



CITY OF FULLERTON

CITY COUNCIL

Office of the Mayor and City Council

Mayor, Greg Sebourn
Mayor Pro Tem, Jennifer Fitzgerald
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Jan M. Flory
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September 17, 2015

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

Re: City of Fullerton Response to Grand Jury Report: "*Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?*"

Dear Judge Sanders:

The following are the City of Fullerton's responses to the findings and recommendations contained in the Grand Jury's Report, *Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?*"

Finding 2. 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.

Recommendation 2. 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 (F.2.)

City Response: The City of Fullerton agrees with this finding and recommendation and is in the process of establishing an OPEB trust, anticipated to be approved by the City Council in October, 2015. The City will immediately begin contributing to this fund to reduce unfunded liabilities.

Finding 3. 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 Response: The City of Fullerton agrees with this finding. The City has not had the resources to contribute the full ARC the past several years. With the establishment of the Trust this year, the City will increase contributions towards the ARC.

THE EDUCATION COMMUNITY

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Recommendation 3. 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. (F.3.)

City Response: The City of Fullerton disagrees with this finding. The full ARC is recorded on the Government-Wide Financial Statement in our Comprehensive Annual Financial Report (CAFR) in compliance with GAAP and GASB 45.

Finding 4. All agencies surveyed (except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP standards.

Recommendation 4. All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP. (F.4.)

City Response: The City of Fullerton partially disagrees with this finding. The City agrees that retiree health care benefits are considered part of employee compensation. However, it is unclear as to what the Grand Jury is referring to in stating that agencies do not disclose retiree health benefits as part of employee compensation. The City recognizes this liability in our CAFR in conformity with GAAP. We were unable to find an example on the City of Anaheim's website where they do disclose this information. More information would be required to address this recommendation.

Sincerely,



Gregory C. Sebourn
Mayor

cc: Paul S. Borzcik, Foreman
2014-2015 Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701