim Szczurek  
Administrative Services Director  
Town of Truckee

Cc: Town Council  
Jeff Loux, Town Manager  
Andy Morris, Town Attorney



July 9, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959



Dear Honorable Thomas Anderson:

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "*Will the Public Suffer Because of Unfunded Pension Liabilities?*". I am grateful to the Grand Jury for looking into a matter that school districts have been concerned about for years.

Both school employers and school employees have been concerned about this issue and we're glad the state of California made attempts to solve it starting in 2014. However, this attempt by the state has put a tremendous financial burden on both the employer and the employee. In most cases the increase in the schools contribution to pay down this state debt far exceeds the increases to revenue that are proposed by the state. There are no new funding streams directed toward schools to help pay this down. It is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. Most schools in Nevada County are still facing declining enrollment which means less revenue each year. Any money set aside would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, the Nevada County Superintendent of Schools Office response in regard to Recommendations is as follows:

**RECOMMENDATIONS:**

**Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to Local Educational Agencies (LEA) in Nevada County and will not be implemented because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved at the LEA, Union or employee levels would not impact the unfunded liability as this liability is legally that of the pension systems. The LEA and employee offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long term liabilities.

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this as a great tool to provide transparent information to the public and will post links to three years of audited financial statements on the Nevada County Superintendent of Schools (NCSoS) website immediately. Summarized pension data is included with the audited financial statements.

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

As mentioned in the response to Recommendation #R2 above, this report is not applicable to the LEA's in Nevada County. LEA's are however, planning for many years of increased contributions to CalPERS and CalSTRS. Each agency, including the NCSoS will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.

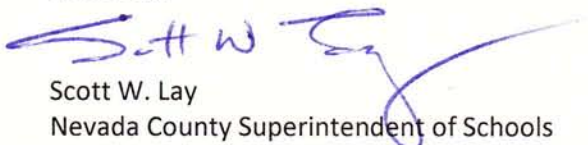
**Recommendation 6**

*Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.*

Because the charters schools that report under the NCSoS financials are considered to be part of the organization for audit purposes, the cost to split out each LEA's portion of the unfunded liability may not be practical. The Net Pension Liability that is reported under the NCSoS annual audit does include each charter schools portion. We will explore the possibility of projecting and reporting each agencies portion of the liability separately with our external auditor.

Once again, I would like to thank the Grand Jury for looking into this issue that has the potential for dire consequences to our local schools. My office, alongside the professional organizations we belong to, will continue to voice our concern and lobby our elected officials to pay down this unfunded liability at the state level where it originated. The Governor and the Legislature need to look at the budget surplus as one potential source to help pay off the debt.

Sincerely,

  
Scott W. Lay  
Nevada County Superintendent of Schools





# Bitney Prep High School



Gordon Mangel  
950 Maidu Ave.  
Nevada City, CA 95959

January 15, 2019

Dear Mr. Mangel:

In response to the 2017-18 Nevada County Grand Jury report titled *Will the Public Suffer Because of Unfunded Pension Liabilities?* I am responding to items R3, R4 and R6.

First, I want to apologize for the delay in responding. We had a new Director come on-board this year and in the transition into here position this item was overlooked.

Here is our response for the required items:

**R3 For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.**

Bitney Prep High School has contracted with a professional to add a financial page to its public website and include a link to the Audits for the last three years which are currently posted on the Nevada County Superintendent of Schools website.

**R4 Public agencies should consider implementing the suggestions from the League of California Cities.**

Bitney Prep High School will follow the guidance and instruction of the Nevada County Superintendent of Schools in meeting the suggestions from the League of California Cities.

**R6 Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.**

We were not able to separate out the NPL for each agency. In our response to the report we indicated that this may not be an option due to the excessive amount of time and cost involved in having this calculation performed.

Once again I apologize for the delay in this response and hope that our responses meet the need of the Grand Jury.

Sincerely,

Kristin Mayville

Bitney Prep High School Director



CHICAGO PARK SCHOOL DISTRICT  
15725 Mt. Olive Road, Grass Valley, CA 95945  
(530) 346-2153 Fax (530) 346-8559  
Dan Zeisler, Superintendent

Katie Kohler, Principal

July 16, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed  
9/4/18  
TMA

Dear Honorable Thomas Anderson:

Schools across the state have taken on the burden of a multi-billion dollar shortfall in CalSTRS and CalPERS. As a result, school districts are enduring significant increases in employee benefit contributions that far exceed cost of living adjustments allocated by the state. This is jeopardizing the quality of education (extra-curricular studies, small class sizes, etc.). With declining enrollment and teacher demands for salary increases to offset their personal increased personal retirement contributions, we have some very challenging years ahead of us. Throw in the inevitable recession, and it will be very difficult to sustain a budget that is not qualified by the county.

Here is the requested response from the Chicago Park School District regarding "Unfunded Pension Liabilities:"

**RECOMMENDATIONS:**

**Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to the Chicago Park School District. CalPERS and CalSTRS are the responsible entities regarding public employee pensions. If we did choose to reserve any funds (if they were available), it could not impact any unfunded liability as this liability is legally that of CalSTRS and CalPERS.

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this, and will post links to three years of audited financial statements which include summarized pension data, on the Chicago Park School District website as soon as our IT returns from summer break in early August. In addition, it was duly noted that in Appendix B of your report – *FINANCIAL DATA TRANSPARENCY*, Chicago Park School District was rated at “Not Easily” in reference to ease of transparency on our website. We have looked at other school websites that were listed as “Transparent,” and made necessary changes on our home page to be included in that category.

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

This report is not applicable to the Chicago Park School District. We are however, budgeting for many years of increased contributions to CalPERS and CalSTRS. In order to maintain a 17% reserve, we will decrease other areas of spending to incorporate these additional costs into the budget.

In conclusion, I would like to thank the Grand Jury for looking into this issue that has created great budgetary hardship for our local schools, which will seemingly get worse in future years. I can only hope that the legislature can acknowledge that there needs to be another way to fund our pension system than taking from already threadbare school allocations.

Sincerely,



Dan Zeisler

Superintendent – Chicago Park School District



July 24, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed  
8/28/2018  
TMA

Dear Honorable Thomas Anderson:

Schools across the state have taken on the burden of a multi-billion dollar shortfall in CalSTRS and CalPERS. As a result, school districts are enduring significant increases in employee benefit contributions that far exceed cost of living adjustments allocated by the state. This is jeopardizing the quality of education (extra-curricular studies, small class sizes, etc.). With declining enrollment and teacher demands for salary increases to offset their personal increased personal retirement contributions, we have some very challenging years ahead of us. Throw in the inevitable recession, and it will be very difficult to sustain a budget that is not qualified by the county.

Here is the requested response from the Clear Creek Elementary School District regarding "Unfunded Pension Liabilities:"

**RECOMMENDATIONS:**

**Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to the Clear Creek Elementary School District. CalPERS and CalSTRS are the responsible entities regarding public employee pensions. If we did choose to reserve any funds (if they were available), it could not impact any unfunded liability as this liability is legally that of CalSTRS and CalPERS.

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this, and will post links to three years of audited financial statements which include summarized pension data, on the Clear Creek Elementary School District website as soon as our IT returns from summer break in early August.

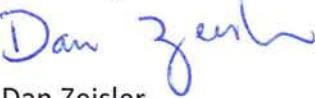
**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

This report is not applicable to the Clear Creek School District. We are however, budgeting for many years of increased contributions to CalPERS and CalSTRS. In order to maintain a 22% reserve, we will decrease other areas of spending to incorporate these additional costs into the budget.

In conclusion, I would like to thank the Grand Jury for looking into this issue that has created great budgetary hardship for our local schools, which will seemingly get worse in future years. I can only hope that the legislature can acknowledge that there needs to be another way to fund our pension system than taking from already threadbare school allocations.

Sincerely,



Dan Zeisler

Superintendent – Clear Creek Elementary School District



# Forest Charter School

A Personalized Learning Public Charter School  
Accredited by the Western Association of Schools and Colleges  
530-265-4823

August 16, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Dear Honorable Thomas Anderson:

I appreciate the efforts of the Grand Jury for researching and creating the report titled, "*Will the Public Suffer Because of Unfunded Pension Liabilities?*". The following is our required response to that report.

Forest Charter School administrators, board members, and staff have discussed the concerns over the impact of the increased costs required to support the State's unfunded pension liability. While we appreciate the State of California taking steps to ensure the fiscal solvency of the pension system, we are also keenly aware of the fiscal impact on the school. The increased costs exceed any increase in state revenue and there are no new funding resources to help offset this cost. To help meet this unfunded liability, Forest Charter School supplements the increase by earmarking a portion of our ending fund balance to bridge the gap of the increased costs. By 2020, we plan to fully fund our pension liability through our annual revenue. However, this increased cost will likely impact programs.

As required by Penal Code Section 933.05, Forest Charter School's response to the recommendations is as follows:

## **Recommendations:**

### **Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

## **Agree**

Forest Charter School is sponsored by the Nevada County Superintendent of Schools (NCSoS) and our annual audits are coordinated by NCSoS. As our sponsoring agency, NCSoS is going to post three years of audited financial statements on its public website. To facilitate the public's access, we will provide links to these statements on the financial page of our school's public website. Summarized pension data is included with the audited financial statements.



In addition, to increase transparency for the public, Forest Charter School will post our current year budget and budget narrative on the financial page of our public website. The budget and budget narrative will also be available as part of the board packets posted on our website.

**Recommendation 4**

Public agencies should consider implementing the suggestions from the league of California cities.

**Disagree**

As articulated in the response from the Nevada County Superintendent of Schools, this recommendation is not applicable to Local Educational Agencies (LEA) in Nevada County and will not be implemented because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved at the LEA, Union or employee levels would not impact the unfunded liability as this liability is legally that of the pension systems. The LEA and employee offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long-term liabilities. However, Forest Charter School is planning for increased contributions to CalPERS and CalSTRS.

**Recommendation 6**

*Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.*

**Agree**

The Net Pension Liability for charter schools is important information and should be transparent to the public. We will work with the Nevada County Superintendent of Schools (NCSoS) to ensure that this is available and we will provide links on the financial page of our public website to this information.

I would like to once again express my appreciation to the Grand Jury for looking into this ongoing concern. We hope that the legislature can find additional funding streams to support this pension liability so that students' educations are not impacted.

Sincerely,



Peter Sagebiel  
Executive Director  
Forest Charter School



10840 Gilmore Way  
Grass Valley, CA 95945  
(530) **273-4483**  
FAX (530) **273-0248**

# Grass Valley School District

**Eric Fredrickson**  
Superintendent

SENT VIA CERTIFIED MAIL: 7014 3490 0000 2199 1013

October 19, 2018


The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

RE: Response to Report Required

Dear Honorable Thomas Anderson:

The following is a copy of the required response to the 2017-18 Nevada County Grand Jury report entitled, "*Will the Public Suffer Because of Unfunded Pension Liabilities?*" This response was mailed to the above address on August 20 2018.

