

# **Ventura County Grand Jury 2009 - 2010**



## **Final Report**

### **The Half Billion Dollar Elephant in Our Schools' Closets**

**June 11, 2010**

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# The Half Billion Dollar Elephant In Our Schools' Closets

*A penny saved is a penny earned.*

**Benjamin Franklin**

## Summary

There has been extensive press coverage regarding the magnitude and the problems associated with unfunded pension and health care benefit liabilities at both the state and the local level.

The 2009-2010 Ventura County Grand Jury (Grand Jury) investigated whether the 20 Ventura County Public School Districts (VCPSD), the Ventura County Community College District (VCCCD), and the Ventura County Office of Education (VCOE) (collectively known as the County School Districts) are in compliance with the requirements of Government Accounting Standards Board (GASB) 45 and determined the extent of their unfunded retiree health care benefit liabilities. [Ref-01 through Ref-07]

The Grand Jury found that 17 of the 22 school districts in Ventura County (County) have unfunded retiree health care benefit liabilities.

The five School districts which are fully-funded are:

- Briggs Elementary School District
- Mupu Elementary School District
- Oak Park Unified School District
- Santa Clara Elementary School District
- Somis Union Elementary School District

The Grand Jury found that County School Districts have:

- an estimated total unfunded health care benefits liability of \$529,853,272
- a combined total estimated Annual Required Contribution (ARC) of \$44,056,287

The Grand Jury concluded that the substantial unfunded retiree health care benefit liabilities, combined with the funding reductions from the State of California (State), and the steady decline in enrollment over the past five years create a serious financial dilemma for the County School Districts and should no longer be ignored.

The Grand Jury recommends:

- that County School Districts abandon their current pay-as-you go approach and adopt a policy of pre-funding retiree health care benefit plans by establishing an irrevocable trust fund for employees' health care benefits

- that County School Districts leverage off of the economies of scale by acting as one bargaining unit and select a health care plan for all employees

County taxpayers should consider this financial dilemma as a warning and a call to action. They should demand greater accountability from their school districts and take an active role in overseeing their public funds and elected officials.

## **Background**

The Grand Jury chose to investigate whether the County School Districts have complied with the requirements of GASB Statement 45 (GASB 45) and the extent of their unfunded retiree health care benefit liabilities.

Several private industries pension funds (for example Enron, WorldCom, Adelphia, and Tyco International) went bankrupt in the 1990s. This resulted in multibillions of dollars in unfunded liabilities; the Financial Accounting Standards Board (FASB) began requiring private sector companies to list pension liabilities in financial reports. [Ref-08]

GASB, which establishes and improves standards for financial accounting and reporting for state and local government agencies, concluded that many public agencies were facing a similar crisis regarding unfunded retiree health care benefits. GASB decided to require local governments to disclose the total cost of compensation, including compensation owed in the future such as retiree health care benefits, as an expense on their annual financial reports. On August 2, 2004, GASB issued GASB 45. [Ref-09 through Ref-12]

Other postemployment benefits (OPEB), such as health care, dental, vision, hearing, life insurance, long-term care and long-term disability, must be recognized (but not necessarily funded) as a current cost during the employees working years. Thus, each public agency must identify and disclose OPEB as an expense and, to the extent that they are not pre-funded, list OPEB obligations as a liability on its financial statements. This liability must be calculated by an actuary. [Ref-13 through Ref-15]

GASB 45 provides those who use government financial reports with improved information about the cost of providing postemployment benefits, the commitments that governments have made related to these benefits, and to the extent to which these commitments have been funded.

Prior to this change in accounting standards, disclosure of these liabilities was required to be noted only in the footnotes of the annual audit. GASB 45 requires all local governments, including school districts, to begin showing the accrued liabilities associated with OPEB on their financial statements, and whether, and to what extent, progress is being made in funding the liability.

It must be noted that the actuarial projections of retiree health benefit costs are highly speculative, especially over a thirty year period of time. Very slight changes in the assumptions related to costs and return on investments result in huge changes in the projected liability. The factors that actuaries use are the rate of return on investments, health care costs, mortality rate, health care insurance costs, and the demographic makeup of the employees and retirees which are all subject to change from year to year. This is why GASB 45 requires

an actuarial valuation at least every two years for employers with OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least every three years for plans with a total membership of fewer than 200.

## **Methodology**

The Grand Jury received information from all County School Districts regarding the extent of each entity's costs and liability in providing benefits and health care for retirees. When all responses were received, the information was summarized for each district. A copy of the summary information was sent to the County School Districts requesting that they each validate the accuracy of the information and make any corrections or adjustments needed to ensure accuracy. The Grand Jury received validation from the County School Districts with only minor corrections which were incorporated. Additionally, the Grand Jury conducted internet and newspaper searches on this topic.

