



Future Budget Issues

Board Study Session

January 21, 2017

# Governor's January 2017-18 State Budget Introduction

- State Revenues, Which Had Surged During Several Years of the Recovery, Are Now Beginning to Lag Expectations.
- The Theme for the State Budget is a Broad Recognition of the Increased Risk in Future Years.
- The State Continues to Rely on the Top 1% of Taxpayers Causing Tremendous Revenue Volatility.
- The Governor Reminded Everyone That we Will Face a Recession.
- The Current Economic Recovery is Now the Third Longest on Record.

# Governor's January 2017-18 State Budget Introduction

- The Message From the Governor Continues to be the Implementation of Prudent Fiscal Practices That Provide a Balanced Budget While Continuing to Plan and Save for the Future.
- The Proposition 98 Minimum Guarantee is Estimated to Grow to \$73.5 Billion in 2017-18, up from the Current \$71.4 Billion in the 2016-17 Fiscal Year.
- The Proposition 98 Share for the 2017-18 Fiscal Year is 10.87% (Down From 10.93% in Past Years), Which is Approximately \$45 Million less Than What Traditionally Would be Expected.

# Governor's January 2017-18 State Budget Proposal and the Effects for Mt. SAC's Ongoing Funds

- \$79.3 Million (1.34%) for Increased Access/Growth
  - For Mt. SAC Approximately \$1.9 Million if Growth is Earned
- \$94.1 Million (1.48%) Cost-of-Living Adjustment (COLA)
  - For Mt. SAC Approximately \$2.3 Million
- \$23.6 Million for a Base Increase to Cover Increasing Operating Costs, Largely Due to Rising Employer Pension Cost
  - For Mt. SAC Approximately \$0.6 Million
  - The Pension Costs (STRS and PERS) for Mt. SAC is Estimated at \$2.8 Million for 2017-18

# 2017-18 Categorical Funds

- \$150 Million in One-time Funds for Implementation of Guided Pathways
  - For Mt. SAC Approximately \$3.7 Million
- \$5.4 Million for a 1.48% COLA for the Apprenticeship, EOPS, DSPS, CalWORKs, and the Child Care Tax Bailout Programs
  - For Mt. SAC Approximately \$78,673
- \$43.7 in One-time Funds for Physical Plant and Instructional Equipment - No Local Match is Required
  - For Mt. SAC Approximately \$1.1 Million
- \$52.3 Million for Proposition 39 for Energy Efficient Projects and Workforce Development
  - For Mt. SAC Approximately \$1.3 Million

# CalSTRS and CalPERS

## Unrestricted General Fund

FISCAL YEAR	STRS				PERS				STRS and PERS	
	CUMULATIVE ANNUAL COST	RATE	RATE INCREASE	TOTAL INCREASE	CUMULATIVE ANNUAL COST	RATE	RATE INCREASE	TOTAL INCREASE	TOTAL CUMULATIVE ANNUAL COST	TOTAL INCREASE
2013-14 <sup>(1)</sup>	5,280,378	8.25%	-	-	3,559,423	11.442%	-	-	8,839,801	-
2014-15 <sup>(1)</sup>	5,828,283	8.88%	0.63%	547,905	3,723,289	11.771%	0.329%	163,866	9,551,572	711,771
2015-16 <sup>(1)</sup>	7,767,510	10.73%	1.85%	1,939,227	4,137,528	11.847%	0.076%	414,239	11,905,038	2,353,466
2016-17	9,653,473	12.58%	1.85%	1,885,963	5,258,495	13.888%	2.041%	1,120,967	14,911,968	3,006,930
2017-18	11,320,827	14.43%	1.85%	1,667,354	6,359,320	15.800%	1.912%	1,100,825	17,680,147	2,768,179
2018-19	12,774,686	16.28%	1.85%	1,453,859	7,526,941	18.700%	2.900%	1,167,621	20,301,627	2,621,480
2019-20	14,226,354	18.13%	1.85%	1,451,669	8,694,221	21.600%	2.900%	1,167,280	22,920,575	2,618,948
2020-21	14,987,500	19.10%	0.97%	761,145	10,022,505	24.900%	3.300%	1,328,284	25,010,004	2,089,429
2021-22		(2)			10,626,270	26.400%	1.500%	603,765	10,626,270	603,765
2022-23		(2)			11,028,780	27.400%	1.000%	402,510	11,028,780	402,510
2023-24		(2)			11,350,788	28.200%	0.800%	322,008	11,350,788	322,008
<b>TOTAL</b>				<b>\$9,707,122</b>				<b>\$ 7,791,365</b>		<b>\$17,498,487</b>

