PLANNING & BUDGETING COMMITTEE
April 17, 2014
1:00 - 2:30 p.m.
Library 202

Facilitator: Rory K. Natividad   Notes: Linda M. Olsen

STATEMENT OF PURPOSE

The Planning and Budgeting Committee serves as the consultation committee for campus-wide planning and budgeting. The PBC assures that the planning and budgeting are interlinked and that the process is driven by the mission and strategic initiatives set forth in the Comprehensive Master Plan. The PBC makes recommendations to the President on all planning and budgeting issues and reports all committee activities to the campus community.

Members

- ☐ Alice Grigsby - Management/Supervisors
- ☐ Ken Key - ECCFT
- ☐ Liliana Lopez – ASO
- ☐ Rory K. Natividad - Chair (non-voting)
- ☐ Dipte Patel - Academic Affairs
- ☐ Dawn Reid - Student & Community Adv.
- ☐ Cheryl Shenefield - Administrative Services
- ☐ Dean Starkey – Campus Police
- ☐ Gary Turner - ECCE
- ☐ Lance Widman - Academic Senate

Attendees

- ☐ Francisco Arce – Support
- ☐ Linda Beam – Support
- ☐ David Brown – Alt. ECCE
- ☐ Janice Ely – Support
- ☐ Connie Fitzsimons - Alt., Ac. Affairs
- ☐ William Garcia – Alt. SCA
- ☐ Christina Gold – Support
- ☐ Irene Graff – Alt.Mgmt./Sup.
- ☐ Jo Ann Higdon – Support
- ☐ Jeanie Nishime – Support
- ☐ Emily Rader – Alt. Ac. Sen.
- ☐ Ericka Solarzano - Alt. Police
- ☐ Michael Trevis – Alt. Adm. Serv.
- ☐ John Wagstaff – Support
- ☐ Will Warren– Support
- ☐ Vacant – Alt. ECCFT
- ☐ Vacant – Alt. ASO

AGENDA

1.	Draft Minutes Approval – March 6, 2013	R. Natividad (TABLED)	1:00 P.M.
2.	GASB 67, GASB 38, OPEB Goal	J. Higdon	1:10 P.M.
3.	Dartboard / 5 year	J. Higdon	1:20 P.M.
4.	Prop 30	J. Higdon	1:35 P.M.
5.	Strategic Planning Meetings	I. Graff	1:45 P.M.
6.	Implementation Plan	I. Graff	1:55 P.M.
7.	Adjournment		

Next meeting – May 1, 2014

Attachment G

EL CAMINO COMMUNITY COLLEGE DISTRICT
16007 Crenshaw Boulevard, Torrance, California 90506-0001
Telephone (310) 532-3670 or 1-866-ELCAMINO
www.elcamino.edu

March 10, 2014

To: President Thomas Fallo

From: Jo Ann Higdon, M.P.A.

Subject: Retiree Health Benefit's Liability

Twenty years ago, the District recognized its obligation to fund its legal liability to current and future retirees and established a separate fund (Fund 17) for its OPEB (Other Post Employment Benefits) liability.

In 1995 the first contribution to that fund was made in the amount of $600,000. At that time, the OPEB liability was projected to be $7.4 million. As of November of 2013, the OPEB liability has tripled and is now projected at $22.2 million.

In 2011, an Irrevocable OPEB Trust (Trust) (Fund 69) was established and the accumulated funding was transferred to that Trust. A historical schedule delineating annual contributions and earnings of these funds are attached and can also be found on page 67 of our budget book. By June 2014, it is estimated the balance in the Trust will be $18.8 million. Using your goal to achieve full funding in 2014-15, an additional amount of approximately $3.4 will be required. Assuming investment income of $0.5 million in 2014-15, an additional $2.9 million is the estimated contribution to fully fund the OPEB liability. To accomplish this goal, I recommend: 1) the balance of Funds 14 and 15 as of June 2014 (estimated to be $0.9 million) be transferred to the Trust Fund and 2) the remaining balance required to fully fund (estimated to be $2.0 million) be transferred in 2014-15 from Fund 15.

