

# Navajo County Community College District Governing Board Study Session Minutes

March 15, 2011

2251 East Navajo Boulevard, Holbrook, Arizona, 86025

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**Governing Board Members Present:** Bill Jeffers, Ginny Handorf, Louella Nahsonhoya, E.L. Parsons and Daniel Peaches.

**Staff Present:** President, Jeanne Swarhout; Vice President, Blaine Hatch; Vice President, Mark Vest; Director, Eric Bishop; Recording Secretary to the Board, Russell Dickerson.

## Reports:

### 1. Study Session Agenda Item 1.: Assignment of New HLC Liaison to NPC (Informational) – President Swarhout

Dr. Swarhout reported that in response to a request made approximately two months ago, the Higher Learning Commission (HLC) has assigned Eric Martin to serve as the new HLC Liaison to NPC. Dr. Swarhout anticipates many discussions with Mr. Martin as he becomes familiar with NPC and noted that college personnel will meet with him in Chicago while attending the April HLC Annual Conference.

### 2. Agenda Item 7.A: Request to Approve Resolution (Action) – President Swarhout

Dr. Swarhout presented the request to approve the resolution in support of the Arizona Community College Long Term Strategic Vision. Dr. Swarhout explained that the community college presidents have accepted the Strategic Vision document and wanted their respective district governing boards to have the opportunity to support it as well. Dr. Swarhout explained that the resolution consists of general statements of support highlighting the need for a statewide long term strategic vision; the three strategic vision critical goals – access to education and training, improved retention and greater completion and transfer; as well as important core metrics and key indicators of progress toward the three critical goals. Dr. Swarhout added that the community college long term strategic vision responds to the needs of the public, the legislature and the need to improve educational institutions. Responding to a Board member question, Dr. Swarhout explained that the Community College Strategic Vision has been approved by all community college districts, except Pima, who did not attend the meeting in which ACCPC took formal action. Dr. Swarhout explained that following agreement on the general direction for the strategic vision document, the community college districts worked for several months to align definitions and metrics of performance so future reports will be comparable across all districts. Dr. Swarhout explained that ACCPC will eventually go public with the strategic vision document through a strategic vision website that will link to the websites of individual community college districts. Dr. Swarhout added that the community college will now need to meet with ABOR in order to align metrics and work toward the eventual goal of being able to substitute community college visions and metrics for reports currently required by the state. Dr. Swarhout stated that she expects that the strategic vision metrics will provide valuable information that will be incorporated into future HLC accreditation portfolios and projects.

### 3. Study Session Agenda Item 3.: Employee Related Expenses (Informational) – Vice President Hatch

Mr. Hatch provided an overview of employee related expenses incurred by the college for Arizona State Retirement System (ASRS) matching contributions and employee healthcare coverage. Mr. Hatch noted that employee related expenses and wages account for between two-thirds and three-fourths of the general fund budget. Mr. Hatch reported that ASRS has already announced a 0.9% increase in FY 2012 contribution rates for employees and employers. Mr. Hatch added that the announced FY 2012 contribution rate of 10.75% will result in a college budget impact of approximately \$110,000.

Mr. Hatch reported that the health insurance trust the college belongs to is operating well and will be able to reduce the impact of anticipated double-digit increases in healthcare costs. Mr. Hatch reported that the Trust has finalized a 5.1% increase in the employer cost for a FY2012 budgetary impact of approximately \$60,000. Mr. Hatch explained that employees with basic coverage for a spouse or children will see an annual increase of \$312, or approximately \$27 per month and employees with basic family coverage will see an annual increase of approximately \$400, or \$33



per month. Mr. Hatch added that basic coverage for employees is paid for by the college and a second premier plan, consisting of a better benefit structure, is also available for employees who are responsible for covering the difference in cost above that of the basic plan paid for by the college. Mr. Hatch reported that employees covered by the premier plan will see a cost increase of 7% which raises the employee coverage cost to \$114 per month. Mr. Hatch reported that an employee with premier coverage for a spouse or children will see an annual increase of \$570, or \$48 per month and premier plan coverage for families will increase annually by \$708, or \$59 per month. Mr. Hatch pointed out that when the premier plan was first offered, approximately half of the employees in the Trust opted for the enhanced coverage. Mr. Hatch reported that currently, only one-third of employees covered by the Trust opt for the premier plan. Mr. Hatch anticipates that participation in the premier plan will continue to decline as the price difference between the basic and premier plans continues to grow. Mr. Hatch presented consumer price index (CPI) information and noted that increases in food and fuel costs are also affecting employees. Mr. Hatch noted that approximately 2% of the increases in healthcare costs are a result of the expected additional costs related to implementation of the National Healthcare Act.

