Peralta Community College District

Spring 2025
Budget Townhall

Dr. Tammeil Gilkerson, Chancellor

Mr. Greg Nelson, Chief Operating Officer

January 31, 2025

College of Alameda

Berkeley City College

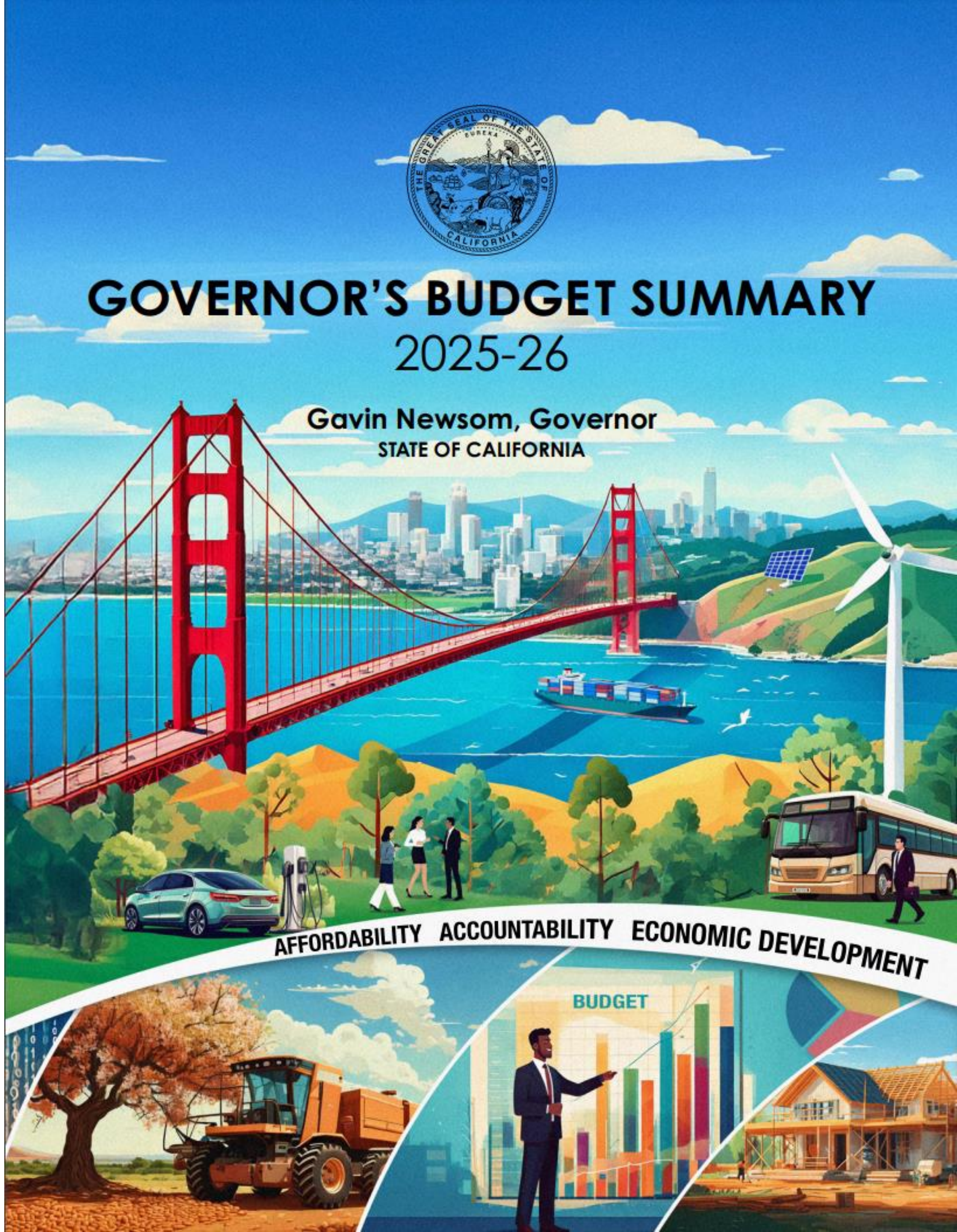
Laney College

Merritt College

Overview

- Governor’s 2025-26 Budget Proposal
- Challenges for Long Range Planning
- Fiscal Trends
- Impact to 2025-2026
- Reserve Recommendation
- Love Our Future and Next Steps

Governor's 2025-26 Budget Proposal



Summary of Key Budget Changes

- Proposed FY 2025-26 total budget of $322.2 billion, an increase of about $24 billion from FY 2024-25
- General fund spending budget of $228.9 billion, an increase of $17 billion from FY 2024-25
- Significant focus on the Master Plan for Career Education (CE) that includes a vision of Career Passport
- Additional ongoing spending of $230.4 million for a 2.43% cost-of-living adjustment (COLA)*
- $28.7 million for COLA’s and adjustments to certain categorical programs, and
- $30.4 million for systemwide enrollment growth of 0.5%

*District ineligible for COLA

State Budget Overview for Community Colleges

- Proposed budget for FY 2025-26 is balanced, with a modest surplus due to stronger stock market, savings from operational efficiencies and elimination of some state government positions.
- $30 million in ongoing funding to expand Rising Scholars Network
- $29 million in ongoing funding and $133.5 million in one-time funding to create a Common Cloud Data Platform
- $168 million in one-time funding to complete the Statewide Technology Transformation
- $93 million one-time and $7 million ongoing, to build and scale up credit for prior learning allowing real-world experience to be converted to college credit; especially veterans and military members

Sunsetting of Hold Harmless

FY 2025-26 is the first year without Hold Harmless protection

- FTE three-year average based on FY 2022-23, FY 2023-24 and FY 2024-25
- Supplemental points will be based on FY 2024-25 headcount of AB 540 students, Pell Grant recipients, and California Promise Grant recipients
- Success points three-year headcount average based on FY 2022-23, FY 2023-24, and FY 2024-25
- The District's Total Computational Revenue (TCR) will no longer receive cumulative COLAs
- No new unrestricted, ongoing funding until the District's SCFF calculation exceeds its Hold Harmless calculation

