



PLANNING & BUDGETING COMMITTEE

January 18, 2018

1:00 -2:30 P.M.

Accounting Conf. Room

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 planning and budgeting are integrated and evaluated while driven by the mission and strategic initiatives set forth in the Strategic Plan. The PBC makes recommendations to the President on all planning and budgeting issues and reports committee activities to campus constituencies.
10/5/17

Strategic Initiative – C – Collaboration

Advance an effective process of collaboration and collegial consultation conducted with integrity and respect to inform and strengthen decision-making.

Members

- Jose Anaya – Community Advancement
- Amy Grant - Academic Affairs
- Jeff Hinshaw - Administrative Services
- Ken Key - ECCFT
- Ruben Lopez - Alt. Police
- David Mussaw – ECCE

- Rory K. Natividad - Chair (non-voting)
- Alex Ostrega – ASO, Student Rep.
- Jackie Sims - Management/Supervisors
- Dean Starkey – Campus Police
- Greg Toya – Student Services
- Josh Troesh - Academic Senate

Alternate Members / Support

- Babs Atane – Support
- Kristie Daniel-DiGregorio – Support
- Brian Fahnestock – Support
- Irene Graff – Support
- Jennifer Gutierrez - Alt. ASO
- Kelsey Iino– Alt. Student Services
- Art Leible – Support
- TBD - Alt. Police
- Jane Miyashiro – Support

- Ross Miyashiro – Support
- Jean Shankweiler – Support
- Luukia Smith – Alt. ECCE
- Michael Trevis – Alt. Adm.
- Steve Waterhouse-Alt. Mgmt/Sup
- Carolee Jessop-Vakil – Alt. ECCFT
- Van Buren, Star – Alt. Comm. Adv.
- Vacant - Alt., Ac. Affairs
- Vacant – Alt. Ac. Se

AGENDA

- | | | |
|---|----------------|-----------|
| 1. Approval Minutes- December 7, 2017 | R. Natividad | 1:00 P.M. |
| 2. Enrollment Update | J. Shankweiler | 1:10 P.M. |
| 3. Governor’s Budget Update | B. Fahnestock | 1:20 P.M. |
| 4. District Fiscal Audit Report Summary | B. Fahnestock | 1:40 P.M. |
| 5. PBC Roles and Responsibilities | R. Natividad | 2:00 P.M. |

Next meeting –February 1, 2017

Committee Funds and Financial Terms Glossary

General Unrestricted	Fund 11
General Restricted	Fund 12
Compton Center Related Activities	Fund 14
Special Programs Compton Center Partnership	Fund 15
STRS/PERS	Fund 16
Student Financial Aid	Fund 74
Workers Comp.	Fund 61
Capital Outlay Projects	Fund 41
General Obligation Bond	Fund 42
Property & Liability Self-Insurance	Fund 62
Dental Self-Insurance	Fund 63
Post-Employment Benefits Irrevocable Trust	Fund 69
Bookstore	Fund 51

WSCH =	Weekly Student Contact Hours
BOGFW =	Board of Governors Fee Waiver
FTES =	Full Time Equivalent Students
FTEF =	Full Time Equivalent Faculty
COLA =	Cost of Living Adjustment
OPEB =	Other Post-Employment Benefits
FON =	Faculty Obligation Number

* A complete list is available in the annual final budget book.

Planning and Budgeting Committee 2017-18 Goals

1. Develop an action plan utilizing the college wide evaluation of planning and budgeting process. The evaluation was conducted last year.
2. **Chair to provide brief summary of PBC meeting via email to improve communication efforts.**
3. Review and approve the Comprehensive Master Plan to ensure that they are:
 - a. Supportive of the Mission and Strategic Plan,
 - b. Integrated with other college planning and budgeting,
 - c. Implementable, and
 - d. Achievable.
4. **Provide orientation and information to new members and alternates**
5. Seek evidence of constituent group PBC communications in an effort to improve the understanding of committee efforts throughout the campus.

EL CAMINO COLLEGE
Planning & Budgeting Committee
Minutes
Date: December 7, 2017

MEMBERS PRESENT

- | | |
|--|---|
| <input checked="" type="checkbox"/> Amy Grant – Academic Affairs | <input checked="" type="checkbox"/> Cheryl Shenefield–Administrative Services |
| <input checked="" type="checkbox"/> Ken Key - ECCFT | <input type="checkbox"/> Jackie Sims -Management/Supervisors |
| <input checked="" type="checkbox"/> David Mussaw - ECCE | <input type="checkbox"/> Dean Starkey – Campus Police |
| <input checked="" type="checkbox"/> Rory K. Natividad – Chair (non-voting) | <input checked="" type="checkbox"/> Greg Toya – Student Services |
| <input type="checkbox"/> Alex Ostrega – ASO Student Rep. | <input checked="" type="checkbox"/> Josh Troesh – Academic Senate |
| <input type="checkbox"/> Jose Anaya – Community Advancement | |

Alternate Members:

Support: B. Fahnestock, I. Graff, J. Hinshaw, A. Leible, J. Miyashiro, R. Miyashiro, J. Shankweiler

Other Attendees: T. Silerio (student reporter-Union)

The meeting was called to order at 1:04 p.m.

Introductions were done for the new members of PBC.

Approval of the November 16, 2017 Minutes

1. The minutes of November 16 minutes were presented to the committee for approval.
2. Page 1, Enrollment Management Plan, #2, after expanded **correct word:** to **due**. Last sentence, **change:** every **to:** **ever**.
3. Page 2, Faculty Hiring Process Update, #1, last sentence, **reword:** their acceptance of the offer.
4. Page 2, Facilities Update, #1, second to last sentence, **change:** Administrative **to:** Administration.
5. The minutes were approved as corrected and will be posted on line.

Academic Calendar– J. Shankweiler (handouts)

1. Draft copies of the academic calendar for 2018/19 and 2019/20 were distributed to the committee for their review.
2. The summer dates, holidays, and flex days were pointed out. It was noted quite a bit of discussion was had on where to put Lincoln’s holiday for February 2019. It was agreed to place it before the start of the 2019 spring semester, February 8.
3. It was pointed out the number of days for summer 2019 would be the same as winter 2019. This will also be the same for the calendar year 2019/20.
4. C. Shenefield made a note that in the future, the intersessions should not begin on the last day of the week. Otherwise it will affect how the system divides the pay periods for the faculty contracts. Mondays and Tuesdays are more desirable days to start the session.
5. These calendars will go to the Board of Trustees for approval in December 2017.

Funding Community Colleges – B. Fahnestock (handout/presentation)

1. A power point presentation was given to the committee on how El Camino College is funded. It was noted we are a special purpose government. Schools are the most common special purpose government. Funding for the California Community College System comes from property taxes, student fees, and the State backfills the rest with a certain charge per FTES.