**4. Study Session Agenda Item 4.: Restoration of Wage and Salary Schedule (First Read) – Vice President Hatch**

Mr. Hatch reported that due to the State budget situation over the last two years, the economic downturn and college budget projections, the Board approved a 2% decrease in college wages and salaries for the 2010-11 academic year. Mr. Hatch presented comparative information from other Arizona community college districts and noted that for 2010-11, NPC was the only college to institute a compensation decrease or freeze wages and that many districts opted to increase compensation equal to increases in ASRS contributions which resulted in no relative change to employee take home pay. Mr. Hatch noted that for the upcoming fiscal year, many district are expected to take a similar approach and increase employee compensation to offset increases in ASRS contribution rates. Mr. Hatch pointed out that some districts are considering compensation increases above ASRS contribution rate increases in an effort to address increased employee healthcare costs. Mr. Hatch briefly outlined possible approaches some districts are considering to adjust compensation by altering work schedules for staff members, revising pay schedules for faculty members, granting additional pay steps to employees to avoid compensation “leap-frogging” by new employees, as well as adjustments to policies on annual leave for employees. Mr. Hatch presented the staff recommendation to return to the compensation levels in the 2009-10 salary schedule which will be presented to the Board for formal action in April. Mr. Hatch noted that the proposed salary increase would result in a straight 2% increase for faculty and exempt staff. Hourly employees would receive increases in the range of 1.2% to 2% based upon their placement on the non-exempt and technical/skilled staff pay schedules. Mr. Hatch added that a reversion to the 2009-10 salary schedule will cost the college approximately \$210,000 to implement.

Responding to a question from Mr. Parsons, Mr. Hatch explained that the college did not increase wages last year to compensate for increased ASRS contributions or healthcare costs paid by the employee but did cover the additional employer costs for both. Mr. Hatch added that the expected employer costs for ASRS and healthcare would total approximately \$170,000 and when added to the \$210,000 in wages, would result in a total increased cost to the college in the amount of \$380,000 for the upcoming fiscal year. Mr. Hatch explained that an appropriations bill has not emerged from the legislature and reported that Chief Business Officers across the state anticipate that community college funding levels will not deviate substantially from levels outlined in the Governor’s budget proposal. Dr. Swarthout added that the universities and K12 schools will likely receive additional budget cuts and currently, there has been no discussion of further cuts to community colleges which for NPC total approximately \$2.1 million. Mr. Parsons expressed concern over being asked to make budget impacting decisions in light of expected additional budget reductions made by the legislature. Dr. Swarthout explained that all community colleges are in the same phase of budget development and are being asked to make decisions regarding tuition, without a finalized state budget in place, in accordance to an established timeline that will allow schools to process Federal student financial aid for the upcoming year. Responding to a question from Chairman Jeffers, Dr. Swarthout confirmed that the college has, through carefully planning, positioned itself early and well to be able to make budget decisions and any necessary adjustments in the current budget environment.

**5. Study Session Agenda Item 5.: Preliminary Budget Analysis (Informational) – Vice President Hatch**

Mr. Hatch reported that the first six items on the budget development calendar have been completed and that the Board is scheduled to take approve tuition and fee schedules, receive the preliminary budget analysis and receive a wage and salary recommendation during the March 15, 2011 DGB study session. Mr. Hatch presented the 2011-



2012 preliminary budget analysis and noted that the college continues to develop spending priorities that have strong linkages with the college strategic plan. Mr. Hatch reported that the maximum 2011-12 primary property tax levy totals \$12.71 million, an increase of \$772,000 above current budget levels. Mr. Hatch pointed out that it is important for the college to continue to seek the maximum allowable levy increase and added that to do so helps emphasize the importance of equalization funding in funding higher education in rural communities.