Challenges for Long-Range Planning

Challenge
Continual decline in FTES; End of Hold Harmless Provision. Beginning FY 25-26 state funding will be flat and ineligible for COLA.
Meeting the unrestricted reserves established in Board Policy 6250, which states we must carry two months of expenditures or 16.67%
No other reserves exist for items like furniture/equipment replacement or deferred maintenance
Ongoing costs to the District for deferred maintenance, which affects the total cost of ownership
Increasing the contributions to the OPEB Trust. Peralta has the lowest percentage of funding statewide at just 6%
Increasing demands on health insurance. New rates are now set for 10% for the 2025 calendar year when only 5.69% was budgeted in the Tentative & Adopted Budget
The need to address the level of outstanding student debt for the District, currently over $37M
Ongoing fiscal monitoring in several categories by ACCJC for all four colleges
External credit rating agency challenges due to fiscal instability (Moody's, S&P, Fitch)
Impacts of changes in the Deficit Factor from the State Chancellors Office

External Evaluations & Recommendations

- The District has had a series of external reports and evaluations related to fiscal stability since 2018. Specific recommendations from the Financial Review and Fiscal Health Risk Analysis by the Fiscal Crisis & Management Assistance Team in 2019 are also mirrored in several subsequent reports the District contracted to have done.
    - Consider adjusting staffing based on FTES
    - Consider reducing FTEF commensurate with the FTES at each of the colleges
    - Adopt a more realistic target for FTES based on trend data
    - Adopt a staffing process aligned to the FTES
    - Develop supplemental and student success outcome metrics at the district and college level to verify all outcomes are counted correctly
    - Align full-time faculty with student enrollment
    - Understand the unduplicated student population at each college, such as full-time, part-time, special admit, etc., to assist the college in establishing their goals, improving student success, and increasing revenues
    - Create and follow a plan to proportionately reduce expenses as it relates to FTES production

Fiscal Trends

Historical Funding Challenges

Fiscal Year	Funded FTES	Actual FTES	Budget Challenges
2013-2014	18,652	20,311	$11 million cut / passage of parcel tax
2014-2015	19,055	20,811	Borrowed from upcoming summer term to stabilize FTES
2015-2016	19,507	21,497	Borrowed from upcoming summer term to stabilize FTES
2016-2017	19,507	20,231	Stabilization Funding (had to repay some FTES)
2017-2018	19,507	20,206	Borrowed from prior Summer Term
2018-2019	18,763	19,785	Froze $4.5 million in positions to cover deficit
2019-2020	18,763	18,917	Relied on COLA to balance budget
2020-2021	17,085	15,757	Cut $2.8 million / hold harmless of $7.1 million
2021-2022	17,733	14,623	$8.3 million of stabilization funding
2022-2023	17,478	16,097	$21 million in hold harmless funding
2023-2024	16,128	16,614	$10.1 Million in hold harmless funding

*FTES Data is from the CCCCO Datamart website

Historical Budget Reductions

Fiscal Year	Reductions
2020-21	$3,327,450.00
2021-22	$2,764,784.00
2022-23	$1,086,239.00
2023-24	$6,202,630.00
2024-25	$11,748,012.00
TOTAL	**$27,833,123.43**

Current Year Funding As It Has Evolved

Fiscal Year 2024-2025 Districtwide Reductions - As of August 2024

Description	District	Changes	Revised
Salary and Benefits from vacancies	$6,000,000		
Discretionary budget reduction target	$2,100,000	$614,000*	$2,714,000
Shared Reductions			
District	$577,918		
Berkeley City College	$478,048		
College of Alameda	$511,447		
Laney	$894,431		
Merritt	$538,157		
Total	$11,198,885	$614,000	$11,812,885

*additional change will be absorbed by the District

Fiscal Forecast – Mid October 2024

- Includes 0.91% COLA across the board (1.07%)
- Resets the savings related to vacancies to $3M for future projections
- A 10% increase in health insurance effective October 1st, 4.31% beyond projections or a $243,678 increase for the current fiscal year or $324,904 annually
- Calculating into the reductions the amount needed to correct the reserves to even out to 16.67% by the year-end
- Increase Deficit Factor by 1.9083%

Mid-Year Budget FY2024- 2025 Unrestricted General Fund Multi-Year Projections

Revenues:	Adopted Budget F/Y 2024/25 With Hold Harmless	Projections F/Y 2025/26 With Funding Floor	Projections F/Y 2026/27 With Funding Floor	Projections F/Y 2027/28 With Funding Floor
Federal Revenue	-	-	-	-
State Revenue[1]	79,434,599	81,818,607	83,607,910	83,916,798
Local Revenue[2]	85,480,285	88,642,809	88,913,210	89,191,723
Total Revenues:	**164,914,884**	**170,461,417**	**172,521,120**	**173,108,520**
Expenditures:				
Full Time Academic[3]	32,273,777	33,887,466	35,581,839	37,360,931
Academic Administration[3]	7,289,081	7,653,535	8,036,212	8,438,022
Other Faculty[3]	6,993,904	7,343,599	7,710,779	8,096,318
Part Time Academic[3.1]	14,932,798	15,679,438	16,463,409	17,286,580
Classified Administration[3]	6,519,213	6,845,173	7,187,432	7,546,804
Classified Salary[3]	32,006,265	33,606,578	35,286,907	37,051,252
Temporary Employee Compensation Savings	(6,058,885)	(3,000,000)	(3,000,000)	(3,000,000)
District-wide Discretionary Budget Reduction	(2,689,127)	(2,689,127)	(2,689,127)	(2,689,127)
Proposed Budget Reduction By Location	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Future Additional Reductions to Balance th	**(6,560,053)**	**(13,499,806)**	**(21,273,387)**	**(30,944,983)**
Total Expenses:	**164,914,884**	**170,461,417**	**172,521,120**	**173,108,520**
Beginning Fund Balance:[7]	**27,425,163**	**27,425,163**	**27,425,163**	**27,425,163**
Net Increase (Decrease)	(0)	0	0	0
Audit Adjustment	0	0	0	0
Ending Fund Balance:[10]	**27,425,163**	**27,425,163**	**27,425,163**	**27,425,164**
Fund Balance %[10]	**14.97%**	**14.24%**	**13.54%**	**12.89%**
	(9,710,053)	**(15,099,806)**	**(22,823,387)**	**(32,664,983)**