Sincerely,

  
Donna M. Hardy  
Administrative Assistant

RECEIVED  
OCT 24 2018  
BY: .....

Reviewed  
10/26/18  
JMA





## NEVADA COUNTY GRAND JURY

### Eric Rood Administration Center

950 Maidu Avenue

Nevada City, California 95959

Telephone: 530-265-1730

Email: [grandjury@nccourt.net](mailto:grandjury@nccourt.net)

14 October 2018

Eric Fredrickson, Superintendent  
Grass Valley School District  
10840 Gilmore Way  
Grass Valley, California 95945

#### Response to Report Required:

Enclosed is a copy of a report prepared by the 2017-2018 Nevada County Grand Jury entitled *Will the Public Suffer Because of Unfunded Pension Liabilities*. You were asked to respond to this report on 6 June 2018 with your responses due by 9 September. Your responses have not been received.

California Penal Code §933 requires a response to a Grand Jury report "no later than 90 days" from "the governing body of the public agency." Please be advised that your responses are now past due. Please submit your responses on or before 15 November 2018.

The report was published 11 June 2018 and posted on the Grand Jury's Website:  
<http://nccourt.net/divisions/gj-reports.shtml>.

The California Penal Code also requires that responses to Grand Jury reports be addressed to:

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, California 95959

To assist you in writing your response, we are enclosing a copy of Section 933.05 (a) of the Penal Code and an example of the correct format for responding.

The Grand Jury appreciates your cooperation.

  
Gordon Mangel  
Foreperson, 2018-2019 Nevada County Grand Jury



*Mailed 8/20/18 ✓*

10840 Gilmore Way  
Grass Valley, CA 95945  
(530) **273-4483**  
FAX (530) **273-0248**

# Grass Valley School District

**Eric Fredrickson**  
Superintendent

August 14, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Dear Honorable Thomas Anderson:

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "*Will the Public Suffer Because of Unfunded Pension Liabilities?*" I am grateful to the Grand Jury for looking into a matter that school districts have been concerned about for years.

Both school employers and school employees have been concerned about this issue and we're glad the state of California made attempts to solve it starting in 2014. However, this attempt by the state has put a tremendous financial burden on both the employer and the employee. In most cases the increase in the schools contribution to pay down this state debt far exceeds the increases to revenue that are proposed by the state. There are no new funding streams directed toward schools to help pay this down. It is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. The Grass Valley School District is still facing years of declining enrollment, which means less revenue each year. Any money set aside would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, the Grass Valley School District's response in regard to Recommendations is as follows:

## **RECOMMENDATIONS:**

### **Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to the Grass Valley School District, and will not be implemented because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved at the LEA, Union or employee levels would not impact the unfunded liability, as this liability is legally that of the pension systems. The employer and

employee offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long-term liabilities.

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this as a great tool to provide transparent information to the public. The Grass Valley School District has and shall continue to post links to at least three years of audited financial statements on the Grass Valley School District's website. Summarized pension data is included with the audited financial statements. This information can be accessed on our district website at: <http://www.gvsd.us/Community/Transparency/Budget/index.html>

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

As mentioned in the response to Recommendation #R2 above, this report is not applicable to the the Grass Valley School District. We are however, planning for many years of increased contributions to CalPERS and CalSTRS. The Grass Valley School District will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.

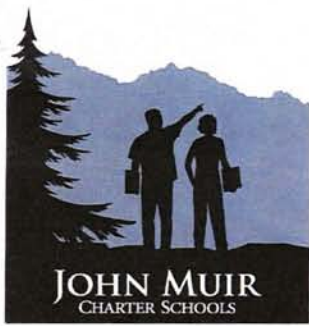
Once again, I would like to thank the Grand Jury for looking into this issue that has the potential for dire consequences to our local schools. My office, alongside the professional organizations we belong to, will continue to voice our concern and lobby our elected officials to pay down this unfunded liability at the state level where it originated. The Governor and the Legislature need to look at the budget surplus as one potential source to help pay off the debt.

Sincerely,



Eric Fredrickson  
Superintendent





John Muir Charter Schools  
117 New Mohawk Drive, Suite F  
Nevada City, CA 95959  
Phone: 530.272.4008  
Fax: 530.272.4009  
Web: [www.johnmuircs.com](http://www.johnmuircs.com)

August 6, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959



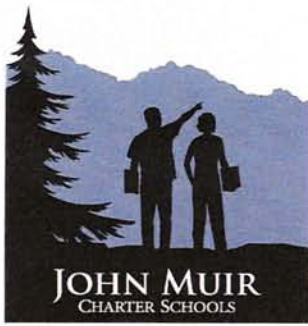
Dear Honorable Thomas Anderson:

The following is John Muir Charter Schools' (JMCS) required response to the 2017-18 Nevada County Grand Jury report entitled, "Will the Public Suffer Because of Unfunded Pension liabilities?". I am grateful to the Grand Jury for looking into a matter that John Muir Charter Schools has been concerned about in recent years.

The John Muir Charter Schools governing board, administration, and staff have been concerned about this issue and we are glad the state of California made attempts to solve the pension liability issue beginning in 2014. This attempt at resolution, however, has put a tremendous financial burden on JMCS as an employer and on JMCS employees. In most cases, the increase in the JMCS employer contribution to pay down this state debt far exceeds the increases in revenue that are proposed by the state. There are no new funding streams directed towards JMCS or public schools in general to offset these increasing contributions, and it is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget.

Simply put, there is no money to set aside to solve California's unfunded pension liabilities. JMCS enrollment and average daily attendance revenues are cyclical, and JMCS has been in declining enrollment for three years meaning reduced revenues each year. Any money set aside to offset additional pension liabilities would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, John Muir Charter Schools response in regard to Recommendations is as follows:



John Muir Charter Schools  
117 New Mohawk Drive, Suite F  
Nevada City, CA 95959  
Phone: 530.272.4008  
Fax: 530.272.4009  
Web: [www.johnmuircs.com](http://www.johnmuircs.com)

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## **Recommendations:**

### **Recommendation 2:**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce nonfunded liabilities.*

This recommendation is not applicable to John Muir Charter Schools (JMCS is its own Local Educational Agency) and will not be implemented because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved by JMCS as an employer or by JMCS employees would not impact the unfunded liability, as this liability is legally that of the pension systems. JMCS employer and employee contributions offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long-term liabilities.

### **Recommendation 3:**

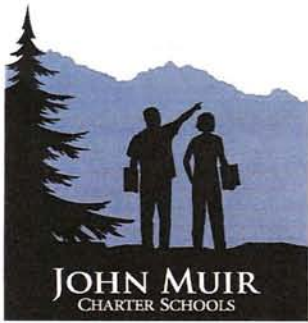
*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

JMCS agrees this is an appropriate practice to provide transparent information to the public, and accordingly, we will post links to the most three years of governing board approved audited financial statements on the JMCS website. Summarized pension data is included with the audited financial statements.

### **Recommendation 4:**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

As mentioned in the response to Recommendation #R2 above, this report is not applicable to John Muir Charter Schools. Though our multi-year budget projection process, JMCS is planning for increased STRS contributions (to 19.1%) through the fiscal year 2020-21, and PERS contributions (to 25.7%) through the fiscal year 2024-25. In the absence of future revenue increases to offset these increased pension contributions, JMCS will decrease other areas of spending to incorporate these additional costs into our annual operating budgets.



John Muir Charter Schools  
117 New Mohawk Drive, Suite F  
Nevada City, CA 95959  
Phone: 530.272.4008  
Fax: 530.272.4009  
Web: [www.johnmuircs.com](http://www.johnmuircs.com)

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Once again, on behalf of the JMCS governing board, administration and staff I would like to thank the Grand Jury for looking into this issue that has the potential for dire consequences to our programs. JMCS will continue to voice our concern and work with our elected officials to pay down this unfunded liability at the state level where it originated, but we will also plan accordingly to offset these contribution increases through the multi-year budgeting process.

Sincerely Submitted,

R.J. Guess  
Chief Executive Officer  
John Muir Charter Schools

CC: John Muir Charter Schools Governing Board  
Scott Lay, Nevada County Superintendent of Schools





Building a strong foundation  
for learning and creativity

Reviewed  
9/4/18  
TMA

August 28, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Dear Honorable Thomas Anderson,

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "*Will the Public Suffer Because of Unfunded Pension Liabilities?*". I am grateful to the Grand Jury for looking into a matter that school districts have been concerned about for years.

Both school employers and school employees have been concerned about this issue and we're glad the state of California made attempts to solve it starting in 2014. However, this attempt by the state has put a tremendous financial burden on both the employer and the employee. In most cases the increase in the schools contribution to pay down this state debt far exceeds the increases to revenue that are proposed by the state. There are no new funding streams directed toward schools to help pay this down. It is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. Most schools in Nevada County are still facing declining enrollment which means less revenue each year. Any money set aside would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, the Nevada City School District response in regard to Recommendations is as follows:

**RECOMMENDATIONS:**

**Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to Local Educational Agencies (LEA) in Nevada County and will not be implemented because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved at the LEA, Union or employee levels would not impact the unfunded liability as this liability is legally that of the pension systems. The LEA and employee offset this

unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long term liabilities.

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this as a great tool to provide transparent information to the public. Along with the two years of audited financial statements that were already posted we have added three more years. Summarized pension data is included with the audited financial statements.

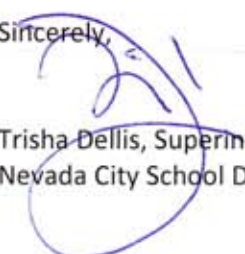
**Recommendation 4**

*Public agencies should consider implementing the suggestions form the League of California Cities.*

As mentioned in the response to Recommendation #R2 above, this report is not applicable to the LEA's in Nevada County. LEA's are however, planning for many years of increased contributions to CalPERS and CalSTRS. Each agency, including the NCSoS will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.

Once again, I would like to thank the Grand Jury for looking into this issue that has the potential for dire consequences to our local schools. My office, alongside the professional organizations we belong to, will continue to voice our concern and lobby our elected officials to pay down this unfunded liability at the state level where it originated. The Governor and the Legislature need to look at the budget surplus as one potential source to help pay off the debt.

Sincerely,

  
Trisha Dellis, Superintendent  
Nevada City School District





Reviewed  
9/11/18  
JMS

September 9, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

RE: Grand Jury Report: "Will the Public Suffer Because of Unfunded Pension Liabilities?"

To the Honorable Thomas Anderson:

The Nevada County Grand Jury has requested that the Nevada City School of the Arts respond to recommendations 2, 3, 4, and 7 of the report, "Will the Public Suffer Because of Unfunded Pension Liabilities?" We appreciate the opportunity to comment on relevant portions of the report pursuant to Penal Code section 933.05(b).

