Shasta College

BUDGET COMMITTEE MEETING
November 7, 2018
Board Room
2:00-3:30 p.m.
MINUTES

CALL TO ORDER: The meeting was called to order at 2:05 p.m. by Committee Chair, Morris Rodrigue.

ROLL CALL:

x	Jill Ault	x	Sue Loring	x	Morris Rodrigue		Student Rep.
	Don Cingrani	x	Crystal Mair		Kathy Royce		
x	Katie Littlepage	x	Tom Masulis	x	Susan Schroth		

APPROVAL OF MINUTES: None

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:

A. State Budget Update

Morris has conducted a couple of open forums for the campus community regarding the new funding formula. Morris shared a handout that showed the metrics used to build budgets. These metrics with the exception of the living wage are based on 2017-18 data. Since data is reported at different times throughout the year, we are allowed to do a recheck and have an opportunity to correct our data in November each year. By mid-November we will be able to dial in our projections for the 2018-19 budget more accurately. FTES is based on a three (3) year rolling average, including this year. It takes all year before we get the FTES component dialed in.

Morris said with the new funding formula the college does get to maintain stability starting this year. This means if we hit $45M for the TCR, and then it drops down in the second year, we will still get $45M next year. We won't go lower than this year, and this is calculated using a combination of the hold harmless and the base changes on FTES. In the hold harmless period we will not get less than we got this year, but two (2) years from now it can change, and those changes will be based on FTES.

Sue asked for clarification on the hold harmless and if it goes away in the fourth year.
Morris said could work where in the first year of decline we get funded fully, but the following year we don't, and in a decline mode we will not get funded more than the previous year. There is a lag in the decline by one year, so in the fourth year it would be what was really true in the third year.

B. Budget Projections

Morris shared the versions of the multiyear projections using the new funding formula, and explained that he increased the numbers with the adjusted 2017-18 estimated actuals, and for 2018-19 put in what has been budgeted. Fund 11 – the TCR is $45M (orange). That amount is higher than the actual budget which makes the other numbers higher as well. Sue said it appears the difference is a $3.2M increase from last year, but it looks like the income is less. Morris said yes, these are estimates, and he put in flat amounts just to start the conversation with the committee.

Morris said some PERS was budgeted as STRS and that has now been corrected by changing the location of the dollars. There was also a sizable income correction in 2017-18 which adds to the increased number, and lottery revenue came in higher than expected. Jill said there is usually $100,000 adjustment, but last year it was a $400,000 adjustment.

Sue asked when the retiree health benefits contribution will go down. Morris said the retiree health benefits obligation will go down overtime. Currently it is increasing at a slower rate, and we are close to the peak, but not in a decline mode yet. When we do the actuary report the numbers change, and if we put more dollars in the OPEB Trust for retiree health benefits it will accelerate and shorten the timeline for being fully funded. The number of benefited will not increase, and we have a cap on premiums. Don said the increases in health care costs have been shifted to the employees. Morris agreed, but added that the employee and employer share the increased costs for STRS and PERS.

Susan asked what kind of impact the new Solar Field in the East parking lot will have on our utility costs. Morris said it will save a tremendous amount, which will be reflected each year in the budget.

Susan asked when we find out if the college receives a 2.71% COLA. Morris said we will know when they pass the State budget. The funding formula will also determine how much COLA will be received, some schools may receive more than the 2.71%.

Sue said the ending fund balance looks like it is going way down, the projections show $10M down to $4M. Morris said these are assumptions, and it is good to have conversations about the projections because there are different ways to adjust the numbers. What these projections do is jump start the conversations about different scenarios, and what if's. Things change every year, and it helps us in our decision making process to look at different projections.

Tom said one trend he is noticing is the ending balance is getting smaller and smaller. Morris said part of this is if we get a COLA of 2%, then it would be shown as 2% off schedule raises, along with other expense that affect the ending balance. STRS and PERS are leveling, and should plateau, but STRS and PERS are also the biggest component. Tom said the assumption of a 2% COLA going forward is somewhat optimistic.

At the next meeting Morris will have more State budget information which could change the projections. Tom said if the assumed COLA is the main driver it might be interesting to demonstrate it on the overhead projector at the next meeting.