2. The timeline is not quite a 12-month process for the budget. In January the Governor's proposed budget is released. January through May there are Legislative hearings. Next comes the Governor's May revise. In June the Legislature sends the budget to the Governor. Then in September and October come the Trailer Bills which are clarified with more detail for the colleges.
3. Proposition 98 which said a certain percent of the total budget will go to education. The community colleges receive about 9%-12%. Governor Brown has provided a lot of support for the community colleges.
4. It was noted the richest people in the State pay about 40% of our revenue (200,000 people). The recent changes to the tax code could have a big effect on the community colleges. With the change of their state income tax not being deductible from their federal tax, these 200,000 could easily move somewhere else.
5. It was noted over the last few years, money received from sales tax is in decline due to stagnant wages and technology shifting goods to services. Goods are taxed where services are not.
6. Our college's fiscal budget year goes from July to June. The Board of Trustees are the only ones to appropriate money which they must approve in an open session.
7. New money is received hopefully in incremental, increased changes. This includes COLA, enrollment increases, basic allocation, and categorical programs. Part of our budget requirement includes having a 5% reserve, spending 50% of our money in the classroom, and hiring new faculty as enrollment increases (FON).
8. It was noted one of the things we must be mindful of is the difference between on-going and one-time expenses. We currently have an 18% reserve. We are dependent on our enrollment and it is important we keep it slowly growing.

Planning Calendar– R. Natividad

1. The planning calendar will be sent out so everyone can see what is forthcoming for the spring semester in regards to planning. Everyone should be finishing their program plans. Unit plans are due March 15.

Adjournment – R. Natividad

1. The meeting adjourned at 1:57 p.m. The next meeting will be held on **January 18, 2018** at 1:00 p.m. in Library 202.

RKN/lmo

**El Camino College
FTES Goal and Actual
2013-2018**

2013-2014	Goal	Actual
Summer 13	1,134	1,188
Fall 13 - Spring 14	17,336	16,975
Summer 14 (Transferred to fiscal year 2013-14) ¹	-	307
Total	18,470	18,470
2014-2015	Goal	Actual
Summer 14	1,721	1,662
Fall 14 - Spring 15	17,442	16,969
Summer 15 (Transferred to fiscal year 2014-15) ²	-	532
Total	19,163	19,163
2015-2016	Goal	Actual
Summer 15	1,481	1,454
Fall 15 - Spring 16	18,058	16,586
Summer 16 (Transferred to fiscal year 2015-16) ³	-	1,446
Total	19,539	19,486
2016-2017*	Goal	Recal CCFS-320
Summer 16	387	613
Fall 16	8,577	8,581
Winter 17	800	813
Spring 17	7,915	7,921
Total	17,679	17,928
2017-2018	Goal	Projected**
Summer 17	2,036	1,701
Fall 17	8,654	8,514
Winter 18	842	1,135
Spring 18	7,978	7,865
Total	19,510	19,215

¹ To achieve the 18,470 FTES funded enrollment cap the district borrowed 307 FTES from the next fiscal year.

² To achieve the 19,163 FTES funded enrollment cap the district borrowed 532 FTES from the next fiscal year.

³ To achieve the 19,486 FTES funded enrollment the district borrowed 1,446 FTES from the next fiscal year.

* We will go into stabilization and be funded at the amount of FTES we reported in the prior fiscal year.

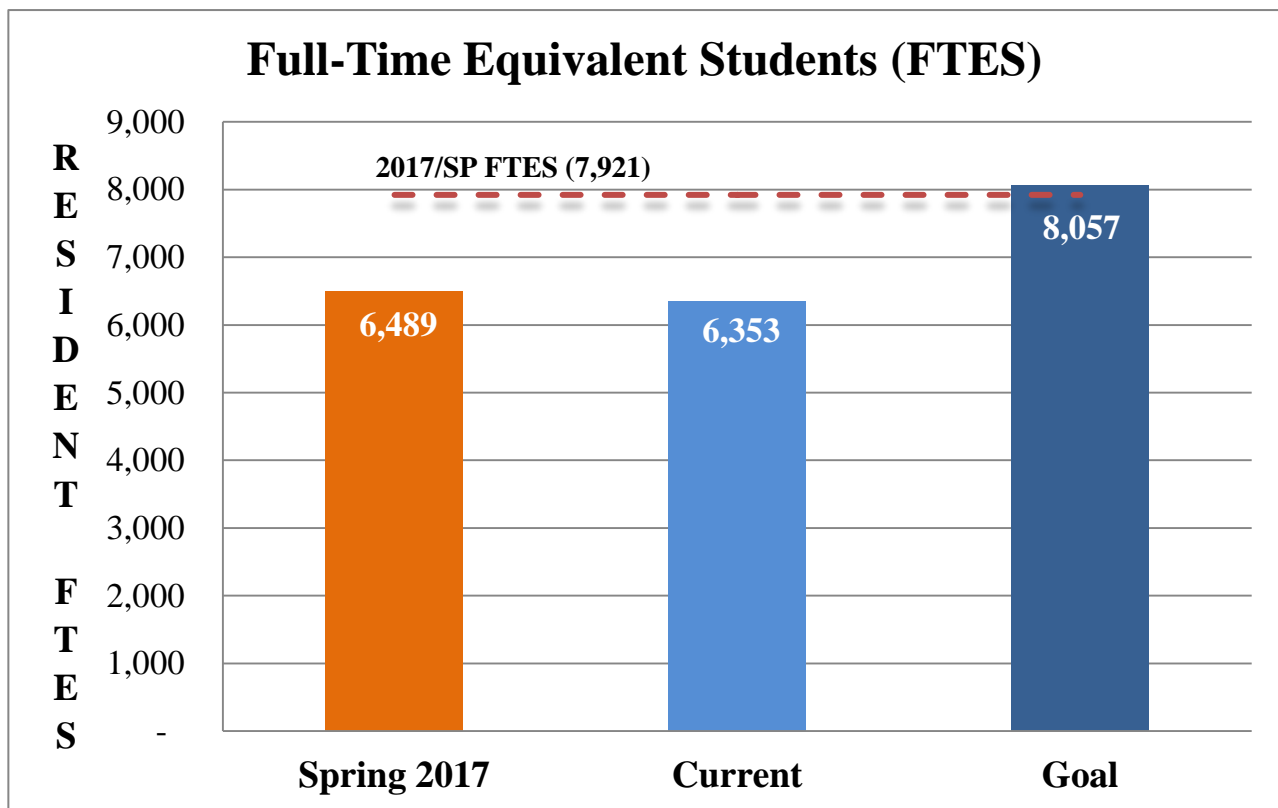
** As the fiscal year advances, the projected FTES will be revised accordingly to reflect any schedule or enrollment changes.

Note: The positive attendance FTES projections for fall 2017 and winter 2018 are incomplete due to outstanding rosters still being collected.

Term: 2018/SP
Reporting Date: 1/17/2018
Location: El Camino College

Enrollment to Date: Resident Students

40 days until census	Spring 2017 (1/18/17)	Current	Goal	Current away from goal
Sections	2,117	2,155	2,177	(22)
Seats Filled	45,548	44,469	-	-
Sections Fill Rate	65%	63%	82%	-19%
Projected FTES	6,489	6,353	8,057	(1,704)



The district is currently earning 379 non-resident FTES in addition to the 6,353 resident FTES.

2017-18 CCFS-320 Apportionment Reporting

Period 1

El Camino College	
19,642.85	Funded CAP
1,722.07	2017/SU
8,493.04	2017/FA
1,095.45	2018/WI
7,846.19	2018/SP
	Shifted FTES 2018/SU*
331.36	Restored
154.74	Growth
19,642.85	Total
-	Difference

*Shifting 486.10 FTES from 2018/SU.

