

Navajo County Community College District Governing Board Study Session Minutes

December 15, 2009

2251 Navajo Boulevard, Holbrook, Arizona, 86025

Governing Board Members Present: Ginny Handorf, E.L. Parsons, Daniel Peaches and A.T. Siquah.

Staff Present: President, Dr. Jeanne Swarthout; Vice President, Blaine Hatch; Vice President, Mark Vest; Recording Secretary to the Board, Russell Dickerson.

Reports:

1. Agenda Item 7.A.: Response to ADEQ Regarding Determination Letter – Vice President Hatch

Mr. Hatch reported that the college has received a determination letter from ADEQ following a telephone conference with ADEQ officials. Mr. Hatch reported that ADEQ seems willing and interested in assisting the college with a variety of options and currently, there is nothing pending and that notices of violation have been issued to both the contractor and subcontractor. Mr. Hatch added that ADEQ indicated that the subcontractor has contacted ADEQ; the contractor has not. Mr. Hatch explained that this matter has been brought before the Board because the letter indicated that the college could appeal ADEQ's decision not to exempt buried materials and that staff are seeking Board direction. Mr. Hatch explained that staff feels that it is in the best interest of the college and the community to work with ADEQ and recommended that the college not initiate the appeal process. Mr. Hatch noted that moving forward with ADEQ to seek a resolution may result in the college receiving a contribution by the Environmental Protection Agency to help clean up the site.

2. Agenda Item 8.A.: Request to Approve 2010-2011 Budget Development Calendar – Vice President Hatch

Mr. Hatch recommended that the college adhere to the normal budget planning process despite the fact that decisions are made late within the fiscal year that affect the next annual budget. Mr. Hatch explained that the best approach is to build a budget based upon the best available information and to adjust it, if necessary. Mr. Hatch summarized the proposed budget development calendar which calls for Board approval of tuition and fee schedules in March, approval of salary schedules in April, and public hearings for taxpayers and final 2010-2011 budget adoption to take place at the May 18, 2010 Board meeting. Mr. Hatch noted that the college will realize some savings as only notices of budget hearings need to be published in local newspapers, as opposed to the entire proposed budget which may be posted to the NPC website. Mr. Hatch anticipates that there may still be legislative budget finalization that will occur right up to the end of the fiscal year.

Ms. Handorf asked if staff anticipate tuition and fee schedule changes. Mr. Hatch explained that some preliminary discussions have occurred and that Dr. Swarthout has asked College Council to examine tuition and consider the effect of a \$3 per credit hour tuition increase that would generate approximately \$150,000 in additional revenue.

Mr. Hatch presented the current copy of highlights published by the Joint Legislative Budget Committee (JLBC) and reported that State expenditures exceeded revenues by \$644 million, State general fund revenues are at a \$1.65 billion deficit and that year to date State revenues are nearly 18% below the prior year, or nearly \$400 million below budget. Mr. Hatch anticipates that State cash flow will drive, primarily, what will happen to the college budget for the current fiscal year, as well as for 2010-2011. Mr. Hatch added that the business officers of the community colleges met briefly with the new director of the Governor's budget office and were told that the current year deficit is \$1.5 billion. Mr. Hatch explained that for the current fiscal year the State would have to further reduce expenditures, where they can, by about 40% in order to bridge the budget gap. Mr. Hatch added that the Governor's office predicts a \$3.3 billion budget gap for next year. Mr. Hatch reported that the Governor has called for a special session to begin on Thursday of this week.



Addressing revenue trends, Mr. Hatch presented Board members with four possible State funding scenarios that may occur:

- **Option 1:** For 2010-2011, State operating aid would be reduced by 15% and equalization aid reverts to 2007-2008 levels for a total reduction in State aid of 28%, or \$2.85 million. For 2011-2012, State operating and equalization aid would be reduced another 10%. Mr. Hatch does not anticipate growth in property taxes and the college will continue to levy annual 2% increases as allowed by statute. In this scenario, the 2010-2011 revenue stream is similar to 2009-2010 and the 2011-2012 revenue is similar to 2007-2008. Mr. Hatch noted that option 1 does little to change how the college operates beyond continued expenditure retrenchment and improvement.
- **Option 2:** For 2010-2011, State operating and equalization aid are both reduced by 40% resulting in aid slightly below 2007-2008 levels, totaling \$4 million in reductions to State aid. For 2011-2012, both State operating and equalization aid are reduced by another 30% which would total another \$1.8 million. Mr. Hatch explained that in this scenario, there are no anticipated changes to tuition and fees and property taxes and the resultant \$20 million revenue stream is comparable to what the college received in 2006-2007. 2011-2012 revenue of \$19 million is comparable to what the college received in 2005-2006.
- **Option 3:** For 2010-2011, State operating aid would be totally eliminated and equalization aid would revert back to 2005-2006 levels for a \$7.8 million total reduction in State aid. Mr. Hatch added that under this scenario, the college would experience a 30% reduction in tuition revenues resulting in a total revenue reduction of \$8.4 million for 2010-2011. For 2011-2012, State equalization aid would be reduced an additional 25% and tuition would drop 15%, resulting in an additional \$1 million decrease.
- **Option 4:** For 2010-2011, State operational and equalization aid are eliminated entirely for a total reduction of \$10 million and tuition collection would drop by 40% for a total revenue reduction of \$11.2 million. For 2011-2012, tuition would drop by an additional 20%, or \$300,000.

