



September 28, 2010

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VENTURA COUNTY
GRAND JURY

Ventura County Grand Jury
800 S. Victoria Avenue, L#3761
Ventura, CA 93009

RE: Response from Mesa Union School District to Grand Jury Report: *The Half Billion Dollar Elephant in our Schools' Closets*

Members of the Ventura County Grand Jury:

Thank you for preparing the Ventura County 2009/2010 Grand Jury Report title *The Half Billion Dollar Elephant in Our Schools' Closets*. As required by the Grand Jury, following are the responses to the findings and recommendations included in the report on behalf of Mesa Union School District:

Finding F-06. Mesa Union School District:

- District concurs with the Grand Jury Report that the budget for the General Fund as of the 2009/2010 Adopted Budget was \$4,456,351.
- District concurs with the Grand Jury Report that the annual costs associated with health care benefits as of October 1, 2009 were \$340,692 for active employees and \$6,393 for one retiree. However, the full time equivalency (fte) of the number of active employees participating in the ongoing district health plan was 40 fte instead of 16 fte as of October 1, 2009. There are 16 current employees who may be eligible to participate in the district-paid retiree health plan upon retirement until age 65 for an annual maximum District-paid cap (11 employees eligible for \$1,500 annually and 5 employees eligible for \$1,000 annually).
- District concurs with the Grand Jury Report that the projected health care benefit costs for retirees for the next 30 years are expected to be \$112,286 as of October 1, 2009.
- District concurs with the Grand Jury Report that District-paid retiree health benefit plan is closed for all employees hired after January 1, 1999.
- Although no District-paid health benefits are provided to dependents of retirees, retirees and their dependents are allowed to participate in the District's health benefit plan provided the retiree reimburses the District for the full amount of the coverage cost.
- District concurs with the Grand Jury Report that the District did not have an Annual Required Contribution (ARC) as of January 1, 2010. However, the total amount of the liability has been calculated by the District based upon the total maximum number of eligible employees, and the District-paid retiree health benefit caps
- District concurs with the Grand Jury Report that the retiree health care benefits plan was not fully funded as of January 1, 2010.
- District concurs with the Grand Jury Report that the District's unfunded liability as of January 1, 2010 was \$112,286

Recommendation R-01. Adopt a policy of prefunding retiree health care benefits:

- The District will adopt a policy regarding the method to be used for funding the retiree health care benefits.

Recommendation R-02. Identify cost reductions to allow District to achieve calculated ARC:

- Due to the finite number of employees eligible to participate in the retiree health plan and the maximum District-paid cap from retirement until age 65 (11 employees eligible for an annual cap of \$1,500 and 5 employees eligible for an annual cap of \$1000), the District has been able to definitively calculate the total possible maximum amount of the liability of \$112,286. The District is reviewing methods for reducing current costs in order to fund the maximum liability.

Recommendation R-03. Leverage the economies of scale by acting as a bargaining unit and selecting a health care plan for all employees:

- The Mesa Union District already leverages the economies of scale by participating with other school districts in California in the Self-Insured Schools of California (SISC) joint powers health benefit insurance pool administered by the Kern County Superintendent of Schools Office.

Recommendation R-04. Use language in District's financial report to communicate to average County taxpayer, employee, and retiree how tax dollars are being spent and to recognize the District's financial indebtedness:

- The financial reports of the District include a narrative which summarizes the information included in the California State-Required report format into a document that is more easily understood by the public. However, language will be added to include the maximum possible liability for funding the retiree health benefits (\$112,286).

Recommendation R -05. Post the entire District budget on the District website:

- Although the Board packets are posted on the District website, the entire District budget is not currently posted on the District website. This recommendation will be studied and included on the Board agenda for consideration.

Recommendation R-06. Educate and communicate employees, retirees, and parents of students regarding the OPEB issue:

- The District will continue to educate and communicate to employees, retirees, and parents of students, regarding the OPEB issue regarding the maximum amount of unfunded liability of \$112,286.

Recommendation R-07. Take a pro-active role in solving the unfunded liability crisis for the District:

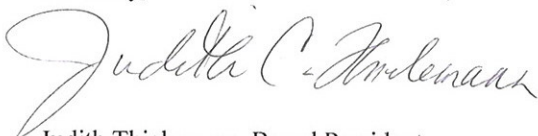
- The District was proactive in phasing out the district-paid retiree health benefit plan. Therefore, there are only 16 employees maximum who may be eligible for the district-paid retiree benefits cap (\$1,500/\$1,000 annually) from retirement until age 65. The District is currently reviewing methods to fund the maximum liability of \$112,286.