Compton College	
6,201.27	Funded CAP
671.10	2017/SU
2,360.27	2017/FA
289.06	2018/WI
2,120.54	2018/SP
	Shifted FTES 2018/SU*
621.05	Restored
139.25	Growth
6,201.27	Total
-	Difference

*Shifting 760.30 FTES from 2018/SU.

**CALIFORNIA COMMUNITY COLLEGES
2017-18 ADVANCE PRINCIPAL APPORTIONMENT
EL CAMINO COMMUNITY COLLEGE DISTRICT**

EXHIBIT C

Workload Measures	Base Funding	Marginal Funding	Base FTES	Growth FTES	Restored FTES	Stability FTES	Total Funded FTES	Unfunded FTES	Actual FTES
Credit FTES	5,072.111797	5,151.236729	17,865.260	151.996	1,594.787	0.000	19,612.043	0.000	19,612.043
Noncredit FTES	3,050.003561	3,097.583616	28.070	2.745	0.000	0.000	30.815	0.000	30.815
CDCP FTES	5,072.111786	5,151.236729	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total FTES			17,893.330	154.740	1,594.787	0.000	19,642.857	0.000	19,642.858

I Base Revenues +/- Restore or Decline

A. Basic Allocation				\$8,516,320					
B. Revised Base FTES Revenue				\$90,700,210					
1. Credit Base Revenue		\$90,614,596							
2. Noncredit Base Revenue		\$85,614							
3. Career Development College Prep		\$0							
C. Current Year Decline				\$0					
Total Base Revenue Less Decline				\$99,216,530					

II Inflation Adjustment

A. Statewide Inflation Adjustment		1.56%							
B. Inflation Adjustment		\$1,547,778							
Current Year Base Revenue + Inflation Adjustment				\$100,764,308					

III Basic Allocation & Restoration

A. Basic Allocation Adjustment				\$0					
B. Basic Allocation Adjustment COLA				\$0					
C. Stability Restoration				\$8,215,125					
Total Basic Allocation & Restoration				\$8,215,125					

IV Growth

A. Target Growth Rate		0.80%		\$791,467					
B. Funded Growth Rate		0.80%		\$791,467					
C. Funded Credit Growth Revenue				\$782,966					
D. Funded Noncredit Growth Revenue				\$8,501					
E. Funded Noncredit CDCP Growth Rev.				\$0					
Total Growth Revenue				\$791,467					

V Other Revenue Adjustments

A. Misc. Revenue Adjustments	\$1,163,564
B. Full-Time Faculty Hiring (FTFH) Adjustments	\$38,324
C. Base Increase (FTFH)	\$28,610
D. Base Increase (Non-FTFH)	\$2,980,815
Total Revenue Adjustments	\$4,211,313

VI Stability Adjustment

VI Stability Adjustment	\$0
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VII Total Computational Revenue (sum of II,III,IV,V, & VI)

VII Total Computational Revenue (sum of II,III,IV,V, & VI)	\$113,982,213
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VIII District Revenue Source

A1. Property Taxes	\$31,496,309
A2. Less Property Taxes Excess	\$0
B. Student Enrollment Fees	\$8,348,289
C1. State General Apportionment	\$57,078,579
C2. Full-Time Faculty Hiring	\$1,072,168
D. Estimated EPA	\$14,316,963
Available Revenue	\$112,312,308
E. Revenue Shortfall	0.9853494247
Total Revenue Plus shortfall	\$113,982,213

IX Other Allowance and Total Apportionments

A. State General Apportionment	\$58,150,747
B. Statewide Average Replacement Cost	\$0
Number of Faculty Not Hired	0.00
Full-time Faculty Adjustment	\$0
Net State General Apportionment	\$58,150,747

X Unrestored Decline as of July 1st of Current Year

A. 1st Year	\$8,088,938
B. 2nd Year	\$0
C. 3rd Year	\$0
Total	\$8,088,938

**Basic Allocation Calculation Before Current Year COLA
College/Center Base Funding Rates (Current Year FTES Thresholds)**

Single College District Funding Rates: Total FTES

>20000	>10000	<=10000
\$6,083,086	\$4,866,469	\$3,649,851

FTES:		
0	1	1

Revenue:		
\$0	\$4,866,469	\$3,649,851

State Approved Center: Funding Rates		
0	\$1,216,617	

Grandfathered or Previously Approved Center: Funding Rate @ FTES Levels				
>1000	>750	>500	>250	<=100
\$1,216,617	\$912,463	\$608,309	\$304,154	\$152,077

Number of Grandfathered or Previously Approved Centers: @ Total FTES				
0	0	0	0	0

Number of Grandfathered or Previously Approved Centers Revenue				
\$0	\$0	\$0	\$0	\$0

Mult-College District Funding Rate: Total FTES

Rural	>20000	>10000	<=10000
\$1,160,881	\$4,866,469	\$4,258,160	\$3,649,851

Total Colleges			
0	0	0	0

Total Colleges Revenue			
\$0	\$0	\$0	\$0

Total State Approved Centers		Total Approved Center Revenue	
0		\$0	

Total Grandfathered or Previously Approved Centers		Total Basic Allocation Revenue	
0		\$8,516,320	

Total Grandfathered or Previously Approved Centers Rev.	
\$0	

**El Camino Community College District
Actuarial Study of
Retiree Health Liabilities Under GASB 74/75
Valuation Date: June 30, 2017
Measurement Date: June 30, 2017**

*Prepared by:
Total Compensation Systems, Inc.*

Date: December 15, 2017

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**El Camino Community College District
Actuarial Study of Retiree Health Liabilities**

PART I: EXECUTIVE SUMMARY

A. Introduction

El Camino Community College District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2017 (the measurement date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending November 21, 2017. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under applicable Governmental Accounting Standards Board (GASB) Standards.

This actuarial study is intended to serve the following purposes:

- To provide information to enable El Camino CCD to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable El Camino CCD to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 74 and 75 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 74 and 75, El Camino CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 74 and 75 compliance.

This actuarial report includes several estimates for El Camino CCD's retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to El Camino CCD in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: Certificated Management, Faculty, Classified, Classified Management and Police Officers. We estimated the following:

- the total liability created. (The actuarial present value of projected benefits or APVPBP)
- ten years of projected benefit payments.
- the "total OPEB liability (TOL)." (The TOL is the portion of the APVPBP attributable to employees' service prior to the measurement date.)

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- the “net OPEB liability” (NOL). For plans funded through a trust, this represents the unfunded portion of the liability.
- the service cost (SC). This is the value of OPEB benefits earned for one year of service.
- deferred inflows and outflows of resources attributable to the OPEB plan.
- “OPEB expense.” This is the amount recognized in accrual basis financial statements as the current period expense. The OPEB expense includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. This amount may need to be adjusted to reflect any contributions received after the Measurement Date.
- Amounts to support financial statement Note Disclosures and Required Supplementary Information (RSI) schedules.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Service costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2017 to be \$902,068 (see Section IV.A.). The “pay-as-you-go” cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2017 (the service cost) is \$1,276,292. This service cost would increase each year based on covered payroll. Had El Camino CCD begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be \$24,484,783. This amount is called the "Total OPEB Liability" (TOL). El Camino CCD has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2017 was \$22,380,799. This leaves a Net OPEB Liability (NOL) of \$2,103,984.

