



Fillmore Unified School District

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VENTURA COUNTY
GRAND JURY

Superintendent's Office

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September 2, 2010

Ventura County Grand Jury
800 S. Victoria Avenue, L#3751
Ventura, CA 93009

Members of the Ventura County Grand Jury:

On June 8, 2010, the Grand Jury issued its report entitled: *The Half Billion Dollar Elephant In Our Schools' Closets*. In that report, the Grand Jury required a response from the Fillmore Unified School District to recommendations R-01 through R-08. I have reviewed the report and, per the requirement, I am submitting the following response on behalf of the Fillmore Unified School District.

Recommendation R-01: That County School Districts adopt a policy of prefunding their retiree health care benefit plans by establishing an irrevocable trust fund for employees' health care benefits.

Fillmore Unified School District supports the Grand Jury's concept of prefunding retiree health care benefit plans. However, we disagree with the Grand Jury's recommendation that all districts adopt a policy establishing an irrevocable trust fund for these prefunding amounts.

Retiree benefit costs are a growing concern for nearly every governmental agency in the county. Collecting the securing current funding for these future benefits is clearly a prudent thing to do in order to provide for the financial stability of the agency and at the same time to provide a secure benefit for the agencies' retirees. However, given the current economic environment, and the devastating cuts passed onto the Local Educational Agencies by the State of California, Fillmore Unified is faced with the tough choice of prefunding retiree benefits or providing quality educational programs for their current students. Once this economic crisis ends and the State is able to restore education funding, then we will be able to consider making pre-funding retiree benefits a priority.

Recommendation R-02: That County School Districts identify effective cost reductions that will allow the District to achieve their respective calculated Annual Required Contribution (ARC).

Fillmore Unified School District concurs in part with Recommendation R-02. It is clear that

every school district offering retiree benefits must make plans to provide for these benefits in the future. During the current economic crisis, cost reductions would be the only way possible to provide for additional pre-funding of the retiree benefits. Again, should a district cut the programs offered to their current students to pre-fund retiree benefits? We suggest that as additional funding becomes available in the future, Districts will have the opportunity to more carefully plan for the use of these additional funds. However, this possibility relies heavily on the state's priority in restoring education funding, and for that restored funding to be unrestricted and available for the discretionary use of the local governing board.

Recommendation R-03: That County School Districts leverage off of the economies of scale by acting as one bargaining unit and selecting a health care plan for all employees.

Fillmore Unified School District concurs with Recommendation R-03 that economies of scale can provide savings in just about every type of expenditure category, both in the private and governmental sectors of the economy. Currently, we purchase our medical benefits through PERs of California, one of the largest providers of medical benefits.

Recommendation R-04: That County School Districts use language in their financial reports so that the average County taxpayer, employee, and retiree can understand how tax dollars are being spent and recognize the extent of the district's financial indebtedness.

Fillmore Unified School District concurs in part with Recommendation R-04. As the Grand Jury report pointed out, the reporting of post-employment benefits in the annual audited financial report of an LEA is governed by the Governmental Accounting Standards Board in their regulation #45 (GASB 45). GASB 45 gives specific guidance to independent auditors on what must be presented in the annual audited financial statements. As stated in the Grand Jury report, "GASB 45 provides those who use government financial reports with improved information about the cost of providing post-employment benefits..." In addition, unaudited financial information is required to be presented to the State of California on forms prescribed by the State Superintendent of Public Instruction.

The calculation of the future cost of post-employment benefits is a complex task. School districts are required to enlist the services of an actuary in order to make these complex calculations. These actuarial reports are public record and available for inspection.

Fillmore Unified School District meets the reporting requirements of the State of California and the Governmental Accounting Standards Board. However, we agree that the reporting of this complex financial information could be improved so that the information is more usable for the average reader.

Recommendation R-05: That County School Districts place the entire district budget on the district website.

Fillmore Unified School District concurs in part with Recommendation R-05. The budget of a school district, like any public record, is available for public inspection. The annual budget is reported on forms required by the State Superintendent of Public Instruction. These forms are

complex and lengthy. Websites provide unprecedented access to information about school districts, however the information needs to be in a form that is easily accessed and is usable to the reader. The current budget format prescribed by the State Superintendent of Public Instruction may not meet these requirements.

Fillmore Unified School District currently publishes a more easily understood budget that outlines District goals and priorities. We will be upgrading our website in the near future and will post this information at that time.

Recommendation R-06: That County School Districts schedule sessions to communicate and educate employees, retirees, and parents of students regarding the OPEB issue and how this is being addressed by the district.

Fillmore Unified School District concurs with Recommendation R-06 and complies with all reporting requirements concerning our annual budget and the annual financial reports. Budget study sessions are held with the board and are open to the public during the development of the annual budget. The adoption process is advertised and open to the public as required by California Education Code. The annual audited financial statements are also presented to the Board in an open public meeting. OPEB issues are an integral part of the budget and annual financial statement process and are included in the discussions at these public meetings.

Recommendation R-07: That the VCOE and the elected officials of the individual districts take a proactive role in seeking solutions to the unfunded liability crisis and present these solutions to their districts.

Fillmore Unified School District concurs with Recommendation R-08. 07?

Recommendation R-08: That the VCOE and the elected officials of the individual districts consider alternatives to resolve this serious financial situation, such as:

Require greater benefit or premium cost sharing from retirees;

Implement a new defined contribution type retiree health care program for new employees; and

Freeze the employer-provided portion of the retiree health plan at present levels for currently covered active employees.

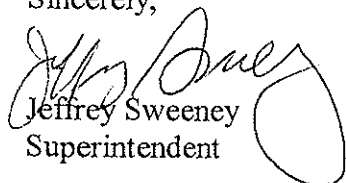
Fillmore Unified School District concurs in part with Recommendation R-08. In almost all cases, the post-employment retiree benefit programs are a part of the collective bargaining process mandated by law. Agreements made during that process are binding on both the school district governing board and the represented employees. Any changes made to these agreements must currently be effected through the collective bargaining process. Currently, Fillmore Unified School District only offers modest retiree benefits, with our retirees shouldering the majority of the cost.

Generally speaking, it is clear that the escalating costs of health care are impacting everyone, and School Districts are not immune. School districts throughout the State are looking at ways to reduce their current and future costs associated with medical benefits for both active and retired employees. Plan changes, benefit reductions, plan caps, increased co-payments, and closing the eligibility for retiree benefits plans are just a few of the strategies school districts are using to reduce costs.

Fillmore Unified School District has taken steps to limit the escalating costs of medical benefits for current employees by implementing a benefits premium soft cap for all employees, by only paying for the lowest cost HMO. This cap helps protect the organization from escalating premium increases, without shifting the full burden to our employees.

Thank you for the opportunity to respond to the Grand Jury on this topic. If you have any additional questions or comments, please feel free to contact me via phone at (805) 524-6018 or via e-mail at jsweeney@fillmore.k12.ca.us.

Sincerely,


Jeffrey Sweeney
Superintendent

cc: Honorable Kevin J. McGee, Presiding Judge, Superior Court of CA, Ventura Co.
Members, Fillmore Unified Board of Education