PLANNING & BUDGET COMMITTEE (PBC) MEETING
Compton Community College District
February 23, 2016 – 2:00 pm – 3:30 pm
Board Room

MEMBERS PRESENT

_x_ Dr. Rodney Murray	___ Dr. Billie Moore	___ LaVetta Johnson	_x_ Daisy Delgado
_x_ Dr. Abiodun Osanyinpeju	___ Miguel Ornelas	_x_ David Simmons	
_x_ Carmela Aguilar	_x_ Dr. Jose Villalobos		

OTHERS ATTENDING: Dr. Keith Curry, Felipe Lopez, Barbara Perez, Armando Ruiz, Dr. Phillip Humphreys, Richette Bell, Kimi Shigetani –CCLC, Maureen Toal – CCLC, Rachael Sanders – PARS, Elaine Reodica – CCLC, Dan Keenan – Keenan Financial Services, and Gail Beal - Keenan Financial Services.

Handouts

- CCCD PERS/STRS Funding Schedule /District Funding Plan
- CCCD Future STRS and PERS Costs Fiscal Years 2014 thru 2021
- CCCD Five-Year Fiscal Management Plan
- PARS – Pension Rate Stabilization Program (PRSP)
- Keenan – Pension Stabilization Trust (PST)

I. Call to Order

The meeting was called to order at 2:05 p.m. by Dr. Abiodun Osanyinpeju.

II. Approval of Minutes

The minutes of January 26, 2016 were approved. Ms. Aguilar, Dr. Murray (moved/seconded). The motion passed unanimously.

III. STRS/PERS Funding Schedule – Felipe Lopez

Mr. Lopez provided a presentation on the STRS/PERS Funding Schedule. A question and answer session followed.

Mr. Lopez stated that we are going to be faced with increasing rates for STRS and PERS. He stated that he had provided the committee with a schedule a couple of months ago and wanted to get some feedback regarding it. At the time of the adoption of the 2015-2016 budget we set aside $500,000 for our future PERS and STRS obligation. The funding schedule proposed setting aside $400,000 annually through 2021. The $400,000 was based on the elimination of $200,000 in operating costs. In the Five Year Management Plan he only included $200,000 and not the $200,000 in reductions because he did not know if that was the route the committee wanted to go with. Mr. Lopez indicated that redirecting the $200,000 from the Line of Credit will not affect the budget. However, the additional $200,000 from operating costs will have an impact.

Mr. Lopez stated that the issue is where do we find cuts. He stated that reducing salaries and benefits cannot happen. The only other way is to look at our discretionary funds; for example, material and supplies or contract services. He indicated that operational wise we have to pay our bills and this makes it difficult to start eliminating. Mr. Lopez stated that we can also look at the 6000 object code and reduce site improvements but if we do that we cannot make some of the necessary repairs on campus. Dr. Murray requested a list of possible things that could be cut. Mr. Simmons asked if the state would provide one-time funds that would help address this problem.

Mr. Lopez stated that there are no one-time funds in the Governor's Budget. He mentioned that Prop 30 phases out this calendar year and so does the sales tax increase. He mentioned that we will lose approximately $500,000. Mr. Lopez stated that he would come up with some suggestions for areas that could be reduced. He asked the committee to make a determination after he provides a list of recommended cuts. Dr. Murray stated that the committee would wait for the list.

IV. PERS/STRS Presentations

A. Public Agency Retirement Systems (PARS) – Maureen Toal and Kimi Shigetani

Ms. Toal and Ms. Shigetani introduced themselves. They both provided a presentation on the Pension Rate Stabilization Program (PRSP). A question and answer session followed.

Ms. Shigetani stated that this program is between the Community College League of California and PARS. The reason for this partnership is because of the rising pension rates and the GASB pronouncement that the liability for the pension rates need to be stated on the District's individual statements. Ms. Toal indicated that over a year ago PARS was hearing from colleges, school districts, cities, counties, and other clients concerned about the PERS/STRS rates increasing and inquiring if there was some sort of Trust that they could put money aside for to use for PERS and STRS. During their research they discovered through their attorneys that a number of districts in Orange County had gotten in trouble with the IRS. They then went to the IRS and got its blessing for a Trust that could be used for pension costs separate from the retirement system it took a year before the IRS gave its blessing.