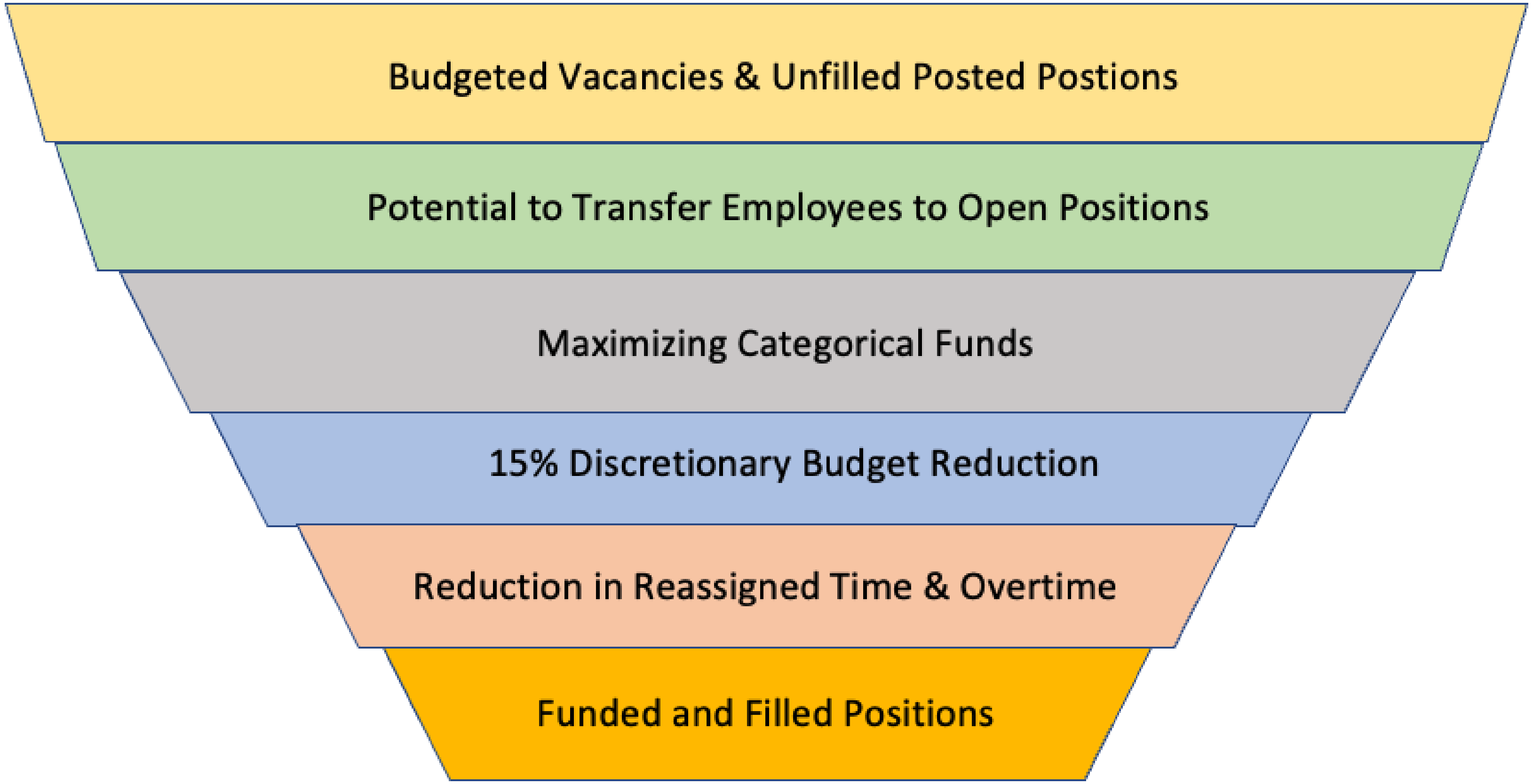
Impacts to 2025-2026

Scenario #1 represents the reductions needed to bring us in line for 25/26, considering the potential reversal of the deficit factor, SEIU vacation payout annually, but NOT bringing us in line with the BP6250 reserve policy of maintaining 16.67%

Scenario #1	**District Service Center**	**College of Alameda**	**Laney**	**Merritt**	**BCC**	**Total**
% of Budget by Location	19.27%	17.05%	29.81%	17.94%	15.93%	100%
Reduction with a 4.3135% Deficit Factor (Below current reserve policy)	$2,601,413	$2,301,717	$4,024,292	$2,421,865	$2,150,519	**$13,499,806**
SEIU Vacation Payout	$325,562	$141,012	$151,353	$171,225	$110,848	$900,000
Deficit Factor Reversal (1.9083%) to adopted budget approval level	$558,830	$494,450	$864,490	$520,260	461,970	$2,900,000
Total Reduction	2,368,144	1,948,279	3,311,155	2,072,830	1,799,398	11,499,806

*Colleges only required to reduce to Total Reduction line. DSC reduce to incorporate deficit factor (approx. additional $2.65M)

Blueprint for Minimizing Impact to Employees & Programs



Reserve History

Reserve Requirements & Recommendations

Legislative Analyst Office (LAO): One of the standards developed by the Chancellor's Office is that a community college district have unrestricted reserves equivalent to at least 5 percent of its annual unrestricted expenditures. The Chancellor's Office does not have systemwide guidance on restricted reserves—specifying neither an expected minimum nor maximum level.

State Chancellor's Office:

<u>Emergency Conditions Allowance</u>

Title 5 section 58146 provides criteria for funding allowances due to emergency conditions, including pandemics. The intent behind this section of regulation is that districts should not lose FTES apportionment as a result of an emergency or extraordinary condition. These regulations require each district to demonstrate: 1) the applicability of an emergency condition, and 2) good faith efforts to avoid a material decrease in general purpose apportionments. This includes a good faith effort to restore enrollments and re-engage displaced students. Equal to two-months of expenses in reserve.

