

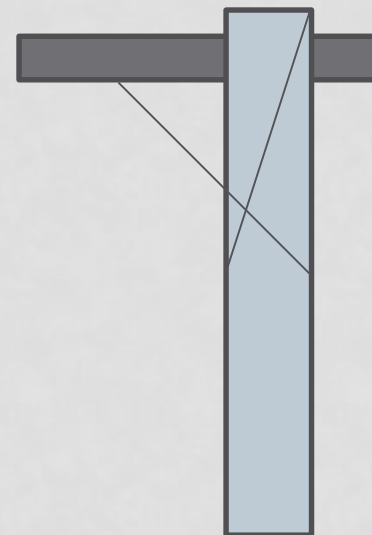


2018 Budget Forum

13th Annual



Presenters:



Dr. Fred Wood, Chancellor



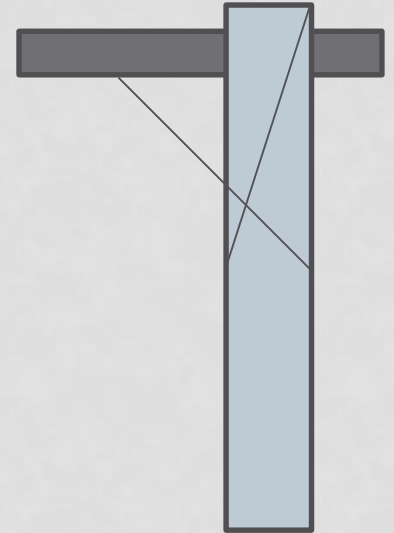
Gene Huff, Executive Vice Chancellor,
Administrative Services



Jonah Nicholas, Associate Vice Chancellor,
Finance

Topics:

- District Enrollment
- FY 2017-18 Budget Update
- FY 2018-19 Governor's Budget Summary
- Potential New Funding Formula
- Retiree Benefits – Irrevocable Trust Update
- Looking Forward
- Questions and Answers



DISTRICT ENROLLMENT



Contra Costa College



Diablo Valley College



San Ramon Campus



Los Medanos College



Brentwood Center

Contra Costa
Community
College District

pathways to success

STUDENT ENROLLMENT

- Enrollment has declined from its recession-peak, but has overall remained relatively flat for the past few years
 - District has been on a borrowing followed by stability cycle
 - FY 2012-13 – District goes on stability funding
 - FY 2013-14 – District borrows FTES, comes off stability funding
 - FY 2014-15 – District returns to stability funding
 - FY 2015-16 – District borrows FTES, comes off stability funding
 - FY 2016-17 – District returns to stability funding
 - FY 2017-18 – District will again borrow summer FTES to reach target
 - FY 2018-19 – Stability (or something else?)...more on this later

FUNDED VS. ACTUAL FTES

(WHAT STABILITY AND BORROWING LOOK LIKE)

