Shasta College

BUDGET COMMITTEE MEETING
Wednesday, April 20, 2022
Location (Zoom)
https://shastacollege-edu.zoom.us/j/99645064381
2:00-3:30 p.m.
APPROVED MINUTES

CALL TO ORDER: The meeting was called to order at 2:02 p.m. by Committee Chair, Jill Ault.

ROLL CALL:

X	Jill Ault	X	Andy Fields	X	Elsa Gomez		Student Rep.(vacant)
	Sandra Darling	X	Katie Littlepage	X	Scott Gordon	X	Sam Osborne
X	Darren Gurney	X	Sue Loring				

Guests: Taryn Roberts, Will Breitbach, Tim Johnston, Amy Speakman, Crystal Mair

APPROVAL OF MINUTES:

October 20, 2021 – Andy moved to approve, Sam seconded.

March 30, 2022 – Andy moved to approve, Sam seconded.

The committee approved the minutes unanimously.

PUBLIC COMMENTS: There were none.

REPORTS: There were none.

DISCUSSION/ACTION:

A) 2022-2023 Tentative Budget

Jill said there have been some minor changes to Fund 11 since our last meeting. We are having a difficult time estimating the revenue and expenses for Fund 34 which is for Food Services and the Dorms. There's a lot of fluctuation right now, with the cost of products Food Services is selling. There's a possibility we might get additional stimulus funds. We don't know how much we might get but the priority for those funds would be to stabilize the lost revenue between Parking and Food Services. We do expect the dorms to stabilize next year with normal occupancy rates.

Jill shared her screen for the 2022-2023 tentative budget. The current proposed budget has an estimated beginning fund balance of $89,136,002. The budgeted income is estimated at $120,121,363 and estimated expenditures is at $125,060,250. At a glance, this seems odd, with more expenditures budgeted than revenue, however, due to the bond issuance, we have quite a bit of bond funds that need to be expended down during this next fiscal year.

Not a lot has changed for Fund 11 with the funding formula information, we do expect an updated COLA. There are conversations at the Chancellor's Office about changing the funding formula with a revision to how the base allocation is calculated.

Shasta College is participating in a peer learning community group through the Chancellor's Office that is a six month process. Jill said she hopes the group will be a good source to learn more about the Chancellor's Office thought process with the funding formula and hope they will also learn from those participating on how it is implemented.

Sue said it looks like this year we are getting about $2.5 million more than we had originally budgeted. Jill said, yes, we are estimating an actual of $52,931,817 for 2021-2022 which is quite a bit higher but the deficit factor of about 1% listed should actually be 3.5%. Jill said the 2020-2021 was overestimated by about $600,000 because she thought the Covid Hold Harmless provision was only for credit FTES but it was actually for all FTES. We did experience growth in Dual Enrollment during 2020-2021 but we didn't get to capture that growth due to the Hold Harmless. We are benefiting at a higher level, however, because our credit FTES are so much lower.

Sue said it looks like the Educational Protection Act (EPA) is much higher for this year. Jill explained that the funding formula is one pot of funds. TCR is the formula and then the other categories fill it up. The EPA, Property Tax, HO & Timber Tax, etc. all go towards the total for the District. Those categories adjust at the state level to provide the total TCR amount.

Lottery has been fluctuating the past few years. We won't find out until July what our lottery funds are for this year.

Total revenue for this current year is around $55.7 million and is estimated to be $57.4 million for next year.

For salaries, we have budgeted for the current COLA of 5.33% from the Governor's January proposal. Faculty negotiated for two years last year so we know they will receive COLA.

For 2020-2021 and 2021-2022 we were able to use HEERF to shift some classified salaries out of Fund 11 but we don't anticipate being able to do that for the 2022-2023 year. There is also a significant amount of vacancies, especially in the Classified group. We estimate the majority will be hired at Step 1.

We had a slight reprieve for PERS/STRS this year but they are expected to increase. Three years ago it was $4.9 million and we estimate 2022-2023 to be $7.3 million. At this point retiree health is budgeted at $2.5 million with no deposit to the trust coming from Fund 11.

We are seeing that departments are budgeting for more activity (travel, field trips, events, etc.) which equates to more cost.

The $6 million transfer to the PARS trust is accounted for in the 2020-2021 year, but it didn't actually happen until the 2021-2022 year. At some point, we'll see that transfer over but for the time being it is in the year the Board approved it. It does look like we will have funds available from the current year so right now the recommendation is to deposit $3 million into the PARS trust. It offers a cushion for the District to accommodate for tighter budget years. This is just an estimate for right now. We wouldn't make a commitment to something like this until we know how the year will end.

