



Shasta County

BOARD OF SUPERVISORS

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June 27, 2017

The Honorable Gary Gibsons
Presiding Judge, Shasta County Superior Court
1500 Court St., Rm. 205
Redding, CA 96001

Dear Judge Gaul:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:
Unfunded Pension Liabilities**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

RESPONSES AND FINDINGS

A. Unfunded Pension Liabilities

FINDINGS

The Grand Jury findings:

F1. *The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson, and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.*

Response: The Board of Supervisors agrees with the finding.

F2. *Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0% the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.*

Response: The Board of Supervisors agrees with the finding.

F3. *Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.*

Response: The Board of Supervisors agrees with the finding.

F4. *None of the agencies have any control over their CalPERS investment return, which are directed by CalPERS are subject to the fluctuations of the stock market.*

Response: The Board of Supervisors agrees with the finding.

RECOMMENDATIONS

The Grand Jury recommends:

R1. *By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.*

Response: As to the County of Shasta, the recommendation has been implemented. The County has already refinanced its major debt and routinely seeks viable refinance opportunities. The Auditor-Controller regularly reviews and suggests ways to increase revenues and reduce expenditures, many of those suggestions are incorporated into the County Budget recommendation and presented to the Board of Supervisors. The County has also taken steps to reduce its unfunded liabilities in the future.

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R2. *By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contribution increase.*

Response: As to the County of Shasta, the recommendation has been implemented. The Auditor-Controller regularly reviews and suggests ways to increase revenues and reduce expenditures, many of those suggestions are incorporated into the County Budget recommendation and presented to the Board of Supervisors. The County has also taken steps to reduce its unfunded liabilities in the future.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "Unfunded Pension Liabilities."

Sincerely,

DAVID A. KEHOE, Chairman
Board of Supervisors
County of Shasta

LGL:jd