



Ojai Unified School District

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September 20, 2010

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

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VENTURA COUNTY
GRAND JURY

Members of the Ventura County Grand Jury:

I am writing this letter on behalf of the Ojai Unified School District Board of Education and in response to the Grand Jury report titled, "The Half Billion Dollar Elephant in Our Schools' Closets."

This letter is written to meet the District's obligation to respond to the report and its findings R-01 through R-08.

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.

The Ojai Unified School District concurs in part with Recommendation R-01. Retiree benefit costs are a growing concern for nearly every governmental agency in the county. Collecting and 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 agency's retirees. However, given the current economic environment and the devastating cuts passed to school districts by the State of California, many districts are faced with the tough choice of pre-funding retiree benefits or providing quality educational programs for their current students. Once this economic crisis ends and the State is able to restore more appropriate education funding, districts will be better able to make decisions that would include funding retiree benefits.

The Ojai Unified School District would like to begin pre-funding annual contributions, but due to the current economic climate, the District chooses the pay-as-you-go strategy for funding retiree benefits. The District does not agree with the Grand Jury that it needs to adopt a policy establishing an irrevocable trust fund for pre-funding these amounts. A

Administration

Henry Bangser, Ph.D., Superintendent
Dannielle Pusatere, Assistant Superintendent, Business and Administrative Services

Board of Education

Kathi Smith, President
Rikki Horne, Vice President
Dr. Pauline Mercado, Clerk
Steve Fields, Member
Linda Taylor, Member

special reserve fund would be an acceptable and appropriate fund to use to pre-fund employees' retiree health care benefits.

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).

The Ojai Unified School District concurs in part with Recommendation R-02. The District should make plans to provide for retiree 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 our District cut the programs offered to our current students to pre-fund retiree benefits? As additional funding becomes available in the future, the District 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 to restore education funding and for that restored funding to be unrestricted and available for the discretionary use by 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.

The Ojai Unified School District concurs in part 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. The Ojai Unified is a member of Self-Insured Schools of California (SISC) which leverages economies of scale for health care plans for many districts in California. However, medical benefits are subject to the collective bargaining process and cannot be unilaterally changed by the Governing Board. As is the case with many districts, we have two very active and discrete unions: Ojai Federation of Teachers and California School Employees Association.

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.

The Ojai Unified School District concurs in part with Recommendation R-04. The reporting of post-employment benefits in the annual audited financial report 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. The calculation of the future cost of post-employment benefits is a complex task. Districts are required to enlist the services of an actuary to make these complex calculations. These actuarial reports are public record and available for inspection.

The Ojai 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. This item will require additional study to determine how this information could be better presented.

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

The Ojai Unified School District concurs in part with Recommendation R-05. Our budget, 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 a district; 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.

The Ojai Unified School District currently posts summary budget information on its website as well as the State required forms for the budget.

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.

The Ojai Unified School District concurs with Recommendation R-06. The Ojai Unified School District complies with all reporting requirements concerning OPEB process, the annual budget and financial reports. If budget study sessions are held with the board, they are open to the public.

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.

The Ojai Unified School District concurs in part with Recommendation R-07. The Ojai Unified School District elected officials and administration have taken an active role in addressing ways to pre-fund retiree benefits. However with the reduced educational funding, the District is faced with the hard reality of reducing or eliminating educational programs rather than pre-funding retiree benefits.

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.

The Ojai Unified School District concurs in part with Recommendation R-08. The escalating costs of health care are impacting everyone, and school districts are not immune. Annually, the District reviews ways to reduce 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. However, 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 district and the represented employees.

Summary

The Ojai Unified School District takes the cost of employee benefits for both current and retired employees very seriously. The District will continue to review and monitor its health care plans and their impact on our financial statements.

Sincerely,



Henry S. Bangser, Ph.D.
Superintendent



Rikki Horne
Board President

cc: Honorable Kevin J. McGee, Presiding Judge, Superior Court of California,
Ventura County
Ojai Unified School District Board of Education
Ms. Dannielle Pusatere, Assistant Superintendent Business and Administrative
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