**RECOMMENDATIONS:**

2. Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**The recommendation requires further analysis.**

**Nevada City School of the Arts properly audits its financial statements as a non-profit organization and not as a governmental agency. Because Governmental Accounting Standards Board (GASB) rules do not apply to the School and because non-funded pension liabilities are not relevant to a non-profit audit report, the School is not aware of the amount, if any, of a net pension liability. Although not legally required, to cooperate with the Grand Jury the School's next audit report will include an added disclosure footnote that will contain the calculated amount of any net pension liability. The amount of any such liability will determine whether the School will agree to explore how to reduce it.**

3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

**The recommendation will not be implemented at the present time but will be implemented in the future.**

**Nevada City School of the Arts will provide links to three years of audited financial statements on its public website by September 30, 2018. However, the School will not have summary pension data available, as mentioned above, until 2019.**

4. Public agencies should consider implementing the suggestions from the League of California Cities.

**The recommendation requires further analysis.**

**As mentioned above, because Nevada City School of the Arts audits its financial statements as a non-profit organization, the School has not determined a possible net pension liability. In the School's next audit report, there will be an added disclosure footnote that will include the calculated amount of any net pension liability. The amount of any such liability will determine whether the School will consider implementing the suggestions from the League of California Cities.**

7. Nevada City School of the Arts should report its Net Pension Liability in its financial statements.

**The recommendation will not be implemented at the present time but will be implemented in the future.**

**As mentioned above, because Nevada City School of the Arts audits its financial statements as a non-profit organization, the School has not determined a possible net pension liability. In the School's next audit report, there will be an added disclosure footnote that will include the calculated amount of any net pension liability.**

Sincerely,



Jeff Corbett, Board Chairman

Nevada City School of the Arts





*Reviewed  
8/20/18  
TMA*

*Bear River High School    Glidditts Early College High School    Nevada Union High School    North Point Academy    NJ Tech    Silver Springs High School*

July 30, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
County of Nevada  
201 Church Street  
Nevada City, CA 95959

**RE:    Response to Grand Jury Report: "Will the Public Suffer Because of Unfunded Pension Liabilities?" Recommendations #2, 3, and 4.**

Dear Honorable Judge Anderson:

The following is the Nevada Joint Union High School District's statutorily required response to the 2017-18 Nevada County Grand Jury report entitled, "Will the Public Suffer Because of Unfunded Pension Liabilities?" The district appreciates the opportunity to provide information and perspective on an issue of significant concern to this and all other local education agencies (LEAs) in Nevada County.

**Background**

In 2013, the state legislature and governor enacted the Public Employees Retirement Pension Reform Act. Under the law, employer and employee contributions to the Public Employees' Retirement System (PERS) and the State Teachers' Retirement System (STRS) were significantly increased pursuant to a multi-year graduated formula. The largest proportion of these contribution increases fell to employer agencies. Although state funding for public education has increased significantly since 2013, the state was restoring funding that was essentially lost to LEAs due to state budget reductions during the *Great Recession*. This additional "unfunded mandate" was placed on LEAs with no corresponding increase in funding. The table below displays the district's estimated cost increases for state required PERS and STRS contributions on behalf of district employees.

**Estimated Cost Increases to NJUHSD  
PERS and STRS Required Employer Contribution  
As of July 1, 2018**

<u>CAL PERS</u>			
<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
\$ 875,205.21	\$ 1,075,658.60	\$ 1,237,827.03	\$ 1,399,343.94
<u>CAL STRS</u>			
<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
\$ 2,948,577.90	\$ 3,246,308.70	\$ 3,505,382.39	\$ 3,640,736.45





[Bear River High School](#)

[Chittotli Early College High School](#)

[Nevada Union High School](#)

[North Point Academy](#)

[NU Tech](#)

[Silver Springs High School](#)

As shown in the table above, the district's legally required contributions are increasing significantly over the next several years. This new and increasing funding requirement must be subsumed within the district's overall budget. As a result, less funds are available for other educational, staffing, and programmatic priorities. This cost increase, along with other growing fixed obligations, are now outpacing the district's projected revenue increases. District revenues, like all other LEAs in the state, are largely pre-determined via the state's Local Control Funding Formula. As a result, LEAs have less control over their fiscal conditions than that of other local government agencies.

The district's long term fiscal challenges are further complicated by continued declining enrollment. Because the state's public education system is largely funded by average daily attendance, drops in enrollment equate to corresponding declines in revenues. The district projects, and has budgeted for, continued declines in enrollment in its board adopted three-year fiscal projection. Due to overall budget challenges, any funds set aside to address state required PERS and STRS contribution increases would likely have to come from other educational programs and/or services. This would undoubtedly negatively impact instructional and student services throughout the district.

## Report Recommendations

As required by law, the district's response in regards to the report's Recommendation #2, 3 and 4 is as follows:

### Recommendation 2:

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation cannot be implemented and is not applicable to LEAs. Under state law, PERS and STRS are the responsible governmental agencies that oversee and set public employee pension contributions for all LEAs in the state. The district has no legal authority to set and/or adjust employee contribution rates to either pension system. Jurisdiction and authority to address this recommendation lies with the state and the governing boards of both pension systems.

### Recommendation 3:

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

The district will explore the feasibility of implementing this recommendation. The district's employee pension obligations are reported in the district's adopted budget and its state required annual independent fiscal audit. Both documents are loaded to the district's website annually. In addition, all LEAs in the county operate on the same financial management system. The system is administered and overseen by the Nevada County Superintendent of Schools (NCSOS) office. The district will work with NCSOS to see how this recommendation can be implemented universally for all LEAs in the county.

### Recommendation 4:

*Public agencies should considering implementing the suggestions from the League of California Cities.*

This recommendation cannot be implemented and is not applicable to LEAs. Funding for public education in the state is governed and administered under separate state statutes and regulations unique to LEAs in the state. The district is, however, projecting additional years of contribution increases to both pension systems. These increases will create further fiscal and



*Bear River High School    Ghisotti Early College High School    Nevada Union High School    North Point Academy    NUTech    Silver Springs High School*

policy challenges to the district in the near future. The district will likely be forced to curtail and/or decrease funding in other important areas to meet the state's contribution requirements. The district does not anticipate increases in state appropriated revenues to address these growing cost obligations.

On behalf of the district's Board of Trustees, thank you for the Grand Jury's interest and examination of this important issue. Rising pension contributions to PERS and STRS pose significant challenges to the district's long term fiscal health, as well as that of all other LEAs in Nevada County. We urge the Grand Jury to join us in advocating to state officials that appropriate funding be provided to LEAs statewide to meet this statutorily required obligation. Thank you for the opportunity to respond. Please contact me if the district can be of further assistance on this matter.

Sincerely,

Brett W. McFadden  
Superintendent

cc: Board of Trustees, NJUHSD  
The Honorable Scott W. Lay, NCSOS  
Superintendents, Nevada County school districts



**PENN VALLEY UNION ELEMENTARY SCHOOL DISTRICT**

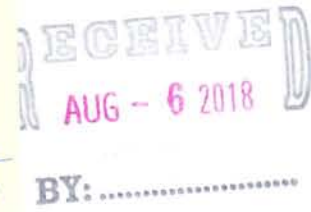
14806 Pleasant Valley Rd., Penn Valley, CA 95946-9722  
Phone (530) 432-7311 Fax (530) 432-7314  
www.pvuesd.org



To:

July 19, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959



Dear Honorable Thomas Anderson:

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "Will the Public Suffer Because of Unfunded Pension Liabilities?". I am grateful to the Grand Jury for looking into a matter that school districts have been concerned about for years.

The Penn Valley Union Elementary School District (PVUESD) administration and Board of Trustees have been concerned about this issue since increases to contributions began in 2014. It is projected that school districts will be required to contribute an additional 2% each year as mandated by CalPERS and by Legislation for CalSTRS until the problem has been resolved. This increase by the State has put a tremendous financial burden on school districts as there are no new funding streams directed toward schools to help support the pension liability issues. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. Most schools in Nevada County are still facing declining enrollment which means less revenue each year. Any money set aside would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, the PVUESD response in regard to Recommendations 2, 3 and 4 are as follows:

**RECOMMENDATIONS:**

**Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to PVUESD and will not be implemented because CalPERS and the Legislation, who controls CalSTRS, are the responsible entities regarding public employee pensions. Any funds reserved by PVUESD or its employees would not impact the unfunded liability as this liability is solely the responsibility of the pension system – CalPERS and Legislation (CalSTRS). The PVUESD and its employees offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS Board and our Legislation (CalSTRS) in their efforts to fund the long-term liabilities.



**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this recommendation as we always wish to be transparent to the public. We will post links to three years of audited financial statements on the PVUESD website immediately. Summarized pension data is included with the audited financial statements. Our website address has changed to [www.pvuesd.org](http://www.pvuesd.org) as of July 1, 2018.

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

As mentioned in the response to Recommendation #R2 above, this report is not applicable to the PVUESD. However, PVUESD has been planning for many years of increased contributions to CalPERS and CalSTRS based on legal requirements set forth by the CalPERS Board and our Legislation. PVUESD will continue to decrease other areas of spending to incorporate these additional costs into the budget as there is no new revenue anticipated to fund these mandated increased costs.

Once again, I would like to thank the Grand Jury for looking into the unfunded pension liability that creates a huge challenge for school districts. Our administration and Board of Trustees will continue to work with various professional organizations to have our voice heard reading the concerns and challenges the pension liabilities has on educating children. The Governor and Legislature need to look at the budget surplus as one potential source to help pay the debt they unfortunately did not plan for many years ago.

Sincerely,



Torie F. England, Ed.D.  
Superintendent

September 5, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed 9/14/18  
TMA

Dear Honorable Thomas Anderson:

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "Will the Public Suffer Because of Unfunded Pension Liabilities?". I am grateful to the Grand Jury for looking into a matter that school districts have been concerned about for years.

Both school employers and school employees have been concerned about this issue and we're glad the state of California made attempts to solve it starting in 2014. However, this attempt by the state has put a tremendous financial burden on both the employer and the employee. In most cases the increase in the schools contribution to pay down this state debt far exceeds the increases to revenue that are proposed by the state. There are no new funding streams directed toward schools to help pay this down. It is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. Most schools in Nevada County are still facing declining enrollment which means less revenue each year. Any money set aside would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, the Nevada County Superintendent of Schools Office response in regard to Recommendations is as follows:

**RECOMMENDATIONS:**

**Recommendation 2**

*Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

This recommendation is not applicable to Pleasant Ridge Union School District and will not be implemented because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved at the LEA, Union or employee levels would not impact the unfunded liability as this liability is legally that of the pension systems. The LEA and employee offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long term liabilities.