## **Findings**

**F-01.** Two important numbers to be concerned with are:

- the projected total health care benefits costs over the next 30 years which consists of the ARC and the normal costs for the year
- ARC, which represents an amortized payment that would remain the same for 30 years, after which time amortization payments would end

**F-02. Briggs Elementary School District: (@449 Students – 2 Schools)**

- the budget for the current school year is \$3,661,001
- the annual costs associated with health care benefits for active employees are \$228,732
- does not currently have a retiree health care benefits plan
- does not pay any portion of the retiree's dependent health care benefits
- there are no participants in the District's retiree health care benefits plan
- the health care benefits plan for current employees is pay-as-you-go
- does not have any unfunded health care benefits liability

**F-03. Conejo Valley Unified School District: (@21,655 Students - 29 Schools)**

- the budget for the current school year is \$170,595,282

- the annual costs associated with health care benefits for fiscal year (FY) 2009-10 are \$18,837,425: \$18,412,882 for 1,695 active employees and \$424,543 for 124 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$18,239,251
- ARC for FY 2007-08 was \$1,245,188
- the retiree health care benefits plan remains open
- the retiree health care benefits program is not fully funded
- the unfunded health care benefits liability (the liability over the assets deposited into an irrevocably trust fund committed to provide retiree health care benefits) as of June 30, 2008 was \$9,688,289: \$7,556,534 for active employees and \$2,131,755 for retirees

**F-04. Fillmore Unified School District: (@3,860 Students - 7 Schools)**

- the budget for the current school year is \$30,444,000
- the annual costs associated with health care benefits are \$4,180,000: \$3,009,537 for 368 active employees and an estimated \$1,170,463 for 71 retirees, as of July 1, 2008
- the projected total health care benefits costs over the next 30 years are expected to be \$125,400,000
- does not provide health care benefits for future retirees
- ARC for FY 2008-09 is \$379,637
- the unfunded health care benefits liability is \$2,993,293: \$1,822,830 for active employees and \$1,170,463 for retirees

**F-05. Hueneme Elementary School District: (@7,983 Students - 11 Schools)**

- the budget for the current school year is \$65,477,258
- the annual costs associated with health care benefits are \$6,123,426: \$5,573,172 for 89 active employees and \$550,254 for 69 retirees
- there are 540 employees not yet fully eligible for health care benefits
- the projected total health care benefits costs over the next 30 years are expected to be \$29,107,900
- does not currently provide lifetime health care benefits, however, there are two past superintendents receiving lifetime health care benefits pursuant to their employment contracts
- the retiree health care benefits plan remains open
- ARC is \$1,964,700

- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$19,002,100

**F-06. Mesa Union Elementary School District (@1,150 Students – 2 Schools)**

- the budget for the current school year is \$4,456,351
- the annual costs associated with health care benefits as of October 31, 2009 are \$347,085: \$340,692 for 16 active employees and \$6,393 for one retiree
- the projected total health care benefits costs for retirees over the next 30 years are expected to be \$112,286
- the retiree health care benefits plan is closed to all employees hired after January 1, 1999
- there are no retiree dependents participating in a District retiree health care benefits plan
- ARC has not been calculated as of January 25, 2010
- the retiree health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$112,286

**F-07. Moorpark Unified School District (@7,324 Students - 11 Schools)**

- the budget for the current school year is \$53,593,367
- the annual costs associated with health care benefits are \$7,394,338: \$4,783,164 for an estimated 571 active employees and \$2,611,174 for 51 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$332,000,000
- the retiree health care benefits plan remains open
- ARC is \$1,215,947
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$10,237,363

**F-08. Mupu Elementary School District (@127 Students – 1 School)**

- the budget for the current school year is \$986,271
- the annual costs associated with health care benefits are \$57,209 as of October 31, 2009
- there are no participants in a District retiree health care benefits plan
- does not have any unfunded health care benefits liability

**F-09. Oak Park Unified School District (@3,627 Students – 7 Schools)**

- the budget for the current school year is \$28,776,270

- the annual costs associated with health care benefits for active employees is \$3,474,322
- does not provide health care, dental, or vision benefits plans to its retirees
- employees who retire from the District with a minimum of 15 years of service and are at least 55 years old may purchase health care benefits from the District at the retiree's expense. Employees eligible for health care benefits coverage must work a 50% contract or greater. Full time employees are required to enroll in a health care, dental, and vision plan
- at the retirees option they may enroll their eligible dependents
- does not provide retiree health care benefits coverage to retirees or retiree dependents
- does not have any unfunded liability

**F-10. Ocean View Elementary School District (@2,508 Students – 4 Schools)**

- the budget for the current school year is \$20,485,501
- the annual costs associated with health care benefits are \$2,894,120: \$2,613,088 for 259 active employees and \$281,032 for 21 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$8,909,363
- the District's retiree health care benefits plan remains open
- ARC is estimated to be \$596,164
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$5,299,520