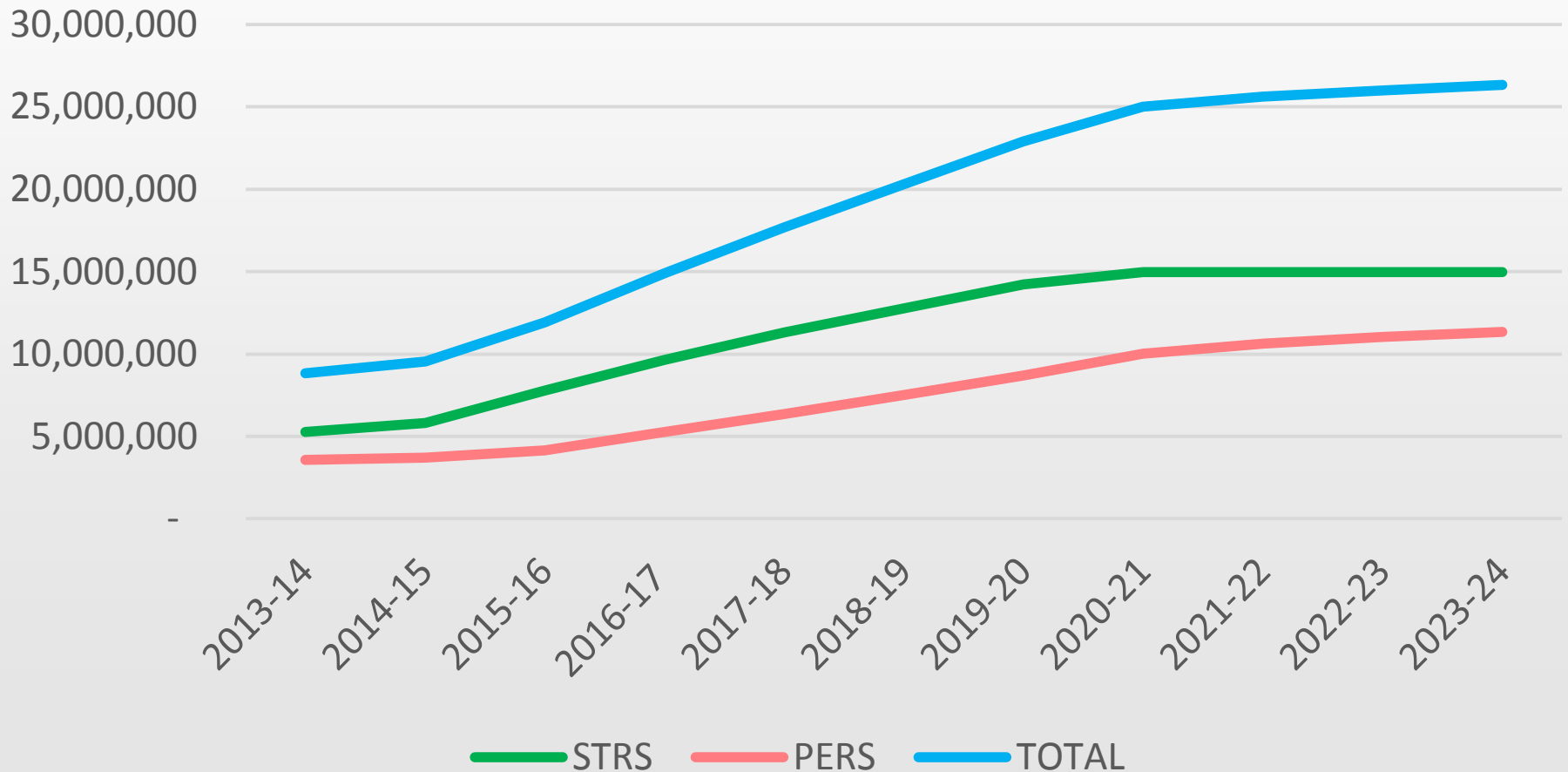
(1) Actual Expenditures

(2) Rates Not Available

# CalSTRS and CalPERS

## Unrestricted General Fund

### Based on Cumulative Annual Cost



# CalSTRS and CalPERS Trust

- In 2015-16 the College Made a Contribution of \$4,000,000
- In 2016-17 the College Made a Contribution of \$4,000,000
- The Trust Balance as of December 31, 2016 is:
  - Book Value \$ 8,067,526



# Retirees Health Benefits Terminology

**OPEB Benefits** – Other Postemployment Benefits. Generally Medical, Dental, Life Insurance, etc. Does not Include Pension Benefits.

**Actuarial Accrued Liability** – The Amount of the Actuarial Present Value of Total Projected Benefits Attributable to Employees' Past Service Based on the Actuarial Cost Method Used.

**Actuarial Value of Assets** – The Cash Value of the Investments of the OPEB Trust or Assets Irrevocably Committed to Provide Health Benefits.

**Annual OPEB Cost Expense** – This is the Amount Employers Must Recognize as an Expense Each Year.

**Unfunded Actuarial Accrued Liability** – This is the Excess of the Actuarial Accrued Liability over Assets Irrevocably Committed to Provide Retiree Health Benefits.