Contra Costa CCD FTES



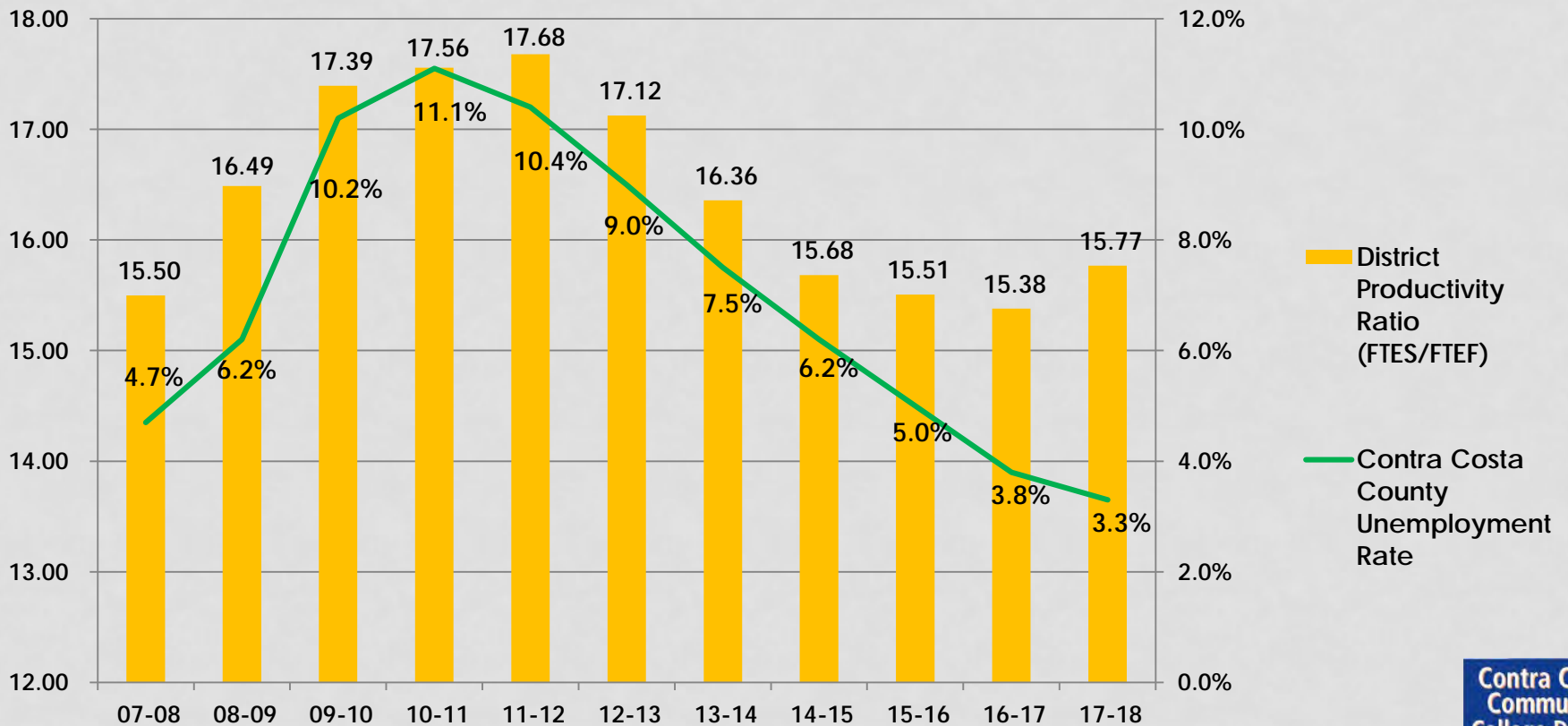
ENROLLMENT BY COLLEGE

	<u>2017-18 Resident FTES Goal</u>	<u>2017-18 Estimated Resident FTES Achieved</u>	<u>Shortfall</u>	<u>% Shortfall</u>
CCC	5,381	4,658	(723)	-13.4%
DVC	15,336	14,612	(724)	-4.7%
LMC	7,951	7,578	(373)	-4.7%
Total	28,668	26,848	(1,820)	-6.3%

Enrollment shortfalls vary by college
(Includes Summer 2017, Fall 2017, and Spring 2018)

STRONG CORRELATION BETWEEN UNEMPLOYMENT RATE AND PRODUCTIVITY RATIO

District Productivity Ratio (FTES/FTEF) and County Unemployment Rate



EFFORTS TO INCREASE ENROLLMENT



CALIFORNIA COMMUNITY COLLEGES

Doing What MATTERS™

FOR JOBS AND THE ECONOMY

Strong Workforce, a new categorical established in FY 2016-17, allocated \$3.2 million in local dollars for the District to do “More and Better” Career Technical Education.