**F-11. Ojai Unified School District (@3,152 Students – 9 Schools)**

- the budget for the current school year is \$22,700,000
- the annual costs associated with health care benefits are \$2,789,564: \$2,450,719 for 59 active employees and \$338,845 for 38 retirees
- the projected total health care benefits costs over the next 30 years are expected to be \$60,000,000
- the retiree health care benefits plan remains open
- ARC as of June 30, 2009 was \$1,149,918
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$7,560,968

**F-12. Oxnard Elementary School District (@15,400 Students – 20 Schools)**

- the budget for the current school year is \$188,862,281
- the annual costs associated with health care benefits are, \$14,248,000: \$11,591,000 for 1,088 active employees and \$2,657,000 for 257 retirees
- the projected total retiree health care benefits costs over the next 30 years are estimated to be \$55,496,476
- the retiree health care benefits plan is currently closed
- ARC as of June 30, 2009 was \$4,072,081
- the retiree health care benefits plan is not fully funded
- the unfunded health care benefits liability is estimated to be \$55,496,476

**F-13. Oxnard Union High School District (@16,885 Students – 9 Schools)**

- the proposed budget for FY 2009-10 is \$140,417,862
- the anticipated FY 2009-10 costs associated with health care benefits are \$18,089,344: \$12,831,441 for 1,016 active employees and \$5,257,903 for 564 retirees
- the projected total health care benefits costs on a cash payout basis for retirees only (does not include active employees) over the next 30 years are estimated to be \$568,154,000
- provides continued health care benefits for employees hired prior to July 1, 2004
- the pre-1991 retiree health care benefits plan is closed. No additional retirees will be added to this plan
- health care benefits coverage is available to active employees, retirees, and retiree's dependents
- ARC as of June 30, 2009 was \$18,509,000. \$12,114,000 of the amortization payment to fund the \$176,754,000 unfunded actuarial liability would remain the same for 30 years, after which time amortization payments would end. \$5,523,000 of the ARC is the "Normal Cost" attributed to employee's service (present value of future benefits) during the fiscal year by active employees. ARC includes \$872,000 in interest to the end of the report year
- the retiree health care benefits plan is not fully funded
- has a trust fund with an actuarial value in assets of \$32,621,000, as of July 1, 2008, in investment accounts to draw upon for retiree health care benefits obligations. This leaves an unfunded actuarial accrued liability of \$176,754,000

**F-14. Pleasant Valley Elementary School District (@7,290 Students – 12 Schools)**

- the budget for the current school year is \$48,065,962

- the annual costs associated with health care benefits are, \$4,496,951: \$3,304,079 for 438 active employees and \$1,192,872 for 276 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$12,986,325 for retirees only
- provides lifetime health care benefits to staff in accordance with the following criteria:
  - employees hired prior to June 30, 1984, with 12 years of service and are 55 years of age at retirement receive a \$3,900 lifetime contribution towards health care benefits
  - employees hired after June 30, 1984, but before June 30, 1986, with 15 years of service and are 60 years of age at retirement, receive a \$2,400 lifetime contribution towards health care benefits
- ARC is estimated to be \$1,239,155
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$11,793,453

**F-15. Rio Elementary School District (@4,297 Students – 8 Schools)**

- the budget for the current school year is \$34,000,000
- the annual costs associated with health care benefits for FY 2009-10 are \$4,343,444: \$3,764,855 for 295 active employees and \$578,589 for 58 retirees
- the projected total health care benefits costs for retirees only over the next 30 years are estimated to be \$15,130,616
- provides lifetime health care benefits to certificated employees hired prior to September 1991, classified employees hired prior to July 1992, and management employees who retired by June 1995
- the retiree health care benefits plan remains open
- ARC is \$1,005,491
- the health care benefits plan for retirees is not fully funded
- an annual audit performed in June 2008 for the District disclosed \$15,130,616 in unfunded health care benefits liability
- the District has an Employee Retiree Fund in the amount of \$4,979,231, leaving an unfunded liability balance of \$14,888,769

**F-16. Santa Clara Elementary School District (@55 Students – 1 School)**

- the budget for the current school year is \$472,643
- the annual costs associated with health care benefits are \$28,812 for active employees as of October 31, 2009

- the retiree health care benefits plan is currently closed does not provide retiree health care benefits coverage to retiree dependents
- there are no participants in the District's retiree health care benefit plan
- the health care benefits plan is not fully funded; it is on a pay-as-you-go basis
- the District does not have an unfunded health care benefits liability