Ms. Shigetani stated that there are three important pieces and they would cover two. One is a private letter ruling from the IRS that allows colleges to invest, which opens a world of investment options to the college. The second is an irrevocable trust because that earmarks the funds and opens up investment options, making it possible to reduce long-term liability. She mentioned that the pension rates are increasing but by the end of the seventh year it will be 20.40 percent for PERS and 19.10 percent for STRS and this assumes that both entities will meet their 7.5 percent investment return rate, a very optimistic scenario.

Ms. Toal stated that the partnership between PARS and the Community College League involves creating a Turn Key Trust. PARS is the administrator of the trust and the League has vetted it. U.S. Bank will serve as the Trustee and it is where the funds are kept. She mentioned that there are several investment managers available to use. We have a unique pool with Vanguard at a very low cost. As more public agencies join, the fees will go down. PARS pioneered the program of pension stabilization.

Dr. Murray asked what type of risk they were talking about. Ms. Toal stated that we do not have a one size fits all formula. We have conservative funds you can enroll in with low risk; some of the clients are going into fixed income investments with little equity exposure. The District will determine how conservative it wants to be and the District could change its strategy at anytime. She mentioned that it is important to have policies in place on how the funds will be used. She indicated that the Trust is irrevocable.

B. Keenan & Associates - Gail Beal and Dan Keenan

Ms. Beal and Mr. Keenan introduced themselves. Ms. Beal provided a presentation of its Pension Stabilization Trust (PST). A question and answer session followed.

What is the Pension Stabilization Trust?

- Designed to pre-fund pension costs and reduce GASB 68 Net Pension Liabilities
- Designed to mitigate long-term pension liabilities
- Designed specifically for California Public Agencies
- Section 115 IRS approved trust
- Complies with GASB Statement 68
- Contributions are stable and predictable

Why the Pension Stabilization Trust?

- Trust assets offset unfunded pension liabilities
- Discretionary Trustee mitigates district investment liability

- Assets are available at any time to pay pension obligations and offset unexpected increases
- Trust is separate from an OPEB trust to protect assets and provide reasonable actuarial results.

Why the Pension Stabilization Trust?
- Multiple Employer Trust
  - Investment and administrative economies of scale
  - No risk sharing
  - Fixed income portfolio – 4.5% target rate of return
- Pension Stabilization Trust (PST) Board of Authority
  - Member agencies
  - One member per agency
  - Participation is not mandatory

The Team
- Keenan – Program Coordinator/Administrator
- Benefit Trust – discretionary Trustee
- Morgan Stanley – Registered Investment Advisor

Fees
- Keenan – 10 basis points
- Benefit Trust -10 basis points
- Morgan Stanley – 10 basis points

Ms. Beal indicated that their plan is turn-key and offers the safety of a fixed income portfolio with a target rate of return of 4.5%, other benefits include:

- Pure fiduciary protection through the Discretionary Trustee
- IRS approved Section 115 Trust Multiple Employer Trust
- IRS compliant plan
- GASB 68 compliant plan
- Experienced team
- World class investments
- Turn-key program
- Signature ready documents
- Ongoing education
- Ongoing local service

V. 2015-2018 Enrollment Management Plan – Dr. Phillip Humphreys

Dr. Humphreys and Ms. Bell introduced themselves. Dr. Humphreys and Ms. Bell provided a presentation of the 2015-2018 Enrollment Management Plan. A question and answer session followed.

