

CITY OF YORBA LINDA

P.O. BOX 87014

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September 15, 2015

Honorable Glenda Sanders
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

RE: Response to the Orange County Grand Jury report – *“Unfunded Retiree Healthcare Obligations – A Problem For Public Agencies?”*

Judge Sanders:

The City of Yorba Linda has reviewed the Orange County Grand Jury report titled *“Unfunded Retiree Healthcare Obligations – A Problem For Public Agencies?”* and has formulated a response to each of the required findings and recommendations as outlined on pages 17 – 18 of the report.

Finding F2

“Twenty one out of the 32 agencies that provided June 30, 2013 data to the Grand Jury had not put aside funds in an irrevocable trust to help pay for the accrued actuarial liability of retiree healthcare costs in the future. This is an imprudent level of contribution.”

City’s Response

The City of Yorba Linda agrees with the finding. However, when taking into consideration the limited resources available to meet *all* the obligations for the City of Yorba Linda, the amount allocated to retiree healthcare has been adequate to meet the current needs.

Finding F3

“Anaheim, Buena Park, County of Orange, Huntington Beach, Lake Forest, and Stanton were in compliance with the requirement to contribute a full 100% or more of their Annual Required Contribution in the FY 2012-13. The remaining 26 agencies were not in compliance.”

City’s Response

The City of Yorba Linda disagrees wholly with the finding. We are not aware of any provision within GASB Statement No. 45 that requires agencies to contribute 100% of the Annual Required Contribution for any given year. GASB 45 does, however, require the disclosure of the Annual Required Contribution, and the City of Yorba Linda has met that requirement.

Finding F4

“All agencies surveyed (except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP standards.”

City’s Response

The City of Yorba Linda disagrees wholly with the finding. Retiree health benefits earned by current employees for their future use are recognized as a compensation expense in the City’s audited financial statements on the Statement of Activities.

Recommendation R2

“The 21 agencies that have not contributed into an irrevocable trust fund to finance their retiree health obligations should begin to put aside monies to fund this obligation and reduce their unfunded public liabilities.”

City’s Response

The recommendation requires further analysis. The City of Yorba Linda will begin to evaluate the priority of funding of this obligation during the next budget cycle.

Recommendation R3

“The 26 agencies that are not recognizing the full amount of their Annual Required Contribution as expense in the current period and should comply with the requirement to do so.”

City’s Response

The recommendation requires further analysis. While the City of Yorba Linda contends that GASB 45 does not require a 100% contribution of the Annual Required Contribution, we will be evaluating the need to contribute something towards the unfunded liability in during the next budget cycle.

Recommendation R4

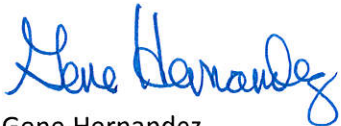
“All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP.”

City’s Response

The recommendation has been implemented. As noted above under the City’s response to Finding F4, retiree health benefits earned by current employees for their future use are recognized as a compensation expense in the City’s audited financial statements on the Statement of Activities.

Should you have any questions or require any further information from the City of Yorba Linda, please feel free to contact our Assistant City Manager/Finance Director, David Christian at (714)961-7141 or dchristian@yorba-linda.org.

Sincerely,



Gene Hernandez
Mayor, City of Yorba Linda

Cc: Orange County Grand Jury