Student Success and Support Program

Student Equity Program

With annual allocations greater than \$10 million, the Student Success and Support Program and Student Equity Funds have enabled the District to enhance student services

CALIFORNIA COMMUNITY COLLEGES
Guided Pathways

**AB 288 (Dual Enrollment)
College and Career Access Pathways (CCAP)**



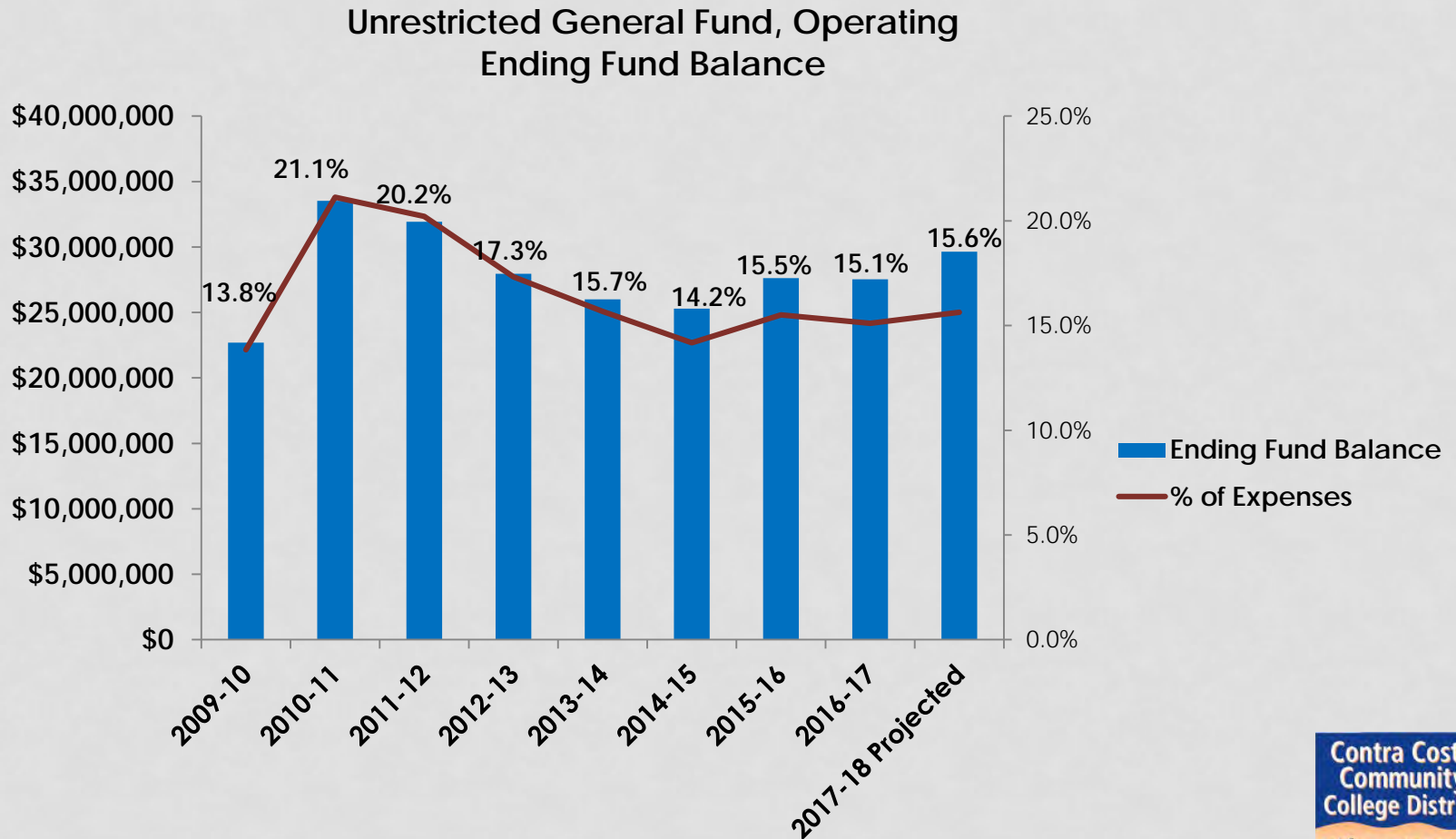
FY 2017-18 BUDGET UPDATE

The FY 2017-18 budget was adopted with a \$2.1M structural surplus, about 1 percent of the expenditure budget.

