BUDGET COMMITTEE MEETING
September 20, 2017
Board Room
2:00 p.m.
MINUTES

CALL TO ORDER: The meeting was called to order at 3:02 p.m. by Committee Chair, Morris Rodrigue.

ROLL CALL:

x	Jill Ault	x	Sue Loring	x	Kathy Royce		Student Rep.
x	Don Cingrani	x	Tom Masulis	x	Susan Schroth		
x	Sara Holmes	x	Morris Rodrigue	x	Tom Simpson		

APPROVAL OF MINUTES: 8/30/17. Cingrani/Loring. Discussion- A few edits were made for clarification. Motion carried unanimously.

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:
Multiyear Projections
Morris explained to the newer members how the multiyear projections have been done for a number of years. The President has revamped the old form to one that we could adjust quickly (handout). The new format works and it gives us an opportunity to have productive discussions, and we can quickly adjust the numbers and let them replicate through the spread sheet. On the bottom of the spread sheet are the assumptions, and on the top of the spread sheet adjustments can be made to see what happens to the trend lines.

Don suggested a few changes to the form 1) use light colors for color coding, 2) remove the dollars signs on every line, and 3) show the date column on each page. These changes will make the document easier to read.

Susan asked about the health care benefits costs, and how they appear to stay the same. Morris explained there is a cap that was negotiated in the union contracts, and unless the cap changes through negotiations we do not adjust the health benefits line. Don said that the current union contracts state a dollar amount, which has shifted the burden from the District to the employee, and that in the future, the cap could be negotiated higher or possibly changed to a percentage.

Tom said in looking at the revenue side he is guessing that what is driving the increase is the assumed COLA. Morris said yes, but that there are other things driving the COLA outside of the TCR as well.

Sue asked what makes up the TCR. Morris said the TCR includes EPA, property tax, timber tax, and 98% of enrollment fees are what makes up the bulk of the TCR. Jill added that lottery is also in addition to TCR. Susan asked if the college gets federal lottery dollars. Jill said all lottery dollars are from the state.

STRS and PERS
Morris said there is a big concern going forward with regard to funding STRS and PERS. The STRS projection is accurate because it was legislated to increase by specific amounts each year. PERS doesn't require legislative action, can change annually, and is based on statewide projections.

Morris said the increase in retiree health benefits are a concern. Every two (2) years we do an updated actuary report, and it's showing that we are hitting a peak. The other thing it shows on the final report is that total liability was over $40M, but this time it was $38M- trending down. The GASB rules changed again, it used to be based on an amortized schedule, but not anymore. Now we are expected to have a plan to meet the liability.

Morris said when we review the actuary report, it's possible that we may not currently need to put more money in the OPEB trust, but we might consider putting money aside for STRS and PERS which will give us a little saving to deal with the ongoing funding requirement. Don said he does not view it as a fixed liability, but if we knew we could put away a certain amount each year it might be more manageable.

Morris said we could put the funds in a 'special fund' account, or invest the dollars instead and then draw off of the investment for STRS and PERS costs, or just budget the increases.

Don said when you think about the OPEB trust requirements, we are playing catch up. Currently, we need to pay the minimum amount, which makes our current resources unavailable for our current needs. Setting more money aside is financially responsible on one hand, but on the other hand it could be viewed as taking resources out of the current budget to fund the future. Don said if it is decided to set more dollars aside, then let us not set aside any more than what we could get back if we needed it.

Morris said one scenario would be if we had a huge budget cut, and we didn't want to do layoffs, we could use dollars from the OPEB trust. Tom M said for him it is a different conversation, because the investment in PERS and STRS are what we should put in for our future, and it is an annual cost we will always have, but agrees that it has become a worrisome part of the budget.

Morris said there are a few approaches we could take to stay up with the ongoing increases to the retirement obligations, and one would be to create a fund at the county treasury where dollars gain some interest, the other would be to create a trust like the OPEB trust, where the funds would be available to draw from to specifically pay STRS and PERS. Susan asked if we should look at our ending balance before making a decision. Morris said this year we did not budget for the dollars for OPEB, so we need to discuss and consider other options. The two approaches are: 1) putting dollars aside, or 2) investing the dollars in a irrevocable trust (with a irrevocable trust, you gain interest on the dollars, but the dollars would only be available for STRS and PERS expenses).

