

State of the Budget

October 27, 2021



Program Review and Planning: Resource Allocation



Program Review & Planning: Resource Allocation 2020-21 PRPs

- Integrated program review, planning, and resource allocation is central component of our accreditation standards.
- Site Visit March 2022
- Peer Review Site Team will be looking at how we are connecting our planning to resource allocation decisions.
- Last year, we made great strides in connecting our PRP's to resource allocations




Program Review & Planning: Resource Allocation 2020-21 PRPs

- Resource requests were downloaded and prioritized across the College
 - One-time and technology needs
 - Facilities
 - Institutional Needs
- Budget Committee recommended funding for one-time and technology needs
- College budget incorporated recommended needs and included an amount to address institutional needs drawn from PRPs
- <https://www2.palomar.edu/pages/irp/files/2021/05/PRP-and-Institutional-Planning-Resource-Requests-2021.pdf>

Program Review & Planning: Resource Allocation 2021-22 PRPs



Month	Activity
August	IRP Prepares Data, Forms Reviewed, Webpages Updated
September	Budget Reports Run, Training, Units Start Review
October	Units Complete Reviews, Deans & Director Review
November	Instructional Peer Review, Final Edits, Facilities and Tech Review
December	VPs Review
January	1st Level RA Prioritization: Divisional List
February	2nd Level RA Prioritization: Bring Divisional Lists into one single list
March	Funding Sources Identified; Budget Committee; College Council
April	Resource requests processed and integrated into the Budget
May	Integrated Planning Report to College Council
June	Integrated Planning Report to Board

The background of the slide is a photograph of the Palomar College campus. It features several tall palm trees in the foreground and middle ground. In the distance, a large sign reads "PALOMAR COLLEGE" with a stylized checkmark above the word "COLLEGE". The sky is clear and blue. A red vertical bar is on the left side of the slide.

Questions / Comments

Thank you



OPEB Liability vs Funded Amount Fund 69 and Fund 79

Definitions

Other Post-Employment Benefits (OPEB): the benefits, other than pensions, that a state or local government employee receives as part of their package of retirement benefits. Typically, retiree medical insurance is the most significant OPEB offering, though other benefits such as life insurance are also covered by this term.

Governmental Accounting Standards Board (GASB): established in 1984, the GASB is the independent, private-sector organization based in Norwalk, Connecticut that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

GASB Statements No. 74 and 75: approved June 2015, these statements are applicable to OPEB and changed the financial reporting framework for OPEB plans, including the reporting of a net OPEB liability. The new statements required more extensive disclosures and supplementary information including reporting the effects of changes in assumptions on the net OPEB liability and a schedule of a government's OPEB contributions compared to the contributions required.

Description of Retiree Benefits

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of Benefits	Medical: to age 65* Dental: Lifetime	Medical: to age 65* Dental: Lifetime	Medical: to age 65* Dental: Lifetime
Required Service	10 years*	10 years*	10 years*
Minimum Age	55	50	50
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100% of premium	100% of premium	100% of premium
District Cap	Active cap	Active cap	Active cap

*Those hired prior to 03/01/94 date receive lifetime medical benefits if they have at least 20 years of service at retirement. At age 65, retirees must enroll in Medicare Parts A and B and must enroll in a Medicare supplement plan.

Actuarial Accrual Definitions

Actuarial Present Value of Projected Benefit Payments (APVPBP): To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses.

- Actuarial cost methods apportion this into two parts
 1. **Total OPEB Liability (TOL) / past service liability:** the portion attributable to service rendered prior to the measurement date
 2. **Present Value of future service costs / future service liability:** the portion attributable to service after the measurement date but prior to retirement
 - **Service Cost:** value of the benefit earned each year if benefits are accrued during the working lifetime of employees

If all actuarial assumptions are exactly met and an employer expenses the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the **Total OPEB Liability (TOL)**.

Net OPEB Liability (NOL): the excess of the TOL over the value of plan assets.

Under GASB 74 and 75: in order for assets to count toward offsetting the TOL, the assets must be held in an irrevocable trust that can only be used to provide OPEB benefits.



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Actuarial Present Value of Projected Benefit Payments As of June 30, 2020

	<i>Total</i>	<i>Faculty</i>	<i>Classified</i>	<i>Management</i>
Active: Pre-65 Benefit	\$24,685,404	\$10,137,638	\$11,731,635	\$2,816,131
Post-65 Benefit	\$8,093,062	\$4,000,899	\$3,366,756	\$725,407
Subtotal	\$32,778,466	\$14,138,537	\$15,098,391	\$3,541,538
Retiree: Pre-65 Benefit	\$9,287,442	\$1,719,521	\$6,264,875	\$1,303,046
Post-65 Benefit	\$59,239,876	\$31,404,285	\$18,204,789	\$9,630,802
Subtotal	\$68,527,318	\$33,123,806	\$24,469,664	\$10,933,848
Grand Total	\$101,305,784	\$47,262,343	\$39,568,055	\$14,475,386
Subtotal Pre-65 Benefit	\$33,972,846	\$11,857,159	\$17,996,510	\$4,119,177
Subtotal Post-65 Benefit	\$67,332,938	\$35,405,184	\$21,571,545	\$10,356,209

