

VENTURA UNIFIED SCHOOL DISTRICT

Education Service Center

October 25, 2010



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Trudy Tuttle Arriaga, Ed.D.
Superintendent

Ventura County Grand Jury
H. G. Kelley, Foreman
800 S. Victoria Avenue, L#3751
Ventura, California 93009

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

Re: Response to Ventura County 2009-2010
Grand Jury Report entitled "The Half Billion Dollar
Elephant In Our Schools' Closets"

Dear Mr. Kelley:

The Board of Trustees and the Administration of the Ventura Unified School District (hereinafter "District") have received and reviewed the above-referenced Grand Jury Report. Pursuant to Penal Code §933 et seq. and the Grand Jury's request for responses to Recommendations 01 through 08, below are the District's responses to the recommendations stated in the above-referenced report. As for the Grand Jury's findings F-01 through F-37, the District has reviewed these findings and has determined that it does not possess the information necessary to respond with the exception of F-21.

I. RESPONSE TO FINDINGS

A. Response to Finding F-21

Part 1: "Ventura Unified School District failed to provide the information as requested by the Grand Jury. However, with the information in the actuarial report provided by the Ventura Unified School District, the Grand Jury calculated the estimated amounts for projected total health care costs over the next thirty years and the ARC"

The District does not agree with this portion of finding F-21. The District informed the Grand Jury on October 28, 2009 that the District does not maintain 30-year projections. However, the District did provide an existing actuarial study

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performed by an actuary with 15-year cost projections. The District's retiree health insurance plan is estimated to end in 15 to 20 years.

Part 2: "the budget for the current school year is \$163,386,445"

The District agrees with this portion of finding F-21.

Part 3: "the annual costs associated with the health care benefits are \$16,619,294: \$14,161,869 for 443 active employees and \$2,457,425 for 263 retirees"

The District agrees in part with this portion of F-21. The numbers that need to be corrected are as follows: "443 active employees" should be "1,386 active employees" and "263 retirees" should be "365 retirees."

Part 4: "the projected total health care benefits costs over the next 30 years are estimated to be \$34,320,948*"

The District has reviewed this portion of finding F-21 and has determined that it does not possess the information necessary to respond since this is an estimate calculated by the Grand Jury.

Part 5: "does not offer a paid retirement health care benefits plan for current employees"

The District agrees with this portion of finding F-21.

Part 6: "the retiree health care benefits plan has been closed since June 30, 1993"

The District agrees with this portion of finding F-21.

Part 7: "the District provides health care benefits to employees who retired prior to July 1, 1993 and to their spouses"

The District agrees with this portion of finding F-21.

Part 8: "ARC is estimated to be \$1,744,161*"

The District has reviewed this portion of finding F-21 and has determined that it does not possess the information necessary to respond since this is an estimate calculated by the Grand Jury.

Part 9: “the retiree health care benefit plan that ended in 1993 is not fully funded”

The District agrees with this portion of finding F-21.

Part 10: “the unfunded health care benefits liability reported in the 2009-2010 budgets is \$34,320,948. The total is comprised of \$26,812,023 representing the retiree portion of the unfunded health care benefits liability and \$7,508,925 for an employee deferred compensation program for all staff employed by the District as of June 30, 1993”

The District agrees with this portion of finding F-21.

Part 11: “has a reserve fund with a current balance of \$34,246 leaving an unfunded liability balance of \$34,286,702”

The District has reviewed this portion of finding F-21 and has determined that it does not possess the information necessary to respond since this is an estimate calculated by the Grand Jury.

“*Grand Jury calculated amounts”

II. RESPONSE TO RECOMMENDATIONS

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.

The recommendation will not be implemented. Prefunding is one method of addressing the unfunded liability for retiree health care costs. The District employed an alternative method by discontinuing its retiree health insurance program for new and current employees in 1993. By discontinuing the program the District has decreased its unfunded liability by more than 50%. The latest actuarial study shows that the unfunded liability will be less than 10% of its original value in 15 years and less than 1% in 20 years.

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

As a result of discontinuing the retiree health insurance program, the District’s actuary has established an Annual Level Dollar Amortization Amount for the District to

contribute each year. The District has attempted to contribute the recommended annual amount.

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 District concurs with this recommendation. Currently, the District is taking advantage of economies of scale by participating in the Gold Coast Joint Benefits Trust with two other districts.

With regard to acting as one bargaining unit, this issue is governed by the Educational Employment Relations Act and is not something governing boards of local districts can unilaterally change. It is an issue that must be negotiated with the District's employees exclusive representative.

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 District concurs with this recommendation. The District currently meets the reporting requirements of the State of California and the Governmental Accounting Standards Board. In addition, the District conducts budget information meetings for employees, presents the community with additional clarifying information during public meetings, posts financial information on the District website and provides an opportunity on the website for the public to ask questions and make comments.

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

See response to R-04 above.

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 District concurs with this recommendation. The District complies with all reporting requirements concerning its annual budget and the annual audit and financial reports. In addition, the District conducts budget information meetings for employees, presents the community with additional clarifying information during public meetings, posts financial information on the District website and provides an opportunity on the website for the public to ask questions and make comments.

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 District concurs with this recommendation. The District has taken a proactive role by eliminating its retiree health insurance program in 1993.

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**

Please see response to R-07 above.

- **implement a new defined contribution type retiree health care program for new employees**

Please see response to R-07 above.

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

Please see response to R-07 above.

Should you have any further questions or concerns, please do not hesitate to contact me at the above-referenced contact information.

Respectfully submitted,



Trudy T. Arriaga, Ed.D.
Superintendent



Debbie Golden
Board President
Ventura USD Governing Board

cc: Ventura USD Governing Board