Morris shared a handout of the community college update which he said is in line with the standards.

OTHER/ANNOUNCEMENTS: None

ADJOURNMENT: 2:55 p.m.

NEXT MEETING: TBD

Recorded by:

Sherry Nicholas
Executive Assistant
Administrative Services

11/7/18

Shasta College
Budget Scenario Study Spreadsheet
FUND 11 Only

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

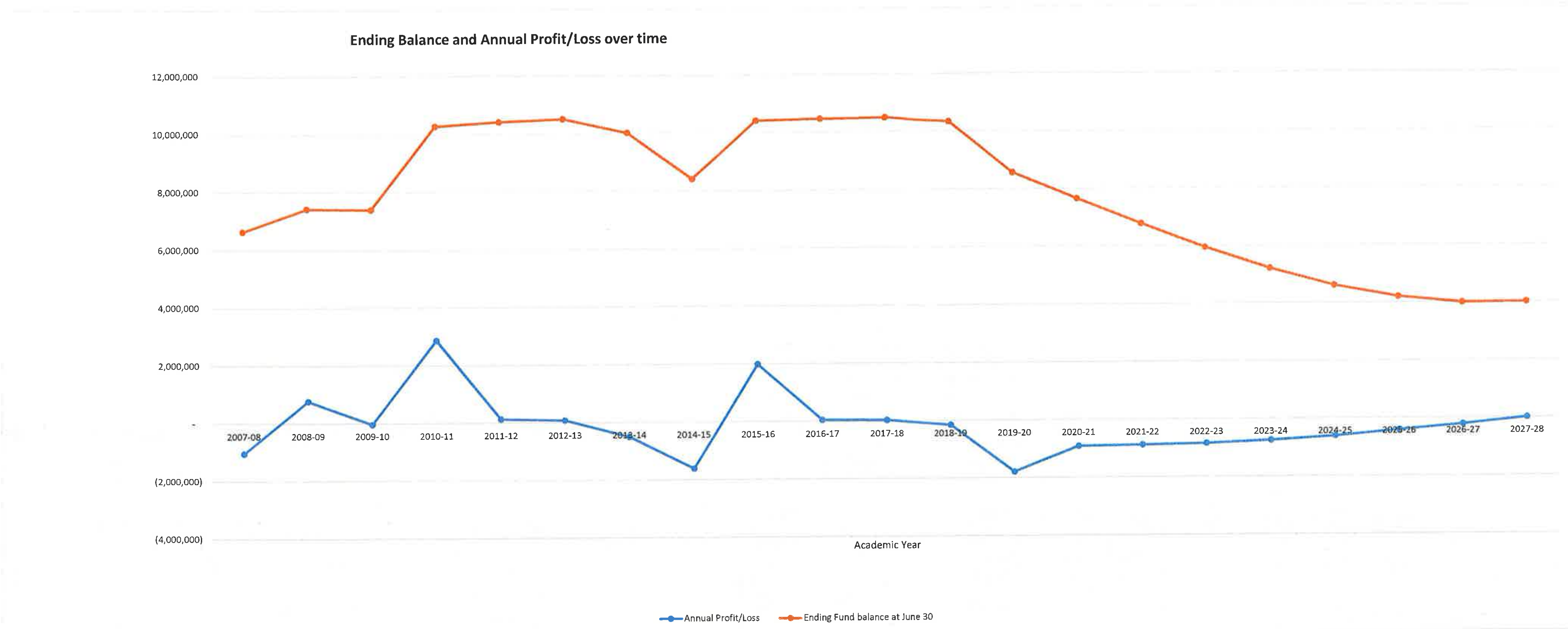
Year	Actual, Budgeted or Projection	Fund 11 budget (income in $)	Fund 11 Total Computational Revenue (TCR)	STRS Salary Totals	PERS Salary Totals	Student wages	STRS Employer cost (%)	STRS Employer cost ($)	PERS Employer cost (%)	PERS Employer cost ($)	Other Payroll Taxes/ Workers Comp	Other Payroll taxes/WC as % of total payroll
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%
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%
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%
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%
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%
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%
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%
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%
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%
2016-17	Actual	44,452,929	39,983,945	17,599,336	8,441,393	289,175	12.59%	1,828,144	13.89%	1,161,964	1,568,357	5.96%
2017-18	Est. Actual	46,391,865	41,788,858	18,271,342	9,164,316	282,903	14.43%	2,172,576	15.53%	1,422,135	1,629,113	5.88%
2018-19	Projected	48,417,816	45,000,000	17,766,866	9,885,954	364,016	16.28%	2,755,272	18.10%	1,715,219	1,631,803	5.82%
2019-20	Projected	48,417,816	45,000,000	18,122,204	10,083,673	394,350	18.13%	2,922,956	20.80%	2,097,404	1,887,615	6.60%
2020-21	Projected	50,607,816	47,190,000	18,484,648	10,285,347	424,685	19.10%	3,148,568	23.50%	2,417,056	1,926,849	6.60%
2021-22	Projected	51,551,616	48,133,800	18,854,341	10,491,054	455,020	18.60%	3,134,907	24.60%	2,580,799	1,966,827	6.60%
2022-23	Projected	52,514,292	49,096,476	19,231,427	10,700,875	455,020	18.60%	3,205,045	25.30%	2,707,321	2,005,563	6.60%
2023-24	Projected	53,496,222	50,078,406	19,616,056	10,914,892	455,020	18.60%	3,276,586	25.80%	2,816,042	2,045,074	6.60%
2024-25	Projected	54,497,790	51,079,974	20,008,377	11,133,190	455,020	18.60%	3,349,558	26.00%	2,894,629	2,085,375	6.60%
2025-26	Projected	55,519,389	52,101,573	20,408,545	11,355,854	455,020	18.60%	3,423,989	25.70%	2,918,454	2,126,482	6.60%
2026-27	Projected	56,561,421	53,143,605	20,816,716	11,582,971	455,020	18.60%	3,499,909	25.70%	2,976,824	2,168,411	6.60%
2027-28	Projected	57,624,293	54,206,477	21,233,050	11,814,630	455,020	18.60%	3,577,347	25.70%	3,036,360	2,211,178	6.60%

