

SANTA PAULA ELEMENTARY SCHOOL DISTRICT

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September 3, 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:

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

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 employee's health care benefits.

While the Santa Paula Elementary School District supports the Grand Jury's concept of prefunding retiree health care benefit plans through the establishment of an irrevocable trust fund, the Santa Paula Elementary will not be implementing this recommendation due to fiscal constraints. Given the current economic environment and the devastating cuts passed onto Santa Paula Elementary by the State of California, the District is faced with difficult decisions regarding prefunding retiree benefits or providing necessary educational programs to the students. When the economic crisis ends and State education funding is restored, the District will be in a better fiscal position to consider this recommendation.

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

The Santa Paula Elementary School District agrees in part with the Grand Jury's recommendation. The District has and will continue to identify effective cost reductions that would allow the District to achieve our ARC. However, given the current fiscal challenges facing Santa Paula Elementary cutting already reduced student programs to pre-fund retiree benefits is not feasible at this time. When the economic crisis ends and State education funding is restored, the District will be in a better fiscal position to consider this recommendation.

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 Santa Paula Elementary School District agrees in part with the Grand Jury's recommendation that economies of scale can provide savings in health care plan costs. However, Santa Paula Elementary does not concur that the County School Districts need to act as one bargaining unit. Each district must determine their best use of their limited resources to provide coverage for their employees. Santa Paula Elementary is currently a member of the Coastal School Employee Benefits Organization along with eight other LEAs. The District will continue to work with the other members of this group to provide cost effective medical benefits for our employees.

It should be noted that there have been and currently are discussions in Sacramento to establish a single payer health insurance plan for all State employees. This would effectively establish a system that is aligned with this Grand Jury recommendation.

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 Santa Paula Elementary School District concurs in part with the Grand Jury's recommendation. As the Grand Jury reported 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. 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. Therefore, Santa Paula Elementary is working under very specific reporting requirements of unaudited and audited financial data.

The Santa Paula Elementary School District meets the reporting requirements of the State of California and the Governmental Accounting Standards Board. Consequently, while Santa Paula Elementary agrees that the reporting of this complex financial information could be improved so that the information is more usable for the average reader, such reporting will remain unchanged for the time being. Altering such reporting requirements 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 Santa Paula Elementary School District concurs with the Grand Jury's recommendation. Santa Paula Elementary currently posts budget information on the District website. However, the annual budget reported on forms required by the State Superintendent of Public Instruction is not posted on the District website due to the cumbersome length of the budgets. These budgets are available for public inspection at the District Office. The District will begin posting these reports on the district website.

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 Santa Paula Elementary School District concurs with the Grand Jury's recommendation. Santa Paula Elementary complies with all reporting requirements concerning the annual budget and the annual financial reports of the District. 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.

The Santa Paula Elementary School District concurs with the Grand Jury's recommendation. Santa Paula Elementary takes a proactive role in seeking solutions to all the financial challenges facing the District. Specifically, in regards to retiree health care benefits, the District has been successful in limiting the unfunded liability for post-employment benefits by limiting the pool of eligible employees, implementing a benefits premium cap at the time of retirement and ending benefits at 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 healthcare program for new employees
- Freeze the employer-provided portion of the retiree health plan at present levels for currently covered active employees

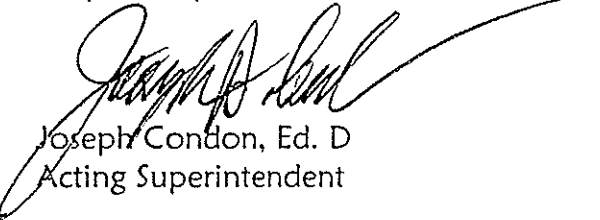
The Santa Paula Elementary School District concurs in part with the Grand Jury's recommendation. Santa Paula Elementary is always willing to consider alternatives that would address the unfunded liability for post-employment benefits. Plan changes, benefit reductions, plan caps, increased co-payments and closing the eligibility for retiree benefits plans are some alternatives available to reduce costs. However, in almost all cases, the post-employment retiree benefit programs are a part of the collective bargaining process as mandated by California law. Agreements made during that process are binding on both the District's Governing Board and the represented employees. Therefore, any changes made to retiree benefits are subject to collective bargaining.

Summary

The Santa Paula Elementary School District takes the cost of employee benefits for both current and retired employees very seriously. Where possible, the District has taken steps and will continue to take steps to limit the unfunded liability for post-employment benefits. While the Santa Paula Elementary School District supports the Grand Jury's concept of prefunding retiree health care benefit plans, the current challenges of providing quality educational programs to the students of Santa Paula during this economic crisis limit the District's ability to address the Grand Jury's recommendations. In response to the fiscal challenges for the 2010-2011 school year, Santa Paula Elementary has reduced the school year, increased class size, implemented furlough days and laid off employees. When the economic crisis ends and State education funding is restored, the District will be better able to prioritize our resources and make decisions that would include funding retiree benefits.

If you have any questions or would like to discuss this response, please do not hesitate to contact me at 805-933-8802.

Respectfully Submitted,



Joseph Condon, Ed. D
Acting Superintendent

c: Board of Trustees, Santa Paula Elementary School District
Honorable Kevin J. McGee, Presiding Judge, Superior Court of CA, Ventura County