



PLEASANT VALLEY SCHOOL DISTRICT

Office of the Superintendent

600 Temple Ave. Camarillo, CA 93010
Phone: (805) 445-8601 FAX: (805) 987-5511
www.pvsd.k12.ca.us

August 9, 2010

Superintendent

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

VENTURA COUNTY
GRAND JURY

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 School's Closets.* I have reviewed the report and, per the requirements listed in the cover letter, I am submitting the following response on behalf of Pleasant Valley School District.

The Pleasant Valley School District can only concur or disagree with Finding Number F-14, as this is the only Finding that is related to the District. The Pleasant Valley School District concurs that Finding No. F-14 accurately states the information that was submitted to the Grand Jury. The remaining response to the report pertains to the discussion of the eight recommendations listed below.

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

Pleasant Valley School District concurs in part with the above recommendation. Like the majority of school districts, PVSD currently funds retiree benefits on a pay as you go basis. For most districts, funding at the higher recommended level would put even more hardship on districts budget during a time when they are experiencing massive cuts to education. However, what is unique to PVSD is that the recommended funding level that would be transferred to an irrevocable trust (\$ 1,239,155) almost equals the current pay as you go expenses (1,192,872). According to the actuarial analysis, in future years the annual pay as you go expense will be less than the recommended annual required contribution (ARC). Transferring the recommended ARC to an irrevocable trust could lead to a balance in this fund that cannot be transferred back to the general fund. Pleasant Valley School District will continue the pay as you go policy based on the current actuarial study since this funding mechanism does not increase our unfunded liability and is sufficient in meeting our annual

and future obligations. Staff does agree a policy should be established to review the district's position each year the actuarial study is prepared.

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

Pleasant Valley School District concurs in part with Recommendation R-02. As stated above, PVSD's ARC is almost equal to the amount budgeted each year to cover the current year obligations. During this economic crisis, cost reductions would be the only way to cover the additional \$46,283 needed to meet the full ARC. Should the district cut programs offered to their current students to pre-fund retiree benefits? Staff recommends that when additional unrestricted funds become available in the future, prefunding the additional amount should be considered.

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 Pleasant valley School District concurs with this recommendation. Currently PVSD, along with six other Ventura County school districts, is a member of the Self-Insured Schools of California (SISC) group. SISC is a JPA administered by the Kern County Superintendent of Schools Office. There are currently 368 member districts amounting to 235,253 covered employees. This gives SISC tremendous bargaining leverage with health care providers and that leverage is used to negotiate the lowest rates and best services for all members. In addition it should be noted that medical benefits are subject to the collective bargaining process and cannot be unilaterally changed by Governing Boards of the local districts.

Recommendation R-04. That County School District 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.

Pleasant Valley School District concurs with this recommendation. As pointed out by the Grand Jury Report, the reporting of post employment benefits in the annual audited financial report of the district is governed by Governmental Accounting Standards Board in their regulation # 45 (GASB 45). This regulation gives specific guidelines as to what must be reported in the audit report. As stated in the Grand Jury Report "GASB 45 provides those that use governmental financial reports with improved information about the cost of providing post employment benefits..." In addition, unaudited financial information is required to be submitted to the State of California on forms dictated by the State Superintendent of Public Instruction. Therefore, Pleasant Valley School District is working under very specific reporting requirements of unaudited and audited financial data.

The calculation of future cost of post-employment benefits is a complex task. School districts are required to hire an actuary in order to make these complex calculations. The district's

actuarial reports are submitted to and approved by the Board of Trustees and are made available for public inspection.

Pleasant Valley School District meets the reporting requirements of the State of California and the Governmental Accounting Standards Board. However, staff agrees that the reporting is complex and could be improved so the information is more usable to the average reader.

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

Pleasant Valley School District concurs with this recommendation. PVSD's budget is posted on the District website. Pleasant Valley School District's budget is prepared and submitted to the State on forms required by the State Superintendent of Public Instruction and is posted on the website. In addition, supplemental information is also posted to simplify the complex and lengthy forms required. Budget meetings and recommendations are also posted on the website.

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

Pleasant Valley School District concurs with this recommendation. PVSD complies with all reporting requirements concerning the annual budget. Budget sessions are held as well as Town Hall meetings to allow the public to review and comment on all phases of the budget development. The annual audit report and bi-yearly actuarial studies are also presented to the board in an open public meeting. OPEB costs are an integral part of all budget discussions.

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

Pleasant Valley School District has been proactive in addressing this issue and has been successful in limiting future unfunded liability by reducing the amount of years retirees receive benefits to only include coverage from the age of 60 through age 65.

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

Pleasant Valley School District has been proactive in addressing this issue and has been successful in limiting future unfunded liability by reducing the amount of years retirees receive benefits (current employees only receive benefits starting at age 60 and end at age 65).

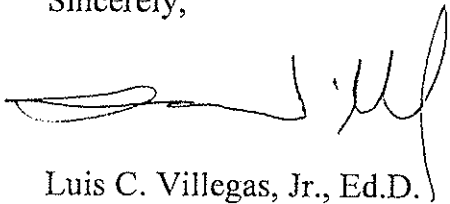
Post-employment retiree benefits are part of the collective bargaining process mandated by law. These agreements are binding on both the district and represented employees. Any changes made to these agreements must be accomplished through the collective bargaining process.

Summary

The Pleasant Valley School District is aware that the escalating cost of health care is impacting the district's finances and continues to look for ways to reduce the current and future costs associated with medical benefits for both active and retired employees. PVSD has already limited the costs for current employees by placing a cap on the employer-paid portion of the medical benefits (currently capped at \$7,500). In addition, the benefits for retired employees has been reduced to only include coverage from the age of 60 through age 65 with an annual cap of \$2,400 for newly hired 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 805-445-8600 or via e-mail at superintendent@pvsd.k12.ca.us.

Sincerely,



Luis C. Villegas, Jr., Ed.D.
Superintendent