The budget included:

- ✓ \$6.5M in ongoing revenue from COLA (1.56 percent) and base allocation increases
- ✓ \$2.2M expenditure increase in employer-paid CalPERS and CalSTRS pension contributions
- ✓ \$2M expenditure increase in employer-paid healthcare contributions
- ✓ Greater than \$9M in ongoing revenue from “borrowed” summer FTES

FY 2017-18 ADOPTION BUDGET: OPERATING FUND BALANCE



SALARY INCREASES



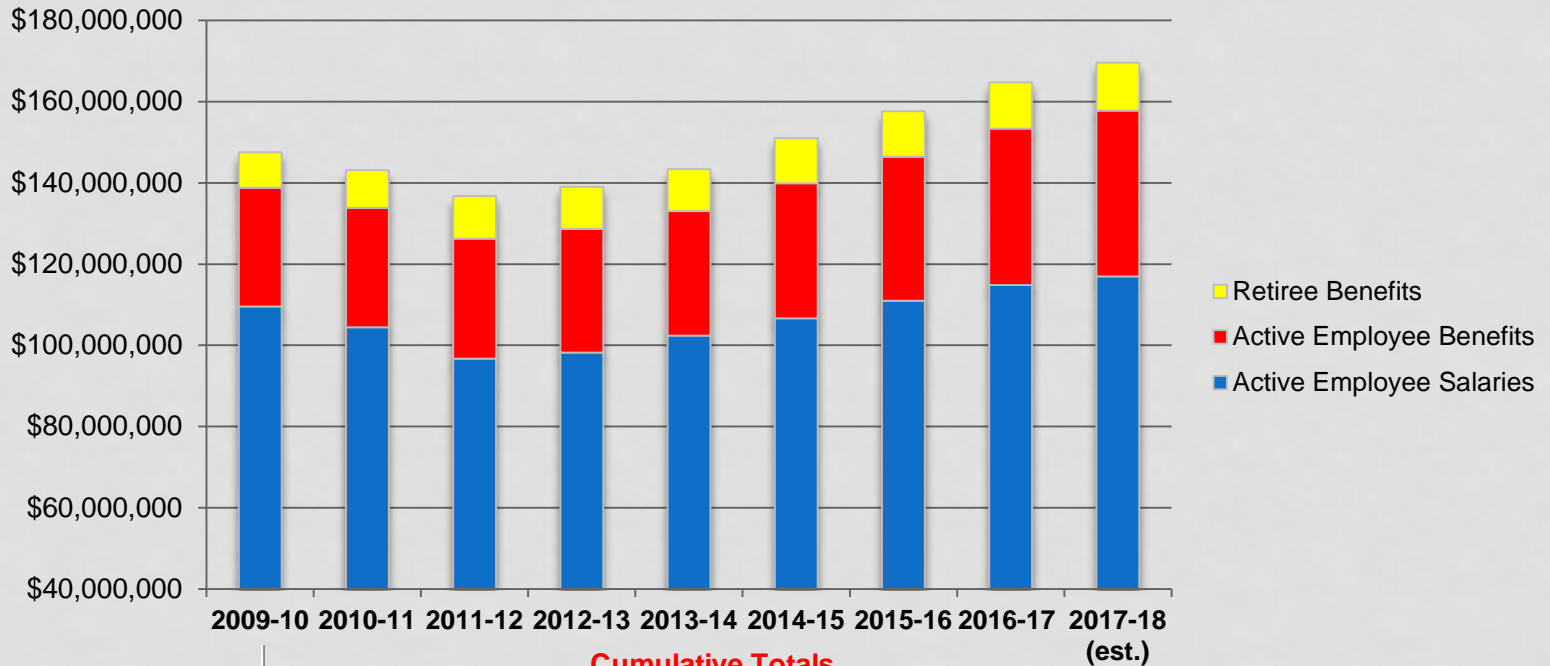
In October and December 2017, the Governing Board approved two-year agreements, including a salary increase, for faculty and management, respectively!