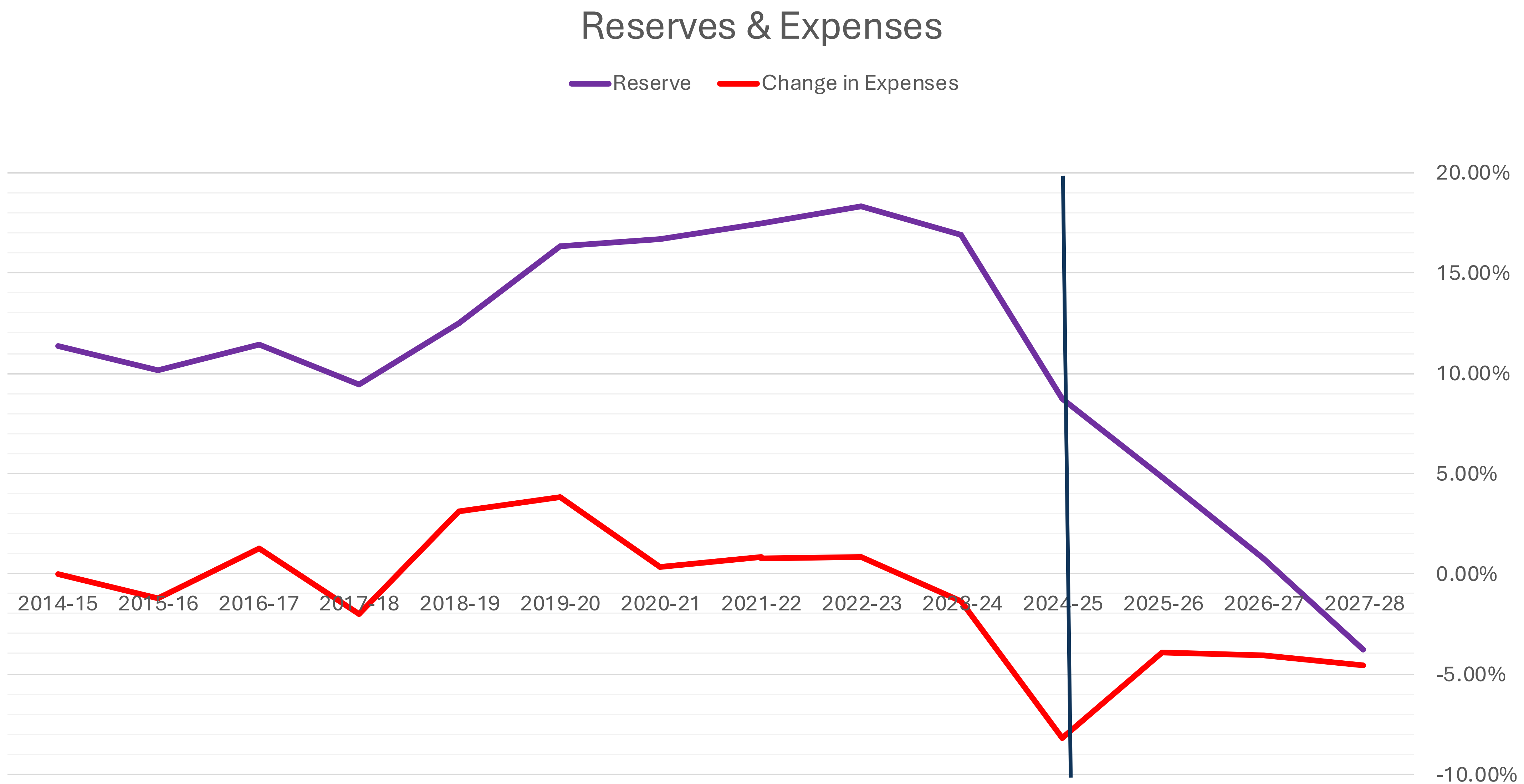
<u>Local Control</u>

In conversations with the State Chancellors Office, the reserves of a district are under local control and while there are recommendations, it is a local matter and there is no statutory language around reserves.

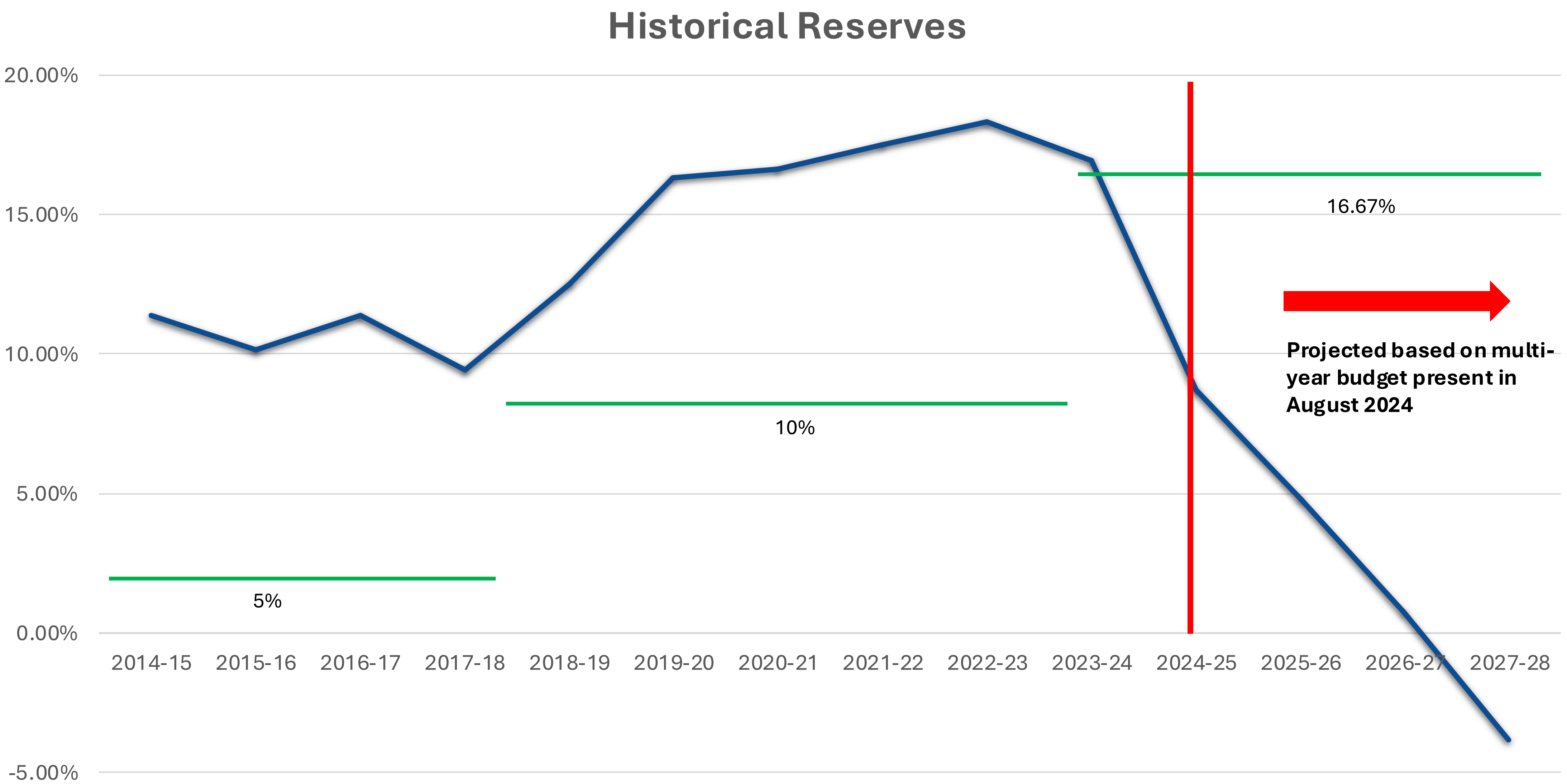
Reserves Context – Historical Percentage vs. Cash