# Retirees Health Benefits Three Year History

<b>Date</b>	<b>Actuarial Accrued Liability</b>	<b>Actuarial Value of Assets (OPEB Trust Balance)</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funding Ratio</b>
3/1/2012	\$120,114,689	\$71,343,707	\$48,770,982	59%
3/1/2014	\$107,412,110	\$72,129,965	\$35,282,145	67%
3/1/2016	\$105,366,963	\$64,896,804	\$40,474,159	62%

# Retirees Health Benefits

## Three Year Contribution and Premiums and Estimated Contribution and Premiums for 2016-17

<b>Fiscal Year</b>	<b>Annual OPEB Cost Expense</b>	<b>Retirees Health Premiums Paid from OPEB Trust</b>	<b>District Contribution</b>
2013-14	\$6,695,655	\$3,999,809	\$0
2014-15	\$6,705,089	\$3,790,007	\$2,500,000
2015-16	\$6,889,039	\$3,931,388	\$2,500,000
2016-17 Est.	\$6,889,039	\$3,931,388	\$2,500,000

# Instructional Equipment & Scheduled Maintenance

<b>Fiscal Year</b>	<b>Instructional Equipment</b>	<b>Scheduled Maintenance</b>
2013-14	\$370,690	\$370,695
2014-15	\$1,959,851	\$1,959,851
2015-16	\$2,026,646	\$2,026,646
2016-17	\$2,502,496	\$2,502,497
2017-18 Est. January Proposal	\$550,000	\$550,000
15 Year expected Scheduled Maintenance Costs *	?	\$48,000,000

\* To Avoid Equipment Failures, between \$2 to \$3 million is needed per year.