Recommendation R-08. Consider alternatives to resolve this serious financial situation:

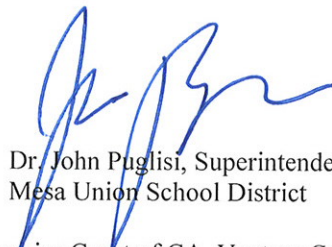
- The District has resolved this issue by phasing out the district-paid retiree health benefit plan for all employees hired after January 1, 1999. Therefore, the maximum liability has been capped at \$112,286.

Thank you for the opportunity for the Mesa Union School District to review and respond to the Grand Jury on this topic. If you have any additional questions or comments, please feel free to contact me or Dr. John Puglisi, Superintendent, via phone (District Office 805-485-1411) or via email (jcthielemann@hotmail.com or jpuglisi@mesa.k12.ca.us).

Sincerely,



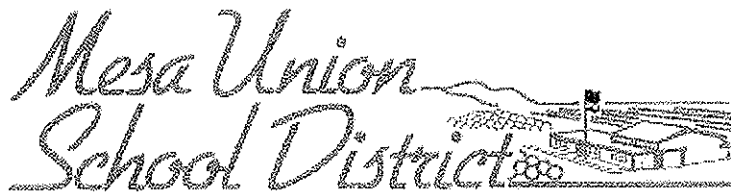
Judith Thielemann, Board President
Mesa Union School District



Dr. John Puglisi, Superintendent
Mesa Union School District

Cc: Honorable Kevin J. McGee, Presiding Judge, Superior Court of CA, Ventura County, P.O. Box 6489, Ventura, CA 93006

Members, Somis Union School District Board
Cynthia Hansen, Chief Business Official



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GRAND JURY

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Ventura County Grand Jury
800 S. Victoria Avenue, L#3761
Ventura, CA 93009

RE: Response Follow-up from the Mesa Union School District to the Grand Jury Report: *The Half Billion Dollar Elephant in our Schools' Closets*

Members of the Ventura County Grand Jury:

As requested in your letter dated October 23, 2010 regarding the Mesa Union School District's response to the Ventura County 2009/2010 Grand Jury Report title *The Half Billion Dollar Elephant in Our Schools' Closets*, following are the revised responses:

Recommendation R-01. Adopt a policy of prefunding retiree health care benefits:

- The recommendation has not been implemented as of this date. However, the District will comply with the recommendation to adopt a policy regarding the method to be used for funding the retiree health care benefits as follows:
 - The policy options will be studied and presented to the Mesa Union School District's Governing Board no later than the regularly scheduled Board meeting on December 14, 2010. The options will include:
 - Establishing an irrevocable trust and contributing funds into the irrevocable trust each year to reduce future liabilities for the retiree health care benefits.
 - Establishing an internal reserve fund that is dedicated to retiree health benefits and contributing funds into the internal reserve fund each year to reduce future liabilities for the retiree health care benefits.
 - The draft policy will be reviewed by the Mesa Union School District's Governing Board no later than the regularly scheduled Board meeting on January 18, 2011.
 - The final policy will be adopted by the Mesa Union School District's Governing Board no later than the regularly scheduled Board meeting on February 15, 2011.

Recommendation R -05. Post the entire District budget on the District website:

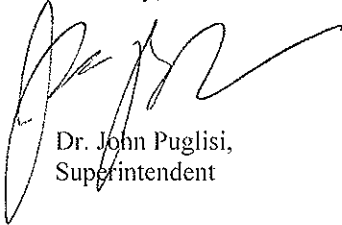
- This recommendation will be studied and presented to the Mesa Union School District's Governing Board on November 16, 2010 for review, discussion, and decision. A response with the results of the study will be forwarded to the Grand Jury no later than December 11, 2010. The scope and parameter of the study will include:
 - The additional staffing resources needed to maintain the entire District budget on the website.
 - The benefits to the public of providing the entire budget on the District's website versus the additional costs to the District for posting the entire budget on the District's website. The study will include the frequency of public requests received by the District for copies of the budget.

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- The study will also include reviewing alternatives to posting the entire budget on the website which would give the public the information in a format which is summarized and easy to read, such as the “Budget Narrative”.

Thank you for the opportunity for the Mesa Union School District to review and respond to the Grand Jury on this topic. If you have any additional questions or comments, please feel free to contact me via phone (805-485-1411) or via email (jpuglisi@mesa.k12.ca.us).

Sincerely,



Dr. John Puglisi,
Superintendent

Cc: Honorable Kevin J. McGee, Presiding Judge, Superior Court of CA, Ventura County, P.O. Box 6489, Ventura, CA 93006

Members, Mesa Union School District Board
Cynthia Hansen, Chief Business Official