Mr. Hatch reported that the estimated 2011-2012 tuition revenue, which is based upon approval of the proposed \$4 per credit hour tuition increase, totals \$4.2 million, a \$435,000 decrease from 2010-11 levels budgeted for tuition. Mr. Hatch pointed out that this net decrease in tuition revenue is a result of not hitting budgeted tuition levels for the current year. Mr. Hatch reported that previously, out-of-county reimbursements have been included in the tuition revenue budget line. Mr. Hatch explained that out-of-county reimbursements now have a separate budget line and appear in the budget analysis as an increase. Responding to a question from Mr. Parsons, Mr. Hatch reported that NPC charges \$6,436 per FTSE for out-of-county students and explained that, the college receives reimbursement, as outlined in State statute, from the student's county, for all costs minus any State aid.

Mr. Hatch reported that State operating and equalization aid for 2011-12 is estimated to total \$8,172,000 which reflects a decrease in funding of just over \$2 million. Mr. Hatch anticipates no changes in budget amounts for investment earnings, grants and contracts. Mr. Hatch reported that total 2011-2012 revenue is estimated to be \$26.657 million, a decrease of \$1.105 million from current year budget levels. Mr. Hatch reported that general fund transfers to other funds will remain at \$3.3 million, the general fund contingency will be \$3 million, an increase of \$1 million, and general fund expenditures will be \$20.3 million, a decrease of \$2 million. Mr. Hatch stated that previous adjustments to college operations, made in preparation for budget cuts that did not occur, has allowed that college to build reserves that will, at some future point in time, be required to continue to fund college operations.

Mr. Hatch presented Board members with two revenue trend scenarios that provided a long term revenue perspective and highlighted possible changes to state aid, tuition and property tax revenue streams. Mr. Hatch explained that the two funding scenarios assume annual 2% increases in the primary property tax levy total plus growth for new construction, annual 4% increases in tuition, expenditure growth at 5% annually, as well as relatively stable enrollment levels. In both scenarios, continued state aid reductions necessitate the expenditure of a small amount of cash reserves in 2013. An eventual elimination of state aid beginning in 2014 would require use of increasingly higher levels of cash reserve expenditure through 2017 in order to maintain levels of service comparable to what the college currently offers. Mr. Hatch noted that the ability to replace declining state aid with cash reserves would allow the college to make gradual changes to operations thereby avoiding sudden changes to services that would dramatically impact students.

Mr. Hatch reported that unrestricted plant fund revenue, which is limited to transfers from the general fund, is not expected to change and that the expenditure target for the unrestricted fund will be \$2 million. Addressing the restricted fund, Mr. Hatch reported that the transfer from the general fund will remain the same and the college may see opportunities for growth in restricted fund revenue and expenditures as the college seeks more grant opportunities and sees an increase in federal financial aid awards. Mr. Hatch reported that the general fund transfer to the auxiliary fund will not change and reminded Board members that Community Services and Business and Industry Training are now being operated out of the auxiliary fund.

Dr. Swarthout reported that an additional \$70 million to \$75 million cut to universities is a possibility. Mr. Hatch added that he does not expect any additional cuts to community colleges. Mr. Hatch reported there is the possibility that the State will roll over the fourth quarter installment of funding and explained that while this would impact current year cash flow, the college would, in the long term, be able to make the necessary budgetary adjustments. Mr. Hatch reported that Getting AHEAD work groups are currently exploring methods of changing how universities and community colleges are funded and added that equalization aid is being targeted as an incorrect and unfair approach to funding. Mr. Hatch reported that the expenditure limitation will not be an issue for the college in the foreseeable future.

Responding to a question from Mr. Parsons, Mr. Hatch explained that for this year, revenues are expected to exceed expenditures and that the college continues to build reserves with the expectation that the college will have to tap



reserves in order to maintain levels of service comparable to current levels. Mr. Hatch added that building cash reserves also serves to offset the elimination of state capital funding. Responding to a question from Chairman Jeffers regarding cash reserves, Mr. Hatch confirmed that the current level of reserves would allow the college to operate as it currently does for a period of 9 to 10 months.