Service Cost Valuation 2021-22

	<i>Total</i>	<i>Faculty</i>	<i>Classified</i>	<i>Management</i>
# of Eligible Employees	702	282	336	84
First Year Service Cost				
Pre-65 Benefit	\$1,099,890	\$445,278	\$504,336	\$150,276
Post-65 Benefit	\$196,296	\$100,956	\$75,600	\$19,740
Total	\$1,296,186	\$546,234	\$579,936	\$170,016

Total OPEB Liability and Net OPEB Liability As of June 30, 2020

	<i>Total</i>	<i>Faculty</i>	<i>Classified</i>	<i>Management</i>
Active: Pre-65 Benefit	14,377,845	\$5,871,047	\$7,178,180	\$1,328,618
Active: Post-65 Benefit	\$6,815,071	\$3,436,138	\$2,820,038	\$558,895
Subtotal	\$21,192,916	\$9,307,185	\$9,998,218	\$1,887,513
Retiree: Pre-65 Benefit	\$9,287,442	\$1,719,521	\$6,264,875	\$1,303,046
Retiree: Post-65 Benefit	\$59,239,876	\$31,404,285	\$18,204,789	\$9,630,802
Subtotal	\$68,527,318	\$33,123,806	\$24,469,664	\$10,933,848
Subtotal: Pre-65 Benefit	\$23,665,287	\$7,590,568	\$13,443,055	\$2,631,664
Subtotal: Post-65 Benefit	\$66,054,947	\$34,840,423	\$21,024,827	\$10,189,697
Total OPEB Liability (TOL)	\$89,720,234	\$42,430,991	\$34,467,882	\$12,821,361
Fiduciary Net Position as of June 30, 2020	\$7,392,902			
Net OPEB Liability (NOL)	\$82,327,332			

Fund 79, Retiree OPEB Trust Account

	Retiree OPEB Trust
	<hr/>
Assets	
Cash and cash equivalents	\$ -
Investments	7,392,902
Accounts receivable	-
Student receivable	-
	<hr/>
Total assets	7,392,902
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Liabilities	
Accounts payable	-
Due to primary government	-
Unearned revenue	-
	<hr/>
Total liabilities	-
	<hr/>
Net Position	
Restricted for postemployment benefits other than pensions	7,392,902
Unrestricted	-
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Impact of High NOL

Quote from 2020 Audit:

Moody's Investors Service assigned a "Aa2 with a Negative Outlook" to Palomar Community College District in May 2020. This rating is based on the District's adequate financial profile with fiscal year 2019-20 projected results exceeding budgeted amounts driven by receipts of one-time revenue and expenditure savings. The rating reflects the District's "extremely large, affluent, northern San Diego tax base which will continue to see moderate ongoing growth driven by new development and housing turnover." These strengths are contrasted by the District's very high Other Post-employment Benefits (OPEB) obligations compared to peer districts.

Growth in District's expenses is driven by increases in salary schedules that have been set through collective bargaining agreements. Growing pension costs and OPEB obligations continue to be a primary concern for the District. Contribution rates for CalPERS will increase 3% to 23% in 2021-22. It is important to note that after the one-time CalSTRS and CalPERS rate relief expires in 2022-23, District pension costs are expected to grow significantly. For 2022-23, the contribution rates currently are projected to grow more than 2% of pay for CalSTRS and nearly 4% of pay for CalPERS.

[Article Link](#)

Fund 69, Post Retirement Benefits


	2020-21 Unaudited Actuals	2021-22 Proposed Adopted Budget
Interest	\$38,908	\$173,948
Pay-as-you-Go // Payroll Contribution	\$3,276,084	\$3,333,469
Service Cost // Transfer In (repayment)	\$3,333,469	\$3,916,531
TOTAL REVENUE	\$6,648,461	\$7,423,948
Employee Benefits	\$5,927,303	\$7,745,822
Transfers Out	\$0	\$1,000,000
TOTAL EXPENSE	\$5,927,303	\$8,745,822
Beginning Fund Balance	\$12,753,225	\$13,474,383
Net Surplus (Deficit)	\$721,158	(\$1,321,874)
Ending Fund Balance	\$13,474,383	\$12,152,509



2021/22 State of the Budget Future Meetings



Future Meeting Dates	Budget Cycle Development Topics
11/24/2021	HEERF Update
12/29/2021	WINTER BREAK
01/26/2022	Governor's Proposed Budget
02/23/2022	Budget Assumptions
03/30/2022	Budget Assumptions Update
04/27/2022	Review Budget
05/25/2022	Review Budget
06/29/2022	Review Budget

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