Based on the information we were provided, the OPEB Expense for the fiscal year ending November 21, 2017 is \$1,162,490. As noted in this report adjustments may be needed – particularly if the reporting date is not the same as the measurement date.

We based all of the above estimates on employees as of September, 2017. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

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C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>	<u>Police</u>
Benefit types provided	Medical only	Medical only	Medical only	Medical only
Duration of Benefits	To age 65*	To age 65*	To age 65*	To age 65*
Required Service	10 years	10 years	10 years	10 years
Minimum Age	55	55	55	55
Dependent Coverage	No	No	No	No
College Contribution %	100%	100%	100%	100%
College Cap	Statutory minimums for post-65 coverage	Statutory minimums for post-65 coverage	Statutory minimums for post-65 coverage	Statutory minimums for post-65 coverage

*Beyond age 65 (as well as for retirees not qualifying for fully paid coverage), the District pays statutory minimum CalPERS contributions.

D. Recommendations

It is outside the scope of this report to make specific recommendations of actions El Camino CCD should take to manage the liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of El Camino CCD’s practices, it is possible that El Camino CCD is already complying with some or all of our recommendations.

- We recommend that El Camino CCD maintain an inventory of all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, El Camino CCD should determine whether the benefit is material and subject to GASB 74 and/or 75.
- We recommend that El Camino CCD conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 74/75.
- Under GASB 75, it is important to isolate the cost of retiree health benefits. El Camino CCD should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – *even on a retiree-pay-all basis* – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, El Camino CCD should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- El Camino CCD should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

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- Several assumptions were made in estimating costs and liabilities under El Camino CCD's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, El Camino CCD should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for El Camino CCD to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,



Geoffrey L. Kischuk, FSA, MAAA, FCA
Consultant
Total Compensation Systems, Inc.
(805) 496-1700

PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an “implicit rate subsidy”),

B. Actuarial Accrual

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. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

The actuarial cost method mandated by GASB 75 is the “entry age actuarial cost method”. Under this method, there are two components of actuarial cost – a “service cost” (SC) and the “Total OPEB Liability” (TOL). GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. Under the entry age actuarial cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the service cost. Under GASB 75, the service cost is calculated to be a level percentage of each employee’s projected pay.

The service cost is determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.
- The ***“trend” rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.
- ***Mortality rates*** varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.
- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.
- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

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- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed 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). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The total OPEB liability (TOL) can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses can be deferred five years
- Experience gains and losses can be deferred over the expected average remaining service lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.
- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working lifetime
- Liability changes resulting from plan changes, for example, cannot be deferred.

PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefit payments (APVPBP) separately for each employee. We determined eligibility for retiree benefits based on information supplied by El Camino CCD. We then selected assumptions for the factors discussed in the above Section that, based on plan provisions and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex, length of service, and employee classification.

We summarized actuarial assumptions used for this study in Appendix C.

B. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent El Camino CCD uses contribution caps, the influence of the trend factor is further reduced. We multiplied each year's benefit payments by the probability that benefits will be paid; i.e. based on the probability that the employee is living, has not terminated employment, has retired and remains eligible. The probability that benefit will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's benefit payments and the probability the benefit will be paid equals the expected cost for that year. We discounted the expected cost for each year to the measurement date June 30, 2017 at 4.9% interest. Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any *current retirees*, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPBP for all employees to get the actuarial present value of projected benefit payments (APVPBP) for all participants. The APVPBP is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVPBP is the amount on June 30, 2017 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.

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Actuarial Present Value of Projected Benefit Payments at June 30, 2017

	<i>Total</i>	<i>Certificated Management</i>	<i>Faculty</i>	<i>Classified</i>	<i>Classified Management</i>	<i>Police Officers</i>
Active: Pre-65	\$13,415,147	\$307,037	\$5,871,578	\$5,772,110	\$958,160	\$506,262
Post-65	\$12,322,533	\$380,865	\$5,495,283	\$4,954,844	\$1,208,386	\$283,155
Subtotal	\$25,737,680	\$687,902	\$11,366,861	\$10,726,954	\$2,166,546	\$789,417
Retiree: Pre-65	\$1,040,507	\$6,887	\$291,468	\$516,601	\$215,084	\$10,467
Post-65	\$7,115,501	\$287,700	\$3,217,876	\$3,021,560	\$560,988	\$27,377
Subtotal	\$8,156,008	\$294,587	\$3,509,344	\$3,538,161	\$776,072	\$37,844
Grand Total	\$33,893,688	\$982,489	\$14,876,205	\$14,265,115	\$2,942,618	\$827,261
Subtotal Pre-65	\$14,455,654	\$313,924	\$6,163,046	\$6,288,711	\$1,173,244	\$516,729
Subtotal Post-65	\$19,438,034	\$668,565	\$8,713,159	\$7,976,404	\$1,769,374	\$310,532

The APVPBP should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVPBP is used to develop expense and liability figures. To do so, the APVPBP is divided into two parts: the portions attributable to service rendered prior to the measurement date (the past service liability or Total OPEB Liability (TOL) under GASB 74 and 75) and to service after the measurement date but prior to retirement (the future service liability).

The past service and future service liabilities are each accrued in a different way. We will start with the future service liability which is funded by the service cost.

C. Cost to Prefund Retiree Benefits

1. Service Cost

The average hire age for eligible employees is 36. To accrue the liability by retirement, the District would accrue the retiree liability over a period of about 25 years (assuming an average retirement age of 61). We applied an "entry age" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated service cost.

Service Cost Year Beginning June 30, 2017

	<i>Total</i>	<i>Certificated Management</i>	<i>Faculty</i>	<i>Classified</i>	<i>Classified Management</i>	<i>Police Officers</i>
# of Employees	814	27	325	374	71	17
Per Capita Service Cost						
Pre-65 Benefit	N/A	\$932	\$1,031	\$765	\$1,010	\$1,752
Post-65 Benefit	N/A	\$958	\$757	\$494	\$814	\$824
First Year Service Cost						
Pre-65 Benefit	\$747,843	\$25,164	\$335,075	\$286,110	\$71,710	\$29,784
Post-65 Benefit	\$528,449	\$25,866	\$246,025	\$184,756	\$57,794	\$14,008
Total	\$1,276,292	\$51,030	\$581,100	\$470,866	\$129,504	\$43,792

Accruing retiree health benefit costs using service costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This service cost would increase

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each year based on covered payroll.

2. Total OPEB Liability (TOL) and Net OPEB Liability (NOL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability (TOL). We calculated the TOL as the APVPBP minus the present value of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables.

Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, 2017

	<i>Total</i>	<i>Certificated Management</i>	<i>Faculty</i>	<i>Classified</i>	<i>Classified Management</i>	<i>Police Officers</i>
Active: Pre-65	\$7,885,755	\$178,045	\$3,234,573	\$3,659,221	\$539,876	\$274,040
Active: Post-65	\$8,443,018	\$248,274	\$3,559,092	\$3,590,442	\$871,274	\$173,936
Subtotal	\$16,328,773	\$426,319	\$6,793,665	\$7,249,663	\$1,411,150	\$447,976
Retiree: Pre-65	\$1,040,507	\$6,887	\$291,468	\$516,601	\$215,084	\$10,467
Retiree: Post-65	\$7,115,501	\$287,700	\$3,217,876	\$3,021,560	\$560,988	\$27,377
Subtotal	\$8,156,008	\$294,587	\$3,509,344	\$3,538,161	\$776,072	\$37,844
Subtotal: Pre-65	\$8,926,262	\$184,932	\$3,526,041	\$4,175,822	\$754,960	\$284,507
Subtotal: Post-65	\$15,558,519	\$535,974	\$6,776,968	\$6,612,002	\$1,432,262	\$201,313
Total OPEB Liability (TOL)	\$24,484,783	\$720,906	\$10,303,010	\$10,787,824	\$2,187,223	\$485,820
Fiduciary Net Position as of June 30, 2017	\$22,380,799					
Net OPEB Liability (NOL)	\$2,103,984					

Because El Camino CCD concluded that it would be too expensive and time-consuming to rerun prior valuations under GASB 75, we invoked Paragraph 244 of GASB 75 for the transition. Consequently, in order to determine the beginning NOL, we used a "roll-back" technique. The following table shows the results of the roll-back. El Camino CCD should restate its November 21, 2016 NOL accordingly.

Changes in Net OPEB Liability as of June 30, 2017

	<i>TOL</i>	<i>FNP</i>	<i>NOL</i>
Roll back balance at June 30, 2016	\$24,169,520	\$23,228,026	\$941,494
Service Cost	\$1,242,133	\$0	\$1,242,133
Interest on TOL	\$1,162,707	\$0	\$1,162,707
Employer Contributions	\$0	\$0	\$0
Employee Contributions	\$0	\$0	\$0
Actual Investment Income	\$0	\$1,380,018	(\$1,380,018)
Administrative Expense	\$0	(\$137,668)	\$137,668
Benefit Payments	(\$2,089,577)	(\$2,089,577)	\$0
Other	\$0	\$0	\$0
Net Change during 2016-17	\$315,263	(\$847,227)	\$1,162,490
Balance at June 30, 2017 *	\$24,484,783	\$22,380,799	\$2,103,984

* May include a slight rounding error.

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3. Preliminary OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. El Camino CCD determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 244. That means that there are no deferred inflows/outflows in the first year (with the possible exception of contributions after the measurement date). The OPEB expense shown below is considered to be preliminary because there can be employer specific deferred items (e.g., contributions made after the measurement date, and active employee contributions toward the OPEB plan).

Preliminary OPEB Expense Fiscal Year Ending November 21, 2017

	<i>Total</i>
Service Cost	\$1,242,133
Interest on Total OPEB Liability (TOL)	\$1,162,707
Employee Contributions	\$0
Recognized Actuarial Gains/Losses	\$0
Recognized Assumption Changes	\$0
Actual Investment Income	(\$1,380,018)
Recognized Investment Gains/Losses	\$0
Contributions After Measurement Date*	\$0
Liability Change Due to Benefit Changes	\$0
Administrative Expense	\$137,668
<u>Preliminary OPEB Expense**</u>	<u>\$1,162,490</u>

* Should be added by El Camino CCD if reporting date is after the measurement date.

** May include a slight rounding error.

The above OPEB expense does not include an estimated \$0 in employer contributions.

4. Deferred Inflows and Outflows

Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. (Please see Appendix E, Paragraph 244 for more information.) Therefore, valuation-based deferred items will not begin until the next valuation. However, there could be employer-specific deferred items that need to be reflected, as mentioned earlier.

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PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay, including any implicit rate subsidy. Because these cost estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be *in*accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs, including any implicit rate subsidy.

<i>Year Beginning July 1</i>	<i>Total</i>	<i>Certificated Management</i>	<i>Faculty</i>	<i>Classified</i>	<i>Classified Management</i>	<i>Police Officers</i>
2017	\$902,068	\$26,769	\$400,070	\$382,337	\$87,683	\$5,209
2018	\$959,636	\$24,232	\$436,639	\$399,651	\$90,210	\$8,904
2019	\$1,140,042	\$30,222	\$499,054	\$498,724	\$98,184	\$13,858
2020	\$1,261,031	\$34,999	\$544,432	\$552,111	\$112,015	\$17,474
2021	\$1,361,135	\$40,195	\$583,891	\$590,613	\$123,402	\$23,034
2022	\$1,454,579	\$42,803	\$597,714	\$647,363	\$138,440	\$28,259
2023	\$1,493,297	\$48,636	\$605,320	\$676,759	\$137,530	\$25,052
2024	\$1,568,842	\$45,758	\$631,327	\$717,558	\$145,285	\$28,914
2025	\$1,652,370	\$52,834	\$669,541	\$731,626	\$165,406	\$32,963
2026	\$1,730,186	\$49,430	\$703,589	\$754,973	\$185,113	\$37,081

PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 74/75 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.
- An employer should perform a valuation whenever the employer forms a qualifying trust or changes its investment policy.
- An employer should perform a valuation whenever the employer adds or terminates a group of participants that constitutes a significant part of the covered group.

We recommend El Camino CCD take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation.

APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for El Camino CCD to understand that the appropriateness of all selected actuarial assumptions and methods are El Camino CCD's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, El Camino CCD's actual historical experience, and TCS's judgment based on experience and training.

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74/75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting; as well as resulting in the correct service cost for new hires.

SUBSTANTIVE PLAN: As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by El Camino CCD regarding practices with respect to employer and employee contributions and other relevant factors.

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ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 4.9% per year net of expenses. This is based on assumed long-term return on plan assets assuming 100% funding through Futuris. We used the "Building Block Method". (See Appendix E, Paragraph 53 for more information).

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.

FIDUCIARY NET POSITION (FNP): The following table shows the beginning and ending FNP numbers that were provided by El Camino CCD.

Fiduciary Net Position as of June 30, 2017

	<u>06/30/2016</u>	<u>06/30/2017</u>
Cash and Equivalents	\$0	\$0
Contributions Receivable	\$0	\$0
Total Investments	\$23,228,026	\$24,470,376
Capital Assets	\$0	\$0
Total Assets	\$23,228,026	\$24,470,376
Benefits Payable	\$0	(\$2,089,577)
Fiduciary Net Position	\$23,228,026	\$22,380,799

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NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix E, Paragraph 52 for more information.