As a frame of reference, Mr. Hatch provided Board members with actual college expenditure totals for years 2006 through 2009 and added that current year expenditures are expected to total \$21.2 million. Based upon current expenditures:

- **Option 1:** no significant change to college expenditures.
- **Option 2:** would require the college to reduce expenditures by \$600,000 in 2010-2011 and \$2.2 million in 2011-2012.
- **Option 3:** would require the college to reduce expenditures by \$4.8 million in 2010-2011 and \$5.7 million in 2011-2012.
- **Option 4:** would require the college to reduce expenditures by \$8 million.

Responding to a Board question, Mr. Hatch, based upon the condition of State revenues, anticipates that option 3 is most likely and would result in a \$4.9 million expenditure reduction for 2010-2011 and a further reduction of \$800,000 for 2011-2012. Mr. Hatch added that such reductions will have a significant impact on what services the college will be able to offer.

Mr. Hatch reported that the college is currently on target and has received 50% of State aid and anticipates that the third quarter installment will be received in January. Mr. Hatch cautioned the Board that as the State's cash flow is depleted, the possibility of a fourth quarter deferment increases. Mr. Hatch reported that property tax receipts are ahead of target with \$2.25 million received through November and added that the college must receive about \$600,000 in December to remain on target.

3. Agenda Item 8.B.: Request to Proceed with Paper Recycling Proposal – President Swarthout

Dr. Swarthout reported that the college Sustainability Committee has been working on a number of sustainability initiatives that tie into cost cutting and revenue generating efforts. The committee has brought forth a proposal for paper recycling in association with Keith Webb who will be responsible for picking up and delivering loads to the paper mill. Dr. Swarthout added that the recycling project is not yet a formal proposal and that the college requests Board permission to continue to work toward an agreement. Dr. Swarthout added that the compensation for paper fluctuates with market value, but at this point, the college has received a compensation amount of \$20 per ton.

Responding to a Board question, Dr. Swarthout explained that the amount of paper generated by the college has not



been firmly determined and expressed the hope that college paper use is decreasing due to use of MyNPC to post documents and the development of paperless processes. Dr. Swarthout explained that to be effective, a paper recycling program will require college-wide retraining of personnel.

4. Study Session Agenda Item 4.: Request Board Support for Legislative Summit with Coconino (CCC) and Mohave (MCC) Community Colleges – President Swarthout

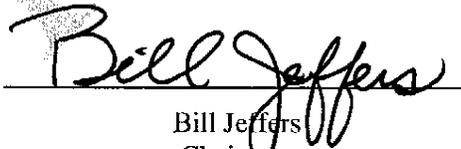
Dr. Swarthout reported that NPC, CCC and MCC have good working relationships stemming from meetings of the presidents and cooperative marketing efforts. Dr. Swarthout explained that it is in the best interest of the three community colleges to continue to work together to maintain a solid presence among all community college districts. Dr. Swarthout reported that the three colleges would like to begin to hold annual legislator summit meetings for the legislators from the three community college districts and the district governing boards from each college. Dr. Swarthout requested Board support for NPC to pursue the idea and added that the college lobbyist would be consulted to determine if an initial summit in the fall is compatible with legislative schedules. Ms. Handorf and Mr. Parsons agreed that the three community colleges should work together and supported the legislative summit idea. Dr. Swarthout reported that the second meeting of the Arizona Community College Council is scheduled for Thursday. Ms. Handorf reported that Maricopa Community College will host a national conference of district governing boards in March 2010.

Study session ended at 10:23 a.m.

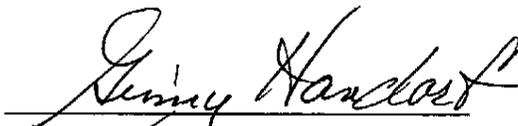
Respectfully submitted,



Russell Dickerson
Recording Secretary to the Board



Bill Jeffers
Chairman



Ginny Handorf
Secretary to the Board

