BUDGET COMMITTEE
MINUTES

September 13, 2011

The meeting of the Palomar College Budget Committee scheduled for September 13, 2011, was held in MD 155-C. Joe Newmyer called the meeting to order at 2:00 pm upon establishment of a quorum.

Roll Call

Members Present: Carrillo, Casey, Cerda, Claypool, Cuaron, Davis, Holmes, Laughlin, Sivert, Tortarolo, Towfiq, Wick

Members Absent: Bianchi, Brannick, Kelber, Vernoy

Guests: Phyllis Laderman, Brandi Taveuveu

I. Approval of Minutes:

The minutes of April 26, 2011 were approved (MSC: Cuaron/Cerda) and will be posted on the Palomar webpage as follows: **http://www.palomar.edu/committees.htm**.

The minutes of the May 10, 2011 were approved (MSC: Tortarollo/Towfig) and will be posted on the Palomar webpage as follows: **http://www.palomar.edu/committees.htm**

II. Action – First Reading

A. Post-retirement Benefits (Fund 69)

A document (see attached) raising issues about the Post-Retirement Fund (Fund 69) was provided for a first reading. After discussion it was agreed that it would be brought to the October 11th meeting with revisions that reflect the possible changes that were suggested during the meeting.

II. Action – Second Reading

a. None

III. Budget Information/Discussion

a. State Budget Update
a. None

b. District Budget Update

<u>2010-11 Ending Fund Balance</u>:

Due in part to the transfer of lottery funds into the General Fund, the District had a higher fund balance than expected. Expenses were also significantly less than originally projected. The Adopted Budget projected an ending balance of $9.8 million. However, changes during the year (including transfer of lottery funds in the amount of $5.8 million and unanticipated savings of $6.5 million in the expenditure accounts) resulted in a final ending fund balance of $22.8 million.

<u>Budgeted Savings and Reductions:</u>

For the 2010-11 fiscal year the Adopted Budget included projected savings in the 1000-3000 and 5000 categories of $1.9 million. The projected savings and reductions in the 2011-12 Adopted Budget for the same accounts total $9.7 million. This is primarily due to the vacancies and reduced instructional offerings. It is thought that these measures will avoid an unanticipated dramatic increase in the ending balance.

<u>2011-12 Apportionment</u>:

Due to the fiscal difficulties currently being experienced at the state level, Palomar's budget has been cut initially by $5.5 million. The state has also said that there will be further cuts if the revenues do not come in as anticipated. These cuts would occur in two phases and would total just over $1.8 million. In December the state will make a decision on the status of the revenues, and if they have not come up to expectation, then in addition to the reduction in apportionment, student fees will be raised to $46 per unit. It is expected that other adjustments will reduce the apportionment by an additional $647,000. If all the cuts occur, the apportionment will be down to $87.7 million from $95.7 million – some $8 million dollars.

C. <u>Brainstorming of possible District expenditure reductions and/or revenue enhancements for future budget years given State fiscal situation</u>

The feeling is the State will not be in any better shape next year. In the process of addressing the State structural problems, community colleges as well as universities have experienced budget cuts. It's going to be a tough year next year, with the best we can expect is status quo. A question was broached at what point the District will consider lay-offs. With the current list of vacancies and the extra workload being absorbed by all staff members, no layoffs are being considered.

Ideas for expenditure reduction and/or revenue enhancements, including the list submitted by CCE, will be considered in the future by the Budget Committee.

V. Discussion/Information

No Report

VI. Old Business

No Report

VII. Other

Meeting was adjourned at 3:36pm.

NEXT MEETING:

October 11, 2011
2:00 – 3:30
MD 155C

Attachment 1

Post-retirement Benefits (Fund 69)

During the 1997-98 fiscal year the District established the Post-Retirement Benefits Fund (fund 69) to receive amounts set aside for medical and dental insurance premiums to be paid on behalf of employees who have retired from the district and are eligible under provisions of the benefit plan. On June 30, 2007 this fund had a balance of $14.6 million. Since then current retiree payments from the fund have exceeded the revenue coming into the fund and the balance has been reduced to $12.7 million and if no action is taken by the District the balance will be reduced further during the 2011-12 Fiscal Year. This balance is far short of the $78.5 million that has been identified as the fund's total liability by the actuary who completed a study during 2010.

The Accreditation Standards state the following: "The institution clearly identifies and plans for payment of liabilities and future obligations." During the last visit the review team clearly indicated that the District must address the liability associated with the retiree medical costs.

In addition the ratings agencies will assess the District's ability to accommodate the long term liability associated with the cost for retirees' medical plans. If it is deemed that the district is not in a good position to pay the costs associated with retirees, it could impact the bond rating and result in additional costs to the District. This would in turn reduce the number of projects that could be funded from Proposition M.

For 2010-11 an amount equal to $5,114 for each academic employee and $4,275 for each classified employee who was enrolled in a medical plan with the District was deposited into Fund 69. The latest study indicated the District should be placing $5,065 for each employee for 2011-12. Doing this would increase the transfer to the Fund by $340,000.

> **It is recommended that for 2011-12 that the District transfer $5,065 per active employee into the Post- Retirement Benefits Fund.**

The expenses charged to the Post Retirements Benefits Fund have consisted of the composite rate for each eligible retiree. This has probably resulted in a larger charge to this fund than should have occurred. For example, most of the retirees who are eligible to continue coverage past age 65 are also eligible for Medicare and the premium for Medicare is substantially less that the non-Medicare premium. Also retirees seldom have more than one other dependent, and the composite rate assumes the number in the family that is average for the total population of active and retired employees.

> **It is recommended that the charges for Fund 69 be more closely aligned with the actual costs for retirees covered from that Fund.**

The total liability for the Post-Retirement Benefits is $78.5 million. While the District has approximately $12.7 million in the Fund, none of the $12.7 can be officially counted toward the liability unless it is placed in an irrevocable trust. A one-time deposit into Fund 69 and a deposit into the League's Fund for retiree benefits would help address these issues.

It is recommended that $2 million for 2011-2012 be deposited in the Post-Retirement Benefits fund.

It is recommended for 2012-13 that any excess ending balance in fund 11 on June 30, 2012, excluding the Designated accounts, that up to $2 million be deposited in the Post-Retirements Benefits Fund with the understanding that this deposit will not cause the projected ending balance for 2012-2013 to go below $5 million.

It is recommended that the process in the previous recommendation be repeated in each fiscal year after 2012-13.

It is further recommended that $1 million be deposited in the trust fund set up by the League from the Post-Retirement Benefits fund.