**F-17. Santa Paula Elementary School District (@3,712 Students – 7 Schools)**

- the budget for the current school year is \$33,007,651
- the annual cost associated with health care benefits is \$3,152,406: \$2,955,552 for 348 active employees, and \$196,854 for 26 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$94,572,180
- the retiree health care benefits plan remains open
- ARC is estimated to be \$624,180
- the health care benefit plan is not fully funded
- the January 2010 financial statement shows an unfunded accrued liability of \$4,478,872

**F-18. Santa Paula Union High School District (@1,713 Students – 2 Schools)**

- the budget for the current school year is \$13,076,780
- the annual costs associated with health care benefits are \$1,468,116: \$1,286,062 for 102 active employees and \$182,054 for 16 retirees
- the projected total health care benefits costs over the next 30 years are expected to be \$3,048,700
- the retiree health care benefits plan remains open
- ARC is estimated to be \$255,828
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$2,065,137

**F-19. Simi Valley Unified School District (@20,855 Students – 29 Schools)**

- the budget for the current school year is \$153,381,560
- the estimated annual costs associated with health care benefits are \$1,423,003: \$787,771 for 1,579 active employees and an estimated \$635,232 for 90 retirees

- the projected total health care benefits costs over the next 30 years are estimated to be \$9,121,325
- the estimated ARC as of June 30, 2008 was \$787,771; the actual contribution made by the District during the year was \$635,232, which resulted in a net OPEB obligation of \$152,539
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability amount is \$9,121,325 as of June 30, 2008

**F-20. Somis Union School District (@485 Students – 2 Schools)**

- the budget for the current school year is \$2,642,763
- the annual costs associated with health care benefits are \$199,806
- the projected total health care health care benefits costs over the next 30 years are expected to be \$27,690
- the retiree health care benefits plan is closed for all employees hired after October 19, 1988
- there is one current employee who was hired prior to October 19, 1988 who may be eligible to retire with postemployment health care benefits
- there are no participants in the retiree health care benefits plan
- does not have an ARC established at this time
- the retiree health care benefits plan is fully funded
- has \$27,690 set aside to fund the retiree health care benefits liability
- has set aside a Special Reserve Fund for Postemployment Benefits to pay for the liability. The Fund had an ending fund balance of \$64,178 as of June 30, 2009

**F-21. Ventura Unified School District (@17,371 Students – 30 Schools)**

- 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 budget for the current school year is \$163,386,445
- the annual costs associated with health care benefits are \$16,619,294: \$14,161,869 for 443 active employees and \$2,457,425 for 263 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$34,320,948\*
- does not offer a paid retirement health care benefits plan for current employees

- the retiree health care benefits plan has been closed since June 30, 1993
- the District provides health care benefits to employees who retired prior to July 1, 1993 and to their spouses
- ARC is estimated to be \$1,744,161\*
- the retiree health care benefit plan that ended in 1993 is not fully funded
- the unfunded health care benefits liability reported in the 2009-2010 budgets is \$34,320,948. This 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
- has a reserve fund with a current balance of \$34,246 leaving an unfunded liability balance of \$34,286,702

\* Grand Jury calculated amounts

**F-22. Ventura County Community College District (@37,383 Students – 3 Campuses)**

- the budget for the current school year is \$263,218,700
- the annual costs associated with health care benefits are, \$20,512,257: \$13,426,519 for 797 current active employees and \$7,085,738 for 524 retirees
- the projected total health care benefits costs over the next 30 years is estimated at \$173,733,730
- the District provides lifetime health care, dental, and vision benefits to staff who meet the age and years of service required in accordance with the established criteria
- eligibility for the District's retiree health care benefits plan is closed to all but faculty as of July 1, 2005. Faculty who meet eligibility requirements for District benefits are covered to age 65
- ARC as of December 31, 2008 is \$9,616,272
- the health care benefits plan is not fully funded
- the unfunded health care benefits liability is \$173,733,730: \$86,049,728 for active employees who meet the requirements for future retiree benefits and \$87,684,002 for current retirees
- has funded the health care benefits liability in the amount of \$8,568,626 leaving an unfunded health care liability balance of \$165,165,104

**F-23. Ventura County Office of Education (@1,570 Students – 5 Schools)**

- the budget for the current fiscal year is \$177,351,237

- the annual cost for health care benefits is \$7,744,685: \$7,198,751 for 392 current active employees and \$545,934 for 51 retirees
- the projected total health care benefits costs over the next 30 years are estimated to be \$5,276,231
- provides lifetime health care benefits to a closed pool of retirees and their spouses, which does not include dental and vision. At this time, there are 49 retirees and 24 spouses covered
- lifetime health care benefits are not provided to current employees
- the health care benefits plan is currently closed
- health care benefits were offered to VCOE employees who were hired prior to October 1, 1988, and who worked for the VCOE for at least 10 consecutive years and retired prior to July 1, 1995, and whose attained age and service at retirement was equal to or greater than 75
- the ARC is estimated to be \$238,565
- the health care benefits plan is not fully funded
- has set aside money in a “Special Reserve Fund for Other Than Capital Outlay Projects” (Fund 170). The current balance in the fund is \$4,366,616, leaving an unfunded liability of \$909,615

