



SIMI VALLEY UNIFIED SCHOOL DISTRICT

OFFICE OF SUPERINTENDENT  
Kathryn S. Scroggin, Ed.D.  
Superintendent

Board of Education  
Rob Collins  
Jeanne Davis  
Janice DiFatta  
Eric Lundstrom  
Debbie Sandland

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Date: August 11, 2010

To: The Ventura County Grand Jury  
C: Honorable Kevin J. McGee, Presiding Judge

From: Patti Ball, Executive Assistant  
Simi Valley USD

RE: The report entitled *The Half Billion Dollar Elephant in Our Schools' Closets*

The minutes approving the response to the Grand Jury report entitled *The Half Billion Dollar Elephant In Our Schools' Closets* will not be available until they are approved at the next Regular Board Meeting Scheduled for September 14, 2010.

I have enclosed a copy of the narrative motion and the approval as stated at the August 10, 2010 Board meeting.

Thank you.

RECEIVED  
AUG 13 2010  
VENTURA COUNTY  
GRAND JURY

**TITLE: APPROVAL OF THE RESPONSE TO THE VENTURA COUNTY GRAND JURY**

Board/Administration  
Consent #2

August 10, 2010  
Page 1 of 2

Prepared by: Dr. Kathryn Scroggin, Superintendent

**Background Information**

On June 10, 2010, the Ventura County Grand Jury issued a report titled, "*The Half Billion Dollar Elephant In our Schools' Closets*". This report was provided to each district along with a set of recommendations. Simi Valley Unified School District (SVUSD) has 90 days within which to respond to the recommendations. It is further required that the district submit with its response to the recommendations the minutes of the meeting at which the response was approved by the Board of Education. A complete copy of the report is on file at the District office and on line at <http://grandjury.countyofventura.org/>. A copy of the response will be available from the Office of the Superintendent after Board approval tonight.

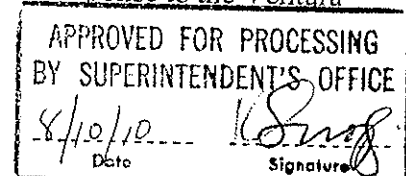
**Educational Analysis**

With recent state budget problems and their impact on the funding of our schools, the SVUSD remains committed to providing each student with outstanding educational opportunities. To fully fund the retiree benefits over a short period of time would decrease the funding available for educational opportunities for our students.

**Fiscal Analysis**

The Grand Jury report indicates that because of the large financial liability of the retiree benefits that the Districts should prefund that liability. Simi Valley Unified School has over the past 3 years begun to prefund the financial liability. The District is following the Government Accounting Standards Board (GASB) 45 which requires the District to fully fund this liability over a 30 year period. The District currently funds at a rate of \$12 per month per employee in addition to the pay as you go funding. The District is required to have an Actuarial Study every 3 years to review the ongoing liability.

On the motion of Trustee Sandland, seconded by Trustee Collins, and carried by a vote of 570, the Board of Education approved the response to the Ventura County Grand Jury.





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August 11, 2010

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

RECEIVED  
AUG 13 2010  
VENTURA COUNTY  
GRAND JURY

Members of the Ventura County Grand Jury:

Thank you for the work that the Ventura County Grand Jury does on behalf of the residents of Ventura County. 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 Simi Valley Unified School District to recommendations R-01 through R-08.

I along with other staff members have reviewed the report and, per the requirement, I am submitting the following response on behalf of Simi Valley 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.**

The Simi Valley Unified School District (SVUSD) supports the Grand Jury's concept of prefunding retiree health care benefit plans. This is demonstrated by the fact that SVUSD has set aside approximately 30% of the districts' Actuarial Accrued Liability (AAL) amount in a designated fund balance reserve account. In addition, this effort is combined with a fully-funded Annual Required Contribution (ARC) amount. However, SVUSD disagrees with the Grant Jury's recommendation that districts adopt a policy establishing an irrevocable trust fund for these prefunding amounts.

District management recognizes the fact that retiree benefit costs need to be identified and clearly reported. Furthermore, securing current funding for future employee benefits is on the list of budget priorities in order for the district to obtain a goal of overall financial stability.

However, given the current economic environment, and the devastating financial cuts passed onto districts by the State of California, districts are faced with tough funding choices. To complicate the problem, districts are subjected to unprecedented cash flow deferrals which further restrict available resources. This district is torn between providing quality educational programs for our students or prefunding retiree benefits. Clearly, at this time, the districts' main priority must be focused on providing quality programs for our current students. Hopefully, once this economic crisis ends and the State of California is able to restore education funding, the district will be in a better position to further emphasize funding retiree benefits.

Currently, the SVUSD is partially pre-funding its retiree health care benefit liability at an amount determined reasonable with present overall funding conditions but does not plan to implement an irrevocable trust fund at this time.

**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 Simi Valley Unified School District (SVUSD) concurs in part with Recommendation R-02. Since the district offers retiree benefits up to age 65, cost containment efforts have been in place to plan and provide for these future benefits with the least amount of impact to existing programs. Again, the districts' priority must lie with providing quality educational programs for current students. As additional funding becomes available, the district will prioritize those funds so that there is no negative impact of services to students. This possibility relies heavily on the State's ability to restore education funding.

The SVUSD has fully funded its ARC by combining a pay-as-you-go policy plus allocating a per employee monthly payroll contribution for the difference. The employee monthly payroll contribution is accumulating annually in an accrual liability account. A policy to fully-fund the districts' ARC will continue as long as it does not negatively impact services to our current students.