- Retroactive to July 1, 2017
- Third salary increase in the past five years
- \$2.1M in additional salary cost to the District in FY 2017-18
- Will result in a corresponding decrease in the fund balance

SALARIES & BENEFITS

Approximately 88% of the District's expenditures are in salary and benefits

Salaries and Benefits



Year	Total Expenditure	Total Benefits	Benefits as % of Salary
2009-10:	\$147.5 million	\$50.5 million	34.6%
2010-11:	\$143.1 million	\$52.5 million	37.0%
2011-12:	\$136.8 million	\$56.5 million	41.4%
2012-13:	\$139.0 million	\$57.5 million	41.5%
2013-14:	\$143.4 million	\$57.5 million	40.0%
2014-15:	\$151.0 million	\$63.5 million	41.7%
2015-16:	\$157.6 million	\$66.0 million	42.0%
2016-17:	\$164.7 million	\$71.5 million	43.5%
2017-18	\$169.6 million	\$76.5 million	45.0%

OTHER FY 2017-18 HIGHLIGHTS

- CalSTRS Increase
 - The employer contribution rate increased from 12.58% to 14.43%, a cost increase of approximately \$1.3M to the District
- CalPERS Increase
 - The employer contribution rate went from 13.88% to 15.53% resulting in about \$650,000 cost increase to the District
- Healthcare Premiums – a mixed bag
 - Kaiser went up about 3%
 - Anthem went up between 5-16% depending upon the plan
 - About 8.3% increase in aggregate; year-over-year budget increase of approximately \$2.0M for active employees