*The Pleasant Ridge Union School District provides a safe and engaging environment where students develop academic, social and life skills to become productive, responsible citizens in a constantly changing global society.*



**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this as a great tool to provide transparent information to the public and will post links to three years of audited financial statements on the Pleasant Ridge Union School District website immediately. Summarized pension data is included with the audited financial statements.

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

As mentioned in the response to Recommendation #R2 above, this report is not applicable to the LEA's in Nevada County. LEA's are however, planning for many years of increased contributions to CalPERS and CalSTRS. Each agency, including Pleasant Ridge Union School District, will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.

Once again, we would like to thank the Grand Jury for looking into this issue that has the potential for dire consequences to our local schools.

Sincerely,



Rusty S. Clark  
Superintendent





Sierra Montessori Academy  
16229 Duggans Road  
Grass Valley, CA 95949  
530-268-9990

TMA

August 29, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Dear Honorable Thomas Anderson:

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "Will the Public Suffer Because of Unfunded Pension Liabilities?". I am grateful to the Grand Jury for looking into a matter that school districts have been concerned about for years.

Both school employers and school employees have been concerned about this issue and we're glad the state of California made attempts to solve it starting in 2014. However, this attempt by the state has put a tremendous financial burden on both the employer and the employee. In most cases the increase in the schools contribution to pay down this state debt far exceeds the increases to revenue that are proposed by the state. There are no new funding streams directed toward schools to help pay this down. It is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. Most schools in Nevada County are still facing declining enrollment which means less revenue each year. Any money set aside would come directly out of already underfunded classrooms and would directly impact students in a negative way.

As required by Penal Code Section 933.05, the Nevada County Superintendent of Schools Office response in regard to Recommendations is as follows:

**RECOMMENDATIONS:**

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree with this as a great tool to provide transparent information to the public and will post links to three years of audited financial statements on the Nevada County Superintendent of Schools (NCSoS) website immediately. Summarized pension data is included with the audited financial statements.

*Sierra Montessori Academy shall not discriminate against any individual in admission, the administration of programs or employment on the basis of race, religion, color, ethnicity, gender, national origin or sexual orientation or any other basis prohibited by federal or state law.*

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

We have been planning for many years of increased contributions to CalPERS and CalSTRS. Each agency, including the Sierra Montessori Academy will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.

**Recommendation 6**

*Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.*

Because the charter schools that report under the NCSoS financials are considered to be part of the organization for audit purposes, the cost to split out each LEA's portion of the unfunded liability may not be practical. The Net Pension Liability that is reported under the NCSoS annual audit does include each charter schools portion. We will explore the possibility of projecting and reporting each agencies portion of the liability separately with our external auditor.

Once again, I would like to thank the Grand Jury for looking into this issue that has the potential for dire consequences to our local schools. My office, alongside the professional organizations we belong to, will continue to voice our concern and lobby our elected officials to pay down this unfunded liability at the state level where it originated. The Governor and the Legislature need to look at the budget surplus as one potential source to help pay off the debt.

Sincerely,

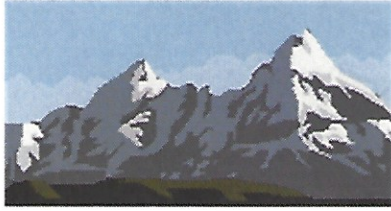


Stephen De Sena

Director

Sierra Montessori Academy





## ***Twin Ridges Elementary School District***

***James Berardi, Superintendent/Principal***

16661 Old Mill Road  
Nevada City, CA 95959

(530) 265-9052

FAX (530) 265-3049

December 3, 2018

The Honorable Judge Tom Anderson  
Presiding Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

*Reviewed*  
*12/18/18*  
*MA*

Dear Judge Anderson,

This letter serves as my response to the 2017-2018 Grand Jury Report on **Will the Public Suffer Because of Unfunded Pension Liabilities.**

### **Recommendations:**

*2: Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded liabilities.*

The recommendation will not be implemented at this time.

The Twin Ridges Elementary School District views this recommendation as not applicable to Local Educational Agencies (LEA) because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Our general fund and other reserves would not impact the unfunded liability as it does not belong to us. The district and our employees offset this unfunded liability indirectly through the increased contributions.

*3: For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

The recommendation will be implemented.

Twin Ridges agrees with this and it will be implemented as soon as our new webpage is up and running. Transparency and access should be the goal of all public institutions.

*4: Public agencies should consider implementing the suggestions from the League of California Cities.*

The recommendation will not be implemented at this time.

These suggestions are not applicable to the Twin Ridges Elementary School District. (Please see #2 above) However, we are planning for on-going increased contributions to CalPERS and CalSTRS and this cost are budgeted into our annual budget and have a direct impact on employee negotiations and other services we provide.

Yours in Education,

James Berardi





**Twin Ridges Home Study Charter School**  
111 New Mohawk Road  
Nevada City, CA 95959  
(530) 478-1815  
www.trhs.us

September 6, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed  
9/11/18  
MS

Dear Honorable Thomas Anderson:

The following is the required response to the 2017-18 Nevada County Grand Jury report entitled, "Will the Public Suffer Because of Unfunded Pension Liabilities?".

- Twin Ridges Home Study Charter School for Recommendations R3, R4, and R6 by 9 September 2018.

As required by Penal Code Section 933.05, the Twin Ridges Home Study Charter School response in regard to Recommendations is as follows:

### **RECOMMENDATIONS:**

#### **Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree that in the name of transparency, these financial documents should be made available to the public. Our last three years of audited financial documents can be found within the district's Audited Annual Financial report and we will post the past three years on our website. Summarized pension data is included with the audited financial statements. We will make it a top priority moving forward to work with the Nevada County Superintendent of Schools to post these documents individually for Twin Ridges

Home Study Charter on our site.

-<https://www.twinridgeshomestudy.org/school-documents-and-plans/>

#### Recommendation 4

*Public agencies should consider implementing the suggestions from the League of California Cities.*

From Scott Lay, Superintendent of Schools: This report is not applicable to the LEA's in Nevada County. LEA's are however, planning for many years of increased contributions to CalPERS and CalSTRS. Each agency, including the NCSOS will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.

#### Recommendation 6

*Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.*

From Scott Lay, Superintendent of Schools: Because the charters schools that report under the NCSOS financials are considered to be part of the organization for audit purposes, the cost to split out each LEA's portion of the unfunded liability may not be practical. The Net Pension Liability that is reported under the NCSOS annual audit does include each charter schools portion. We will explore the possibility of projecting and reporting each agencies portion of the liability separately with our external auditor.

Sincerely,

A handwritten signature in black ink that reads "Kelley Soper". The signature is written in a cursive style with a long, sweeping underline.

Kelley Soper, Director

Twin Ridges Home Study Charter School





David Curry, Superintendent

*A Tradition of Excellence Since 1868*

July 25, 2018  
The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

A yellow sticky note with handwritten text in blue ink. The text reads "Reviewed TMA 8/24/2018".

Dear Honorable Thomas Anderson:

The following is the required response to the 2017-2018 Nevada County Grand Jury report entitled, "Will the public Suffer Because of Unfunded Pension Liabilities". The report was received by Union Hill School District on June 8, 2018. We thank you for looking into something that has been a challenge to UHSD and other districts for some time now.

We are grateful to the Grand Jury for the review of unfunded pension liabilities. The Union Hill School District views employee pensions as important in the recruitment and retention of school employees. Retirement contributions have increased over the years and recently surpassed 10% of our budget. We were pleased the state of California attempted to solve it beginning in 2014. However, this attempt by the state has put a tremendous financial burden on both the employer and the employee. In most cases the increase in the schools contribution to pay down this state debt far exceeds the increases to revenue that are proposed by the state. There are no new funding streams directed toward schools to help pay this down. It is also important to remember that schools will finally be funded back to the same level as in 2007-08 with the recently signed 2018-19 state budget. Simply put, there is no money to set aside to solve the state's unfunded pension liabilities. We appreciate your statement, "There is no absolute means to prevent a crisis from happening within our County" but seek to plan, prevent, and mitigate all that we can to reduce risk, threats, and disasters.

As required by Penal Code Section 933.05, the following is Union Hill School District's response in regard to Recommendations:

**RECOMMENDATIONS:**

2. Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**This recommendation is not applicable to Union Hill School District and will not be implemented in the future.**

**This recommendation is not applicable to Union Hill School District and will not be implemented in the future because CalPERS and CalSTRS are the responsible entities regarding public employee pensions. Any funds reserved at the District, Union or employee levels would not impact the unfunded liability as**





David Curry, Superintendent

*A Tradition of Excellence Since 1868*

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**this liability is legally that of the pension systems. The District and employee offset this unfunded liability indirectly through the increased contributions imposed by decisions made by CalPERS and CalSTRS in their efforts to fund the long-term liabilities.**

3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

**The recommendation has not yet been implemented, but will be implemented as soon as possible.**

**We agree this would be a great tool to provide transparent information to the public and will post links to three years of audited financial statements on the Union Hill School District website as soon as possible. Summarized pension data is included with the audited financial statements.**

4. Public agencies should consider implementing the suggestions from the League of California Cities.

**The recommendation has not yet been implemented, and will not likely be implemented in the future.**

**As mentioned in the response to Recommendation #2 above, this report is not applicable to the Union Hill School District. We are however, planning for many years of increased contributions to CalPERS and CalSTRS. Union Hill School District will decrease other areas of spending to incorporate these additional costs into the budget as there are no increases to revenue anticipated to fund these cost increases.**

Thank you for your countywide safety assessment of our local schools. We continue to make changes based on "lessons learned" to assure the safety and security of our staff and students in Union Hill School District.

Sincerely,

A handwritten signature in blue ink that reads "David B. Curry". The signature is fluid and cursive, with a long, sweeping tail on the letter "y".

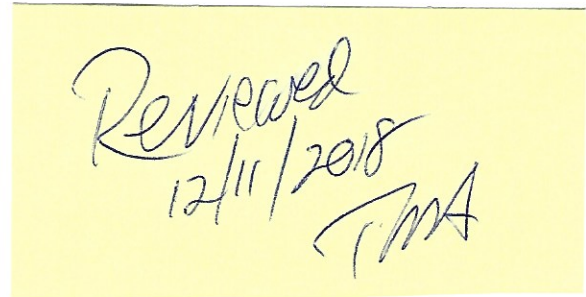
David B. Curry  
Superintendent



November 28, 2018

Re: Unfunded Pension Liabilities Report

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959



Dear Honorable Thomas Anderson:

First of all, we wish to acknowledge the enclosed late response letter to your previous inquiry. As you may know, we have undergone extensive transitions moving our school site, and onboarding our new administrative team. Our team has been forming this year and we have had a strong start considering the situation, and this miss in response is quite unfortunate and we are addressing this within our own structure.