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]	Total Budget Need after assumptions	Year	Annual Profit/Loss	Ending Fund balance at June 30	Minimum 5% reserve	10% reserve
1,778,922	4.45%	3,422,666	5,875,437	4.53%	6.53%	0.00%	41,043,560	2007-08	(1,028,321)	6,658,436	2,052,178	4,104,356
2,016,303	4.76%	3,541,503	6,130,208	0.00%	1.50%	0.00%	41,567,533	2008-09	780,205	7,438,641	2,078,377	4,156,753
2,364,198	5.73%	3,581,755	6,651,905	0.00%	0.00%	0.00%	41,307,619	2009-10	(25,542)	7,413,099	2,065,381	4,130,762
6,071,395	12.99%	3,420,077	6,594,819	0.00%	0.00%	1.00%	43,864,535	2010-11	2,880,533	10,293,632	2,193,227	4,386,454
2,118,440	5.45%	3,296,734	6,064,993	0.00%	1.00%	0.00%	38,762,895	2011-12	140,007	10,433,639	1,938,145	3,876,290
2,433,401	6.22%	3,252,844	6,342,048	0.00%	0.00%	0.00%	39,046,852	2012-13	92,936	10,526,575	1,952,343	3,904,685
3,690,531	9.00%	3,267,717	6,637,943	1.57%	0.00%	0.79%	41,519,756	2013-14	(491,600)	10,034,975	2,075,988	4,151,976
2,515,493	6.32%	3,113,514	7,629,430	0.85%	2.42%	0.00%	41,402,746	2014-15	(1,607,183)	8,427,792	2,070,137	4,140,275
4,242,174	9.22%	3,127,395	7,518,998	1.02%	2.55%	0.00%	44,018,061	2015-16	1,995,585	10,425,389	2,200,903	4,401,806
2,809,580	6.32%	3,170,356	7,533,277	0.00%	1.00%	2.00%	44,401,582	2016-17	51,347	10,476,736	2,220,079	4,440,158
2,961,764	6.38%	3,165,847	7,290,152	1.56%	2.06%	2.00%	46,360,148	2017-18	31,717	10,508,453	2,318,007	4,636,015
2,700,000	5.58%	3,252,284	8,493,319	2.71%	2.00%	0.00%	48,564,732	2018-19	(146,916)	10,361,537	2,428,237	4,856,473
2,903,269	6.00%	3,252,284	8,535,785	2.00%	2.00%	0.00%	50,199,540	2019-20	(1,781,724)	8,579,813	2,509,977	5,019,954
3,000,124	5.93%	3,252,284	8,578,464	2.00%	2.00%	0.00%	51,518,025	2020-21	(910,209)	7,669,604	2,575,901	5,151,802
3,072,046	5.96%	3,252,284	8,621,357	2.00%	2.00%	0.00%	52,428,635	2021-22	(877,019)	6,792,585	2,621,432	5,242,863
3,126,346	5.95%	3,252,284	8,664,463	2.00%	2.00%	0.00%	53,348,345	2022-23	(834,053)	5,958,532	2,667,417	5,334,835
3,153,918	5.90%	3,252,284	8,707,786	2.00%	2.00%	0.00%	54,237,658	2023-24	(741,437)	5,217,095	2,711,883	5,423,766
3,171,336	5.82%	3,252,284	8,751,325	2.00%	2.00%	0.00%	55,101,094	2024-25	(603,304)	4,613,791	2,755,055	5,510,109
3,182,617	5.73%	3,252,284	8,795,081	2.00%	2.00%	0.00%	55,918,326	2025-26	(398,937)	4,214,854	2,795,916	5,591,833
3,182,380	5.63%	3,252,284	8,839,057	2.00%	2.00%	0.00%	56,773,570	2026-27	(212,150)	4,002,705	2,838,679	5,677,357
3,142,550	5.45%	3,252,284	8,883,252	2.00%	2.00%	0.00%	57,605,671	2027-28	18,621	4,021,326	2,880,284	5,760,567