FY 2018-19 GOVERNOR'S BUDGET SUMMARY



GOVERNOR'S BUDGET SUMMARY 2018-19

Edmund G. Brown Jr. Governor
State of California

To the California Legislature
Regular Session 2017-18



Contra Costa College



Diablo Valley College



San Ramon Campus



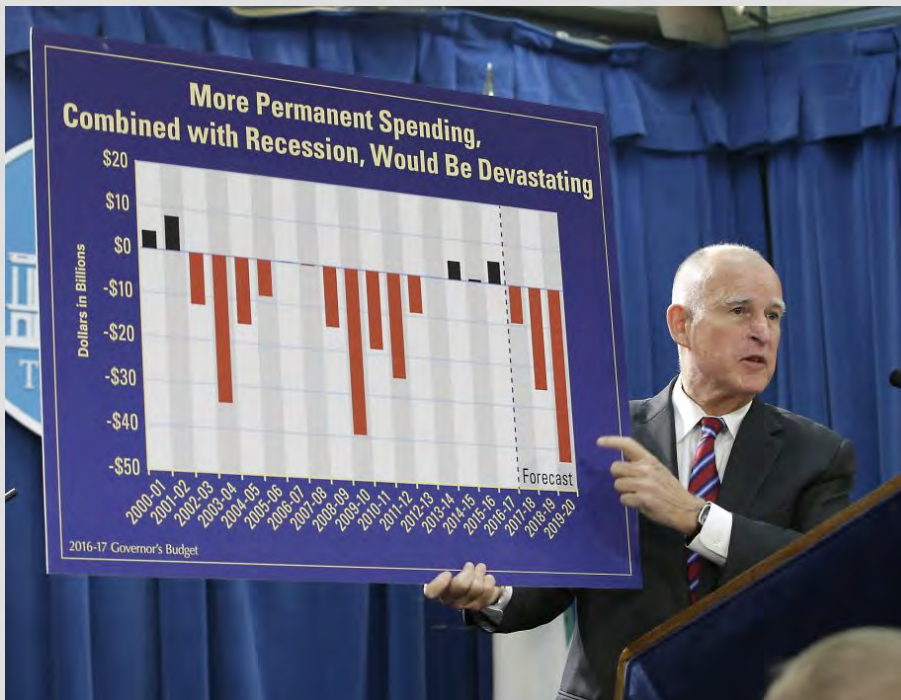
Los Medanos College



Brentwood Center



GOVERNOR BROWN'S FINAL BUDGET

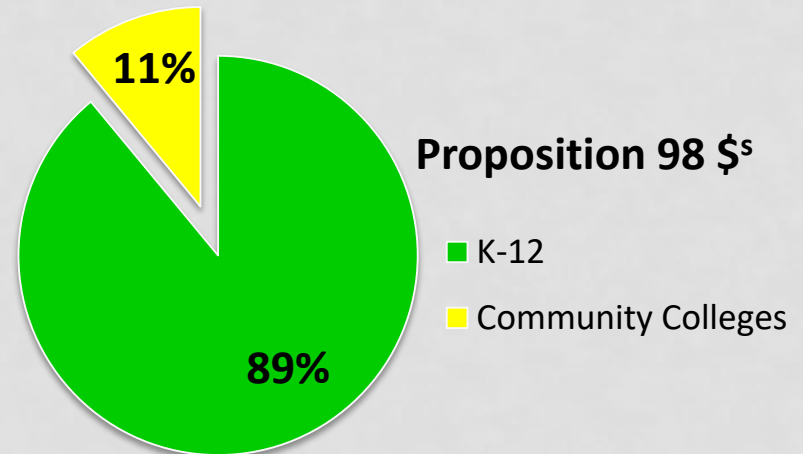


“California has faced ten recessions since World War II and we must prepare for the eleventh. Fill the Rainy Day Fund.”

- Governor Jerry Brown

HIGHLIGHTS OF 2018-19 BUDGET PROPOSAL

- General Fund expenditures of \$131.7B and an estimated \$13.4B in the Rainy Day Fund after a \$5B transfer; the Rainy Day Fund would reach its Constitutional maximum
- Proposition 98: The Governor estimates a FY 2018-19 Prop 98 guarantee of \$78.3B, an increase of \$3.1B, or 4.1%, over the revised current-year level
- The community college system is expected to receive 11% of the Prop 98 funds, consistent with the historical split between K-12 and community colleges



MAJOR PROPOSALS

Growth Funding – 1.00%, (\$60.0M systemwide)

- Potential for the District to earn an additional 287 resident FTES worth approximately \$1.5M; **District is not budgeting to earn these FTES or the associated ongoing dollars**

Cost of Living Adjustment (COLA) – 2.51%, (\$161.2M systemwide)

- Would raise the value of a credit FTES from \$5,151 to \$5,280, a \$129 per FTES increase; **this proposal would provide an additional \$3.7M in ongoing apportionment funding for the District assuming it is applied in the current manner (more on that later)**

Online Community College– \$120.0M systemwide, \$20M ongoing

- \$100M in one-time and \$20M in ongoing funds to establish a fully online community college for the State

MAJOR PROPOSALS (Continued)

Deferred Maintenance & Instructional Equipment – \$275.2M systemwide

- District would receive approximately \$6.1M in one-time funds

Consolidation of Categorical Programs – No Cost

- The Governor has instructed the State Chancellor's Office to consult with stakeholders and develop a proposal for consideration within the May Revision to potentially consolidate categorical programs (SSSP, Equity, Basic Skills, etc.)