MORTALITY

<i>Employee Type</i>	<i>Mortality Tables</i>
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees
Police	2014 CalPERS Mortality for Active Safety Employees

RETIREMENT RATES

<i>Employee Type</i>	<i>Retirement Rate Tables</i>
Certificated	2009 CalSTRS Retirement Rates
Classified	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 52
Classified Management	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2% @60 adjusted to minimum retirement age of 52
Police	2009 CalPERS 3% @55 Rates for Sworn Police

VESTING RATES

<i>Employee Type</i>	<i>Vesting Rate Tables</i>
Certificated	100% at 10 Years of Service
Classified	100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service for supplemental benefits
Classified Management	100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service for supplemental benefits
Police Officers	100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service for supplemental benefits

COSTS FOR RETIREE COVERAGE

Actuarial Standard of Practice 6 (ASOP 6) provides that, as a general rule, retiree costs should be based on actual claim costs or age-adjusted premiums. This is true even for many medical plans that are commonly considered to be “community-rated.” However, ASOP 6 contains a provision – specifically section 3.7.7(c) – that allows use of unadjusted premiums in certain circumstances.

Because the section 3.7.7(c) exception is new, there is not a consensus among practicing actuaries regarding the specific circumstances under which a section 3.7.7(c) exception may be invoked. It is my opinion that the section 3.7.7(c)(4) exception allows use of unadjusted premium for PEMHCA agencies if certain conditions are met. Other actuaries have taken the position that ASOP 6 does not explicitly allow use of unadjusted premium for any agencies participating in the CalPERS medical plan.

Prior to the most recent ASOP 6 revision, there was general agreement that ASOP 6 allowed use of unadjusted premium as a retiree cost basis for PEMHCA agencies (under section 3.4.5 of the prior version of ASOP 6). Since there have been no changes to the CalPERS medical plan, use of unadjusted premium must still be viewed as appropriate actuarial practice to the extent that it was under the prior version of ASOP 6. That means that if the current ASOP 6 section 3.7.7(c)(4) exception is not deemed to ***explicitly*** allow use of unadjusted premium as a retiree cost basis for El Camino

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CCD, then it would be allowable as a “deviation.”

While I am confident that ASOP 6 section 3.7.7(c)(4) will ultimately be found to explicitly allow use of unadjusted premium as a retiree cost basis for most PEMHCA agencies, I cannot be certain that this will be the case if and when this issue is fully reviewed. Therefore, I am including disclosure information required for a “deviation” so that the valuation will not need to be revised in the event section 3.7.7(c)(4) should be found not to explicitly allow use of unadjusted premium. Following is the disclosure information that is required should a deviation be necessary.

Use of *age-adjusted* premium for the CalPERS medical plan results in an overstatement of El Camino CCD’s OPEB Expense and Total OPEB Liability (TOL) to the extent that El Camino CCD continues to participate in the CalPERS medical plan AND that the rate structure of the CalPERS medical plan continues in its current form (i.e. with no rate distinction between active employees and retirees). In addition to the overstatement of OPEB costs and liabilities, El Camino CCD’s policy of funding OPEB obligations could lead to an inability of El Camino CCD to recover overfunded assets. It is important to note that, should El Camino CCD leave the CalPERS medical plan, the subsequent plan may not qualify to use unadjusted premium rates. In this event, leaving the CalPERS medical plan would be comparable to a significant change in plan terms and would likely require a new valuation.

Following are the criteria we applied to El Camino CCD to determine that it is reasonable to assume that El Camino CCD’s future participation in PEMHCA is likely and that the CalPERS medical program as well as its premium structure are sustainable. (We also have an extensive white paper on this subject that provides a basis for our rationale entirely within the context of ASOP 6. We will make this white paper available upon request.)

The District participates in the CalPERS medical program. We have performed the required evaluation of the CalPERS medical program and we have determined that there is sufficient evidence to apply the 3.7.7(c)(4) exception. Following are details regarding the evaluation based on the criteria we have set:

- **Plan qualifies as a “pooled health plan.”** ASOP 6 defines a “pooled health plan” as one in which premiums are based at least in part on the claims experience of groups other than the one being valued.” Since CalPERS rates are the same for all employers in each region, rates are clearly based on the experience of many groups.
- **Rates not based to any extent on the agency’s claim experience.** As mentioned above, rates are the same for all participating employers regardless of claim experience or size.
- **Rates not based to any extent on the agency’s demographics.** As mentioned above, rates are the same for all participating employers regardless of demographics.
- **No refunds or charges based on the agency’s claim experience or demographics.** The terms of operation of the CalPERS program are set by statute and there is no provision for any refunds and charges that vary from employer to employer for any reason. The only charges are uniform administrative charges.
- **Plan in existence 20 or more years.** Enabling legislation to allow “contracting agencies” to participate in the CalPERS program was passed in 1967. The CalPERS medical plan has been successfully operating for almost 50 years. As far back as we can obtain records, the rating structure has been consistent, with the only difference having been a move to regional rating which is unrelated to age-adjusted rating.

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- **No recent large increases or decreases in the number of participating plans or enrollment.** The CalPERS medical plan has shown remarkably stable enrollment. In the past 10 years, there has been small growth in the number of employers in most years – with the maximum being a little over 2% and a very small decrease in one year. Average year over year growth in the number of employers over the last 10 years has been about 0.75% per year. Groups have been consistently leaving the CalPERS medical plan while other groups have been joining with no disruption to its stability.
- **Agency is not expecting to leave plan in foreseeable future.** The District does not plan to leave CalPERS at present.
- **No indication the plan will be discontinued.** We are unaware of anything that would cause the CalPERS medical plan to cease or to significantly change its operation in a way that would affect this determination.
- **The agency does not represent a large part of the pool.** The District is in the CalPERS Los Angeles Area region. Based on the information we have, the District constitutes no more than 1.6% of the Los Angeles Area pool. In our opinion, this is not enough for the District to have a measurable effect on the rates or viability of the Los Angeles Area pool.

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

<i>Employee Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
Certificated	Statutory Minimum Benefits (MEC): \$1,566 Supplemental Benefits (includes MEC): \$7,080	\$1,566
Certificated Management	Statutory Minimum Benefits (MEC): \$1,566 Supplemental Benefits (includes MEC): \$7,080	\$1,566
Classified	Statutory Minimum Benefits (MEC): \$1,566 Supplemental Benefits (includes MEC): \$7,080	\$1,566
Classified Management	Statutory Minimum Benefits (MEC): \$1,566 Supplemental Benefits (includes MEC): \$7,080	\$1,566
Police Officers	Statutory Minimum Benefits (MEC): \$1,566 Supplemental Benefits (includes MEC): \$7,080	\$1,566

PARTICIPATION RATES

<i>Employee Type</i>	<i><65 Non-Medicare Participation %</i>	<i>65+ Medicare Participation %</i>
Certificated	Statutory minimum benefits: 80% Supplemental benefits: 100%	80%
Classified	Statutory minimum benefits: 70% Supplemental benefits: 100%	70%
Classified Management	Statutory minimum benefits: 80% Supplemental benefits: 100%	80%
Police Officers	Statutory minimum benefits: 85% Supplemental benefits: 100%	85%

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TURNOVER

<i>Employee Type</i>	<i>Turnover Rate Tables</i>
Certificated	2009 CalSTRS Termination Rates
Classified	2009 CalPERS Termination Rates for School Employees
Police	2009 CalPERS Rates for Sworn Police

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

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APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

