



C H A B O T - L A S P O S I T A S

Community College District

## **BUDGET UPDATE (FY 2016-17/FY 2017-18) and OTHER POST EMPLOYMENT BENEFIT (OPEB)**

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## **OTHER POST EMPLOYMENT BENEFIT (OPEB)**



## OPEB and GASB 45

### Primer (Definitions and District Numbers)

- OPEB refers to “other post-employment benefits”, meaning other than pension benefits
- GASB 45 requires districts to account for OPEB liabilities
- Actuarial Valuation: \$138 Million (at 4.5% discount rate)
- Annual Required Contribution: \$13,053,241
- Pay-As-You-Go \$6.0 Million 2017-18  
\$8.0 Million 2023-24
- RUMBL Fund (Retiree Unfunded Medical Benefit Liability)  
District set-aside of \$4.6 million



## OPEB and GASB 45

### The Challenge

- Pay-As-You-Go retiree health costs are expected to consume a greater percentage of the General Fund Budget
- Rising Medical Costs
- Longer Life Expectancy
- The district offers post-employment benefits (lifetime medical benefits) to employees hired before January 1, 2013 who meet certain eligibility requirements.



## OPEB and GASB 45

### Setting up an Irrevocable Trust for OPEB (October 18, 2016)

- With an irrevocable trust for OPEB, the district may use a higher discount rate in calculating the OPEB liability. The higher the discount rate, the lower the liability.
- The discount rate is the expected return over the long term. The reduction in OPEB liability ranges from 15%-30% for those districts that establish and fund an irrevocable trust.
- The district currently pays the annual cost of OPEB from the operating budget
- Trust assets are restricted to pay for OPEB obligations
- Other reasons to set up an irrevocable trust:
  - Accreditation
  - Rating agencies



## OPEB and GASB 45

### Where We Are

- Completed Draft OPEB Trust Program
- Completed Draft Request for Proposal (RFP) for Management Service
- Discussed with Shared Governance body, Planning and Budget Committee (PBC)
- Selected PBC members to serve on committee
- Goal is to have an OPEB Trust in place in 2017 or 2018
- Set up Trust with dollars from RUMBL Fund