PERFORMANCE BASED FUNDING

- Governor Brown's final budget has a potentially momentous proposal: Performance Based Funding
 - The Governor believes that the current funding formula does not align with the California Community College's Board of Governors new strategic plan, *Vision for Success*



Vision for Success

STRENGTHENING THE CALIFORNIA COMMUNITY
COLLEGES TO MEET CALIFORNIA'S NEEDS

POTENTIAL NEW FUNDING FORMULA

Current Model – Community Colleges are paid for FTES; the number of full-time equivalent students being served



100%

Proposed Model – Community Colleges would be paid for FTES, low-income students, and student success metrics



50%



25%



25%

POTENTIAL NEW FUNDING FORMULA: IMPACT

Potential New Funding Formula – \$175.0M

- The Governor has allocated this new, ongoing funding to hold harmless any districts that would lose funding under this new formula. The hold harmless provision has been presented as a one-year (FY 2018-19) only reprieve
- Based on Dept. of Finance simulations, the District would be held harmless in FY 2018-19 but could potentially lose greater than \$9M the next year and remain at that level
- Very significant change with potentially serious financial consequences with both Governor Brown and Chancellor Oakley supporting a shift to Performance Based Funding


POTENTIAL NEW FUNDING FORMULA: IMPACT

Potential New Funding Formula

- Other disruptive elements:
 - No more stability funding; the most recent talk is in a low enrollment year a district would be funded at its three-year FTES average
 - No more borrowing; the inability to shift FTES from summer session would require a significant downsizing of the District's ongoing budget

POTENTIAL NEW FUNDING FORMULA: IMPACT

Let's revisit an earlier slide...

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Total	28,668	26,848	 (1,820)	-6.3%

The 1,820 FTES shortfall would no longer be supplemented by summer borrowing.

Up to \$9.6M in lost ongoing revenue

POTENTIAL NEW FUNDING FORMULA

What's Next – Multiple workgroups have been established to attempt to fine-tune any potential new formula. The latest update from the CEO Workgroup included this language:

- The process is moving at an uncomfortably rapid pace with the initial proposal unveiled in mid-January;
- The initial framework and simulations were not workable given the wide swings in outcomes for colleges and districts;
- A two-year program transition funding period (hold harmless) with a multi-year phase in would provide opportunities to improve the formula based on data;
- Until simulations are available addressing the evolving recommendations, the discussion remains theoretical and abstract.

More to come....

RETIREE BENEFITS - IRREVOCAABLE TRUST UPDATE



New rules recently implemented change the way government entities must account for Other Post Employment Benefits (OPEB)



GASB 75

- GASB 75
 - Replaces GASB 45 and creates new actuarial methods for measuring total liability
 - Full liability immediately recognized and included in the financial statements
 - Shorter amortization periods; fewer years from which to spread out the total liability
 - Unfunded Actuarial Accrued Liability (UAAL) replaced by Total OPEB Liability (TOL), a larger liability calculation
 - Annual Required Contribution (ARC) no longer part of the actuarial report

