



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Names: County Executive  
Office (CEO), Auditor  
Controller, and  
CEO/Human Resources  
Department No: 012, 061, & 064  
For Agenda Of: February 10<sup>th</sup>, 2009  
Placement: Departmental  
Estimated Tme:  
Continued Item: 2.5 Hours  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Michael F. Brown, County Executive Officer  
Directors Robert W. Geis, Auditor-Controller  
Susan Paul, Assistant CEO/Human Resources  
Contact Info: Jason Stilwell, Assistant CEO Budget Director 568-3413  
Theo Fallati, Assistant Auditor-Controller  
Jeri Muth, Assistant HR Director 568-2816  
**SUBJECT: Fiscal Year 2009-2010 Budget Development Workshop: Part 2 - Retirement**

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**Recommended Actions:**

That the Board of Supervisors:

- a) Hold the second part of a four-part 2009-2010 budget development workshop and receive the Fiscal Year 2009-2010 Budget Development – Retirement Report; and
- b) Direct staff to study options for managing costs and risks associated with retirement benefits and return to the Board within sixty (60) days with recommendations on establishing County principles regarding transparency, funding policies, and investment policies to be communicated to Santa Barbara County Employees' Retirement System (SBCERS).

**Summary Text:**

This budget development workshop is designed to timely bring forward to the Board information outlining factors contributing to the multifaceted and complex financial challenges of Fiscal Year 2009-2010 and beyond. The budget development workshops are segmented into four sections:

1. Revenue Environment
2. Retirement Funding
3. Five Year Financial Forecasts
4. Potential Service Level Impacts

The first segment on revenue was held on February 3, 2009. This second segment of the four-part workshop presents the challenges the County will face in funding retirement costs. The February 10, 2009 Budget Development Workshop presentation will focus on issues surrounding the County's rising pension costs.

The County's actuary, Bill Hallmark, of Mercer, will make the presentation (Pension Obligations tab) and will review with the Board:

- General principles for the management of retirement plans;
- The impact of recent market experience on the County's retirement system and associated County costs; and
- Options for the Board to consider.

Mercer also outlined projected contribution rate estimates in correspondence to the County dated December 11, 2008 (Projected Contribution Rate Estimates tab).

At the February 10, 2009 Board of Supervisors Budget Workshop, Mr. Hallmark will provide an overview of the situation and discuss some options the Board may wish to explore further.

#### **Background:**

The County faces severe budget challenges. During this fiscal year, the economic recession had a strong impact on County revenues. Departments have begun several service level reductions in order to stay within budget appropriation limits and the Board has approved certain personnel cost reduction measures. The Board-adopted Fiscal Year 2009-2010 Budget Development Policies call for ten-percent (10%) reductions in the General Fund Contribution. Future budgets are severely constrained by rising retirement costs, even if the recession ends and the economy bounces back. Given that the financial challenges are multifaceted and complex, the budget workshop is segmented to break the complex issues into multiple meetings and to bring information forward to the Board on a timely basis. The segmentation of the workshop is as follows:

- February 3, 2009: Revenue Environment  
Revenues of all types are declining. This will force reductions in service levels. This segment of the workshop will describe the recent revenue trends and describe potential future revenue trends.
- February 10, 2009: Retirement Funding  
Retirement costs are anticipated to be significant components of future County budgets. This segment of the workshop will enable the Board to understand the impacts of the retirement funds on the County budget and the result of recent market volatility on the County retirement costs.
- February 17, 2009: Five-year financial forecasts  
The five-year plans identify financial trends over the immediate horizon. These trends are significantly influenced by the current recessionary economic environment.

- February 24, 2009: Expenditures and potential service level impacts  
By February we will have had a chance to review department budget requests and identify the major problems. Staff anticipates there will be significant service level reductions required to develop a balanced Fiscal Year 2009-2010 budget. This segment of the workshop will present the potential service level reductions to the Board for discussion. It is scheduled for four hours so that the Board can interact with the departments to discuss the impacts.

**Fiscal Impacts:**

The fiscal impacts are the centerpiece of this Budget Development Workshop series. Addressing the fiscal impact of retirement costs is imperative in being able to balance future budgets.

**Attachments:**

Fiscal Year 2009-2010 Budget Development Workshop - Part 2 – Retirement

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**cc:**

All Assistant CEOs

All Department Directors

All CEO Fiscal and Policy Analysts