**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 Simi Valley Unified School District (SVUSD) concurs with Recommendation R-03 that economies of scale can provide savings in just about every type of expenditure category.

urrently, the SVUSD is leveraging economies of scale for health care plans. On an annual basis, SVUSD and other LEAs review the plans that are currently in place and analyze other options. SVUSD works with POMS and Associate to negotiate the rates and to review plans. Options of combining with neighboring LEAs into one plan are reviewed annually. We have determined at this time that our medical benefit plans provide the best mix of coverage for our employees, with the prudent use of limited financial resources. SVUSD realizes that it is a well-documented fact that cost of medical benefits continue to grow faster than the general economy.

The SVUSD is currently self-insured for the retiree medical benefits. SVUSD continues to monitor the cost and works with the bargaining units to provide a cost effective plan that meets the needs of the employees.

**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 Simi Valley Unified School District (SVUSD) concurs in part with Recommendation R-04. Reporting of post-employment benefits in the districts' annual audited financial report is governed by the Governmental Accounting Standards Board in regulation #45 (GASB 45). GASB 45 gives specific guidance to independent auditors on what must be disclosed 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, the SVUSD is provided very specific reporting requirements of unaudited and audited financial data and is in compliance with those requirements. Current audited financial reports are available for public inspection on the SVUSD web site.

Since the calculation of the future cost of post-employment benefits is a complex task, districts' are required to enlist the services of an actuary. These actuarial reports are public record and available for public inspection upon request.

The SVUSD is in compliance with the reporting requirements of the State of California and GASB 45. However, we agree that the reporting of this complex financial information could be improved and more useable to the average reader. Additional review of this entire process may determine how this information might be better performed and presented.

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

The Simi Valley Unified School District (SVUSD) concurs in part with Recommendation R-05. The districts budget is a public record and must be available for public inspection at specified time periods. Again, the budget is presented in a precise format required by the State Superintendent of Public Instruction. This budget format is complex and lengthy, with the SVUSD state formatted budget reaching 168 pages. Currently, the SVUSD is in the process of updating the districts' web site which will include a simplified version of the district budget for easy access and should be understandable to the average reader. The current budget format prescribed by the State Superintendent of Public Instruction may not meet these requirements.

The SVUSD currently displays summary budget information in the Business Services Division Office. We routinely review this information to ensure that the budget material is presented in a meaningful way to the average user.

**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 Simi Valley Unified School District (SVUSD) concurs with Recommendation R-06. SVUSD complies with all reporting requirements concerning the annual budget and annual financial reports of SVUSD. Budget study sessions are held with the Board of Education and are open to the public during the discussion 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. Other Post Employee Benefit (OPEB) issues are an integral part of the budget and annual financial reporting process. On various levels, the impact of OPEB are disclosed and included in the discussions at these public meetings.

The SVUSD currently includes the discussion of OPEB issues in the budget and annual financial statement process. However, we recognize that the reporting of this complex financial information could be improved. Additional review of this entire process may determine how this information might be better presented in the future.

**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 Simi Valley Unified School District (SVUSD) concurs with Recommendation R-07. The Management Team and the SVUSD Board of Education have tried to take a proactive role in addressing the partially unfunded liability of Other Post Employee Benefits (OPEB) for the district. Steps taken to address the issue include limiting

eligibility for OPEB and funding approximately 30% of the unfunded liability in a designated fund balance reserve account. Additional funding of this liability will be made, as deemed appropriate, in the future.

The SVUSD has been proactive in addressing this important issue and has been successful in partially limiting the unfunded liability for OPEB by limiting the pool of eligible employees, fully funding the Annual Required Contribution (ARC) and pre-funding a significant amount of the future costs of 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 Simi Valley Unified School District (SVUSD) concurs 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 this process are binding on both the Board of Education and the represented employee groups. Any changes made to these agreements must currently be addressed through the collective bargaining process.

For the most part, it is clear that the escalating costs of health care are impacting everyone, and school districts are not immune to the problem. 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 eligibility for retiree benefits are just a few of the strategies districts are using to reduce costs.

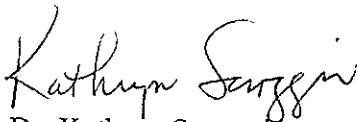
The SVUSD is currently honoring its retiree benefits program by partially prefunding the costs whenever possible. In addition, SVUSD has taken steps to limit escalating costs of medical benefits of current employees by implementing employee co-pays for all employees. These co-pays protect the organization from additional premium increases. Unfortunately, it does not protect individual employees and their families from additional out of pocket expenses due to the escalating cost of healthcare.

## Summary

The Simi Valley Unified School District management team takes the cost of employee benefits for both current and future employees very seriously. SVUSD has taken steps to limit the effect of escalating benefit costs for retirees by limiting program eligibility and partially prefunding approximately 30% of the unfunded liability. An extra effort has been made to fully fund the annual required contribution for current retirees. In addition, SVUSD has limited the costs for current employees by implementing co-pays for an employee-paid portion of the medical plan premiums. The district will continue to work in assessing health care benefit plans and their impact on the organization's financial statements.

Thank you for the opportunity to respond to the Grand Jury on this important topic. If you have any additional questions or comments, please feel free to contact myself or Associate Superintendent Lowell Schultze via phone at (805) 306-4510 or via email at [lschultz@simi.k12.ca.us](mailto:lschultz@simi.k12.ca.us).

Sincerely,



Dr. Kathryn Scroggin  
Superintendent

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