Tom M said the motivation to establish the trust account is to plan for future shocks to the budget. Jill said a trust would provide some stability over the years.

Morris said there are ways to smooth out the required investment in OPEB, so the committee should discuss different approaches. For current employees this is less about retirement and more about what kind of erratic motions could happen in our budget when there is a big change. We have some control over OPEB contributions, but we do not have control over PERS and STRS. Therefore, we need to provide the college with the ability to not overreact if we get budget cuts from the state.

Sue said we've had a big reserve, so one could argue that we already have a savings to cover STRS/PERS increases. Morris said the argument could also be to use the reserve, and this could actually be a third approach. Morris explained that with a 23% reserve we could easily take 3% and start with those dollars, include any one-time monies and any extra funds at the end of the year. All agreed this was a logical place to start.

Morris said there are two concerning issues across the state: Enrollments are in a declining mode and STRS and PERS contributions are increasing. Morris will bring back the three (3) approaches discussed today with more detail. No further discussion.

OTHER /ANNOUNCEMENTS: None

ADJOURNMENT: 3:20 p.m.

NEXT MEETING: 10/04/17

Recorded by:
Sherry Nicholas, Executive Assistant
Administrative Services

9-20-17 Budget Comm.

Shasta College
Budget Scenario Study Spreadsheet
FUND 11 Only
9/20/2017 13:39

SCENARIO DATA	
Assumed COLA	2.00%
Assumed raises	2.00%
Assumed % under budget	4.00%
Assumed healthcare	0.00%
Assumed additional FTES	0

