Budget Forum

College of Marin - October 1, 2014

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Let's take a quick look back to this past year.

January BOT, Spring Convocation and June Tentative Budget
Inflation is currently .05%, virtually flat, which will not support Prop13 growth for 14/15.

Unsecured taxes will historically be 1%.

Budget for 14/15 revenue will likely have no growth over 13/14.

We received revised revenue projects for 14/15 in Mid/Late November.
What supported the budget for 13/14

- Vendor Contract Re-Negotiations
- FY12/13 & FY13/14 SERP Retirees (40+ Positions)
  - We were able to hold, de-fund or fill positions that generated savings
  - Savings also came from new hires being hired at lower steps on pay scales compared to retirees - mainly from service time and longevity
What impacted the budget for 13/14

- Increase reserve for bad student debt

- The SERP from the same year, why?
  - Had to payout vacation and banked units to all retirees – Cost of 420k
  - Affected the 50% Law calculation 48.93% for FY12/13
What about 50% Law Calculation

- FY12/13 we finished the year at 48.93% - Short of the 50% requirement
- FY13/14 we finished the year with 51.98% - in excess of the 50% law requirement
- We keep a running estimate of the 50% issue to make sure we stay compliant
FY14/15 - Adopted Budget

http://www.marin.edu/fiscal/fiscal-reports.html#budgets
What is in it?

- Revenue Assumptions
- Salary Assumptions including benefit rates
- Fixed Costs Assumptions (Utilities, telecom etc)
- Other Expense Assumptions (Supply Costs etc)
- Other Outgoing (Backfill for other funds)
- Overview of “Basic Aid” status within District
- Short Term Borrowing
- Special Fund Highlights
- Historical Look at FTES
- Breakdown by Area (Revenue, Expenses etc)
- Salary By Position (ABC & Numerical)
- Benefit Costs by Employee Group
Impacts for 14/15 Budget

- Increase of .63% in STRS contribution rate (100k)
- Projected increase for health benefits (955k)
- 5% increase in various insurance premiums (3k)
- 10% increase for Utilities (180k)
- Negotiated changes with CBA’s - Including equity study for CSEA and COLA for SEIU, CSEA and MSCC
- Step and Column for employees

- Freeze of management positions
  - Exec Director- CCRA
  - VP Student Learning
  - Asst. Director of Financial Aid
  - IT Supervisor

- Benefits, especially pensions, need attention
Projected Pension Costs

- STRS rates range from 8.88% - 22.98% over 10 years
  - Annual growth 1.85% for 5 years, .97% thereafter
  - Increases 238% over 10 years

- PERS rates range from 20.084% - 31.458% over 10 years
  - Includes 7% employee portion
  - Annual growth varies for first 5 years, .50% thereafter
  - Increases 121% over 10 years

- Salaries based on 2014/15 Adoption Budget with 3% growth
  - $18,413,794 assumed for STRS
  - $10,241,179 assumed for PERS
  - Increases combined cost 170% over 10 years
MCCD Projected Pension Costs

1,329,350
Increase by 17/18 on todays budget


STRS | PERS | TOTAL
--- | --- | ---
2,056,839 | 1,522,511 | 3,579,350
2,967,900 | 3,588,923 | 6,556,823
3,503,814 | 3,949,031 | 7,452,845
4,114,954 | 4,547,214 | 8,662,168
5,148,484 | 5,148,484 | 10,296,968

Board Policy states the District will maintain a reserve of 7.67% - 17%. Projected reserve for 14/15 is 10.1%. By policy only a board resolution can pull funds from the reserve for specified purposes with 2/3 vote of the board.

Reserves cannot drop to 5% or you get on watch list by Chancellors Office.

Reserves for a small college on basic aid must be maintained at a higher level than a larger college not on basic aid. COM is not currently meeting this best practice. Example: SRJC vs. COM ($10.3) vs ($4.6)
Deficit is currently projected at $2,411,233 in today's dollars.
This Fund Balance will only support the District for approx. 10 days of operations in 14/15 - What does this mean?
Looking toward 15/16

- We have to correct the structural deficit to maintain an appropriate reserve level
- We have to prepare ourselves for pension costs adjustments and other long term liabilities
- Look at impacts of the current 14/15 SERP
- Cost reduction scenarios
- Revenue potential - that has to be ongoing
Total of 2.3 million set aside for increases for 14/15

- $88,618 for SEIU
- $489,639 for CSEA (Includes Equity Study)
- $266,147 for MSCC (Includes Salary Schedule Adjustment)
- $1,455,890 for UPM (Current District Proposal)
Management for 14/15 Budget

5.3% of the budget tied to Management Salaries
20.2% of the budget tied to Classified Salaries
33.4% of the budget tied to Faculty Salaries

- Salary Schedule not updated since 1980
- Old salary schedule had COM ranked next to last among single college districts for managers (Barstow CCD was the lowest)
- Cost to fund changes in salary schedule for 14/15 is only 180k