**F-24.** The combined totals for the County School Districts are as follow:

**COMBINED DISTRICTS TOTALS**

Total 2009-2010 Budget	\$1,619,059,185
Est. Total Annual Health Care Benefits Cost	\$ 138,652,339
Est. Total Annual Retiree Health Care Benefits Cost	\$ 26,172,305
Est. Total Annual Required Contribution	\$ 44,644,058
Est. Unfunded Health Care Benefits Liability	\$ 529,853,272
Est. Total Projected Health Care Benefits Cost	\$1,545,637,021

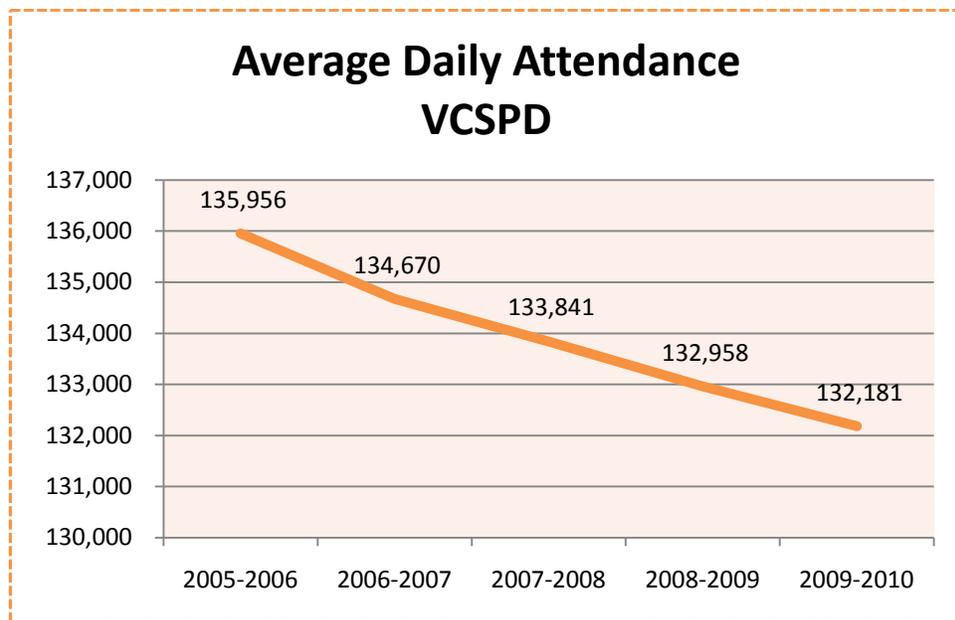
**F-25.** The County School Districts provide continued health care health care benefits to approximately 2,500 retirees and 1,006 retiree dependents.

**F-26.** The retiree health care benefits plans have been closed for 12 of the 22 school districts.

**F-27.** Five school districts are fully funded:

- Briggs Elementary School District
- Mupu Elementary School District
- Oak Park Unified School District
- Santa Clara Elementary School District
- Somis Union School District

- F-28.** There are 17 school districts that do not have a fully-funded health care benefits plan.
- F-29.** Credit rating agencies have stated that they will consider OPEB funding status in their evaluations of government financial condition. [Ref-09, Ref-12 through Ref-14, Ref-16]
- F-30.** Included in the required GASB 45 actuarial reports provided by the consultants were the following recommendations:
  - that it is necessary or even desirable for an agency to establish a policy of funding exactly the ARC on a cash basis each year
  - the agencies adopt a policy of pre-funding their retiree health care plan as soon as possible
  - establish an irrevocable trust fund for employee’s health care benefits
- F-31.** Student enrollment in the County as determined by the State through a complicated formula called Average Daily Attendance (ADA) has declined a total of 3,775 students over the past five years: [Ref-17, Ref-18]



- F-32.** Several school districts are accepting out-of-district student transfers in an effort to increase ADA. [Ref-19 through Ref-22]
- F-33.** On March 22, 2010, the California Department of Education placed 126 school districts on a fiscal early warning list, an increase of 17% over last year. [Ref-23]
- F-34.** According to the State, the Santa Paula Elementary School District might not be able to meet its financial obligations over the next few years because of the ongoing budget crises and cuts to education funding. Santa Paula Elementary School District informed the VCOE that it was in fiscal trouble after realizing it was facing a \$3.2 million

shortfall this fiscal year. The District has increased class sizes, trimmed management, and eliminated 31 teaching and 46 classified positions. [Ref-23]

