



BUDGET COMMITTEE MEETING

Sept. 23, 2020

<https://shastacollege-edu.zoom.us/j/93045697750>

3:00-4:00 p.m.

MINUTES

CALL TO ORDER: The meeting was called to order at 3:01 p.m. by Committee Chair, Greg Smith

ROLL CALL:

x	Jill Ault	x	Katie Littlepage	x	Thomas Martin	Student Rep.
				x	Casey Schurig	
	Heidi Dias	x	Sue Loring	x	Tom Masulis	
x	Andy Fields	x	Crystal Mair	x	Greg Smith	

Guests: Tim Johnston, Marianne Williams, Sam Osborne, Frank Nigro, Kevin O'Rorke

APPROVAL OF MINUTES: None

PUBLIC COMMENTS: None

REPORTS: Jill did not have time to collect the detailed data that Casey requested at the last meeting. Jill will attempt to bring this information to the next meeting.

DISCUSSION/ACTION:

A) OPEB Retiree Health Benefits Cost Planning

Greg shared a spreadsheet showing history of the OPEB/Retiree Health Benefits through the years. 2018-19 year # of employees in STRS in verse full time faculty. Columns D, E and F salaries make up the total personnel budget.

Column C sums the different wage types that are in D, E and F, and the fixed cost that goes with each person. This spreadsheet is also showing other costs, such as utilities, etc.

Jill said we accrue retiree expenses for current employees every month. This past year about 75% of the full time employees are in Fund 11, so the accruals monthly do include some Fund 12.

Column K and J is the total OPEB deposit each year. Below are the averages for each year. This gives a more in-depth picture of Fund 11, and what goes into reserves and goes into the OPEB costs annually.

Sue asked if another column could be added for Capital Outlay. There was ample discussion including: Deposits each year, and if one time dollars were used or if the deposit was a planned budget expense. In 2015-16 and 2016-2017 there was approximately \$4 million dollars deposited to the OPEB. This money came from the state and half was deposited into the OPEB Trust and half to onetime salary off schedule payments.

Casey asked why are we omitting the deposit from 2010-2011. Jill said she is not familiar with this one, it was before she was employed at the District, but she can figure it out, and said it may be the

reimbursement from the state from when the 700 building was built, and the District had to front some of the money because at that time the state wasn't funding the bonds. Jill and Greg said they can continue the research on this one.

Sue asked if the committee would receive the spreadsheet that is being shared today. Greg, said yes, once he has the numbers for the added column for the Capital Outlay. Jill said it's important to note that some years we budget to deposit to the OPEB, and at that time it was shown as a separate line item, in the same way we budget for Capital Outlay expenses.

Andy asked if the deposits into OPEB are always from surplus. Jill said yes many times they are. Sue asked if the surplus each year could have been spent other ways, such as on salaries. Greg said yes, it would just depend on the decision made at the time and how things were prioritized.

Casey had questions about the negative balance on the budget at the end of 2018-2019, roughly \$632,000. Sue clarified that the negative balance is after the OPEB deposit was made for 2018-2019. Sue asked about the final budget number for 2019-2020. Greg said we will have final numbers in 2020-2021.

Greg said he found two districts (Peralta CCD and Imperial Valley) that had a plan on how they are funding the retirement liability beyond the GASB requirements. It seems most districts have a retirement board that have a liability for the GASB compliance. The plans seem to set out the parameters for investing, and making decisions on where the money goes, such as fiscal performance and sound management. The Peralta plan is interesting, they started their retirement fund with a bond measure. They have a couple of things going on repaying the bond, and longer term funding. In the most recent version they are charging 14% to each personnel budget line in order to build up the dollars and will have approximately \$7 million to deposit at the end of the year.

Greg said we are less structured and have used onetime funds to makeup our yearly deposit. We do not have a formal budgeting plan.

Imperial Valley follows more of a model that we have used, allocating budget surpluses, but using a formula of 70% to reserves and 30% to OPEB. They do not have a fixed amount each year.

Discussion:

Casey said one thought is we have a reoccurring pattern of having a substantial amount of budget left over each year. Greg agreed, and said if we applied something like Imperial Valley, such as the 30% each year to OPEB, the other 70% would go to reserves (\$823,00 \ 30% OPEB \$247,00 and 70% Reserves \$576,000).

Casey said he would like to look at the amount remaining in our reserves going back to 2004-2005, it was approximately \$1.8 million and now the reserves have grown to approximately \$10 million. Casey suggested that the reserves may be another dollar amount that is isn't captured quite clearly because it's possible we may be talking about more like \$2 million each year in overages in the budget if we were to look at Reserves, OPEB and Capital Outlay deposits.

Jill added that one of the goals of the JPA (Joint Powers Attorney) we are in for the OPEB Trust is that we are part of a pool that can capitalize on the millions of dollars from many schools, and the intent was to capitalize on those investments instead of the money sitting and not having it grow, such as if we had the dollars in the county treasury. We also have restricted investments with public funds.

Casey said what he is trying to understand is why at the end of so many years we seem to have more money than expected, and the surplus funds have been able to fund the Reserve, fund Capital Outlay and fund the OPEB Trust each year. How does that happen on an annual basis?

Andy said he remembers Morris explaining the overages at the end of each year due to salary savings, such as vacancies and being able to backfill positions quickly, and this is how we came up with the discount factor, mainly because of vacant positions. Jill said that is a big part of it, but there have been some revenue fluctuations and she would argue we should budget our revenue on the conservative side.