<i>Age</i>	<i>Total</i>	<i>Certificated Management</i>	<i>Faculty</i>	<i>Classified</i>	<i>Classified Management</i>	<i>Police Officers</i>
Under 25	4	0	0	4	0	0
25-29	23	0	4	18	0	1
30-34	79	3	28	42	4	2
35-39	98	0	44	48	3	3
40-44	93	1	44	41	6	1
45-49	122	7	48	51	12	4
50-54	99	2	40	40	14	3
55-59	136	6	42	71	15	2
60-64	106	4	44	45	12	1
65 and older	54	4	31	14	5	0
Total	814	27	325	374	71	17

ELIGIBLE RETIREES

<i>Age</i>	<i>Total</i>	<i>Certificated Management</i>	<i>Faculty</i>	<i>Classified</i>	<i>Classified Management</i>	<i>Police Officers</i>
Under 50	0	0	0	0	0	0
50-54	2	0	0	1	1	0
55-59	10	0	1	6	2	1
60-64	50	1	19	23	7	0
65-69	66	5	23	32	6	0
70-74	79	3	46	26	4	0
75-79	53	2	27	22	2	0
80-84	40	1	23	16	0	0
85-89	24	0	16	8	0	0
90 and older	4	0	3	1	0	0
Total	328	12	158	135	22	1

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APPENDIX E: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

Paragraph 50: **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by El Camino CCD. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

	Number of Participants
Inactive Employees Receiving Benefits	328
Inactive Employees Entitled to But Not Receiving Benefits*	0
Participating Active Employees	814
Total Number of participants	1142

*We were not provided with information about any terminated, vested employees

Paragraph 51: **Significant Assumptions and Other Inputs**

shown in Appendix C.

Paragraph 52: **Information Related to Assumptions and Other Inputs**

The following information is intended to assist El Camino CCD in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Mortality Table	2009 CalSTRS Mortality
Disclosure	The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

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Mortality Table	2014 CalPERS Mortality for Retired safety Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Mortality for Retired safety Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Mortality Table	2014 CalPERS Mortality for Active Safety Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Mortality for Active Safety Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Mortality Table	2014 CalPERS Retiree Mortality for Miscellaneous Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Mortality Table	2014 CalPERS Active Mortality for Miscellaneous Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

Retirement Table	2009 CalSTRS Retirement Rates
Disclosure	The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

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Retirement Table	2009 CalPERS 3% @55 Rates for Sworn Police
Disclosure	The retirement assumptions are based on the 2009 CalPERS 3% @55 Rates for Sworn Police table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.
Retirement Table	2009 CalPERS Retirement Rates for School Employees
Disclosure	The retirement assumptions are based on the 2009 CalPERS Retirement Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.
Retirement Table	2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Tables

Turnover Table	2009 CalSTRS Termination Rates
Disclosure	The turnover assumptions are based on the 2009 CalSTRS Termination Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.
Turnover Table	2009 CalPERS Rates for Sworn Police
Disclosure	The turnover assumptions are based on the 2009 CalPERS Rates for Sworn Police table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.
Turnover Table	2009 CalPERS Termination Rates for School Employees
Disclosure	The turnover assumptions are based on the 2009 CalPERS Termination Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL Using alternative trend assumptions The following table shows the Net OPEB Liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation.

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	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	-\$414,210	\$2,103,984	\$4,994,303

Paragraph 53: **Discount Rate**

The following information is intended to assist El Camino CCD to comply with Paragraph 53 requirements.

53.a: A discount rate of 4.9% was used in the valuation.

53.b: We assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

53.c: We used historic 30 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 35 basis points.

53.d and 53.e.: Not applicable.

53.f: Following is the assumed asset allocation and assumed rate of return for each.
Futuris - Portfolio 4.5

Asset Class	Percentage of Portfolio	Assumed Gross Return
All US Domestic Stock	25.0000	7.7950
Long-Term Corporate Bonds	75.0000	5.2950

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

53.g: The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

	Discount Rate	Valuation	Discount Rate
	1% Lower	Discount Rate	1% Higher
Net OPEB Liability	\$5,237,420	\$2,103,984	-\$494,042

Paragraph 55: **Changes in the Net OPEB Liability**

Please see reconciliation on page 9. Please see the notes for Paragraph 244 below for more information.

Paragraph 56: **Additional Net OPEB Liability Information**

The following information is intended to assist El Camino CCD to comply with Paragraph 56 requirements.

56.a: The valuation date is June 30, 2017.

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The measurement date is June 30, 2017.
56 b; 56 c; 56.d; 56.e; 56.f: Not applicable
56.g: To be determined by the employer
56.h.(1) through (4): Not applicable
56.h.(5): To be determined by the employer
56.i: Not applicable

Paragraph 57: Required Supplementary Information

57.a: Please see reconciliation on page 9. Please see the notes for Paragraph 244 below for more information.
57.b: These items are provided on page 9 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.
57.c: We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.
57.d: We are not aware that there are any statutorily or contractually established contribution requirements.

Paragraph 58: Actuarially Determined Contributions

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

Paragraph 244: Transition Option

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

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APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non-actuary* understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

<u>Actuarial Cost Method:</u>	A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method.
<u>Actuarial Present Value of Projected Benefit Payments:</u>	The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date.
<u>Deferred Inflows/Outflows of Resources:</u>	A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date.
<u>Discount Rate:</u>	Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability.
<u>Fiduciary Net Position:</u>	Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement).
<u>Implicit Rate Subsidy:</u>	The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits.
<u>Measurement Date:</u>	The date at which assets and liabilities are determined in order to estimate TOL and NOL.
<u>Mortality Rate:</u>	Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.
<u>Net OPEB Liability (NOL):</u>	The Total OPEB Liability minus the Fiduciary Net Position.
<u>OPEB Benefits:</u>	Other Post Employment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
<u>OPEB Expense:</u>	This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability (TOL) plus change in TOL due to plan changes minus projected investment income; all adjusted to reflect deferred inflows and outflows of resources.

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<u>Participation Rate:</u>	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions.
<u>Retirement Rate:</u>	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.
<u>Service Cost:</u>	The annual dollar value of the “earned” portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.
<u>Service Requirement:</u>	The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL.
<u>Total OPEB Liability (TOL):</u>	The amount of the actuarial present value of projected benefit payments attributable to employees’ past service based on the actuarial cost method used.
<u>Trend Rate:</u>	The rate at which the employer’s share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL.
<u>Turnover Rate:</u>	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL.
<u>Valuation Date:</u>	The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can’t be more than 30 months prior.



10 January 2018

This morning, Governor Brown released his 2018-19 state budget proposal – a cautious approach to spending that acknowledges both federal and state economic volatility and uncertainty.

In the final state budget of his tenure, the Governor sent a clear message to colleges that he expects significant changes in both the delivery and the state’s financial support of education with increased attention to student outcomes. The 2018-19 budget acknowledges the need to prepare Californians for economic instability and uncertainty through timely access to meaningful degrees and credentials.

Among other proposals, Governor Brown makes two significant and notable expenditures in the 2018-19 budget: 1) a new fully online community college targeting working Californians with no degree or credential, and 2) a new outcomes-focused funding formula.

The proposal includes a healthy cost-of-living adjustment of 2.51% to support increased operating costs and to ensure colleges can offer quality programs to all students. We applaud the application of a COLA for the Adult Education Bock Grant. Additionally, the allocation of sufficient funding of \$46 million for College Promise programs ensures local efforts can also focus on addressing students' growing non-tuition costs.