# Bond Anticipation Notes (BAN) Issuance

## 5 Year Short –Term Debt

- The College needs to Issue BANs for :
  - Remaining Contract Amount for the Business Project
  - Begin the Athletics Complex Project
  - Fund the Design Costs for the Campus Center
  - Several Local Scheduled Maintenance and Campus Wide Improvements
- Measure RR Balance as of Today is \$115.7 Million
- The College May Conservatively Issue \$90 million in BANs this Year 2017
- These \$90 million in BANs Will be Paid off in Year 2022 with a Fairly Conservatively Assessed Valuation Growth
- Assessed Value (AV) Projections of 5% for FY 2017-18, 4.9% for FY 2018-19, 4.75% for FY 2019-20, and 4% Thereafter
- The College will be able to Sell Bonds in 2022 and Pay off the BANs
- This Will Leave \$25.7 Million in Bonds to be Issued at a Later Time.

# No Augmentation for Student Success and Support Program (SSSP), Student Equity, Adult Education, and Strong Workforce Programs

<b>Categorical Program</b>	<b>Permanent Ongoing Salaries Budget</b>	<b>Operational Budget</b>	<b>Total Budget Allocation 2016-17</b>	<b>1.48% COLA Applied to Total Budget</b>
SSSP Credit	\$3,976,620	\$1,170,995	\$5,147,615	\$76,184
SSSP Noncredit	\$1,334,176	\$503,555	\$1,837,731	\$27,198
Student Equity	\$1,379,425	\$2,112,775	\$3,492,200	\$51,685
Adult Education Block Grant – District Share	\$74,917	\$645,926	\$720,843	\$10,668
Strong Workforce Program	TBD	TBD	\$2,493,730	\$36,907
<b>Total</b>				<b>\$202,642</b>

# 2016-17 Adopted Budget for all Funds

FUND DESCRIPTION	EXPENDITURE	FUND BALANCE	TOTAL
Unrestricted General Fund	\$ 200,867,566	\$ 20,756,787	\$221,624,353
Restricted General Fund	51,777,824	174,180	51,952,004
Child Development Fund	1,845,547	686,265	2,531,812
Farm Operations Fund	268,800	208,879	477,679
Student Health Services Fund	1,532,898	649,148	2,182,046
Capital Outlay Projects Fund	26,964,522	5,165,661	32,130,183
Bond Construction Fund	61,470,537	1,351,785	62,822,322
Associated Students Trust Fund	506,246	2,189,367	2,695,613
Student Representation Fee Trust Fund	26,459	60,598	87,057
Student Financial Aid Trust Fund	54,577,640	2,827	54,580,467
Scholarship and Loan Trust Fund	909,522	-	909,522
Other Trust Funds	452,264	1,041,497	1,493,761
<b>TOTAL</b>	<b>\$ 401,199,825</b>	<b>\$ 32,286,994</b>	<b>\$433,486,819</b>

# Future Considerations

- Lack of Sufficient COLA for Ongoing Expenditures.
- Lack of COLA for Categorical Programs Such as Student Success and Support, Student Equity, Adult Education, and Strong Workforce programs.
- Reduced Growth Funds.
- Reduction in Physical Plant and Instructional Equipment Funds.
- Absence of One-time Discretionary Funds.
- Unprecedented Uncertainties Regarding Federal Fiscal Policy Changes Due to the New Administration That Could Affect the State Budget, including the Affordable Care Act.



# Future Considerations

- Concerns with a potential recession and the volatility of State Revenues. The Rainy Day Fund Will not be Sufficient to Cover the Budget Deficits in Out Years.
- Support the Advocacy Efforts to Correct the Proposition 98 Split From 10.87% to \$10.93% to Recover the \$45 million for the Community College System.
- Support the Advocacy Efforts to Obtain a Larger Base Increase to Fund Pension Costs Such as CalPERS and CalSTRS.
- Maintain Unrestricted General Fund Balance (Reserves) at not less than 10% of Total Expenditures - Board Policy (BP) 6250
  - 10% of \$200,867,566, Which is \$20,086,757 (Per 2016-17 Adopted Budget).

# Questions