In regards to the Grand Jury request for responses, Yuba River Charter School was asked to respond to Recommendations R3, R4, and R6.

**Recommendation 3**

*For the purpose of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

We agree and will post our audited financial statements on our governance/financial page of our website. Summarized pension data is included with the audited financial statements.

**Recommendation 4**

*Public agencies should consider implementing the suggestions from the League of California Cities.*

These are:

1. *Develop and implement a plan to pay down the city's NPL (We have projected in our multiyear budgets the growth in both PERS and STRS retirement, so that we have a realistic picture of the potential draw those increases will have. Even though other revenue has been increasing, we haven't expanded programming looking towards the future years that will require greater reserves.)*
2. *Consider local ballot measure to enhance revenues (We would support any such local ballot measures. This all-encompassing Grand Jury Report looks like a solid foundation in order to consolidate various local agencies' potential mutual interest in addressing this situation.)*



3. *Create a "Pension Rate Stabilization Program".* (Besides our continual efforts to keep strong reserves, we haven't locked our savings in to one potential need)
4. *Change service delivery methods and levels of certain public services.* (We have been actively discussing on an Administrative and Board level the possibility of "getting out of PERS". As our Tax ID number has never been used for payroll (we use the County's), we have one chance to get out of PERS if we were to change payroll services and use our number. There are ramifications such as staff retention, as this could affect current staff retirement, and we are looking at creative solutions such as supplementing with a 403B match, or some other comparable "off ramp" from the commitment to PERS. This conversation is also happening with staff, and not yet near a point of implementation, as we are still weighing the pros and cons.
5. *Use transparent collective bargaining to increase employee pension contribution.* (We haven't broached increasing employee contributions at this date. It seems less viable for our school community)
6. *Issue a pension obligation bond.* (Through review we wouldn't support borrowing to pay back something we would then have to pay back at a greater amount down the road).

#### **Recommendation 6**

*Nevada County Superintendent of Schools should report the Net Pension Liability for charter schools that are part of its agency's audit.*

(For our response, we will present what came from NCSoS, as we are currently under their payroll, as stated above):

NCSoS: Because the charters schools that report under the NCSoS financials are considered to be part of the organization for audit purposes, the cost to split out each LEA's portion of the unfunded liability may not be practical. The Net Pension Liability that is reported under the NCSoS annual audit does include each charter schools portion. We will explore the possibility of projecting and reporting each agencies portion of the liability separately with our external auditor.

In closing, this issue is one that is highlighted and discussed at all of our budget meetings. How quickly the rates are increasing are continually alarming and we, as a school entity, see the coming years of unfunded increases in our liabilities as something of grave concern. As this Grand Jury investigation progresses, we would appreciate being a part of whatever kind of community solutions that may be found together.

Respectfully,



Karin Meadows

Business Manager, Yuba River Charter School





## Nevada County Consolidated Fire District

640 Coyote Street Nevada City, CA 95959

(530) 265-4431

[nccfire@nccfire.com](mailto:nccfire@nccfire.com) • [www.nccfire.com](http://www.nccfire.com)

August 22, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, California 95959

Reviewed  
8/28/2018  
TO: GJ TMA

Re: Nevada County Consolidated Fire District Board of Directors' Responses to the Nevada County Grand Jury Report, *Will the Public Suffer Because of Unfunded Pension Liabilities*.

Dear Judge Anderson:

As required by California Penal Code Section 933.05 (a), the Nevada County Consolidated Fire District Board of Directors' hereby submits its responses to the 2017-2018 Nevada County Grand Jury Report, dated June 10, 2018 entitled *Will the Public Suffer Because of Unfunded Pension Liabilities*.

The Board of Directors at their regular meeting on August 16, 2018 approved these responses to the Grand Jury's Findings and Recommendations.. The Responses are based on either personal knowledge, examination of official District records, and/or information received from the Board of Directors and District staff members.

The NCCFD Board of Directors would like to thank the members of the 2017-2018 Grand Jury for their participation and effort in preparing their Reports, and their participation in the Grand Jury process. Fire Chief Jim Turner and his staff welcome any future inquiries and/or questions that the Grand Jury may have pertaining to the operations and administration of the Fire District.

Sincerely,

Keith Grueneberg, President  
Nevada County Consolidated Fire District  
Board of Directors

cc: Thomas Achter, Foreperson, Grand Jury  
cc: Chris DeSena, Chair, Nevada County Consolidated Fire District Oversight Committee

In their report *Will the Public Suffer Because of Unfunded Pension Liabilities*, the Nevada County Grand Jury made recommendations for Nevada County local agencies. They asked Nevada County Consolidated Fire District for responses on the following recommendations by September 9, 2018.

During the Grand Jury's investigation, neither Fire Chief Jim Turner nor Finance Manager Jeff Van Groningen were contacted to provide pertinent information relevant to the Jury's concerns. Information contained within the Grand Jury's report was information obtained from the 2015-2016 fiscal year. The report does not use the 2016-2017 Audited Financial Statements, which contains additional information on steps taken to mitigate unfunded pension liability during the fiscal year.

**Recommendations and responses:**

**R2 Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.**

R2 response – Currently, Pre-2013 safety personnel pay 9% of their wages to the PERS retirement fund. This can be increased to 12% if agreed to by the employee's labor union via meet and confer, or if such meet and confer results in impasse. An increased employee deduction reduces the employer share paid to CalPERS. To reduce the unfunded pension liability, the cost reduction realized by the employer would need to be paid by the employer to CalPERS to reduce the unfunded pension liability.

**R3 For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.**

R3 response – The annual Audited Financial Statements are, and have been, available on the NCCIFRE.com website as an integral part of the board agenda packages. The District's Audited Financial Statements contain a detailed summary of the pension data. A dedicated link for the Audited Financial Statements will be added to the District's webpage to allow users easier access to the documents.

The District has established a "Citizens Oversight Committee" to enhance transparency to its constituents to oversee District expenditures as they relate directly to the "Special Tax" that was passed in 2012. The Citizens Oversight Committee also reviews the Districts overall fiscal budget and provides comments to the Board of Directors on an annual basis, which are available on the District website.



**R4 Public agencies should consider implementing the suggestions from the League of California Cities.** The suggestions are:

1. Develop and implement a plan to pay down the city's Net Pension Liability (NPL).
2. Consider local ballot measures to enhance revenues.
3. Create a "Pension Rate Stabilization Program."
4. Change service delivery methods and levels of certain public services.
5. Use transparent collective bargaining to increase employee pension contributions.
6. Issue a pension obligation bond.

R4 response –

- Item 1. In the last two years, Nevada County Consolidated Fire District has addressed the paying down of the NPL. The district paid the side fund balances of the unfunded liability, totaling \$697,000. Nevada County Consolidated Fire District has also invested \$150,000 in the Public Agency Retirement Services Section 115 trust for offsetting future pension expense.
- Item 2. Agreed.
- Item 3. A Pension Rate Stabilization Program has been created. See Item 1.
- Item 4. This has been explored and some measures implemented. Further measures may be necessary as pension expenses continue to increase.
- Item 5. See R2 response.
- Item 6. This has been explored and was deemed a risk to avoid at that time. But as economic factors change, it should be revisited periodically.

Conclusion

Nevada County Consolidated Fire District Board of Directors and its Staff, are very aware of the pending unfunded pension liability ramifications for our constituents. CalPERS has taken two significant steps to reduce unfunded pension liabilities. They are a) decreasing the discount rate from 7.5% to 7.0% over a three-year period, and b) modifying the amortization period for payment of unfunded pension liabilities. Both actions have, and will, result in increased pension costs.

Nevada County Consolidated Fire District does the following to stay abreast of current and future pension costs and how they may affect the district:

- Follow current events and legislation activity (example: AB 1149).
- Forecast pension costs using various methods and programs for no less than five-years ahead.
- Budget five-years ahead to identify and mitigate potential financial challenges.

We welcome further inquiries from the Grand Jury which should be directed to Fire Chief Jim Turner or Finance Manager Jeff Van Groningen, who can be contacted at 530-265-4431.





**HIGGINS AREA FIRE PROTECTION DISTRICT**  
of Nevada County  
10106 Combie Road Auburn, CA. 95602

August 15, 2018

TMA

The Honorable Thomas M. Anderson  
Presiding Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

**Re: Higgins Area Fire Protection District Response to Grand Jury Report 2017–2018**

Dear Judge Anderson:

The Higgins Area Fire Protection District (“District”) has carefully reviewed and considered the Findings and Recommendations of the 2017-2018 Nevada County Grand Jury report, *Will the Public Suffer Because of Unfunded Pension Liabilities?* The report requested responses from the District regarding Recommendations R2, R3, R4, and R5 on or before September 9, 2018. This letter shall serve as the official responses of the District to Recommendations R2, R3, R4, and R5 contained in the Grand Jury report, pursuant to California Penal Code section 933.05, subdivisions (a) and (b).

**A. RECOMMENDATIONS:**

- a. R2. Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**The recommendation has not yet been implemented, but will be implemented in the future**

**The District has conducted internal discussions regarding ways to implement short-term increases in employee contributions, but is in the process of correcting several errors to its three most recent fiscal year audited financial statements. As soon as those errors are corrected, the District will continue to explore reducing non-funded pension liability through increased employee contributions.**

- b. R3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

**The recommendation has not yet been implemented, but will be implemented in the future.**

The District typically posts its financial statements and pension data on its website as recommended; however, the District contracts with an outside firm to audit the District's financial statements, and the District is currently in the process of correcting errors in the 2015-2016 audit report. Those errors carried over to the two most recent financial statements, and the District is correcting all necessary statements. The District will post the corrected financial statements to its website as soon as those errors are corrected.

- c. R4. Public agencies should consider implementing the suggestions from the League of California Cities.

**The recommendation has not yet been implemented, but will be implemented in the future.**

**The District is discussing plans to adopt and implement the League of California Cities' suggestions, and will report to the County when the League's suggestions have been implemented.**

- d. R5. Higgins Fire Protection District should comply with Government Code 26909 and file an audited financial statement for 2015-2016.

**The recommendation has not yet been implemented, but will be implemented in the future.**

**The District forwards a copy of its final budget to the County Auditor in accordance with Health and Safety Code, section 13895. The District contracts with an outside firm to audit the District's financial statements, and the District is currently in the process of correcting errors in the 2015-2016 audit report. The District will file the corrected audit with the County auditor as soon as those errors are corrected.**

## CONCLUSION

The District welcomes and appreciates the Grand Jury's interest in the District's operations, as well as the opportunity to respond to the Recommendations contained in the report. The District is confident this letter effectively addresses the concerns raised by the Grand Jury.