Economic Context: Governor Brown’s budget reflects concern with appropriating one-time funds for ongoing purposes, and emphasizes that the current spending trajectory will lead to a state budget deficit. While the state is on pace to build a \$19.3 billion surplus by July 2019, the January budget proposal minimizes new spending in anticipation of increasing costs to address natural disasters, the next recession, inadequately funded pension obligations, and uncertainty about federally-funded programs. It is important to recognize that future property tax revenues include considerable uncertainty for community colleges as the budget does not factor recent federal changes concerning the deductibility of local property taxes or mortgage interest.

Proposition 98 and Community Colleges: California’s modest economic improvements have resulted in a Proposition 98 guarantee of \$3.1 billion, bringing the total Proposition 98 K-14 guarantee for 2018-19 to an all-time high of \$78.3 billion. For community colleges, the Governor’s 2018-19 proposal provides approximately \$780 million in Proposition 98 resources – of which \$375 million are in one-time funds. The Governor honors the statutory split of 10.93%.

The Governor’s budget summary is available [here](#). Below is a chart illustrating the major augmentations in the proposed budget for community colleges:

Item	2017- 18 Enacted Budget	2018-19 Governor's January	Notes
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		Proposal	
Ongoing Funds			
Cost of Living Adjustment (COLA)	\$97 M (1.56%)	\$161.2 M (2.51%)	
Enrollment Growth	\$57.8 M (1%)	\$60 M (1%)	Allows the system to serve around 25,000 more students.
Base Augmentation (New Funding Formula)	\$186.3 M	\$175 M	To support transition to a new equity and outcomes focused funding formula.
College Promise Programs	\$0	\$46 M	To implement AB 19 (Chpt. 735/Statutes of 2017)
Student Success (SSSP) & Equity	No Augmentation	No Augmentation	
Workforce & CTE Pathways	No Augmentation	No Augmentation	
Part-Time Faculty Office Hours	\$5 M	No Augmentation	
Basic Skills	No Augmentation	No Augmentation	
COLA: Adult Education Block Grant		\$20.5 M	COLA for AEBG plus \$5 M for data collection
Full-Time Student Success Grants	\$25 M	\$32.9 M	Consolidates the two categorical programs. Grant based on units taken by qualifying student.
Completion Incentive Grants	\$25 M		
Chancellor's Office Operations	\$618,000	\$2 M	Non-98 for 15 vacant positions
Online Education	\$5 M	\$20 M	\$100 M one-time and \$20 M ongoing
One-Time Funds			

Online Education		\$100 M	One-time for the establishment of a new online colleges targeting 25-34 year olds with no degree.
Deferred Maintenance & Instructional Equipment	\$76.8 M	\$274.3 M	
Prop 39 Clean Energy Job Creation Fund	\$46.5 M		
Innovation Awards	\$20 M	\$20 M	Focused on enhancing equity
Other			
Adjusted Growth		(-) \$73.7 M	
Capital Facilities			
Prop 51 Bond Projects	15 Projects	5 Projects	29 projects requested in the 2018-19 Capital Outlay Program. Funds only: <ul style="list-style-type: none"> • Redwood's Arts Building Replacement • Mt. San Antonio's New Physical Education Complex • Laney's Learning Resource Center • Merritt's Child Development Center • Golden West's Language Arts Complex Replacement

Nuances in the 2018-19 Budget:

Conditional General Operating Resources – The 2018-19 budget proposes \$175 million to fund general operating expenses conditioned on adoption of a new community college funding formula. While these are not categorized as general operating funds, the dollars recognize this significant transition will require resources to enhance and deepen the quality of existing student programs and services. It also recognizes the importance of offering some measure of stability to colleges throughout California. General operating resources remain critical for maintaining faculty and staff talent, converting part-time professors to full-time faculty, providing adequate healthcare, tackling the anticipated \$670 million increase in pension costs, and covering additional operating costs to serve our most vulnerable student populations.

Funding Formula – The Governor’s Budget acknowledges that an enrollment-only formula fails to capture the comprehensive mission of CCCs and the counter-cyclical nature of college enrollment. The Governor proposes \$175 million for the transition to a new funding formula built on four primary parameters a new focus on equity:

- **Base Grants (50% of formula)** — District base grants based on FTES enrollment.
- **Supplemental Grant (25% of formula)** — Supplemental grants based on the number of low-income students that the district enrolls reflecting two factors: (1) enrollment of students who receive a College Promise Grant fee waiver (formerly known as the BOF Waiver) and (2) enrollment of students that receive a Pell Grant.
- **Student Success Incentive Grant (25% of formula)** — Additional funding for: 1) the number of degrees and certificates granted and 2) the number of students who complete a degree or certificate in 3 years or less, 3) funds for each Associate Degree for Transfer granted by the college.
- **Hold Harmless Provision**—During the first year of implementation, districts would be held harmless to 2017-18 levels.

The League appreciates the Governor’s desire to phase-out a formula based on enrollment only. The League supports parameters that support increased predictability and stability for colleges so that students can be assured that the quality of their education will not change from year to year. Creation and identification of an effective, equity-focused formula for the state’s exceptionally diverse districts and colleges requires considerable analysis and review by system leaders including and especially by the sector’s chancellors, presidents, and locally-elected boards of trustees.

Online Education – Quality public online education options are essential for Californians. As the fully online college proposal moves forward, we urge significant consideration of the research concerning the consequences resulting from the lack of face-to-face support for students. We trust the capacity, expertise, and experience of our existing online offerings will be fully utilized. And we trust there will be continued support for California’s 114 regionally accessible colleges to continue building their online education infrastructure to serve California’s 2.1 million students.

Areas of Concern: The League has identified areas of concern within the 2018-19 budget proposal: the absence of nine shovel-ready capital projects and a Cal Grant program that continues to underserve community college students.

Bond and Capital Outlay – In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California’s community colleges. The proposed budget only funds five of 29 ready-to-go capital projects; dismissing voter support for Prop 51 and an extensive facilities need of \$42 billion over the next 10 years, including \$29.9 billion in unmet capital facility needs identified in the current Five-Year Capital Outlay Plan.

Cal Grants and Financial Aid – While we appreciate that the 2018-19 budget sets an expectation for private, non-profit institutions to make commitments to increase transfers by leveraging Cal Grants, the budget still continues to distribute less than 10% of Cal Grant resources to California community college students despite the

fact that our students comprise two-thirds of the higher education population. Further, the budget continues the trend of using Proposition 98, rather than Cal Grants, for community college student financial aid while providing no resources for a more effective delivery of financial aid counseling and supports.

We look forward to working with Governor Brown, Members and staff of the Legislature, and representatives from the Department of Finance in the weeks ahead to discuss further the opportunities presented by the 2018-19 budget proposal.

In the next week the League will forward an email analysis from Lizette Navarette with more details on specific proposals. You can also follow budget updates on the [League's Advocacy Center](#) or attend the budget discussion at the [2018 Legislative Conference, January 28-29 in Sacramento](#).

Sincerely,



Larry Galizio, Ph.D
President/CEO
Community College League of California



Lizette Navarette
Vice President
Community College League of California

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