**6. Agenda Item 7.B.: Request to Approve Adjustment to FY 2009-10 Adopted Budget – Vice President Hatch**  
Mr. Hatch explained that the expenditure limitation report shows that NPC expenditures totaled \$15,515,610 which is approximately \$1.3 million below the 2009-10 expenditure limit. Mr. Hatch explained that the expenditure limit relies solely on budgeted amounts, not actual expenditure amounts, and this necessitates the annual adjustment of the adopted budget to reflect actual expenditures in order to maximize expenditure limitation capacity. Mr. Hatch presented the staff recommendation to approve adjustment to the 2009-10 adopted budget to align total budgeted expenditures million with actual total expenditures in the amount of \$24.4 million. Mr. Hatch explained that the proposed adjustments, particularly in the general fund, are large due to dramatic changes the college instituted to reduce expenditures following budget adoption.

**7. Agenda Item 7.C.: Request to Approve 2011-2012 Tuition and General Fees – Vice President Hatch**  
Mr. Hatch reported that the proposed 2011-2012 tuition schedule has not changed since discussions held at the February DGB study session and the general fee schedule now reflects the addition of a replacement money card fee as presented and discussed in February. Addressing the proposed tuition schedule, Mr. Hatch reported that staff recommends a \$4 per credit hour tuition increase, from \$56 to \$60 for Navajo and Apache County students. Mr. Hatch reported that the proposed out-of-state tuition rate will increase from \$95 to \$100 per credit hour for 1 to 6 credit hours and increase from \$275 per credit hour to \$295 per credit hour for 7 credit hours and beyond. Mr. Hatch reported that the proposed tuition schedule does not call for any change to the senior citizen tuition rate or refund procedures. Mr. Hatch reviewed historical tuition data and noted that since 2006-07, the college has instituted steady \$4 per credit hour increases. Mr. Hatch presented comparative tuition and general fee information for all Arizona community college districts which showed that the proposed 2011-2012 tuition rate of \$60 per credit hour would give NPC second lowest full time annual tuition rate of \$1,870 and the lowest per credit hour tuition and general fee rate of \$62.

Mr. Parsons asked Mr. Hatch to explain how Apache County residents and Navajo County residents are charged for receiving educational services. Mr. Parsons expressed concern over increasing tuition for Navajo County students and asserted that Apache County residents receive educational services that are subsidized through Navajo County property taxes. In response, Mr. Hatch stated that educational services offered in Apache County are paid for in total by Apache County according to the intergovernmental agreement. Mr. Hatch explained that in addition to the upfront cost included in the intergovernmental agreement, an analysis is performed annually to ensure that additional educational costs for Apache County students are captured and paid for totally by Apache County. Mr. Hatch explained that Navajo County residents, through their support of the college with taxpayer dollars, receive a higher level of service at four full service campuses and three centers located within Navajo County. Mr. Hatch added that the Apache County pays a premium for Apache County residents to receive educational services at Navajo County locations. Addressing the question of whether or not to increase tuition, Mr. Hatch explained that at some point, the college will become more reliant on tuition revenue and continuing to institute steady increases will serve to prevent dramatic tuition increases that would greatly impact students. Mr. Parsons reiterated his concern over raising tuition in the face of increasing taxes and unemployment in Navajo County. Chairman Jeffers, having been involved in discussions with Apache County, stated that he is convinced Apache County is paying for all educational services its students receive.

**8. Agenda Item 7.D.: Request to Approve 2011-2012 Course Fees – Vice President Hatch**  
Due to a lack of time remaining in study session, Agenda Item 7.D. deferred to the regular meeting.

**9. Agenda Item 7.E.: Request to Approve Internet Service Contracts – Director Bishop**  
Due to a lack of time remaining in study session, Agenda Item 7.E. deferred to the regular meeting.

**10. Agenda Item 8.A.: Request to Approve Program Modifications – Vice President Vest**  
Due to a lack of time remaining in study session, Agenda Item 8.A. deferred to the regular meeting.



Study session ended at 10:52 a.m.

Respectfully submitted,



Russell Dickerson  
Recording Secretary to the Board



Bill Jeffers  
Chairman



Ginny Handorf  
Secretary to the Board

