



# Santa Maria-Bonita School District

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September 6, 2011

The Honorable Arthur A. Garcia  
Assistant Presiding Judge  
Santa Barbara Superior Court  
312 East Cook Street  
Santa Maria, CA 93456-5369

## **Re: Response to June 17, 2011 Grand Jury Report on Pensions and Fiscal Issues**

Dear Judge Garcia:

The Santa Maria-Bonita School District (SMBSD) is in receipt of the report of the Grand Jury's efforts analyzing pensions and other fiscal liabilities for municipalities throughout Santa Barbara County and found its contents to be both informative and thought-provoking. Seeing a dissection of two or three specific transaction types across cities, counties and special districts provided an excellent comparative analysis. Below is the district's response to the Grand Jury's recommendations, as well as additional information, where applicable, as to how SMBSD will implement, or has already addressed, the interests that the recommendations are directed towards.

### **Recommendation 1**

That, no later than January 1, 2012, all local government agencies that belong to multiple-employer pension pools obtain, and for each year thereafter, make publicly available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

### **SMBSD Response to Recommendation 1**

Recommendation 1 will not be implemented because it is not warranted or is not reasonable. This action is not within the scope of our office's capabilities, and the information is not currently available to the district. As the SMBSD is part of the school's statewide CalPERS and CalSTRS pools, employer contributions are set at the same rate for all school district members of the pool. The unfunded liability of state schools pools impacts the employer contribution rate. This unfunded liability is made available to the general public annually in both the CalPERS Comprehensive Annual Report and the CalSTRS Comprehensive Annual Report.

### **Recommendation 2a**

That, no later than January 1, 2012, in the best interest of rate payers and taxpayers, each government agency that provides healthcare premiums for employees, adopt an implementation plan to reduce those contributions.

### **SMBSD Response to Recommendation 2a**

The district agrees with Recommendation 2a and has implemented solutions to contain costs of its Employee Health Benefits Plan. During 2005-06 collective bargaining, the district and its

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employee groups agreed to a cap on the district's share of health benefit costs. The district additionally worked with its broker and plan providers to determine plan design changes that reduced plan premiums.

**Recommendation 2b**

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that provides healthcare premiums for employees implement prefunding their currently unfunded healthcare liability.

**SMBSD Response to Recommendation 2b**

The district understands the importance of measuring, identifying, and planning for the funding of its long term commitments to employees. Part of this understanding is balancing how the district recruits and retains highly qualified employees who serve the young people of our community, as well as how the district rewards experienced staff for their contributions to the district's mission "to teach, to learn and to facilitate learning in a cooperative and safe environment". We understand that the actuarially determined unfunded liability is a true reflection of estimated future costs. Rather than deposit money in an account which will sit idly for years for balancing purposes against an actuarial estimate, the district has chosen to establish its post retirement medical benefits plan with limitations on both a participant's entrance into the plan as well as defining when they must exit the plan. This includes participants meeting specific requirements for length of service and retirement age. Once qualified, participation in the plan will continue until it ends at age 65. The district will continue to monitor this unfunded liability as required by Governmental Accounting Standards Board (GASB 45) by have an actuarial valuation completed each year.

**Recommendation 3**

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that has compensated absences liabilities, adopt an implementation plan to reduce each agency's compensated absences liability.

**SMBSD Response to Recommendation 3**

The district agrees with the recommendation. Several years ago, the district implemented a practice which limits the liability of compensated absences. This is quite challenging in a school site environment, as every staff member plays a vital role for our students and work year calendars are directly tied to the presence of students on campus. Time off is scheduled with managers in a manner which balances the consumption of leave entitlement without limiting services on campus. Finally, a payoff of leave balances is arranged at the end of the fiscal year for either a portion, or all, of an employee's unused leave time so that such costs are tied to the fiscal year and do not create large balances in the future.

Respectfully,



Phillip L. Alvarado  
Superintendent  
Santa Maria-Bonita School District

cc: Joni Gray, County Supervisor