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
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


Ending Balance and Annual Profit/Loss over time
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
(2,000,000)
(4,000,000)
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26
2026-27
2027-28
Academic Year
Annual Profit/Loss
Ending Fund balance at June 30

THE COMMUNITY COLLEGE UPDATE

Volume 38 For Publication Date: November 16, 2018 No. 23

Ask SSC . . . What Is a Reasonable Reserve?

Q. Our Board wants to maintain a reserve of 10%. Is the Board's goal reasonable? Do you have any advice on how to respond to some of our stakeholders when they question the need for a reserve beyond the 5% minimum required by the Chancellor's Office?

A. Setting a specific reserve level is always tough. Your goal is to have the resources to meet both planned and unplanned financial challenges, while at the same time spending as much as possible of this year's money on this year's students.

Here are some of the factors we encourage districts to consider:

- Given the automatically increasing costs in the current environment, even a 10% reserve in year one will not cover the automatic cost increases for three years (California State Teachers' Retirement System rate increase, California Public Employees' Retirement System rate increase, step and column movement, health benefits, etc.)
- The 5% prudent reserve level established by the Board of Governors is a minimum, and it represents less than two weeks of payroll costs
- The reserve is one-time money; if you spend it, replacement is essential and often difficult
- Most financial problems occur over multiple years; it takes a lot of one-time reserve dollars to solve a multiyear problem, even temporarily
- Potential exposure to significant one-time expenditures, such as inadequate resources for a facilities project or a large uninsured claim against the district
- Most districts do not carry reserves specifically set aside for post-retirement health benefits; that means the General Fund reserve is the only source of payment for this growing liability
- There is some additional guidance available from the national Government Finance Officers Association (GFOA). The GFOA published a "Best Practice" report in January 2015, which include the following:
    - A formal policy should be established by the community college that specifies the level of unrestricted reserves that should be maintained in the General Fund, how reserves may be spent, who can authorize the use of reserves, and then how reserves will be replenished if used below the level prescribed
    - At a minimum, regardless of a district's size, no less than 10% of regular General Fund expenditures and transfers out should be set aside for reserves

  - The various risk factors listed above should be considered when determining how much greater than the 10% minimum a local district's reserves should be

- For comparison, the total average net ending balance for all community college districts was 21.3% in 2016-17 (the latest statewide data available), a number we think is reasonable given current economic circumstances and the volatile state revenues and funding in California

Conclusion

Considering all of these factors, we think a Board policy of a minimum 10% reserve is a good idea. In setting a reserve level, the goal for a community college is to have the resources necessary to meet both planned and unplanned financial challenges, while spending as much of the current year's resources as possible on the current year's programs and students. This is a balancing act that will be unique to each district, and we recommend that each district examine the guidance provided above and the risk factors that apply in order to determine how much is needed for local reserves.