There are a lot of times with the state and the Chancellor's Office that we don't find out if we will be receiving more or less until June each year, and there isn't much we can do at that point. We try to budget to cover all expense and conservatively.

Jill said the classified and administrator positions don't turn around quickly, and it can amount to a significant savings. We budget our revenue at a conservative level, and it would be easier if it were more consistent, but the state responds to what they have, and we take the best estimates we have. We look over everything and make an educated guess. There is always tweaking going on throughout the year.

Casey said he understands, but he just sees loose ends and he is still trying to understand how somewhere in the budgeting process we always end up with a surplus of monies. The revenue always seems to be larger than expected. It seems to be a pattern so he would question if budgeting that conservatively is good or is it too much? Jill said each year we look at the discount factor and anticipate it to be too high or too low, and we do the best educated guess with the information we have.

Jill said the trends we see are not uncommon, it is the nature of public education. We don't see that many position vacancies and fluctuations on the faculty side. For the most part the fluctuations are outside of the academic employees, other than for part-time faculty which can vary from year to year. The discount factor started in 2016-2017 when Joe Bissell was working as an interim VPAS, and he questioned the overages for that year which was about a \$2.2-million-dollar surplus. Tom Martin said he remembers having conversations with Morris and he said we tend to over budget and under spend, which is the nature of public monies, being conservative. Katie added that she works for a grant funded program, and knows exactly what that programs budget is for the year, but the Budget Committee is very different, because the District does not know how much we have until the year is done. It makes sense there would be differences.

Jill said lottery sounds like a small deal, but some years it can be as much as \$500k more than the prior year, which is not revenue that they can calculate until it comes in.

Tom Martin asked if could we hold onto surplus monies until the following year, and make a good decision on how it is spent. Greg suggested adding a variance column to the spreadsheet, showing an average variance of 1.79%, but it does not include Capital Outlay. Casey said he'd like to delve into it more because the variance seems greater. Casey said from what he can tell, on average we budget a loss, but we also average a surplus, which doesn't always include the OPEB deposit, Capital Outlay or Reserves. The percentages don't seem to add up.

Sue said there are two different ways of looking at the data. Tom Martin asked if over budgeting and under spending is our goal, to show we are going into a deficit when we develop our budget, such as use it or lose it, is there an aspect of that in there. Jill said no, we do not have a use it or lose practice.

Jill said working on transparency was part of why Joe Bissell and the Budget Committee formalized the process and put in a discount factor. Prior to 2016-2017 there would be bigger gaps between the actual and the projected budgets. The discount factor was a way for formally acknowledging this.

Jill said 2018-2019 was the first year of the new funding formula (SCFF), and Morris did numerous town hall meetings as informational sessions. Casey pointed out that in 2018-2019 it shows surplus monies that could have be used for other things, but it ended up in OPEB and Capital Outlay again.

Greg said we cannot get into bargaining, and unethical discussion. We have another venue for those discussions. Casey said the point of the Budget Committee is to have conversation around surplus and talking about ways money could be used to maximize what we do, and he think it's important to understand the entire budget especially if there are anomalies. Casey said he is concerned that Greg is too quick to shut down the conversation when he believes the committee would like to understand.

Jill said she believes we've covered what we can here, the various reasons and how expenses and revenue comes in. There are many factors that influence our numbers.

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Tom Martin asked if there could be more discussion about the discount factor and how it should be adjusted each year. Jill said it is adjusted each year by taking the last several years and creating a rolling average. The discount factor is based on the expenditures. Andy added that we are also in the middle of a pandemic, and so much is not the normal operations.

Tom Martin said maybe the better conversation is what do we do with our surplus when we have it. Katie said she doesn't see that as the roll of the Budget Committee. The President and Cabinet decides ultimately how the monies are spent. She believes the committee's role is to ask thoughtful questions and are another set of eyes.

Tom Martin said his understanding is different, such as when we have a collaborative committee, we as the committee have a responsibility on budget planning, and it should be something that we all have a voice in.

Sue said she gets Casey's point and Jill's point as well. And, there just is a pattern of underspending and over budgeting. This pattern results in a substantial amount of extra money at the end of each year. We are a non-profit and we should not have money at the end of the year. So maybe we need to look at getting an even budget, instead of onetime overages each year.

Greg said for this committee it is important that we understand what the appropriate amounts are and how we are funding. We need some of this information as a way of making recommendations. Such as, how much do we need to be fiscally responsible, and there are all sorts of variables, and what does it mean and be able to provide input. We can absolutely work on dialing in on the cost side, but the revenue side is harder and we can look historically to make those decisions.

Casey asked if we can consider these different accounts and what we do to make sure they are funded appropriately and not over budgeted. Andy added that this committee makes recommendations, and the Board approves budgets and fiscal matters. Casey said that is why it is all the more important to put forward accurate data because it does impact decision making.

B) Final Budget Review (moved to 9/30/20 meeting)

At next week's meeting, the committee will be reviewing the final budget because it must to the Board on Oct. 14th. Greg and Jill will do a detailed overview on 2019-2020 finishing, look at the discount factor proposed for 2020-2021, and discuss how this year is different due to the pandemic. This topic will take the full hour and will be the only agenda item. Sue suggested the committee receive the handouts prior to the meeting. Greg said yes. No further discussion.

OTHER/ANNOUNCEMENTS: None

ADJOURNMENT: 4:09 p.m.

NEXT MEETING: Sept. 30, 2020

Recorded by:

Sherry Nicholas

Sherry Nicholas
Executive Assistant
Administrative Services