Once the Trust is fully funded, the District will be allowed to pay the annual OPEB expenses (which were $609,156 in 2012-13) from the Trust fund rather than burden the unrestricted general fund with these expenditures

Jo Ann Higdon

Jo Ann Higdon, M.P.A
Vice President Administrative Services

Attachment (from page 67 of the 2013-14 Budget Book)

POST EMPLOYMENT BENEFITS FUND

Financial Accounting Standard 106 and GASB 45 recommend that employers establish a fund to pay for the future costs of retiree medical premiums. Actuarial valuations performed in 1995, 2005, 2009 and 2012 identified El Camino's obligation at January 1, 1994, to be $7,438,000; at June 1, 2005,to be $15,053,009; at June 30, 2009 to be $18,814,878 and at May 9, 2012 to be $22,355,715. Funds set aside to meet this obligation are shown below.

Fiscal Year		Deposit	Interest	Balance @ 6/30
	SCCCD			
1994-95	Initial Deposit	$ 600,000	$ 2,108	$ 602,108
1995-96		600,000	49,979	1,252,087
1996-97		300,000	29,873	1,581,960
1997-98		300,000	35,399	1,917,359
1998-99		250,000	37,727	2,205,086
1999-00		250,000	112,141	2,567,227
2000-01		100,000	110,113	2,777,340
2001-2012		0	1,092,824	3,870,164
	Total	$ 2,400,000	$1,470,164	$ 3,870,164
	District Fund 17			
2004-05		$ 350,000	$ -	$ 350,000
2005-06		350,000	10,004	710,004
2006-07		1,858,485	131,390	2,699,879
2007-08		1,497,877	161,808	4,359,564
2008-09		900,000	111,112	5,370,676
2009-10		1,400,000	80,477	6,851,153
2010-11		3,146,421	108,637	10,106,211
2011-12		1,000,000	99,846	11,206,057
	Total	$ 10,502,783	$ 703,274	$ 11,206,057
	GRAND TOTAL	June 30, 2012		$ 15,076,221 *

* Funds from SCCCD and District's Fund 17 were transferred to an Irrevocable Trust Investment Fund shown below.

	District Fund 69	Deposit	Interest	Balance @ 6/30
2012-13	Opening Deposit	$ 15,076,221 *	$ -	$ 15,076,221
2012-13	Addition	900,000	507,550	16,483,771
		$ 15,976,221	$ 507,550	$ 16,483,771
	Total	June 30, 2013		$ 16,483,771

Warrier, Shobhana

From: Higdon, Jo Ann [mailto:jhigdon@elcamino.edu]
Sent: Tuesday, March 25, 2014 6:16 PM
To: Carter, Roderick; Bill Rauch
Cc: Fallo, Thomas; Curry, Keith
Subject: GASB 68 Implementation

Most CBOs felt GASB 68 was going to be delayed beyond FY 14-15, but now I see the announcement by School Services (below) that it will not be. If I am understanding correctly, we will now be reporting our district's share of CalPERS and CalSTRS on our balance sheets—which, of course, will result in huge negative balances. It appears our 311 reporting will not include these numbers. So, my questions:

1. Rod—how are the bond rating agencies going to cope with this?

2. Bill—what kind of "opinion" letter will we be encountering as a result of this requirement?

No Delay of GASB 68 Implementation

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions, which becomes effective for years beginning after June 15, 2014. A number of stakeholder groups requested that GASB consider delaying implementation because of the significant audit procedures that are related to the new requirements. GASB has just issued a press release announcing that the implementation will not be delayed.

GASB 68 will require all public employers that employ individuals covered by defined benefit pensions to recognize the long-term pension liability on their financial statements. Also, more information will be required in note disclosures and required supplementary information. One could argue that this does not make sense for local educational agencies (LEAs), as they do not have the authority to set benefit levels, determine contribution levels, or make investment decisions on the funds in the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS). Further, LEAs have fulfilled their obligation by contributing the statutorily required amount every year to both plans. These plans are governmental plans, and it is the state government that controls all of the parameters. These arguments were made when GASB issued the exposure draft more than two years ago, but we now have the requirements as laid out in GASB 68, and LEAs need to start getting prepared to implement them.