Year	Actual, Budgeted or Projection	Fund 11 budget (income in $)	Fund 11 Total Computational Revenue (TCR)	STRS Salary Totals	PERS Salary Totals	Student wages	STRS Employer cost (%)	STRS Employer cost ($)	PERS Employer cost (%)	PERS Employer cost ($)	Other Payroll Taxes/ Workers Comp	Other Payroll taxes/WC as % of total payroll	Retiree Health Benefit Total	Retiree Health Benefit as % of total income	Health Care Benefit Costs	All other budget (utilities, supplies, etc.)	State funded COLA (%)	On-schedule raises (%) [See note #8]	Off-schedule raises (%) [See note #8]
2007-08	Actual	$40,015,239	$36,418,143	$17,622,086	$8,292,965	$259,192	8.25%	$1,390,856	9.31%	$729,747	$1,671,689	6.39%	$1,778,922	4.45%	$3,422,666	$5,875,437	4.53%	6.53%	0.00%
2008-09	Actual	$42,347,738	$38,830,402	$17,921,956	$7,793,492	$274,700	8.25%	$1,395,262	9.43%	$729,609	$1,764,500	6.79%	$2,016,303	4.76%	$3,541,503	$6,130,208	0.00%	1.50%	0.00%
2009-10	Actual	$41,282,077	$37,307,640	$16,958,926	$7,676,227	$225,508	8.25%	$1,340,174	9.71%	$700,087	$1,808,839	7.28%	$2,364,198	5.73%	$3,581,755	$6,651,905	0.00%	0.00%	0.00%
2010-11	Actual	$46,745,068	$38,425,337	$16,261,164	$7,410,201	$162,574	8.25%	$1,305,401	10.71%	$752,395	$1,886,509	7.92%	$6,071,395	12.99%	$3,420,077	$6,594,819	0.00%	0.00%	1.00%
2011-12	Actual	$38,902,902	$34,930,921	$15,637,769	$7,506,993	$146,677	8.25%	$1,228,042	10.92%	$752,620	$2,010,627	8.63%	$2,118,440	5.45%	$3,296,734	$6,064,993	0.00%	1.00%	0.00%
2012-13	Actual	$39,139,788	$35,368,186	$15,590,254	$7,392,076	$146,686	8.25%	$1,234,327	11.47%	$810,152	$1,845,064	7.98%	$2,433,401	6.22%	$3,252,844	$6,342,048	0.00%	0.00%	0.00%
2013-14	Actual	$41,028,156	$37,431,735	$16,451,356	$7,682,414	$139,233	8.25%	$1,172,766	11.44%	$848,107	$1,629,689	6.71%	$3,690,531	9.00%	$3,267,717	$6,637,943	1.57%	0.00%	0.79%
2014-15	Actual	$39,795,563	$35,654,647	$16,446,231	$7,827,479	$144,724	8.88%	$1,266,578	11.77%	$834,143	$1,625,154	6.66%	$2,515,493	6.32%	$3,113,514	$7,629,430	0.85%	2.42%	0.00%
2015-16	Actual	$46,013,646	$38,162,905	$17,208,843	$7,717,298	$251,766	10.73%	$1,594,815	11.85%	$887,352	$1,469,420	5.84%	$4,242,174	9.22%	$3,127,395	$7,518,998	1.02%	2.55%	0.00%
2016-17	Est. Actual	$44,437,160	$40,070,377	$17,615,968	$8,481,240	$289,175	12.59%	$1,829,929	13.89%	$1,161,964	$1,569,553	5.95%	$2,798,865	6.30%	$3,182,356	$7,502,920	0.00%	1.00%	2.00%
2017-18	Budgeted	$45,540,263	$41,793,475	$17,574,111	$9,401,239	$334,989	14.43%	$2,247,344	15.53%	$1,304,796	$1,520,316	5.57%	$2,625,000	5.76%	$3,067,880	$7,887,177	1.56%	2.06%	2.00%
2018-19	Projected	$46,376,133	$42,629,345	$17,574,111	$9,401,239	$365,443	16.28%	$2,535,465	18.10%	$1,701,624	$1,804,492	6.60%	$2,844,543	6.13%	$3,067,880	$7,926,613	2.00%	2.00%	0.00%
2019-20	Projected	$47,228,719	$43,481,931	$17,925,594	$9,589,263	$395,896	18.13%	$2,887,310	20.80%	$1,994,567	$1,842,110	6.60%	$2,903,269	6.15%	$3,067,880	$7,966,246	2.00%	2.00%	0.00%
2020-21	Projected	$48,098,358	$44,351,570	$18,284,105	$9,781,049	$426,350	19.10%	$3,110,264	23.80%	$2,327,890	$1,880,439	6.60%	$3,000,124	6.24%	$3,067,880	$8,006,077	2.00%	2.00%	0.00%
2021-22	Projected	$48,985,389	$45,238,601	$18,649,788	$9,976,670	$456,803	19.10%	$3,180,109	25.20%	$2,514,121	$1,919,495	6.60%	$3,072,046	6.27%	$3,067,880	$8,046,107	2.00%	2.00%	0.00%
2022-23	Projected	$49,890,161	$46,143,373	$19,022,783	$10,176,203	$456,803	19.10%	$3,251,352	26.10%	$2,655,989	$1,957,282	6.60%	$3,126,346	6.27%	$3,067,880	$8,086,338	2.00%	2.00%	0.00%
2023-24	Projected	$50,813,029	$47,066,241	$19,403,239	$10,379,727	$456,803	19.10%	$3,324,019	26.80%	$2,781,767	$1,995,825	6.60%	$3,153,918	6.21%	$3,067,880	$8,126,769	2.00%	2.00%	0.00%
2024-25	Projected	$51,754,354	$48,007,566	$19,791,304	$10,587,322	$456,803	19.10%	$3,398,139	27.30%	$2,890,339	$2,035,138	6.60%	$3,171,336	6.13%	$3,067,880	$8,167,403	2.00%	2.00%	0.00%
2025-26	Projected	$52,714,505	$48,967,717	$20,187,130	$10,799,068	$456,803	19.10%	$3,473,742	28.20%	$3,045,337	$2,075,238	6.60%	$3,182,617	6.04%	$3,067,880	$8,208,240	2.00%	2.00%	0.00%
2026-27	Projected	$53,693,859	$49,947,071	$20,590,872	$11,015,050	$456,803	19.10%	$3,550,857	28.20%	$3,106,244	$2,116,140	6.60%	$3,182,380	5.93%	$3,067,880	$8,249,281	2.00%	2.00%	0.00%
2027-28	Projected	$54,692,801	$50,946,013	$21,002,690	$11,235,351	$456,803	19.10%	$3,629,514	28.20%	$3,168,369	$2,157,860	6.60%	$3,142,550	5.75%	$3,067,880	$8,290,528	2.00%	2.00%	0.00%