- F-35.** The VCOE anticipates the next fiscal warning list will be even longer, possibly adding Hueneme Elementary School District and Rio Elementary School District to future lists. [Ref-23]
- F-36.** The continued increase in the cost of health care and health care insurance can only be expected to contribute to the increase in the size of the County School Districts unfunded liability. Since 1999, health insurance premiums for families rose 131%, far more than the general rate of inflation, which increased 28% over the same period. Health care costs will increase 9% in 2010 according to *Health Care Finance News*. [Ref-15, Ref-24 through Ref-26]
- F-37.** C. F. Braun states that sole reason for a financial report is to serve the user. Accounting reports are a measuring report of performance. They must be easy to read and understand. [Ref-27]

## **Conclusions**

- C-01.** County School Districts have a substantial unfunded health care benefits obligation of \$529,853,272. (F-02 through F-24)
- C-02.** County School Districts have a substantial ARC of \$44,644,058. (F-02 through F-24)
- C-03.** Failure on the part of the County School Districts to take steps to address these liabilities may result in downgrades to their credit rating, thereby increasing future borrowing costs resulting in increased costs to the taxpayers. (F-29)
- C-04.** The County School Districts have been paying for retiree health care benefits in the year the benefits were used by the retirees. This is called the pay-as-you-go approach, which differs from the prefunding model where costs are funded in advance during employees' working years and invested until paid to retirees. The pay-as-you-go approach has led to the accumulation of the financial liabilities to pay for future retiree health care benefits. (F-02 through F-30)
- C-05.** The County School Districts offer varying levels of health care benefits to employees and retirees. They have not joined together to form a single large bargaining unit. (F-02 through F-24, F-34)
- C-06.** The County School District's half billion dollar unfunded liability should no longer be ignored; it will not decrease on its own. (F-30, F-33 through F-36)
- C-07.** Based on historical data, the cost of health care and health care insurance will continue to outpace typical annual inflation. (F-36)
- C-08.** The County School Districts have not been proactive in planning for or dealing with challenging financial conditions. (F-02 through F-24, F-33 through F-36)

- C-09.** There may be unintended consequences as a result of the choices and decisions made by the County School Districts to address the half billion dollars in unfunded health care liabilities. (F-02 through F-36)
- C-10.** The time for the County School Districts to make difficult choices is now. Regardless of the choices, the financial burden rests squarely on the shoulders of the taxpayer. (F-02 through F-36)

## **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.  
(C-01 through C-03, C-06 through C-07, C-09)
- R-02.** That County School Districts identify effective cost reductions that will allow the District to achieve their respective calculated ARC.  
(C-02 through C-03, C-06 through C-07, C-09)
- 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. (C-05, C-07)
- 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. (C-06, C-08)
- R-05.** That County School Districts place the entire district budget on the district website. (C-06, C-08)
- 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.  
(C-01, C-02, C-05 through C-09)
- R-07.** That the VCOE and the 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. (C-01 through C-09)
- R-08.** That the VCOE and the elected officials of the individual districts consider alternatives to resolve this serious financial situation, such as:  
(C-01 through C-09)
- 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

## Responses

### Responses Required From:

Board of Trustees Briggs Elementary School District (R-03 through R-08)  
Board of Education Conejo Valley Unified school District (R-01 through R-08)  
Board of Education Fillmore Unified School District (R-01 through R-08)  
Board of Trustees Hueneme Elementary School District (R-01 through R-08)  
Board of Trustees Mesa Union Elementary School District (R-01 through R-08)  
Board of Education Moorpark Unified School District (R-01 through R-08)  
School Board Mupu Elementary School District (R-03 through R-08)  
Board of Education Oak Park Unified School District (R-03 through R-08)  
Governing Board Ocean View Elementary School District (R-01 through R-08)  
Board of Education Ojai Unified School District (R-01 through R-08)  
Board of Trustees Oxnard Elementary School District (R-01 through R-08)  
Board of Trustees Oxnard Union High School District (R-01 through R-08)  
Board of Trustees Pleasant Valley Elementary School District  
(R-01 through R-08)  
Board of Trustees Rio Elementary School District (R-01 through R-08)  
Board of Trustees Santa Clara Elementary School District (R-03 through R-08)  
Board of Trustees Santa Paula Elementary School District (R-01 through R-08)  
Board of Trustees Santa Paula Union High School District (R-01 through R-08)  
Board of Education Simi Valley Unified School District (R-01 through R-08)  
Board of Trustees Somis Union School District (R-03 through R-08)  
Board of Education Ventura Unified School District (R-01 through R-08)  
Board of Trustees Ventura County Community College District  
(R-01 through R-08)  
Board of Education Ventura County Office of Education (R-01 through R-08)

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## **Glossary**

**Accrual Accounting** - A method of accounting whereby income and expense items are recognized and recorded when income is earned and expense is incurred, regardless of when cash is actually received or paid.