Fiscal Year	Reserve Percentage	Reserve Dollar Value	Percent Change Based on Cash
2014-2015	11.37%	$14,897,763	0
2015-2016	10.16%	$15,065,836	-1.22%
2016-2017	11.41%	$17,564,022	1.25%
2017-2018	9.42%	$13,894,555	-1.99%
2018-2019	12.93%	$17,902,531	3.11%
2019-2020	16.32%	$23,195,266	3.79%
2020-2021	16.66%	$23,669,297	0.34%
2021-2022	17.50%	$24,334,039	0.83%
2022-2023	18.35%	$26,060,137	0.85%
2023-2024	16.94%	$26,980,259	-1.40%
2024-2025	8.73%	$27,969,147	-8.21% (Based on projections)
2025-2026	4.81%	$28,410,236	-3.92% (Based on projections)

Historical Reserves and Expenses



Recap of Reserve History in the District



Reserve Recommendation

Recommended Reserve Procedure – AP6250

The Unrestricted General Fund Reserve

- 8%, with annual escalators per fiscal year of .05%. The base percentage shall grow each year based on a prescribed schedule and annual review of the Board of Trustees for the tentative and adopted budgets.

The Capital Maintenance and Equipment Reserves

- The Board of Trustees has established a minimum base reserve. This base funding is designated as a minimum fund level within the specific reserve; however, it may be allocated if necessary for the fund's intended purposes. The reserves can be funded from annual utility savings, PG&E rebates, direct allocation to the fund via board action, or other items as approved by board resolution.

    - Capital maintenance fund and equipment: $1 million base reserve.
    - The Board must approve any transfer in or out of this fund of Trustees in a regularly scheduled meeting.

The Bond Reserves Fund

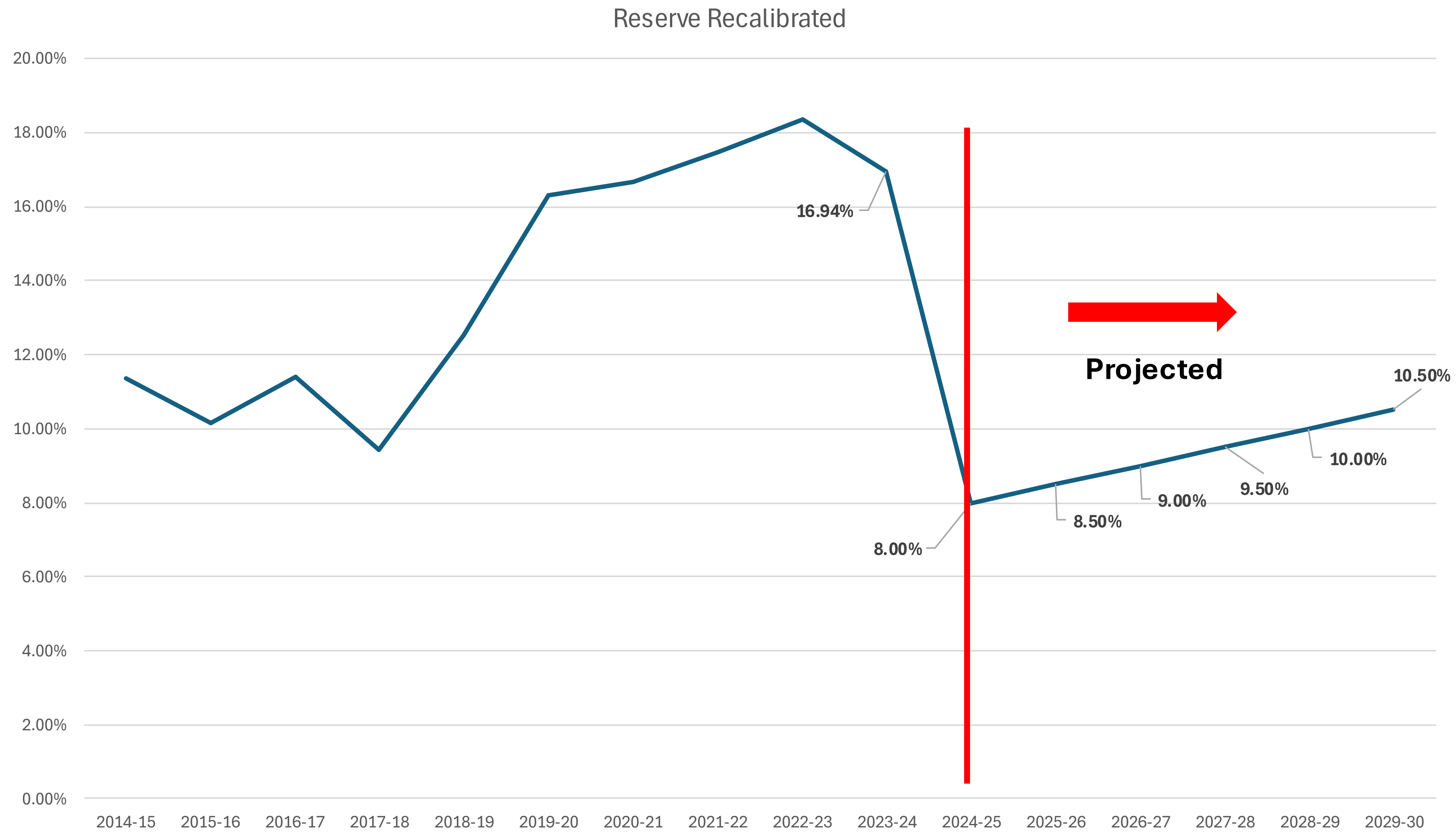
- The District will allocate any interest earned from bond proceeds, any state or other matching money, and any savings from any specific project to a "bond reserve" to be spent only with the authorization of the Governing Board. Each bond project has a budget associated with it, which may not be exceeded without the authorization of the Governing Board.