Scenarios - can change these to see effect

Note #1: 11 year average for COLA (07-08 to 17-18) = 0.87%
Note #2: 5 year average for COLA (13-14 to 17-18) = 1.00%
Note #3: 11 year average on-schedule raise = 1.55%
Note #4: TCR is included because state funded COLA applies to this amount of the revenue
Note #5: These years had significant 1-time income/expenses that skews the total numbers
Note #6: PERS rates are based on current projections - the PERS board takes action annually on rates
Note #7: Raise history is based on faculty agreements - classified and administration varies from this history slightly
Note #8: Select additional/fewer FTES beyond the 2017-18 budgeted FTES of 7220 (new base FTES for 10 years)

Assumption #1: Payroll taxes/workers comp in out years is 6.6% of total payroll (the average of the last 5 years)
Assumption #2: Health care share of premium cost remains same - or increases by X% for the district
Assumption #3: STRS rates follow statutory increases. PERS rates follow projected increases
Assumption #4: No retirements or step increases factored in the projections - assume they level out
Assumption #5: We are able to keep enrollment from declining (a MAJOR assumption)
Assumption #6: Student wages go to $15 an hour by 2021 and stay steady
Assumption #7: Do not deposit any additional $ into the trust - only pay-as-you-go actuarial estimates
Assumption #8: Future STRS costs assumes $2 million of PT faculty salaries are in Social Security, not STRS
Assumption #9: Future PERS costs assumes $1 million of PERS salaries are OT/ET
Assumption #10: We are able to come in X% under budget in these areas in current & future years
Assumption #11: We can keep all other cost increases to .5% per year

9-20-17
Budget
Comm.

Total Budget Need after assumptions	Year	Annual Profit/Loss	Ending Fund balance at June 30	Minimum 5% reserve	10% reserve
$41,043,560	2007-08	($1,028,321)	$6,658,436	$2,052,178	$4,104,356
$41,567,533	2008-09	$780,205	$7,438,641	$2,078,377	$4,156,753
$41,307,619	2009-10	($25,542)	$7,413,099	$2,065,381	$4,130,762
$43,864,535	2010-11	$2,880,533	$10,293,632	$2,193,227	$4,386,454
$38,762,895	2011-12	$140,007	$10,433,639	$1,938,145	$3,876,290
$39,046,852	2012-13	$92,936	$10,526,575	$1,952,343	$3,904,685
$41,519,756	2013-14	($491,600)	$10,034,975	$2,075,988	$4,151,976
$41,402,746	2014-15	($1,607,183)	$8,427,792	$2,070,137	$4,140,275
$44,018,061	2015-16	$1,995,585	$10,423,377	$2,200,903	$4,401,806
$44,431,970	2016-17	$5,190	$10,428,567	$2,221,599	$4,443,197
$45,962,853	2017-18	($422,590)	$10,005,977	$2,298,143	$4,596,285
$47,221,410	2018-19	($845,277)	$9,160,700	$2,361,070	$4,722,141
$48,572,134	2019-20	($1,343,415)	$7,817,285	$2,428,607	$4,857,213
$49,884,178	2020-21	($1,785,820)	$6,031,466	$2,494,209	$4,988,418
$50,883,019	2021-22	($1,897,630)	$4,133,836	$2,544,151	$5,088,302
$51,800,976	2022-23	($1,910,815)	$2,223,022	$2,590,049	$5,180,098
$52,689,947	2023-24	($1,876,918)	$346,104	$2,634,497	$5,268,995
$53,565,664	2024-25	($1,811,310)	($1,465,207)	$2,678,283	$5,356,566
$54,496,055	2025-26	($1,781,550)	($3,246,757)	$2,724,803	$5,449,606
$55,335,507	2026-27	($1,641,648)	($4,888,405)	$2,766,775	$5,533,551
$56,151,544	2027-28	($1,458,743)	($6,347,147)	$2,807,577	$5,615,154