**Actuarial Accrued Liability (AAL)** - The portion of the actuarially determined present value of benefits allocated to the prior service already performed by the covered employees.

**Annual OPEB Expense** - The amount recognized by an employer in each accounting period for contributions to a defined benefit OPEB plan on the modified accrual basis of accounting.

**Annual Required Contribution (ARC)** – GASB 45 requires that the actuarially determined amount of retiree healthcare expense be recorded as a current year expense. It is comprised of the amount that should be set aside to fund retiree health benefits earned during the current year plus the amount necessary to amortize the unfunded AAL over not more than 30 years.

**Normal Cost** – The amount of the benefit earned in the current year in exchange for current services for active employees who are eligible or will be eligible for post-employment benefits.

**Other Postemployment Benefits (OPEB)** – Generally take the form of health care insurance and dental, vision, prescription, or other health care benefits provided to eligible retirees, including, in some cases, their beneficiaries. It may also include some types of life insurance, legal services, and other benefits.

**Projected Total Health Care Benefit Costs Over the Next Thirty Years** – The required contribution for the year is calculated in accordance with certain parameters, and includes the normal costs for the year and a component for the amortization of the total unfunded actuarial accrued liabilities.

**Unfunded Actuarial Accrued Liability (UAAL)** – The amount of projected future benefits for the past service of current employees and retirees that has not been funded.

## **Attachments**

**Att-01 County Schools Selected Financial Information and Medical Benefits Obligations 2009-2010**

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**Attachment-01**

**County Schools Selected Financial Information and Medical Benefits  
Obligations 2009-2010**

County Schools Selected Financial Information and Medical Benefits Obligations 2009-2010

	Districts	Is The Retiree Medical Benefits Plan Fully Funded	1 The Estimated Unfunded Accrued Health Care Benefits Liability	2 Estimated Annual Required Contribution (ARC)	3 ARC % of The Total Budget	4 Total Budget 2009 / 2010	5 Are Health care Benefits Provided	6 Are Retirees Covered	7 Are Retiree Dependents Covered	Number Of Retirees Covered	Number Of Retirees Dependents Covered	8 Health Care Benefit Cost for 2009	9 Estimated Retiree Health Care Benefits Costs for 2009	10 Estimated Projected Health Care Benefit Costs For Currently Active Employees & Retirees Over The Next Thirty Years	11 Is the Retiree Health Care Benefits Option Open or Closed
1	Briggs Elementary School District	Yes	\$0.00	\$0.00	0.00%	\$3,661,001.00	Yes	No	No	0	0	** \$228,732.00	\$0.00	\$0.00	Closed
2	Conejo Valley Unified School District	No	\$9,688,289.00	\$1,245,188.00	0.73%	\$170,595,282.00	Yes	Yes	No	124	0	\$18,837,425.00	\$424,543.00	\$18,239,251.00	Open
3	Fillmore Unified School District	No	\$2,993,293.00	\$379,637.00	1.25%	\$30,444,000.00	Yes	Yes	No	71	0	\$4,180,000.00	* \$1,170,463.00	\$125,400,000.00	Closed
4	Hueneme Elementary School District	No	\$19,002,100.00	\$1,964,700.00	3.00%	\$65,477,258.00	Yes	Yes	Yes	69	53	\$6,123,426.00	\$550,254.00	\$29,107,900.00	Open
5	Mesa Union Elementary School District	No	\$112,286.00	\$0.00	0.00%	\$4,456,351.00	Yes	Yes	Yes	1	0	\$347,085.00	\$6,393.00	*** \$112,286.00	Closed
6	Moorpark Unified School District	No	\$10,237,363.00	\$1,215,947.00	2.27%	\$53,593,367.00	Yes	Yes	Yes	51	37	\$7,394,338.00	* \$2,611,174.00	\$332,000,000.00	Open
7	Mupu Elementary School District	Yes	\$0.00	\$0.00	0.00%	\$986,271.00	Yes	No	No	0	0	\$57,209.00	\$0.00	\$0.00	Closed
8	Oak Park Unified School District	Yes	\$0.00	\$0.00	0.00%	\$28,776,270.00	Yes	No	No	0	0	** \$3,474,322.00	\$0.00	\$0.00	Closed
9	Ocean View Elementary School District	No	\$5,299,520.00	\$596,164.00	2.91%	\$20,485,501.00	Yes	Yes	Yes	21	21	\$2,894,120.00	\$281,032.00	\$8,909,363.00	Open
10	Ojai Unified School District	No	\$7,560,968.00	\$1,149,918.00	5.07%	\$22,700,000.00	Yes	Yes	Yes	38	34	\$2,789,564.00	\$338,845.00	\$60,000,000.00	Open
11	Oxnard Elementary School District	No	* \$55,496,476.00	\$4,072,081.00	2.16%	\$188,862,281.00	Yes	Yes	Yes	257	171	\$14,248,000.00	\$2,657,000.00	*** \$55,496,476.00	Closed
12	Oxnard Union High School District	No	\$176,754,000.00	\$18,509,000.00	13.18%	\$140,417,862.00	Yes	Yes	Yes	564	not available	\$18,089,344.00	\$5,257,903.00	*** \$568,154,000.00	Closed
13	Pleasant Valley Elementary School District	No	\$11,793,453.00	\$1,239,155.00	2.58%	\$48,065,962.00	Yes	Yes	Yes	276	56	\$4,496,951.00	\$1,192,872.00	*** \$12,986,325.00	Open
14	Rio Elementary School District	No	\$14,888,769.00	\$1,005,491.00	2.96%	\$34,000,000.00	Yes	Yes	Yes	58	50	\$4,343,444.00	\$578,589.00	*** \$15,130,616.00	Open
15	Santa Clara Elementary School District	Yes	\$0.00	\$0.00	0.00%	\$472,643.00	Yes	No	No	0	0	** \$28,812.00	\$0.00	\$0.00	Closed
16	Santa Paula Elementary School District	No	\$4,478,872.00	\$624,180.00	1.89%	\$33,007,651.00	Yes	Yes	Yes	26	25	\$3,152,406.00	\$196,854.00	\$94,572,180.00	Open
17	Santa Paula Union High School District	No	\$2,065,137.00	\$255,828.00	1.96%	\$13,076,780.00	Yes	Yes	Yes	16	12	\$1,468,116.00	\$182,054.00	\$3,048,700.00	Open
18	Simi Valley Unified School District	No	\$9,121,325.00	\$787,771.00	0.51%	\$153,381,560.00	Yes	Yes	No	90	0	* \$1,423,003.000	* \$635,232.00	\$9,121,325.00	Open
19	Somis Union Elementary School District	Yes	\$0.00	\$0.00	0.00%	\$2,642,763.00	Yes	No	No	0	0	\$199,806.00	\$0.00	\$27,690.00	Closed
20	Ventura County Community College District	No	\$165,165,104.00	\$9,616,272.00	3.65%	\$263,218,700.00	Yes	Yes	Yes	524	374	\$20,512,257.00	\$7,085,738.00	\$173,733,730.00	Closed
21	Ventura County Office of Education	No	\$909,615.00	\$238,565.00	0.13%	\$177,351,237.00	Yes	Yes	Yes	51	26	\$7,744,685.00	\$545,934.00	\$5,276,231.00	Closed
22	Ventura Unified School District	No	\$34,286,702.00	* \$1,744,161.00	1.07%	\$163,386,445.00	Yes	Yes	Yes	263	147	\$16,619,294.00	\$2,457,425.00	* \$34,320,948.00	Closed
Total		17/5	\$529,853,272.00	\$44,644,058.00	2.76%	\$1,619,059,185.00				2,500	1,006	\$138,652,339.00	\$26,172,305.00	\$1,545,637,021.00	10 / 12