Recommended Reserve Procedure – AP6250

The Chancellor shall:

- Add revenues accruing to the District in excess of amounts budgeted to the District's unrestricted reserve for contingencies on an annual basis equal to or greater than 0.5% per annum until the reserve meets an 18% threshold. The Board of Trustees will review this escalator annually based on the current budget and economy.
- Maintain the unrestricted general fund reserve at/or above the following levels:
  - 8% for 2025/2026
  - 8.5% for 2026/2027
  - 9% for 2027/2028
  - 9.5% for 2028/2029
  - 10% for 2029/2030
  - 10.5% for 2030/2031
- Maintain and identify additional restricted reserves for short—and long-term liabilities specific to the OPEB Fund, PARS Fund (both 115 Trust Accounts), and ongoing increases to CalSTRS and CalPERS.
- Require 6 of the 7 members of the Governing Board to approve transfers from the reserves for contingencies to any expenditure classification.
- Review the reserve levels in the tentative budget annually, in percentages, to ensure the District is planning for economic indicators and long-term institutional planning accordingly

Reserves Recalibrated



Recommended One Time Funding From Reserves

Reserve – One Time Funding

- Other Post Employment Benefits (OPEB)
- School Employee International Union (SEIU) Vacation Payout
- Public Agency Retirement Systems (PARS) for PERS & STRS
- Resignation Incentive

Other Post Employment Benefits (OPEB)

- Trust I – Employees before 2004, which include employee, spouse and dependents, lifetime benefits
- Trust II – Employees since 2004, which only applies to employee up to 65

- Trust I – Current Liability of $223.8m* - Funded by the sale of bonds in amount of $150m
- Trust II – Current Liability of $23.8m* - Funded by Internal Service Fund and current fund is $1.2m

- Place one-time funds in the OPEB Trust reserve to cover market uncertainties
- We have a significant liability growing with Trust II.
- During negotiations, we need to consider putting a moratorium on new employees entering Trust II

- Short Term - The District is positioned to contribute up to $14m over the next 5-6 years based on direction given by the Board of Trustees
- Long Term – Consider property development for addressing OPEB liability

*As of December 30, 2024

OPEB Liability – Percentage Compared to Other Community Colleges

Peralta CCD has two OPEB plans. One has a revocable trust, and one has an irrevocable trust.

California Community Colleges

SEIU Vacation Payout

- Negotiated in 2023-2024
- Cap of 350 Hours
- Payout of 20% per year over five years of excess above 350
- Projected Annual Cost (Salary & Benefits): $1M

Public Agency Retirement Services (PARS)

A Pension Rate Stabilization Program

Why Prefund Pension Obligations?

1 **Stabilize Pension Costs**

District can reimburse itself for STRS/PERS costs or transfer funds to STRS/PERS to mitigate contribution increases

2 **Achieve Better Returns**

California law allows diversified investing within the trust to potentially achieve greater returns than with general funds investing restrictions

3 **Protect from Diversion**

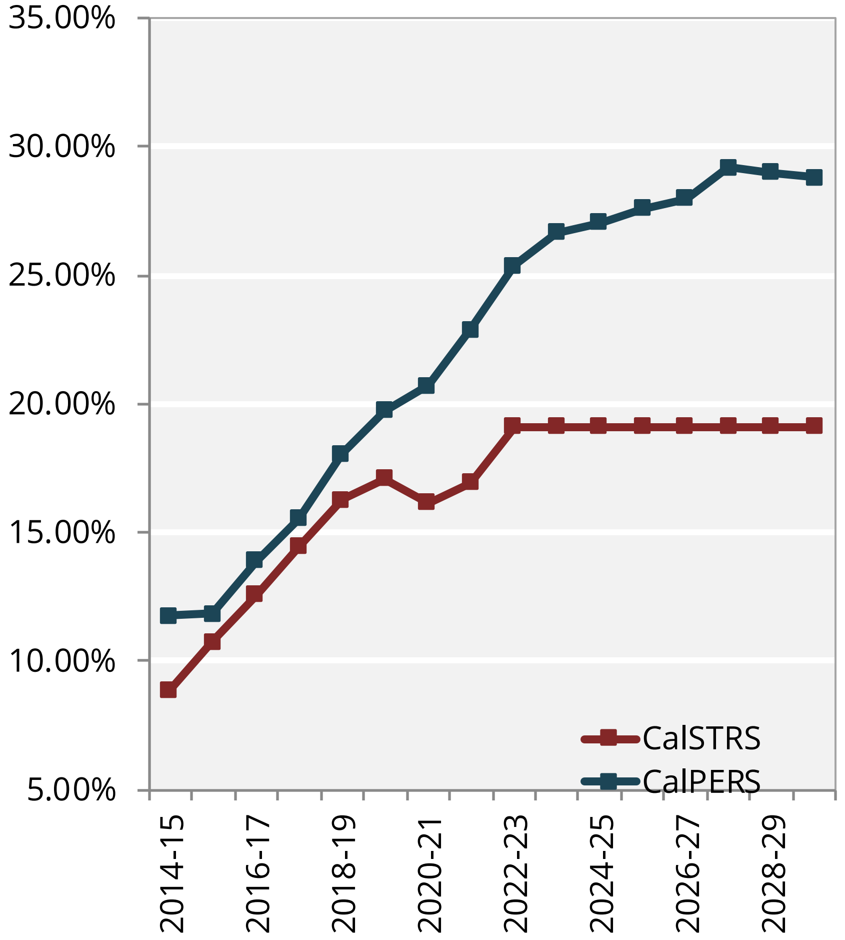
Funds are protected from diversion in irrevocable trust to curtail stakeholder pressure to use funds in other ways

4 **Rainy Day Fund**

Assets can be used as a source of funds for pension-related costs when District revenues are constrained or a difficult budgetary year

How much have pension costs grown?

CalSTRS/CalPERS rate increases through 2029-30:



Fiscal Year	CalSTRS*	CalPERS
2014-2015	8.88%	11.77%
2015-2016	10.73%	11.85%
2016-2017	12.58%	13.89%
2017-2018	14.43%	15.53%
2018-2019	16.28%	18.06%
2019-2020	17.10%	19.72%
2020-2021	16.15%	20.70%
2021-2022	16.92%	22.91%
2022-2023	19.10%	25.37%
2023-2024	19.10%	26.68%
2024-2025	19.10%	27.05%
2025-2026	19.10%	27.60%
2026-2027	19.10%	28.00%
2027-2028	19.10%	29.20%
2028-2029	19.10%	29.00%
2029-2030	19.10%	28.80%

**Chapter 47, AB 1469 (2014) statutorily mandated rate increases to 19.10% through 2020-21, not to exceed 20.25% thereafter without legislative approval.*

