February 28, 2012

Assemblyman Ricardo Lara
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, California 95814

Dear Chairman Lara:

We respectfully request an audit of the City of San Jose’s general finances and current and future pension obligations.

We request this information in order to ensure that all stakeholders are working from commonly accepted budget and pension obligations figures as the City and all its constituents work to develop the 2012-2013 budget, negotiate employee contracts, and address pension benefits for employees.

To the extent possible, we would like the State Auditor to review the City’s operating budget for the past three fiscal years and all actuarial reports projecting the city’s pension obligations in fiscal year 2015-16. The audit should focus on all projections used by the City and/or its elected officials that include, but may not be limited to, $400 million, $431 million, $570 million, and $650 million. Specifically, we request the State Auditor review and evaluate the following:

1. What are the City’s officially reported future pension obligations for the current fiscal year and each of the next four fiscal years up to fiscal year 2015-16?

2. What is the source of the actuarial and/or other pension cost projections that the Mayor and City Council used and are using to determine the current and future amounts required to fund the city’s annual pension obligation? Were these projections conducted using industry standards or guidelines for actuarial projections? Did the projections include all relevant factors? What accounts for the differences in the various cost projections currently being used by the Mayor and City Council?

3. Did the City and Retirement Boards follow applicable laws, rules, and regulations that are common to actuarial reviews when reporting the projected actuarial liabilities of the City?

4. Identify the City’s pension contribution requirements and the amount the City actually contributed over the past three fiscal years. Identify the amounts the employees contributed over the past three fiscal years.
5. What major factors contributed to the City's need to reduce its expenditures over the past three fiscal years? Were these reductions a necessary and reasonable response to these factors?

6. Identify the City's revenues and expenditures over the past three fiscal years.

7. How much was the City's workforce reduced and what sectors did the reductions occur in during the past three fiscal years?

Thank you for your consideration of this request.

Sincerely,

Jim Beall Jr.
Assemblymember, 24th District

Elaine Alquist
ELaine KONTOMINAS AQuIst
Senate District 13

Luis A. Alejo
Assemblymember, 28th District

Paul Fong
Assemblymember, 22nd District

Bob Wieckowski
Assemblymember, 20th District