Sue asked Jill to remind the committee what the PARS trust is. Jill said it is a stabilization account, where funds can only be used for PERS/STRS rates. For example, if we have $10 million in that trust, a conservative return of 5% would result in about $500,000 per year back to the District which could be used to stabilize the contributions for PERS/STRS. The $6 million went into the trust in December because we wanted to wait until the audit was complete. The PARS agency represents several municipalities across the country so the cost of these investments is much lower than we would normally get.

There isn't much in the 2022-2023 budget that is different from last year. We have always looked at the discount factor as a savings from less travel, vacant positions, etc. When we go back and look at pre-Covid years, there may be a small percent of net income that is coming from the revenue side. It isn't as consistent, but we are looking at either a 5% or 6% number for years going forward.

Looking at Fund 12 revenue, it is set up the same way with Federal, State and local sources separated. There are still some funds from the state level where we don't know how much we'll be receiving. We will not have time to spend for those programs so there will likely be some carryover.

COLA can have a big impact on our Fund 12 or categorical programs. The state may fund a reduced amount to grants or categorical programs but the employees are under the collective bargaining agreement so it's something to be mindful about.

We are projecting Fund 12 budget to grow to about $28.9 million. Six or seven years ago we were around $12-13 million. That shows a lot of growth for the District.

For Fund 34, Dorms and Food Services, we have been able to use federal stimulus funds to help soften the blow from the reduced revenue. Having the $250,000 stimulus funds has allowed us to reduce the loss from $300k to $85k. However, we don't know if we'll be able to supplement the lost revenue in 2022-2023, and we'll have the higher salaries. As of now, there is a projected loss of $213,054. This may show on the June tentative budget that goes to the Board, but we will likely need to make adjustments before the final budget is adopted in September.

We did a bond issuance in Fall 2020 and there's only about $19 million left of the original $139 million bond where we have not gone out and sold the bonds to have the cash. I don't anticipate that happening next year with the current rates.

Jill asked if anyone had any questions.

Sam said that as we talk about PERS/STRS we have to keep the Pepra law in mind, with the newer employees hired after 2013, those percentages have also gone up, with employees paying an additional 1% of their salaries towards pension.

Jill said when we had the opportunity last year where we had funds last year we didn't anticipate having, we saw it as an opportunity we couldn't pass up. We saw the PERS/STRS rates continuing to go up. If there is a year with little to no COLA, but an increase in PERS/STRS rates, that can be challenging. The Board was excited to see that trust offer a stability to the District. Our OPEB trust is funded between 65%-70%. There are some different philosophies around OPEB trusts, with several schools aiming for that 65%-70% goal. We still do collect some OPEB (around $150k) from other funds such as Fund 34 but that does not have an impact on Fund 11.

Jill said as a district we do not want to be over funded in OPEB, as that is restricted funds. We want to hit a percentage where, based on actuarial projections, we can start using the funds that are in the account.

Sue said she was wondering what the plan was for spending that amount down. Jill said we are basically right at that peak and so we'll work with the actuarial to run different scenarios. Sue asked if that would be something this committee would weigh-in on, helping determine how much should be drawn, etc. Jill said yes, we would need to gather that information but it would definitely be conversations we would have during Budget Committee.

Sue asked how much would a 1% increase in salaries amount to? Jill said last year it was around $340k or $470k, before the 5.07% COLA but you would need to add the PERS/STRS.

Jill said as we were reviewing the minutes from last meeting we remembered the conversation about worker's comp rates. This morning, our reps from Keenan came and shared the current Ex-Mod rate has gone down. We are in a JPA for Worker's Comp and Property & Liability insurance. Jill shared her screen with the summary of Ex-Mod rates. The Ex-Mod for 2022-2023 is projected at 85.57%. Districts want to stay below 100%.

Andy asked if some of the other colleges on the list have higher rates because they have fewer staff so if they have a claim, it makes it a higher percentage. Jill said it's all based on number of claims. Those colleges have a lot more claims and the claims are higher dollar amounts. That's also why we are in a JPA, so that it is distributed between the districts.

Jill said at the last meeting Joe had mentioned that in 2008 we were paying around $800,000. If you took that and converted it to today, it would be around $1.6 million. Because of the fewer claims and better Ex-Mod rating, we are around $455,000. Our Ex-Mod rate in 2018-2019 was 114.86%, 2019-2020 dropped to 106.47%, 2020-2021 dropped to 99.26% and in 2021-2022 it dropped to 90.62%. Jill said we have taken advantage of the programs Keenan offers and it has paid off.

Jill said we will show all the funds at our next meeting and we'll make a recommendation to send the budget on to College Council where they will make a recommendation to send it on to the Board.

Jill said if we get any updated information from the state we'll send that out via email. If anyone has any items they would like to discuss at the next meeting, please let me know.

OTHER/ANNOUNCEMENTS:

ADJOURNMENT: 2:53 p.m.

NEXT MEETING:

Recorded by:

Keri Mathews
Keri Mathews
Executive Assistant
Administrative Services