



**District Committee on Budget & Finance  
November 15, 2022**

**Zoom, 1:30 – 3:30 p.m.**

**Attendees:** Mary Chries Concha Thia, Anthony Djedi, Judy Hutchinson, Stephanie Martinez, Joe Morello, Gerardo Pacheco, Ludmila Prisecar, Bernata Slater, Richard Storti, and Chi Chi Wai

**Absent:** Tony Burolla, Anthony Chumpitazi, Nick Kapp, Steven Lehigh, Vincent Li, and Paola Tagashira

**Guests:** Paul Cassidy, Peter Fitzsimmons, Yung Nguyen, and Chantal Sosa

**Called to order at 1:35 p.m.**

**1. Actuarial Update**

Slater reviewed the actuarial study dated June 30, 2022. She explained that because the District provides medical benefits to retirees, the District has to ascertain the liability for these benefits. The District contracts with Total Compensation Systems to conduct this annual study. Every other year is a “full-blown” study and the in-between year is considered a “roll-forward” study, which carries some of the liability data forward from the full-blown study to compare against updated assets.

- As of June 30, 2021 – assets of \$157m against liability of \$117m – overfunded by \$40m
- As of June 30, 2022 – assets of \$128m against liability of \$124m – overfunded by \$4m

The year-over-year change is due to a reduction in assets (e.g., stock market volatility) and a reduction in return-on-investment assumption from 6.5% to 6.25%. Slater reminded the committee that this is a point in time with another study being conducted as of June 30, 2023 and every June 30<sup>th</sup> thereafter.

Morello inquired as to what happens if market conditions drives the funded status into a negative. Slater responded that the District could make adjustments to its investments and/or could make adjustments to its internal charge of 3% of payroll. The key is to fund the “pay-as-you-go” annual premiums. She reminded the committee that it is not a requirement to be fully funded and other Districts are in a similar circumstance. She concluded by stating that the District’s financial advisors expect the assets to rebound given the District’s long-term investment strategy.

**2. Audit Status**

Slater reminded the committee that the District closes its books in August and the auditors arrive in September / October to audit the District’s closed books. The District does not have the final reports; however, preliminary reports have been made available for review prior to publishing. There are no audit findings except for failure to comply with the 50% Law, which has been a repeat finding for several years. The District is making efforts to comply; however, there are significant headwinds beyond the District’s control, which increases the denominator (e.g., disproportionate increases to PERS employer costs and increased operating expenses such as utilities, technology, insurance, legal, etc.).

She advised that there are five audit reports (District, OPEB, Bond Financial / Performance, and KCSM) and that the reports will be presented to the Board of Trustees by the auditors at their December meeting.

### **3. ACBO Fall Conference**

Fitzsimmons reviewed the conference sessions that was previously emailed to the committee members and asked if any member wanted the associated presentation to contact him and he would be more than happy to forward. He went on to review the presentation provided by the State Chancellor's Office, which was also email to the committee members in advance of their meeting.

There was a robust discussion on the State's additional funding for Part-Time Faculty Health Insurance. Fitzsimmons stated that funding for FY2022-23 increased from \$400k to over \$200m. The State Chancellor's Office is in the process of providing guidance, which is evolving as adjuncts who work in multiple districts will be administratively challenging. He went on to note that only eligible districts are subject to receiving 100% funding assuming that the State has enough resource while other districts will only be eligible to receive 50% funding.

Pacheco asked if the money was guaranteed. Fitzsimmons responded that the State will fund 50% of reimbursement claims to districts and, depending on funds available, fund up to 100% for districts that meet certain criteria as noted on Slides 67 and 68.

Morello inquired as to the funding sustainability from the State noting that health premiums tend to escalate. Storti stated that the State may add COLA; however, COLA is likely insufficient to cover health care cost increases. Fitzsimmons stated that categorical funding is on-going until the State decides to not fund and there are risks associated with any categorical long-term funding depending upon the State's annual budgetary decisions.

Prisecar asked if the District is currently eligible for 100% reimbursement. Fitzsimmons stated that this is a question for Human Resources; however, he doesn't think so based upon the criteria noted on Slide 68. Morello concurred. Storti interjected that the District is looking at this program closely and advised that the State is exploring the possibility of creating a pool for districts to join in an effort to reduce costs. He is mindful that State funding isn't always long-term and used the SCFF as an example. He reminded the committee that when the State implemented the SCFF that districts were told that they would not receive less resources than in they did via the prior funding formula (SB 361); however, six months later new guidance was published reducing the funding. He concluded by stating that sustainability and what adjustments are needed for the District to qualify for maximum reimbursement from the State are leading the discussions currently underway.

### **4. RA Review Status Update**

Storti stated that the workgroup met and another meeting is scheduled. The workgroup is in the process of identifying recommendations for modifications to the existing model. Once identified, these recommendations will be brought to committee, as well as, to the Chancellor's Cabinet for further discussion before any changes are implemented.

### **5. Public Comments / Future Agenda Items**

Storti proposed to cancel the December meeting given the end of the term and the holiday break. There were no objections from the committee to his proposal so the meeting will be cancelled. The December agenda items will be forwarded to the January meeting.

### **6. Next Meeting: January 17, 2023**

**Meeting adjourned at 2:37 p.m.**