GASB 45 VS. GASB 75

GASB 45

Unfunded AAL: \$165,525,403

Percentage Funded: 58%

GASB 75

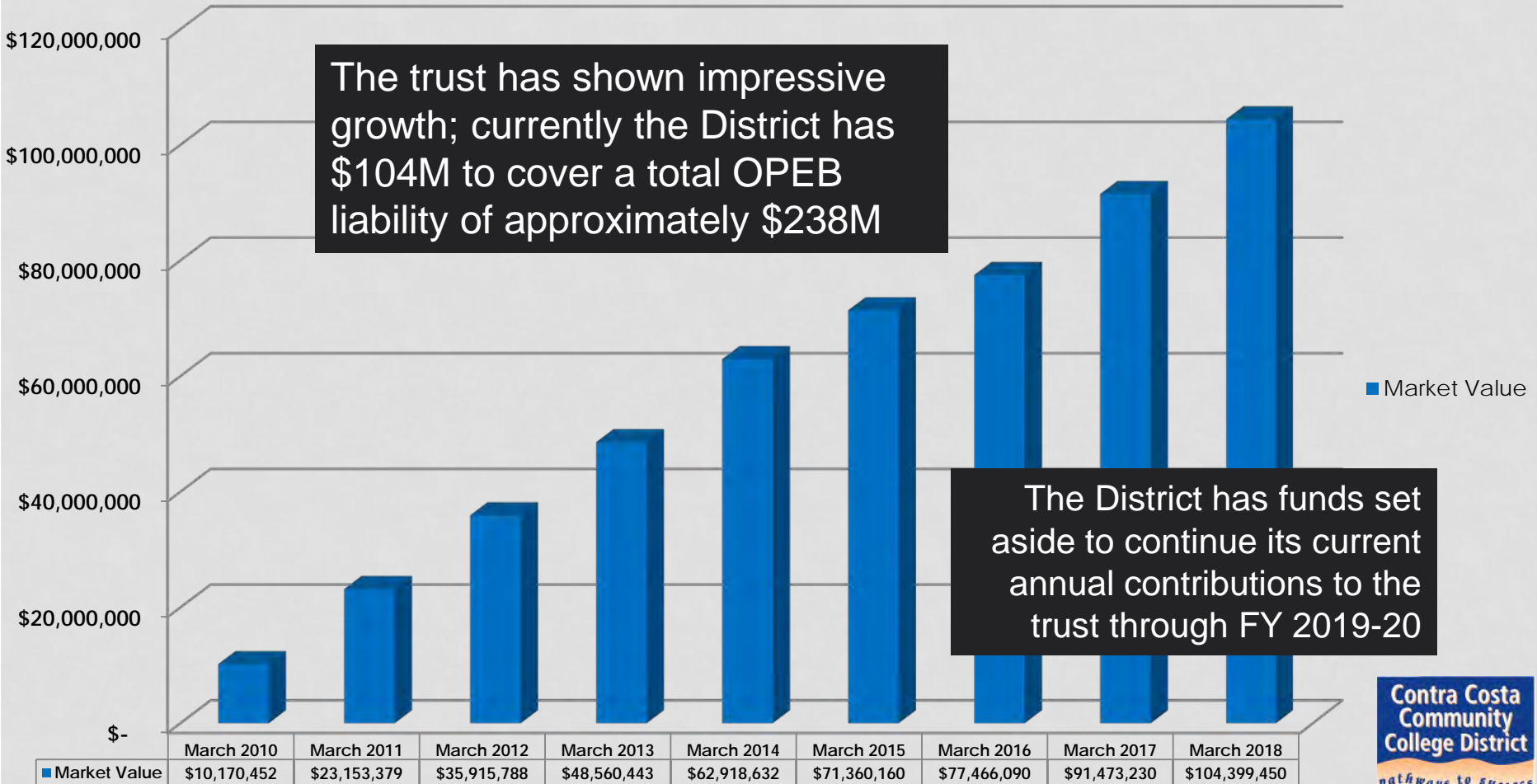
Total OPEB Liability: \$238,610,660

Percentage Funded: 40%

Numbers as of June 30, 2017

IRREVOCABLE TRUST GROWTH

Irrevocable Trust Market Value



LOOKING FORWARD



Contra Costa College

Diablo Valley College

San Ramon Campus

Los Medanos College

Brentwood Center

PLANNING FOR FY 2018-19 AND BEYOND

- Budget development is ongoing and assumptions for FY 2018-19 Tentative Budget have been reviewed through the participatory governance process. Major assumptions include:
 - COLA of 2.51% (unclear if the current methodology will be applied)
 - Increase of \$3M in base funding through new allocation model (could be \$0)
 - \$2.5M in PERS and STRS increases
 - Increase in health benefits of 6.73% (\$2.3M)
- Other concerns:
 - Unfunded Liabilities (Retiree Health Benefits and Compensated Absences)
 - Pension Costs continue to escalate
 - Health and Welfare Costs continue to escalate
 - Potential new funding formula

QUESTIONS?