PFMAM Target Index-based Strategies

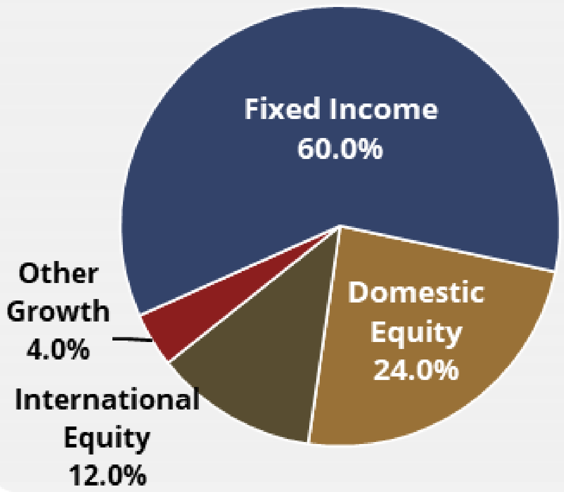
Fixed Income

Expected Returns *

5-Year, 6.50%

30-Year, 5.10%

Conservative

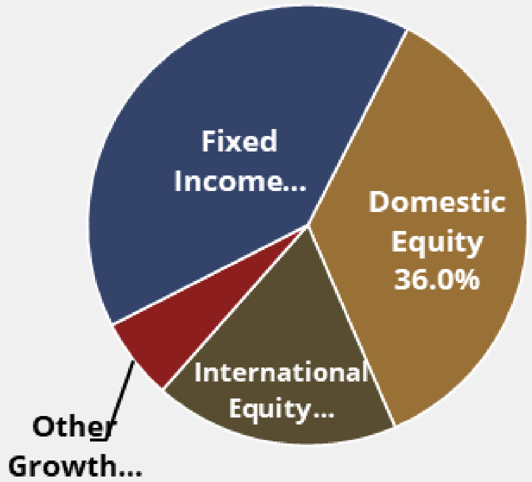


Expected Returns *

5-Year, 7.30%

30-Year, 6.30%

Balanced

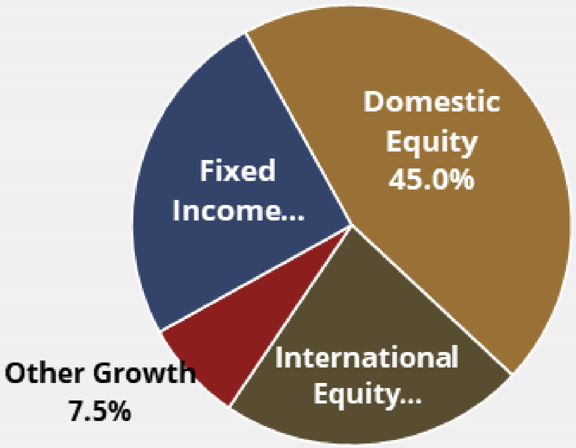


Expected Returns *

5-Year, 7.60%

30-Year, 6.90%

Growth



Expected Returns *

5-Year, 7.80%

30-Year, 7.20%

PARS Strategy

- Pre-fund the account with one-time resources in 2024-2025
- Deduct expenses related to pensions quarterly to cover costs of PERS/STRS expense with no withdrawal penalties
- Invest in the fixed income or conservative index-based strategy
- Supported by the Community College League of California (CCLC)
- Only for public agencies

Resignation Incentive

- Must be negotiated with SEIU, PFT and L39
- Cash buyout in the current fiscal year: this is not a SERP or another sponsored plan
- Employee must declare resignation by May 1, 2025
- Employee must resign no later than June 30, 2025
- Employee must have a minimum of 20 years of service to the District
- We must also consider the vacation liability

Reserve Adjustment Recommendation

8% Reserve Scenario

8% RESERVE SCENARIO											
	Prior 5-Year Budget & Actuals					Base	5-Year Increase Projections				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense Budget	154,870,118	144,817,800	148,509,191	159,231,393	164,705,037	167,814,884	167,814,884	167,814,884	167,814,884	167,814,884	167,814,884
Target Reserve in Dollars	16,058,377	20,939,375	23,976,803	25,615,815	25,594,564	13,425,191	14,264,265	15,103,340	15,942,414	16,781,488	17,620,563
Target Reserve as %	10.37%	14.46%	16.14%	16.09%	15.54%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Base Less Projections	**16,058,377**	**20,939,375**	**23,976,803**	**25,615,815**	**25,594,564**	**14,549,550**	**13,710,476**	**12,871,402**	**12,032,327**	**11,193,253**	**10,354,178**
Allocated Resources											
Step & Column (5%)	-	-	-	-	-	-	4,167,246	4,375,608	4,594,389	4,824,108	5,065,313
SEIU Vacation Payout ($1M)	-	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-
Health & Welfare (10%)	1,782,078	626,076	1,204,224	(1,419,038)	(88,948)	-	1,745,339	1,919,873	2,111,860	2,323,046	2,555,351
PARS (PERS/STRS)						3,000,000					
PERS (%)	423,087	636,478	1,170,936	1,044,150	1,236,907	-	395,736	632,199	1,091,347	524,522	491,207
OPEB ($1.5M)	4,240,398	-	-	-	-	3,000,000	3,000,000	2,500,000	2,500,000	1,500,000	1,500,000
Resignation Incentive ($3M)	-	-	-	-	-	3,000,000	-	-	-	-	-
Unallocated Resources	**16,058,377**	**20,939,375**	**23,976,803**	**25,615,815**	**25,594,564**	**4,549,550**	**3,402,155**	**2,443,721**	**734,731**	**1,021,577**	**742,306**

*projections are based on 2024-25 expenses

Challenges for Long-Range Planning

Challenge	Recommendations Address
Continual decline in FTES; End of Hold Harmless Provision. Beginning FY 25-26 state funding will be flat and ineligible for COLA.	
Meeting the unrestricted reserves established in Board Policy 6250, which states we must carry two months of expenditures or 16.67%	X
No other reserves exist for items like furniture/equipment replacement or deferred maintenance	X
Ongoing costs to the District for deferred maintenance, which affects the total cost of ownership	X
Increasing the contributions to the OPEB Trust. Peralta has the lowest percentage of funding statewide at just 6%	X
Increasing demands on health insurance. New rates are now set for 10% for the 2025 calendar year when only 5.69% was budgeted in the Tentative & Adopted Budget	X
The need to address the level of outstanding student debt for the District, currently over $37M	
Ongoing fiscal monitoring in several categories by ACCJC for all four colleges	X
External credit rating agency challenges due to fiscal instability (Moody's, S&P, Fitch)	X
Impacts of changes in the Deficit Factor from the State Chancellors Office	

How Do We Achieve Long-Term Fiscal Stability?

Peralta Community College District

Moonshot Thinking

"We choose to go to the moon in this decade and do the other things. Not because they are easy, but because they are hard." - President John F. Kennedy

Our students, our community, our colleagues, deserve nothing less.

