Shasta College

BUDGET COMMITTEE MEETING
10/4/17
Student Center Stage
2:00-3:30 p.m.
MINUTES

CALL TO ORDER: The meeting was called to order at 2:08 p.m. by committee chair, Morris Rodrigue.

ROLL CALL:

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

APPROVAL OF MINUTES: Dated 9/20/17. **Simpson/Masulis**. Discussion- A few corrections were made for clarification. **Motion carried unanimously.**

PUBLIC COMMENTS- None

REPORTS- None

DISCUSSION/ACTION

- **Draft Actuarial Report and OPEB Projections (Handouts)**
  Morris shared the draft OPEB report. He explained that he took the 20 year cash flow projection that was used behind the numbers and figured out the formula (Handout #1). With concerns towards the rising costs of PERS and STRS there needs to be more conversations about the benefits and the strategy used to stay ahead of the curve. Morris shared a data table that was sent to him, and explained that he made a chart using the data table (Handout #2).

  The chart shows the cost for one employee and then an estimate on the cost of all employees. For the first year ~$84K ($254x330 employees) is what we should be putting away for all active employees. The total estimated projected liability is $38.7M. What this demonstrates is if we had $38.7M and an additional amount of $84K, and the projected interest is ~ 6% which is ~ $2.3M that still wouldn't be enough to pay the premiums. But the liability will be decreasing overtime, and as we keep drawing the amounts down, and assuming we had all the money put away, then this assumption makes sense. There is a formula in the spread sheet that if we are fully funded, this is how it would work. (Start with $38.7M, add in the normal costs, subtract premiums, and added interest). Tom asked if there is some sort of assumptions about premiums. Morris said yes, but believes it is more complex, and will be based on current members, and other factors.

  Morris explained that based on this draft projection, we need to save $254 per employee each year. This assumption is based on the money continuing to grow each year. The $254 is a blend of past and present employees, it's a wide range that determines this number.

  The deficit in the OPEB trust account last year is $4.3M. Handout #3 shows a five (5) year average with 6% interest. Morris said to keep in mind that this is an assumption based on simple interest rates.

The graph shows the OPEB liability is the one that is declining, and if no dollars are put in the OPEB trust they would cross, and we do not want to go past that point because we cannot pull the dollars out, which is why we do not want to overfund the OPEB trust. The trust can only be used for retiree benefits, and not health benefits. Morris said theoretically we could potentially be funded for 12 years, but we could also receive confirmation from the actuarial report that would contradict this. The main point to demonstrate on the chart is where we do not want to cross over that threshold.

Tom M asked if the trust was fully funded could we use the interest to pay-as-you-go. Morris said the interest should only be a part of the pay-as-you-go, so that we don't get too much money in the trust, being cautious that we do not end up with dollars stuck in the trust account. Once we get to the threshold point, then we only have to pay the normal costs of running the trust.

Tom M said he understands the basic idea of when the balance in the fund matches the future liability that is the point we could be 100% covered for the retiree benefits. Morris said we could come up with a plan to fund in 20 years, and that is assuming that we are trying to not put any more money in and pay the premiums ourselves, but if we have a major budget impact, it could change the timeline.

Morris explained that the most we can take out in one year is the premium amount. The faster we can get to fully funded, then the premiums will no longer be paid from the general fund, they will be paid for with the trust. Morris said if this trend holds, in 10-11 years the premiums will not need to be paid out of the general fund anymore. If we have a budget cut, the trust can be used to help balance the budget.

- **Enrollment Projections (Handout #4)**
  The suggestions from the last meeting to improve the form have been incorporated. Morris informed the committee that as of right now, the FTES fall-to-fall are tracking down about 6.3%. This means when we start building the budget for next year we need to consider what the potential drop might be.

  The FTES summer-to-summer can go up, but fall-to-fall shows a decline. The budget used in this form was based on our TCR. Morris reminded all that 100 FTES is ~$500K, a significant amount. And added that the committee needs to have a serious conversation about holding off on hiring, and looking at other funding that might be available. Typically when the economy is down enrollments go up, and when the economy is up enrollments go down.

ANNOUNCEMENTS/Other: None

ADJOURNMENT: 2:45 pm

NEXT MEETING: 10/18/17

Recorded by:
Sherry Nicholas
Executive Assistant
Administrative Services