\* Source: Estimates derived from the actuarial reports provided by the school district.  
 \*\* Currently active employees only.  
 \*\*\* Retirees only.

- 1 The Unfunded Accrued Health Care Benefits Liability - the unfunded liability is based on a "snapshot" in time of the value of projected future benefits for the past service of current employees and retirees that has not been funded
- 2 Annual Required Contribution (ARC) - the employer's required contribution for the year, includes the normal cost for the year and a component for amortization of the total unfunded accrued health care benefits liabilities of the plan over a period not to exceed thirty years.
- 3 ARC % of the Total Budget - this represents the portion of the VCPSD, the VCCCD, and the VCOE budget that should be allocated to the ARC each year.
- 4 Total Budget 2009/ 2010 - this represents the total number of dollars committed to the 2009 / 2010 school years for the VCPSD, the VCCCD, and the VCOE.
- 5 Are Health Care Benefits Provided - does the VCPSD, the VCCCD, and the VCOE currently provide health care benefits to active employees.
- 6 Are Retirees Covered - does the VCPSD, the VCCCD, and the VCOE provide health care benefits to retirees.
- 7 Are Retiree Dependents Covered - does the VCPSD, the VCCCD, and the VCOE provide health care benefits to retirees dependents.
- 8 Health Care Benefits Costs for 2009 / 2010 - the anticipated the total number of dollars for the health care benefits during the 2009 / 2010 school years for the VCPSD, the VCCCD, and the VCOE.
- 9 Retiree Health Care Benefits Cost for 2009 / 2010 - the anticipated the total number of dollars for the health care benefits for retirees during the 2009 / 2010 school
- 10 Projected Health Care Benefits Costs for Currently Active & Retirees Over the Next Thirty Years - the anticipated the total number of dollars for the health care benefits for currently active employees & retirees during the next thirty years.