Sincerely,



---

Donnie Militano  
Chairman  
Board of Directors

cc: Members of the Board of Directors  
Jerry Good, Fire Chief  
Thomas Achter, Foreperson, 2017-2018 Nevada County Grand Jury



# Ophir Hill Fire Protection District

P.O. Box 940 ♦ 12668 Colfax Hwy ♦ Cedar Ridge, CA 95924  
(530) 273-8351 ♦ Fax (530) 273-0453 ♦ ophirhillfire.org



September 25, 2018

Reviewed  
10/4/2018  
TMA

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, California 95959

RE: Request to Report on the subject of *Will the Public Suffer Because of Unfunded Pension Liabilities*

Dear Honorable Anderson,

Please find enclosed our recommendations to above subject report.

We apologize for our lateness caused by a change in office staff that took place recently.

Respectfully Yours,

A handwritten signature in cursive that reads "Kris Stoeckle".

Kris Stoeckle  
Board Secretary  
Ophir Hill Fire Protection District  
530-273-8351  
kstoockleohfpd@gmail.com

Enclosure: Statement of Recommendation



Will the Public Suffer Because of Unfunded Pension Liabilities?

Recommendations:

*R2. Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.*

Implementation of this recommendation is not recommended at this time due to the pension contributions are currently paid by the employees/employer as outlined in the CalPERS contract.

*R3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.*

This recommendation would be considered a work in progress at this time. We have had a change in office staff and we are currently reviewing and updating the existing website to reflect and follow guidelines as suggested. We do not have an estimated time when this project will be finalized.

*R4. Public agencies should consider implementing the suggestions from the League of California Cities.*

This recommendation will not be implemented at this time for the following reasons: The Board of Directors maintain that the Fire District is doing all that can be done to address the Unfunded Pension Liability concerns. Increased employee pension contributions have already taken place. As a Special District, we currently follow the guidelines as per our MOU that works best for all.

Peardale-Chicago Park Fire Protection District

Responses to

2017-2018 Nevada County Grand Jury Report

Will the Public Suffer Because of Unfunded Pension Liabilities?

RECOMMENDATIONS:

R2. Public Agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

Implementation of this recommendation is not feasible considering that the pension contributions are being paid currently by the employees as part of their retirement contract as specified by CalPERS.

R3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

This recommendation will not be implemented at this time, for the following reasons. The fire district maintains a website as a service to the public and utilizes volunteers to maintain the site. Our financial data is always filed with, and available to the public through, the State Controller's Office. In addition, the Office of the Nevada County Auditor Controller has all copies of audited financial statements on file.

It is the Board of Directors understanding that there is currently a plan to create an additional link to this data on the My Nevada County website, through a collaboration of the Auditor Controller Office and LAFCo. When implemented, we can then link our website to this information. We look forward to the availability of this tool to the public.

R4. Public agencies should consider implementing the suggestions from the League of California Cities.

This recommendation will not be implemented at this time, for the following reasons. The Board of Directors maintain that the Fire District is doing all that can be done to address the Unfunded Pension Liability currently. Increased employee pension contributions have already been implemented. As a Special District (Fire Protection), it would not be feasible to establish a Trust Fund, issue a bond, or change service delivery methods or levels of certain public services.

Reviewed  
TMA  
9/18/18

# PENN VALLEY FIRE PROTECTION DISTRICT

**Fire Chief**

Don Wagner  
P.O. Box 180  
Penn Valley, CA 95946  
(530) 432-2630  
Fax (530) 432-4561  
[dwagner@ennvalleyfire.com](mailto:dwagner@ennvalleyfire.com)

**Directors**

David Farrell, Chairperson  
Kurt Grundel, Vice-Chairperson  
Joey Jordan, Director  
Terry McMahan, Director  
Bruce Stephenson, Director  
[dhughes@pennvalleyfire.com](mailto:dhughes@pennvalleyfire.com)

October 22, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Reviewed  
10/26/18  
JMA

Dear Judge Anderson,

Please find attached our response to the Nevada County Grand Jury's 06/06/2018 inquiry into unfunded pension liabilities. It was mailed to the Grand Jury 8/30/2018.

Thank you,

Debbie Hughes  
Office Administrator



TMA

## Grand Jury Response

Before the great recession CalPERS was over 100% funded. Due to this recession many public agencies now have a Net Pension Liability. This liability varies greatly depending on the pension plan offered and the size of the agency.

The Penn Valley Fire Protection District (PVFPD) staffs two stations. Each station is staffed 24/7 with a minimum staffing of two persons. These two personnel cross-staff the equipment at their station. Station 44 has two engines and one ambulance. Station 43 has one engine, one water tender, one ambulance and one rescue vehicle. Dispatch patterns are programmed in to the CAD system to send the most appropriate vehicle from each station. While this may be inconvenient for staff, it is a cost-effective way of providing the best response with available funding. The PVFPD runs very conservative in staffing as well as all areas of operations.

In addition to the fire/rescue services provided by all of the western Nevada County fire departments, PVFPD is the only agency that provides Advanced Life Support (ALS) ambulance transportation. This service has been supported by the voters of Penn Valley.

The PVFPD has the most conservative CalPERS plan offered. In addition, more than half of PVFPD employees are PEPRAs employees which requires the employee fund their share of contributions and disallows the district to pay the employees' portion of the pension contribution. The Grand Jury failed to do the proper investigation into the different pension plans of each district as well as how each district manages its Net Pension Liability. The PVFPD was never contacted by the Grand Jury with questions. The conclusions reached by the Grand Jury were incomplete. Please see the attached responses to the Grand Jury report by the PVFPD.

### FINDINGS:

Finding 1. Nearly every Nevada County agency has a Net Pension Liability.

Agree

Finding 2. Many Nevada County agencies, especially schools, lack a sufficient Net Position to successfully comply with the requirement to reduce their Net Pension Liability.

Partially agree. Without performing extensive research and review of the other agencies' Financial Statements, it is not appropriate to render an opinion on the other agencies' Net Positions.

Finding 3. Some Nevada County agencies, especially schools, have a negative Net Position.

**Partially agree. Without performing extensive research and review of the other agencies' Financial Statements, it is not appropriate to render an opinion on the other agencies' Net Positions.**

Finding 4. Transparency demands that financial statements provided by the office of the Superintendent of Schools identify each charter school's Net Pension Liability.

**Agree**

Finding 5. The strain on Nevada County agency budgets is likely to require cutbacks in services to balance the pension contribution increases.

**Disagree. The PVFPD is not in a position to require cutbacks nor do we have an opinion on other agencies' forecasts. There is not enough information and too many variables to come to a viable prediction.**

Finding 6. Many agencies may spend down their reserves to avoid cutbacks in services.

**Partially agree. It is possible some agencies will spend down their reserves in order to avoid cutting back their services.**

Finding 7. New sources of revenue may be requested by many agencies to avoid cutbacks in services or reduction of reserves.

**Partially agree. It is possible some agencies will look for new sources of income to avoid spending down their reserves so they can avoid service cutbacks.**

Finding 8. The public bears most of the risk if CalPERS and CalSTRS investments continue to underperform.

**Partially agree. CalPERS and CalSTRS employees bear a good amount of risk as well. If the investments underperform, CalPERS can increase the employees' contribution percentage to cover the shortfalls.**

Finding 9. Higgins Fire Protection District is out of compliance with Government Code 26909 by not filing an audited financial statement for 2015-2016.

**Agree**

Finding 10. Nevada City School of the Arts' financial statements should reflect their Net Pension Liability.

**Agree**

## **RECOMMENDATIONS:**

Recommendation 2. Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**The recommendation is being implemented. PEPRAs employees, those who became members of CalPERS after January 1, 2013, pay approximately half of their pension contribution toward CalPERS. The District does not pay the employees' share for the PEPRAs employees. The majority of the PVFPD staff pay their own pension contributions and this portion will only increase as more employees are hired and subject to PEPRAs rules.**

Recommendation 3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

**The recommendation will be implemented. The PVFPD website has been updated to include three years of audited financial statements. The links to these documents can be found in the Board of Directors section of the website.**

Recommendation 4. Public agencies should consider implementing the suggestions from the League of California Cities.

**The recommendation will be implemented to the extent applicable. As previously stated, the PVFPD has the most conservative CalPERS contribution plan offered. In addition, approximately 8.6% of the General Fund was spent on pension liabilities for Fiscal Year 2017-18. This is well below the 11.2% cited in the report from the League of California Cities. Starting with Fiscal Year 2018-2019, CalPERS reduced the payback time period for unfunded liabilities for all agencies. This accelerated payback will reduce long term costs. In the future the PVFPD may consider a ballot measure to help alleviate increasing pension and other direct operating costs. At this time the timing is unknown for such an event.**





## Truckee Fire Protection District

*Proudly providing service to portions of both Nevada and  
Placer Counties and the Town of Truckee*

### Board of Directors

*Gary R. Botto  
Victor R. Hernandez  
Gerald W. Herrick  
Erin E. Prado  
Paul D. Wilford*

### Fire Chief

*William G. Seline*

### Division Chiefs

*Craig A. Harvey  
Rod A. Brock*

August 21, 2018

*Reviewed  
9/4/18  
TMA*

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

RE: Required Responses to the 2017-2018 Nevada County Grand Jury Report

Dear Honorable Thomas Anderson,

The Truckee Fire Protection District Board of Directors and Administration has reviewed the 2017-2018 Nevada County Grand Jury report and has prepared the following required responses.

### FINDINGS:

F1. Nearly every Nevada County agency has a Net Pension Liability.

**Agree**

F2. Many Nevada County agencies, especially schools, lack a sufficient Net Position to successfully comply with the requirement to reduce their Net Pension Liability.

**Agree.**

F3. Some Nevada County agencies, especially schools have a negative Net Position.

**Agree.** However, TFPD does not have a negative Net Position.

F4. Transparency demands that financial statements provided by the office of the Superintendent of Schools identify each charter schools Net Pension Liability.

**Agree.**

F5. The strain on Nevada County agency budgets is likely to require cutbacks in services to balance pension contribution increases.

**Disagree partially.** While we agree that many Nevada County agencies are in the difficult position of having to consider cutbacks in services, TFPD anticipates that we will be able to maintain current levels of services. However, further increases in pension contributions, may preclude TFPD from increasing our services.

F6. Many agencies may spend down their reserves to avoid cutbacks in services.

**Agree.**

F7. New sources of revenue may be requested by many agencies to avoid cutbacks in services or reduction of reserves.

**Agree.**

F8. The public bears most of the risk if CalPERS and CalSTRS investments continue to underperform.

**Agree.**

F9. Higgins Fire Protection District is out of compliance with Government Code 26909 by not filing an audited financial statement for 2015-2016.

**Agree.** However, we would like to note that we have no independent knowledge of this fact and are relying entirely on the Grand Jury's report as to this finding.

F10. Nevada City School of the Arts' financial statements should reflect their Net Pension Liability.