Purpose
- To create a responsive, flexible, educationally sound, research-based approach to enrollment management

2015-2018 Enrollment Management Plan Layout
- Enrollment Objectives
- Indicators
- 5 year FTES Projections
- Areas of Focus
- Activities Calendar
- Activities Evaluation Tool

Areas of Focus
A. Course Scheduling
B. Curriculum and Educational Programs
C. Student success
D. Technology and Information Systems
E. Student Services
F. Recruitment
G. Marketing

New Initiatives
- By Fall 2015, the Compton Early College High School with Compton Unified School District.
- By Fall 2017, the Fire Technology Program in collaboration with El Camino College and the City of Compton.
- By Fall 2016, a Cosmetology Program at the Compton Center.
- By Fall 2016, offer Compton Center Courses at the CEC Partnering Adult Schools in Compton, Lynwood, and Paramount.
- By Fall 2016, increase the course offerings in the Afternoon College Program (formerly called Off-Site classes) at the CEC Partnership High Schools in Compton, Lynwood, and Paramount.
- By Fall 2016, develop an Evening/Weekend Program for Adult and Re-Entry students to earn an Associate of Arts Degree in the following areas:
    - General Studies with an emphasis in Behavioral and Social Sciences.
    - General Studies with an emphasis in Biological and Physical Sciences.

Activities Calendar
- Track Activities
- Follow-up
- Accountability

Calendar format
- Action Items
- Lead Person (s)
- Timeline for Implementation
- Status = Update on Implementation

Evaluation Tool

1. Evaluation and assessment of activities
2. Effectiveness of the plan
3. Determine future funding opportunities
4. To be completed within 30 days of timeline implementation date

VI. Five Year Fiscal Management Plan Update – Felipe Lopez

Mr. Lopez provided a presentation on the Five Year Fiscal Management Plan. A question and answer session followed.

Mr. Lopez stated that he wanted to go over the changes that were made; it includes the information from the Governor's initial budget for 2016-2017 and accounts for .47 percent COLA. The original budget for 2015-2016 assumed that we would make 5860 FTES and claim 6060 FTES. In 2014-2015 we went into stabilization and reported 5400 FTES but were funded at 6060 FTES because it was the first year of stabilization and we were held harmless. He stated that we only generated 5216 FTES.

Mr. Lopez indicated that in 2015-2016 we would achieve 5860 FTES. We now believe that by borrowing 500 FTES from the summer we will be able to get back to our base level. If we do not get back to the base we will be adjusted downwards. He mentioned that he was concerned that if we did not make it to the base this year we would not make it the following year. We will have to borrow the 500 FTES and it looks like if so, we will get out of stabilization this fiscal year.

Mr. Lopez indicated that no enrollment growth is built into the Five Year Fiscal Management Plan. In 2016-2017 we hope--with some of the new programs coming on--that we will still have to borrow to get to 6060 FTES. By 2016-2017 he hopes we can get to 6060 FTES without borrowing and can look at potential growth at that time. We will start 2016-2017 in the hole by 500 FTES, in 2017-2018 we will secure our 6060 FTES which is based on pure FTES without borrowing.

Mr. Lopez mentioned that in 2015-2016 all of the salary adjustments were included. Also, what has been adjusted in 2015-2016 is the $500,000 for the Cosmetology Program which at one point we thought would be offsite and not supportable with our Bond dollars. The plan had since changed and the program will now be on campus and supportable with bond dollars. It is no longer a cost to our general fund and for this reason we are looking at a savings of $350,000.

Mr. Lopez indicated that the revenues that we receive today will remain the same for the next two years. He mentioned that increased cost will accrue from STRS and PERS increases and some adjustment for inflation. In 2016-2017 the Personnel Commission will also be brought on board. As a result we will be deficit spending approximately half a million dollars. In the following year we will be deficit spending approximately $1.3 million, assuming no enrollment growth.

Mr. Simmons asked that if we were to do to the Pension Stabilization program will the cost for PERS/STRS be taken off the books or will it still be included in the budget? Mr. Lopez replied that it will stay on the books as it is an operational cost. We are just setting funds aside for future costs.

Ms. Aguilar inquired if the new hires pay less into STRS than those who have been here for 30 years. Mr. Lopez replied that they paid a little less but not much; this was not the case with the employer however.

Mr. Lopez mentioned that during the accreditation process the District cannot be deficit spending, as this is the first trigger for disqualification.

There was an in-depth discussion regarding the STRS/PERS Funding Schedule.

VII. Adjournment - The meeting adjourned at 3:38 pm.