—John Gray

posted 11/06/2018

11/7/18

2018-19 Estimates (Stability)

Supplemental Metrics	Points	Counts	Total Points	Dollars per point			
Pell Grant	1	3797	3797	919	$ 3,489,443		
California Promise Grant Students	1	6362	6362	919	$ 5,846,678		
AB 540	1	171	171	919	$ 157,149		
					$ 9,493,270		21.1%
Success Metrics (All Students)							
Associate Degree	3	616	1,848	440	$ 813,120	1320	
ADT	4	176	704	440	$ 309,760	1760	
Credit Certificate 18/16 units	2	417	834	440	$ 366,960	880	
Completion of 9 CTE units	1	1,548	1,548	440	$ 681,120	440	
Transfer to 4 year institution	1.5	725	1,087.50	440	$ 478,500	660	
Completion of Xfer level Math and English	2	122	244	440	$ 107,360	880	
Attainment of regional living wage	1	1,298	1,298	440	$ 571,120	440	
					$ 3,327,940		7.4%
Success Equity Metrics (Pell Students)							
Associate Degree	4.5	409	1,841	111	$ 204,296	499.5	
ADT	6	105	630	111	$ 69,930	666	
Credit Certificate 16 units	3	244	732	111	$ 81,252	333	
Completion of 9 CTE units	1.5	1,010	1,515	111	$ 168,165	166.5	
Transfer to 4 year institution	2.25	304	684	111	$ 75,924	249.75	
Completion of Xfer level Math and English	3	57	171	111	$ 18,981	333	
Attainment of regional living wage	1.5	531	797	111	$ 88,412	166.5	
					$ 706,959		1.6%
Success Equity Metrics (California Promise)							
Associate Degree	3	492	1,476	111	$ 163,836	333	
ADT	4	134	536	111	$ 59,496	444	
Credit Certificate 16 units	2	310	620	111	$ 68,820	222	
Completion of 9 CTE units	1	1,262	1,262	111	$ 140,082	111	
Transfer to 4 year institution	1.5	405	608	111	$ 67,433	166.5	
Completion of Xfer level Math and English	2	66	132	111	$ 14,652	222	
Attainment of regional living wage	1	791	791	111	$ 87,801	111	
					$ 602,120		1.3%

	Per FTES	FTES	Total	
Flat Amount for College Size			$3,915,723	
Credit	3727	6048.1	$22,541,082	$26,456,805
Non-Credit	3347.49	155.0	$518,861	
CDCP	5456.67	28.0	$152,787	
Special Admit	5456.67	675	$3,683,252	
Base Allocation			$30,811,705	

			69%
2018-19	$ 44,941,994	$ 44,941,994	
2019-20	44,494,235	$ 44,941,994	
2020-21	47,202,712	47,202,712	100.00%
Average	45,546,314	$ 45,695,567	

		Credit FTES	Three Year Rolling	Growth	Special Admit(SA)	Ave +Growth -SA
	21-22	6000	6346.7	0	475	5871.6667
4 Summers	**20-21**	7040	6693.3	0	675	6018.3333
2 Summers	**19-20**	6000	6376.3	0	475	5901.3333
4 Summers	**18-19**	7040	6723.1	0	675	6048.0500
	17-18	6089				
	16-17	7040				

Credit	Non- Credit	CDCP	
7040.15	148.21	34.7	7223.05 CAP

Growth Funding Priority per budget language

First fund FTES capped growth based on 15-16 formula

Second funds to support uncapped growth in supplemental allocation

Third funds to support uncapped growth for student success allocation

16-17	CAP
17-18	
18-19	Restore
19-20	
20-21	Restore

2017-18 P3	6762.58 1 summer
	6246.51 No summer