CalSTRS staff members have been proactive in getting the word out on this to LEAs. They are providing workshops throughout the state, and have a webpage dedicated to GASB 68 here: http://www.calstrs.com/gasb-accounting-changes. We have written much about the unfunded CalSTRS liability—it is $71 billion as of June 30, 2012, using the discount rate of 7.5%, the earnings assumption adopted by the CalSTRS Board. GASB 68 requires the use of a lower discount rate, which increases the unfunded liability to $167 billion. This is the calculation that will be used to determine the unfunded "net pension liability" that is to be allocated among LEAs.

The CalPERS plan for school employees also reflects a significant unfunded liability—the plan is 75.5% funded as of June 30, 2012, which will get worse as the lower discount rate required by GASB 68 is applied. CalPERS has announced that it is hiring additional staff and modifying its internal systems so that LEAs can be provided the necessary actuarial information for their local financial statements for a fee, estimated to range from $675 to $1,400, as plan assets cannot be used to pay for the costs. CalPERS plans to issue more information about this work, as well as the fee amount this fall.

It has been mentioned that once these liabilities are recorded on the financial statements, the fund balance could be driven down to a negative number. However, it would be the net assets that will decrease, as the net pension liability will be recorded similar to the liability for retiree benefits—on the financial statements only. It would not be reflected in the budget or actuals reported on the Standardized Account Code Structure forms—only on Form DEBT, which does not affect fund balance.

Financial statements are used by rating agencies, so the recognition of the LEA's portion of these unfunded pension liabilities could impact the cost and/or ability to borrow. But all public employers participating in defined benefit programs are going to be similarly impacted.

We recommend that you work closely with your external audit firm to get prepared for the implementation of GASB 68 for your 2014-15 financial statements. In the meantime, we will keep you informed of any further developments from CalSTRS or CalPERS.

—Lewis Wiley, Jr., and Sheila G. Vickers

posted 03/25/2014

Dan Walters: California budget is balanced? Not by a long shot

By Dan Walters
dwalters@sacbee.com
Published: Sunday, Mar. 30, 2014 - 12:00 am
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One of the conceits of Capitol politicians – much on display during this election year – is that they finally balanced the state budget after years of deficits.

Gov. Jerry Brown is especially prone to making the claim, particularly when he grants audiences, as he often does, to out-of-state journalists who don't know better.

It simply isn't true, or at least isn't when one looks at the state's finances holistically, rather than piecemeal.

To Brown, et al, the budget is balanced because it provides enough money to pay the obligations that he and the Legislature choose to pay. But when what they choose not to pay is included, the budget is billions, even tens of billions, of dollars out of balance.

They choose, for instance, not to include a $70-plus billion shortfall in the trust fund that pays teachers' pensions. The California State Teachers' Retirement System says it needs another $4.5 billion a year to cover the unfunded liability that's growing by $20 million a day.

No one questions that number, and the money must come from the state, from school districts that get most of their money from the state, or from teachers themselves.

They also choose not to include a $60-plus billion unfunded liability for the health care of retired state employees and there's really no way for that debt to be shared. It will be paid, sooner or later, from the state budget – and it, too, is growing by the day.

There's also an unfunded liability of some dimensions for state workers' pensions.

The state Department of Transportation has revealed another mounting debt that's being ignored – deferred maintenance of the 50,000 lane-miles of state highways. California has some of the nation's worst pavement conditions as 35 million vehicles run up 300 billion miles of pavement-beating travel each year.

Over the last four years, $3.9 billion has been spent on long-neglected highway maintenance and reconstruction projects, mostly from bonds and federal "stimulus" grants. However, the state's own plan says $2.8 billion is needed each year, only a quarter of which is being budgeted.

Add it all up, and California is ignoring at least $10 billion a year in debt payments that current politicians are avoiding but that their successors and taxpayers will have to shoulder at some point.

That doesn't count, by the way, the billions of extra dollars in constitutionally protected spending for school aid and payments to counties for realignment of criminal justice and other programs that are being financed through temporary increases in sales and income taxes.

What happens when those taxes expire in a few years, but the spending obligations lodged in the state constitution continue?

A balanced budget? California is like a family that makes minimum credit card bill payments and ignores its mortgage.

Call The Bee's Dan Walters, (916) 321-1195. Back columns, www.sacbee.com/walters. Follow him on Twitter @WaltersBee.