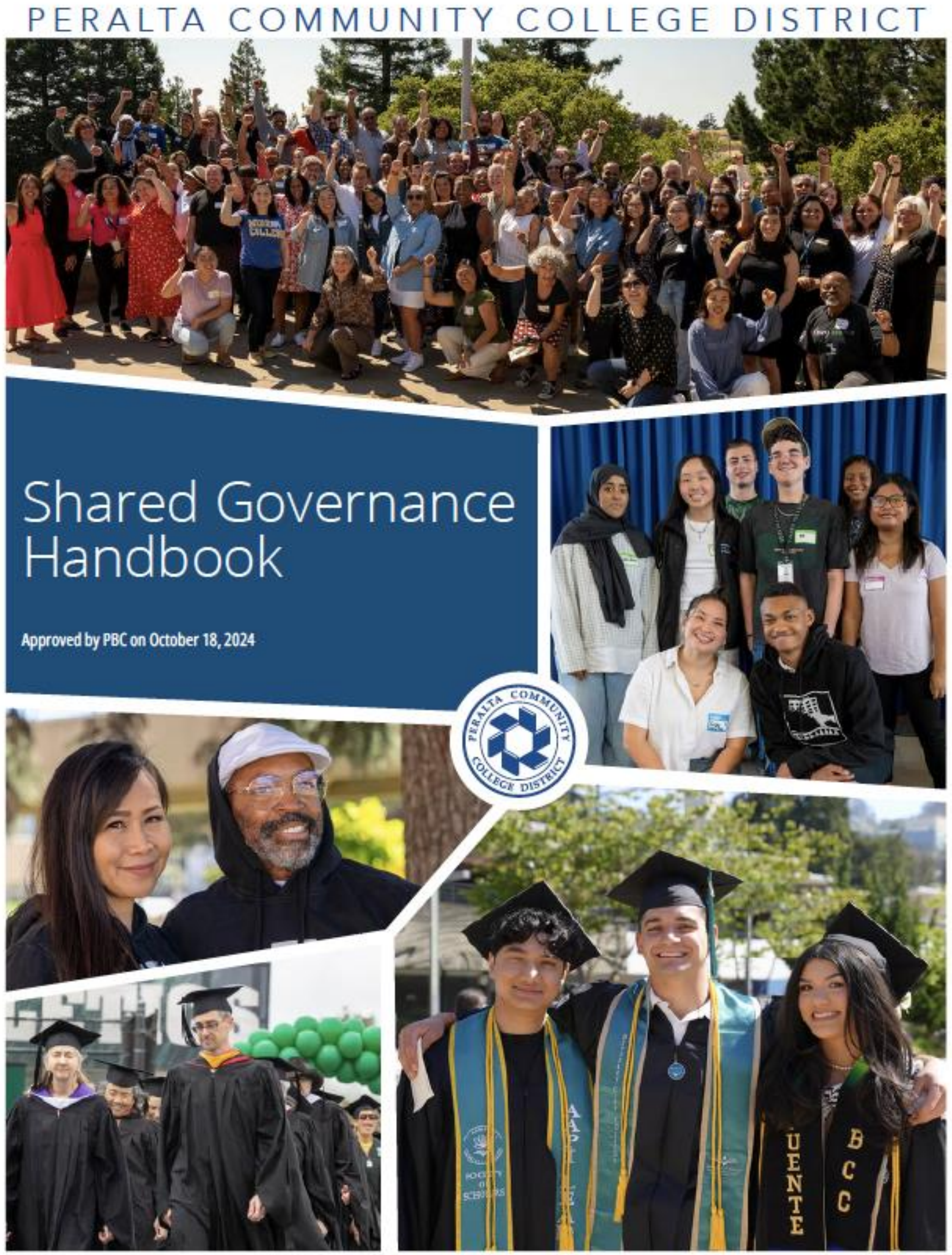
COLLEGE OF ALAMEDA

BERKELEY CITY COLLEGE

Laney College

MERRITT COLLEGE


Why Do We Serve
To pay it forward in service to others the same way as I was when I was a student & the college helped me.
I believe in our mission and I love to see people fulfilled & successful
To continue to be a contributing member to our community.
The students - Assisting people and the community in upward trajectory goals -
I believe in supporting people in discovering & realizing educational potential
I like playing a defined role in the East Bay Community
To make a positive difference for the campus community.
I want to make a genuine impact and improve the world (or our community) for my children. Education saved me.
To honor my Ancestors .. Community Impact
Because I still believe that education provides the greatest opportunity to change one's worldview, one's material circumstances, and one's self-image.
I Love Higher Ed I want Higher Ed to be the best experience for our students.
Help Fix It
Its my purpose To Contribute, support students & staff live their dreams.
FUN! LEARNING! TALKING!
Supporting Education Empowers Students, Helps Society, & Makes me feel good
to give back, to be a living Testament for my passion for education!
To make students feel comfortable + support them the way I was supported
to support to inspire to build confidence to grow potential to love
I believe in the transformative impact of CC's to develop human capacity
To make students feel safe & heard. To grow community.
Report facts and information as they are, not what they seem to be.
to make Difference in the community to provide opportunity
IMPROVE THE LIVES OF INDIVIDUALS & COMMUNITIES THRU HIGHER ED
To help open up our System to those that
I serve our students because we feel unheard. I want to be able to give everyone a voice to make everyone feel valued.
I can grow as a person and help improve the community and inspire people to as well
To try to get equality & justice through public education
to Expand horizons to Make a diff
(and serve) To teach the top 100%


PERALTA COMMUNITY COLLEGE DISTRICT
Shared Governance Handbook
Approved by PBC on October 18, 2024
PERALTA COMMUNITY COLLEGE DISTRICT

Inquiry & Decision-Making Model

Using an appreciative engagement framework, we will operationalize inquiry questions throughout the academic year that serve to guide each committee and its members in considering and recommending ideas for the adopted area of focus for the year, in addition to committee work.

DEFINE	What is our desired outcome?
DISCOVER	What are the experiences of student and employees? What are our strengths? Where can we improve? What are examples at other places?
DREAM	What else might be possible?
DESIGN	What should be? What do students, employees, and other community members think?
DECIDE & DELIVER	What is our recommendation? What is the cost and other-related things we need to consider? What is our timeline for action?

Peralta Community College District

Spring 2025 Budget Townhall

Dr. Tammeil Gilkerson, Chancellor

Mr. Greg Nelson, Chief Operating Officer

January 31, 2025