**Agree.** However, we would like to note that we have no independent knowledge of the laws applicable to Nevada City School of the Arts and are relying entirely on the Grand Jury's report as to this finding.

#### **RECOMMENDATIONS:**

**R2.** Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**The recommendation has been implemented.** In 2013, “Classic” tier employees of TFPD began paying the full 9% normal member contribution when TFPD ended the employer paid member contribution (EPMC) benefit. Further, during the next employee negotiations in 2019, TFPD intends to explore the option of having employees pay for a share of the employer contributions to CalPERS pursuant to the cost-sharing provisions of Section 20516 of the California Government Code.

**R3.** For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

**The recommendation has been implemented.** The TFPD audited financial statements for the FYE 17, 16 and 15, along with a summary of pension data, can be found on the financial page of the TFPD website at <https://www.truckee-fire.org/district-finances>. The FYE 18 audited financial statement will be uploaded to this site upon its completion.

**R4** Public Agencies should consider implementing the suggestions from the League of California Cities.

1. Develop and implement a plan to pay down the City’s Unfunded Actuarial Liability (UAL):

**The recommendation has not yet been implemented, but will be implemented in the future.** While the League of California Cities Study was limited to pension liabilities, it is important to consider that UAL for many public agencies, including TFPD, include OPEB liabilities – retiree health benefits. TFPD began funding its OPEB UAL in 2008 and is now 41% funded. TFPD’s present goal is to first pay down its OPEB liability which is less funded than its pension liability which is currently 76% funded. Once the OPEB liability is at a sustainable level, TFPD will focus on improving its pension UAL above and beyond the annual UAL payments required by CalPERS.

2. Consider local ballot measures to enhance revenues:

**The recommendation has been implemented.** In 2008, the District implemented a \$50 per residential property Benefit Assessment to support specific additional personnel and services. In 2017, the District surveyed the Martis Valley portion of the District for the possible implementation of a special tax. Only 44% of the voters were supportive of the possible tax so the District has not continued this initiative.



3. Create a Pension Stabilization Program (PRSP):

**The recommendation will not be implemented because it is not warranted.** The TFPD has made a determination to focus on paying down its OPEB UAL. Any excess funds will be used to make additional payments directly to CalPERS to pay down the TFPD pension UAL. TFPD does not see any present value in creating a pension stabilization program.

4. Change service delivery methods and levels of certain public service:

**This recommendation will not be implemented because it is not warranted.** After the 2008 Great Recession the District experienced a 20% decrease in revenue from property taxes. This forced the District to reduce staffing levels and other ancillary services like defensible space chipping. Staffing levels have returned to 2008 levels, however, other discretionary services/expenses have not been reinstated. Future CalPERS contribution increases will most likely result in a limitation on expanding current services.

5. Use procedures and transparent bargaining to increase employee pension contributions:

**This recommendation has been partially implemented.** In 2013, "Classic" tier employees of TFPD began paying the full 9% normal member contribution when TFPD ended the EPMC benefit. Further, during the next employee negotiations in 2019, TFPD intends to explore the option of having employees pay for a share of the employer contributions to CalPERS pursuant to the cost-sharing provisions of Section 20516 of the California Government Code.

6. Issue a pension obligation bond (POB)

**This recommendation will not be implemented because it is not reasonable.** Based on the recommendation of the Government Finance Officers Association (GFOA), we are not considering this course of action at this time given the volatility of the market and the complexity of POBs.

Sincerely,



Paul D. Wilford  
Chairman  
Truckee Fire Protection District Board of Directors



# NEVADA IRRIGATION DISTRICT

1036 W. Main Street, Grass Valley, CA 95945-5424  
(530) 273-6185 ~ Fax: (530) 477-2646 ~ www.nidwater.com

July 19, 2018

The Honorable Thomas Anderson  
Supervision Judge of the Grand Jury  
201 Church Street  
Nevada City, CA. 95959



Regarding: Will the Public Suffer Because of Unfunded Pension Liabilities?  
2017-2018 Nevada County Grand Jury

Dear Honorable Thomas Anderson:

The Nevada Irrigation District reviewed the entire report and pursuant to Penal Code section 933.05, provide the following responses:

**R2 Recommendation:**

Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**R2 Response:**

The Nevada Irrigation District negotiates, in good faith, the benefits offered to employees who participate in unions through its' Memorandum of Understanding (MOU) agreements. Required employee contributions toward this benefit are examined during the process which considers the District's current and future financial position. Staff is cognizant of increasing pension costs and partners with the District to share this burden.

Furthermore, the legislature recognized ever increasing pension cost by enacting the California Public Employee's Pension Reform Act (PEPRA) effective January 2013. The act places a higher costs responsibility on new members through mandated cost sharing while extending contributions before reaching retirement.

**R3 Recommendation:**

For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.





# NEVADA IRRIGATION DISTRICT

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1036 W. Main Street, Grass Valley, CA 95945-5424  
(530) 273-6185 ~ Fax: (530) 477-2646 ~ [www.nidwater.com](http://www.nidwater.com)

## **R3 Response:**

As identified in the Grand Jury Report, NID satisfied the three year transparency request. The Nevada Irrigation District's website presents three years of Comprehensive Annual Financial Reports (CAFR). The Required Supplemental Information (RSI) section presents ten years of Net Pension Liability (NPL) information in accordance with GASB Statement No. 68.

## **R4 Recommendation:**

Public agencies should consider implementing the suggestions from the League of California Cities.

## **R4 Response:**

While the District appreciates the grand jury's efforts to solicit assistance from the League of Cities, utility special district operations are not comparable to full service cities. Primarily, cities rely on property and sales tax revenue to fund police, fire, recreational and other non-utility services. These revenues rise and fall with the economic condition of that city and county while utility special districts' do not. Utility special districts are primarily driven by rates and user fees having the ability to stabilize revenues periodically through the Prop 218 process. Cities can reduce services such as police and fire but at the risk of increased crime and higher insurance rates. Nevada Irrigation District (NID), a special water district cannot decrease regulated services unless mandated by State and Federal Laws.

Regarding the recommended alternatives, creating a Section 115 Trust, issuing a pension obligation bond or adopting a shorter amortization schedule to relieve the liability only shifts the Employer Unfunded Accrued Liability (UAL) to another liability that must then be funded. For cities struggling with cash flow, perhaps issuing a 50 or 75-year bond to relieve the 30-Year liability provides temporary cash flow relief.

Cities as well as special districts could consider a local ballot measure to fund the UAL. However, given the financial position of NIDs' PERS plan, that is the cash position to annual payouts as well as the District's ability to control revenue, the Board has elected not to pursue this approach. Furthermore, adopting a separate revenue measure is redundant as NID can accomplish this through its' comprehensive and balanced rate setting strategy. Utility special district's ability to adjust revenues on a periodic basis provides flexibility to manage the highly





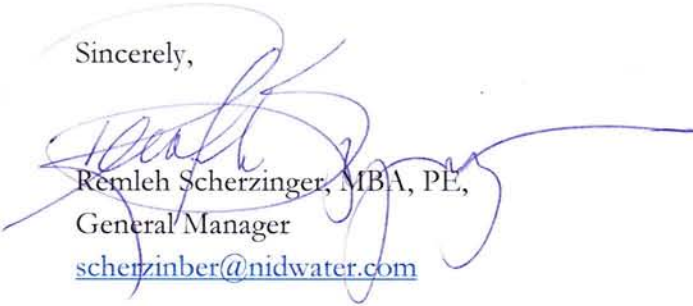
## NEVADA IRRIGATION DISTRICT

1036 W. Main Street, Grass Valley, CA 95945-5424  
(530) 273-6185 ~ Fax: (530) 477-2646 ~ [www.nidwater.com](http://www.nidwater.com)

volatile UAL. Unfortunately, cities and school districts do not possess this level of revenue control.

In conclusion, there are many variables actuaries employ to estimate an employer's UAL thus increasing the uncertainty that any amortization period will truly relieve the liability. Nevada Irrigation District believes the 30-Year amortization schedule developed by CALPERS actuaries is sufficient to reduce the liability over a reasonable timeframe. Please do not hesitate to contact the District for additional information.

Sincerely,



Remleh Scherzinger, MBA, PE,  
General Manager  
[scherzinber@nidwater.com](mailto:scherzinber@nidwater.com)



Marvin V. Davis, MBA, CPA  
Finance Manager/Treasurer  
[davism@nidwater.com](mailto:davism@nidwater.com)

# TAHOE-TRUCKEE SANITATION AGENCY



A Public Agency  
13720 Butterfield Drive  
TRUCKEE, CALIFORNIA 96161  
(530) 587-2525 • FAX (530) 587-5840

## Directors

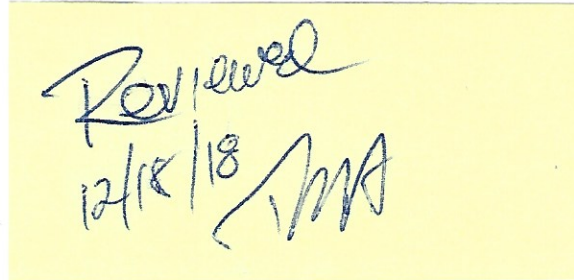
*S. Lane Lewis: President*  
*Dale Cox: Vice President*  
*Jon Northrop*  
*Dan Wilkins*  
*Blake Tresan*

## General Manager

*LaRue Griffin*

December 13, 2018

The Honorable Thomas M. Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959



### **Re: Response to "Will the Public Suffer Because of Unfunded Pension Liabilities."**

The Tahoe-Truckee Sanitation Agency has received your request for a response to items R2 and R4 as indicated in your letter dated 13 November 2018. Please accept the following responses from our Board of Directors to the Nevada County Grand Jury accordingly.

1. **Recommendation R2:** Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**Recommendation R2 Response:** *The recommendation has not yet been implemented, however, the Agency intends to explore the recommendation during its upcoming employee negotiations within the upcoming months.*

2. **Recommendation R4:** Public agencies should consider implementing the suggestions from the League of California Cities.

**Recommendation R4 Response:** *The recommendation has not yet been implemented, however, the Agency intends to develop and implement a plan to reduce its NPL within the 2019 calendar year.*

Should you have any further questions please contact our office and we will be glad to assist you.

Regards,

LaRue Griffin,  
General Manager



# Truckee Donner Public Utility District

Directors  
Joseph R. Aguera  
Jeff Bender  
Bob Ellis  
Tony Laliotis  
Paul Warmerdam  
General Manager  
Michael D. Holley

August 31, 2018

TMA

The Honorable Thomas M. Andersen  
Presiding Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

RE: Response to Grand Jury Report on the subject of *Will the Public Suffer Because of Unfunded Pension Liabilities.*

Dear Honorable Judge Anderson:

In response to the Grand Jury Report dated June 6, 2018 regarding Unfunded Pension Liabilities.