## BUDGET UPDATE FY 2016-17



## Budget Update FY 2016-17

### Some Background Information:

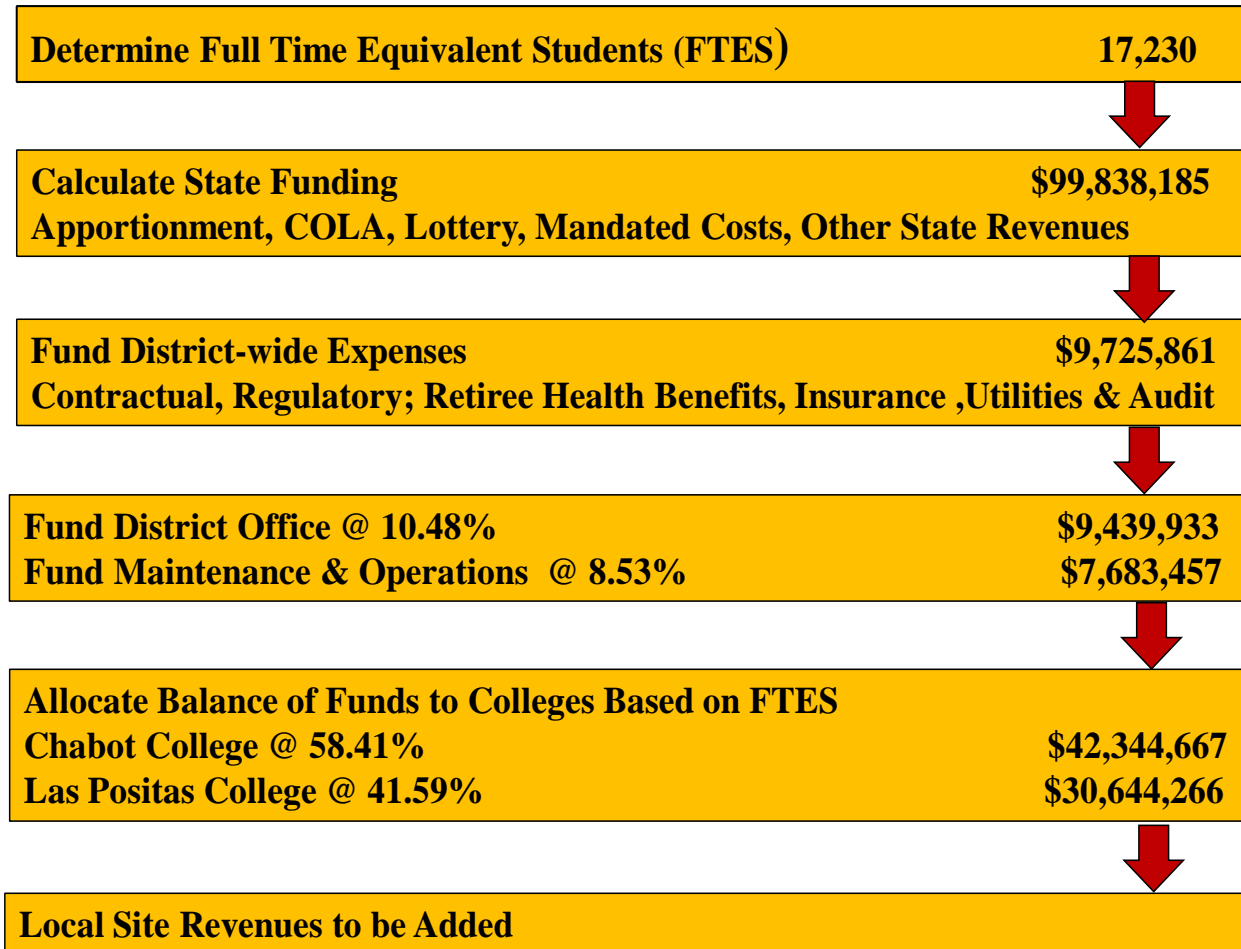
- On March 19, 2013, the Board of Trustees approved the new Budget Allocation Model recommended by the District Budget Study group and the Chancellor
- The new Budget Allocation Model provides the district with a financial tool that gives the following:
  - Treats all employees fairly
  - Simple to understand
  - It is Revenue Based
  - Puts money out to Colleges
  - The College Budget Committees are empowered to make decisions
  - We are all responsible to live within our means
  - Promotes accountability and transparency district-wide
  - Incorporates a process to build back our RUMBL and Reserves
  - Addresses ACCJC Accreditation Recommendation





## Some Background Information:

### BUDGET ALLOCATION





## Budget Update FY 2016-17

	2015-16	Adoption 2016-17	Projection 2016-17
Total Revenue and Transfers In	\$130,221,105	\$119,160,814	\$119,051,014
Total Expenditures and Transfers Out	<u>(120,223,745)</u>	<u>(117,660,484)</u>	<u>\$(117,272,684)</u>
<b>Increase/(Decrease) in Fund Balance</b>	<b>\$9,997,360</b>	<b>\$1,500,330</b>	<b>\$1,778,330</b>
Beginning Balance	\$16,319,604	\$26,316,964	\$26,316,964
<b>Ending Fund Balance</b>	<b>\$26,316,964</b>	<b>\$27,817,295</b>	<b>\$28,095,294</b>
<b>Ending Balance as % of Total Expenditures</b>	<b>22.78%</b>	<b>23.99%</b>	<b>24.34%</b>



## BUDGET UPDATE FY 2017-18



## **Budget Update FY 2017-18**

- Budget development based on Governor's January Proposal
  - 1.48% Cost of Living Adjustment (COLA )
  - \$23.6 million increase in base allocation funding
  - \$79.3 million for 1.34% growth funding
  - \$150 million of one-time money for Guided Pathways
  - Same level of funding for Student Success and Support Programs; Student Equity, Strong Workforce and Basic Skills



## **Budget Update FY 2017-18**

### District Budget Assumptions

- 1.48% Cost of Living Adjustment (COLA )
- 1% Growth
- Base Allocation Increase
- Serving 17,400 Full Time Equivalent Students (FTES)
  - Chabot College 10,200; Las Positas College 7,200
- Step and Column Increases
- STRS/PERS Rate Increases
- 3% COLA for Faculty; Other Employee Groups to be Determined
- Retiree Medical Increases of 6.88%
- Insurance; Utilities @ 5.0%
- Stability Year of 2016-17
- Restoration Year 2017-18 first year of Restoration