



BUDGET COMMITTEE

MINUTES

October 25, 2011

A meeting of the Budget Committee was held October 25, 2011. The meeting was called to order at 2:01 p.m. by Interim Vice President of Finance and Administrative Services, Joe Newmyer.

Roll Call

Members Present: Rico Bianchi, Monika Brannick, Debbi Claypool, Berta Cuaron, Kathy Davis, Aaron Holmes, Teresa Laughlin, Shayla Sivert, John Tortarolo, Mark Vernoy, Chris Wick

Members Absent: Melinda Carrillo, Salvador Orozco, Fari Towfiq

Guests: Brandi Taveuveu

I. Approval of Minutes:

Corrections to the minutes of October 11, 2011 were suggested and corrected minutes will be presented for approval at the next meeting. When approved they will be posted on the Palomar webpage as follows: <http://www.palomar.edu/committees.htm>.

II. Action – Second Reading

A. Retiree Medical Fund

Joe distributed a document showing the College medical premiums for 2012, comparing the PPO and Kaiser Premiums for active employees and the impact of going to the tiered rate plan. If this plan were implemented, the District would pay \$79,331 less for active employee premiums for 2012.

Teresa moved that the revision to the Post-Retirement Benefits Fund 69 Proposal be broken down into four component parts and considered. (MSC: Laughlin/Sivert). See attached proposal.

Recommendation 1: Teresa moved that for the 2011-12 and 2012-13 fiscal years that the District transfer \$5,065 per active employee into the Post-Retirement Benefits Fund with the proviso that the ending fund balance in fund 11 remains at or above 5%. (MSC: Laughlin/Claypool) This would cover the current year liability and the past years' liability for active employees.

Recommendation 2: Berta moved that for the 2011-12 and 2012-13 the District transfer \$2,506 per active employee into the Post-Retirement Benefits Fund with the proviso that the ending fund balance in Fund 11 remains at or above 5%. (MSC: Cuaron/Tortarolo) This would provide for current and future employee retirement medical expenses.

Recommendation 3: Berta moved that the charges to Fund 69 be more closely aligned with the actual costs for retirees covered from that fund by moving to a three-tiered rate for the PPO and Kaiser plans along with three tiers for Medicare eligible participants with the proviso that the ending fund balance in Fund 11 remains at or above 5%. (MS: Cuaron/Vernoy)

Joe reported that the amount the District had been paying for premiums at composite rates on behalf of retirees far exceeded the actual costs incurred. The composite rates assume employee and up to 2 or more dependents, where with retirees many are single, some have one dependent, but very few have more than two dependents. The actuary reviewed the actual costs incurred by retirees, and it was nowhere near the composite rate.

Teresa stated that she would vote against this, as she believes that the District does not save that much by going to tiered rates, it is divisive and that it would lead to problems down the road. She suggested that there must be a more direct way to insure that Fund 69 is paying the correct contribution for retiree premiums. She stated her belief that the first two augmentations to Fund 69 should be approved, given a year of evaluation, and Recommendation 3 be reconsidered after that.

Berta withdrew her motion to approve Recommendation 3 and instead motioned that Recommendation 3 be tabled and brought back to the next meeting for further discussion. (MS: Cuaron/Laughlin). Joe requested that members email specific questions to him to help with preparation for the next meeting. Debbi requested that those questions and answers be disseminated to all committee members.

Recommendation 4: Berta moved that \$1 million from the Post-Retirements Benefits Fund be deposited in the trust fund set up by the league. (MSC: Cuaron/Vernoy)
Berta withdrew her motion to approve Recommendation 4.

Teresa moved that Recommendation 2 be reconsidered. (MSC: Laughlin/Wick)

Teresa moved that Recommendation 2 be changed as follows: For the 2011-12 and 2012-13 the District transfers \$2,506 per active employee into the irrevocable trust, with the proviso that the ending fund balance in Fund 11 remains at or above 5%. (MSC: Laughlin/Vernoy.)

IV. **Budget Information/Discussion**

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

Due to time constraints this item was not discussed.

There being no further business, the meeting was adjourned at 3:00 p.m.

NEXT BUDGET COMMITTEE MEETING

November 8, 2011

2:00 p.m.

Location: MD 155-C