**FINDINGS:**

F1 Nearly every Nevada County agency has a Net Pension Liability.

**AGREE**

F2 Many Nevada County agencies, especially schools, lack a sufficient Net Position to successfully comply with the requirement to reduce their Net Pension Liability.

**AGREE**

F3 Some Nevada County agencies, especially schools, have a negative Net Position.

**AGREE**

F4 Transparency demands that financial statements provided by the office of the Superintendent of Schools identify each charter school's Net Pension Liability.

**AGREE**

F5 The strain on Nevada County agency budgets is likely to require cutbacks in services to balance the pension contribution increases.

**AGREE**

F6 Many agencies may spend down their reserves to avoid cutbacks in services.

**AGREE**

F7 New sources of revenue may be requested by many agencies to avoid cutbacks in services or reduction of reserves.

**AGREE**



F8 The public bears most of the risk if CalPERS and CalSTRS investments continue to underperform.

**AGREE**

F9 Higgins Fire Protection District is out of compliance with Government Code 26909 by not filing an audited financial statement for 2015-2016.

**AGREE**

F10 Nevada City School of the Arts' financial statements should reflect their Net Pension Liability.

**AGREE**

R2 Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

**The recommendation has been partially implemented. California reformed its pension laws effective 2013; the District implemented employee cost share in accordance with the laws of the State of California.**

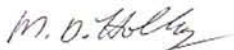
R3 For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

**The recommendation has been implemented. Three years of audited financial statements and summary pension data for the same period are available on the financial page of the District's website.**

R4 Public agencies should consider implementing the suggestions from the League of California Cities.

**The recommendation has been implemented. The District in 2011 issued a Pension Obligation Bond for interest cost savings. The District in 2016 refunded the Pension Obligation Bond to capitalize on additional interest cost savings. The District is also changing its service delivery methods by leveraging technology to streamline service and produce cost efficiencies.**

The Truckee Donner Public Utility District would like to thank the members of the 2017-2018 Grand Jury for their participation and effort in preparing their reports and raising issues of important for the County.



Michael Holley, P.E.  
General Manager

**NEVADA CEMETERY DISTRICT**  
**P. O. Box 2400**  
**Nevada City, CA 95959**  
**530-265-3461**

Honorable Thomas Anderson  
Nevada County Grand Jury  
201 Church Street  
Nevada City, CA 95959


October 29, 2018

Please find attached a second copy of our reply to the 2017-2018 Grand Jury recommendations. Our original reply was mailed to the court on August 15, 2018. We have been notified by the Grand Jury office that they have not received our August 15, 2018 reply. The original reply was signed by all the Nevada Cemetery District Trustees in the original. This copy is the same as the first but not all trustees are available to sign this copy.

We would appreciate a telephone call at 365-3461 when this copy is received by the Clerk of the Grand Jury..

Sincerely yours,

  
Dennis Cassella, Board Chair

  
Reviewed  
11/02/18  
JMA

# NEVADA CEMETERY DISTRICT

P.O.BOX 2400

10523 WILLOW VALLEY ROAD

NEVADA CITY, CA 95959

530-265-3461 530-265-8706 (fax)

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, California 95959

August 15, 2018

Your Honor:

In reference to 2017-2018 Grand Jury Report "Will the Public Suffer Because of Unfunded Pension Liabilities?"

**Recommendation R-2.** "Public agencies and public employee union should explore how increasing employee pension contributions can reduce non-funded pension liabilities."

**Partially agree:** We agree that the public agencies should explore the issue of expanding contributions but there are other agencies whose voice must be heard. The California Public Employees Retirement System (CalPERS) has contract language in place which limits the agreements that the employer and employees can make concerning the mutual agreement that can be reached to share the pension costs. It is our understanding that the employee rate cannot exceed 8% in our agreement with CalPERS. We attempted to set the rate at 50%-50% and we informed that such rate for the employee could not exceed 8%.

**The recommendation will not be implemented at the present time.** It is not within our authority to negotiate employee contracts that CalPERS will not honor.

**Recommendation R-3.** "For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website."

**Partially Agree.** Standards should be set for the format of the "summary pension data". We are leery of going beyond the statement of our auditor. Small special districts do not have the knowledge or resources to agree or dispute the findings of our auditors concerning the pension system.

**The recommendation will be implemented** by posting the annual audit on our website. Two years of audits are now posted.



**Recommendation R4.** Public agencies should consider implementing the suggestions from the League of California Cities.

**Partially Agree.** Solutions applicable to a general or charter, city or county may or may not be applicable to an independent (or dependent) special district. Various California codes give specific powers to a special district. In cemetery districts, the power is provided to set rates that align with the cost of providing goods and services. Some goods and services are specifically not allowed to a cemetery district and others are required in subsequent legislation such as setting the fee for endowment services with the use and timing thereof rigidly regulated. One general statement does not apply equally to all.

Additionally, the published suggestions "What Cities can Do Today" begin with #7. The content of the first 6 was not evident.


**The recommendations will not be implemented, at the present time.** Recommendations arising from the specific public agency service industry would have better application.

Respectfully submitted,


**The Trustees of the Nevada Cemetery District**

  
Dennis Cassella, Chair

/S/ signed  
Gerald Bushore, Vice Chair

  
Alan Archer, Trustee

  
Sushila Mertens, Trustee

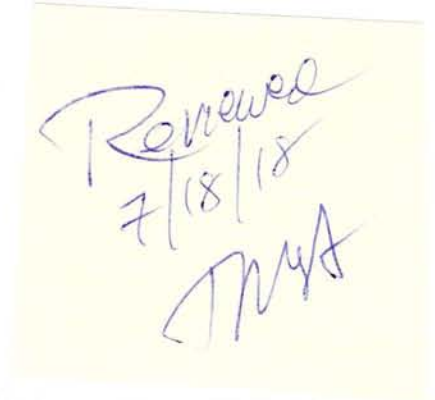
  
Michael Hurst, Trustee



**Nevada County  
Resource Conservation District**

113 Presley Way, Suite One, Grass Valley, CA 95945 • (530) 272-3417 • www.ncrcd.org

July 11, 2018



The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

**Regarding:** Nevada County Resource Conservation District's response to Grand Jury report titled, "*Will the Public Suffer Because of Unfunded Pension Liabilities*"

**RECOMMENDATIONS:**

R2. Public agencies and public employee unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.

*Partially Agree - The recommendation is being researched presently*

Our retirement policy mimics that of Nevada County's. The District plans to research pension options and add greater personal retirement participation for (new) employees.

R3. For the purposes of transparency and easy access, each agency should provide links to three years of audited financial statements and summary pension data for the same period on the financial page of its public website.

*Agree - The recommendation has been implemented*

Our audited financial statements for years 1999 through 2017 and summary pension data reports for 2016 and 2017 have been uploaded to our website. The summary pension data report for 2018 will be uploaded to our website when it is received.

R4. Public agencies should consider implementing the suggestions from the League of California Cities.

*Disagree - The recommendation will not be implemented at the present time*

The District maintains a secure funding stream and is not confronted with city-size issues and funding. Our district is too small and has too few employees to make implementing the suggestions from the League of California Cities feasible. We do, however, receive Annual Unfunded Accrued Liability invoices from CalPERS and pay them when received.

A handwritten signature in blue ink, appearing to read "Robert G. Ingram", is written over a horizontal line.

Nevada County Resource Conservation District Board of Directors  
Robert G. Ingram, President  
July 11, 2018



**Truckee Cemetery District**

P.O. Box 2803

Truckee, California 96160

(530) 587-6553

November 1, 2018

The Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church St.  
Nevada City, CA 95959

Reviewed  
11/05/2018  
MA

Dear Sir:

In response to the recommendation R3 in the Nevada County Grand Jury report entitled "Will the Public Suffer Because of Unfunded Pension Liabilities" the Truckee Cemetery District will implement the recommendation by posting the last 3 years' audited financial statements on the District website [www.truckeecemeterydistrict.com](http://www.truckeecemeterydistrict.com). The District maintains no pension plan.

Sincerely,



Tricia Cook, Secretary

Truckee Cemetery District Board of Trustees



## TRUCKEE TAHOE AIRPORT DISTRICT

10356 Truckee Airport Rd.

Truckee, CA 96161

(530) 587-4119 tel

(530) 587-2984 fax

WWW.TRUCKEETAHOEAIRPORT.COM

## DIRECTORS

LISA WALLACE

TERESA O'DETTE

JOHN JONES

JAMES W. MORRISON

RICK STEPHENS

August 28, 2018

TMA

Honorable Thomas Anderson  
Supervising Judge of the Grand Jury  
201 Church Street  
Nevada City, CA 95959

Re: Response to June 11, 2018 Grand Jury Report (Unfunded Pension Liabilities)

Dear Judge Anderson:

Pursuant to the 2017 -18 Grand Jury Report regarding unfunded liabilities, this District was requested to respond to recommendations R2 and R4. Our responses are below:

**R2 Public Agencies and Public Employee Unions should explore how increasing employee pension contributions can reduce non-funded pension liabilities.**

The employees of the Truckee Tahoe Airport District are not unionized nor do they have an association or bargaining unit. All pay scales have been adopted by the Board of Directors which includes an identification of the amount of contributions by the District and the employees. There are three levels of contributions;

- "Classic" employees, whose contributions are 12.212 percent by the District and 8 percent the employee;
- One employee was hired in 2013 and is a "mid-level" employee wherein the District contributes 7.634 percent and the employee contributes 7 percent;
- Effective January 1, 2013, the District adopted the California Public Employee's Pension Reform Act "PEPRA" and pursuant to that all employees hired after its adoption are subject to that Act wherein the District contributes 6.842 percent and the employee contributes 6.25 percent.

It should also be noted that the District is paying down its unfunded liability per an agreement with Cal PERS in addition to making the required contributions for current payroll. The unfunded liability has always been noted on the District's Balance Sheet and the District has recognized and addressed the unfunded liability for years.

**R4 Public Agencies should consider implementing the suggestions from the League of California Cities.**

Suggestion 7: As noted above, the District has a plan which it is implementing pursuant to its agreement with Cal PERS.

Suggestion 8: The District does not intend to submit a ballot measure to enhance revenues as our revenues are sufficient to meet all financial commitments.

Suggestion 9: The District has discussed and is considering creating a pension rate stabilization program.

Suggestion 10: The District did not need to reduce or eliminate its services during the Great Recession.

Suggestion 11: As noted above, the District does not have an employee organization and therefore has not considered entering into such an agreement although we have adopted the PEPPA protocols.

Suggestion 12: The District has not and is not considering issuing a pension bond obligation.

As you can see, it is the District's belief that we have adequately addressed the unfunded liabilities and should encounter no difficulties in carrying through with our agreement with Cal PERS on this issue.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Kevin Smith', with a stylized flourish at the end.

KEVIN SMITH, A.A.E.  
General Manager