

Navajo County Community College District Governing Board Study Session Minutes

January 19, 2010

2251 Navajo Boulevard, Holbrook, Arizona, 86025

Governing Board Members Present: Bill Jeffers, Ginny Handorf and Daniel Peaches.

Staff Present: President, Dr. Jeanne Swarthout; Vice President, Blaine Hatch; Vice President, Mark Vest; Director of Information Services, Eric Bishop; Recording Secretary to the Board, Russell Dickerson.

Reports:

1. Agenda Item 7.A.: Request to Accept the Single Audit Reporting Package – Vice President Hatch

Mr. Hatch presented the staff recommendation for acceptance of the single audit reporting package for the fiscal year that ended June 30, 2009. Mr. Hatch reported that the audit was submitted well before the March 30, 2009 deadline and noted, in particular, the hard work of Maderia Ellison, Financial Services Director, and Tad Spader, Controller. Mr. Hatch reported that the auditors did not identify any weaknesses in the college's financial statements, did not identify any instances of non-compliance with Federal reporting requirements and did not identify any deficiencies in internal controls. Mr. Hatch reported that the final audit reporting package was presented to the audit committee which was pleased with the report. Mr. Hatch briefly highlighted the analysis and overview sections of the report that contains comparative information, the schedule of findings and Federal awards sections. Mr. Hatch, Dr. Swarthout and Board members acknowledged the exceptional work of the Financial Services staff.

2. Agenda Item 8.A.: Request to Approve District Governing Board Policy 1923 - Financial Condition – Vice President Hatch

Mr. Hatch presented the staff recommendation for approval of District Governing Board Policy 1923 - Financial Condition and explained that the Board and NPC staff has always operated under a well-understood, but informal, policy to maintain fiscally sound and responsible operation. Mr. Hatch noted that given current economic conditions, it becomes important to formalize the policy in order to set parameters on the financial condition of the district. Mr. Hatch added that a formal policy will serve to help the college meet its mission and to meet goals identified in the strategic plan. Mr. Hatch reviewed the proposed policy language and offered brief explanations of each policy component.

3. Study Session Agenda Item 3.: Proposed Budget Reduction Plan (first read) – President Swarthout

Dr. Swarthout reported that the college continues to explore ways of reducing expenditures in relationship to anticipated revenue reductions by the State. Dr. Swarthout noted that several of the nine budget reductions steps will be presented to the Board in February for a decision and include:

- a. Implementation of a more comprehensive hiring freeze, effective immediately.
- b. Closure of the Heber Center effective at the end of the spring 2010 semester.
- c. Shifting college center location to a 10 month (August to May) service schedule.
- d. Elimination of the Therapeutic Massage program effective summer 2010.
- e. Purchase of student textbooks to be done through an electronic bookstore effective summer 2010.
- f. Relocation of the majority of District Office staff to the Painted Desert Campus effective summer 2010.
- g. Closure of the Painted Desert Campus Fitness Center to accommodate the relocation of the District Office.
- h. Requiring the Community Education program to become self-sustaining, including salaries, during the 2011 fiscal year.
- i. Requiring the Business and Industry Training program to become self-sustaining, including all salaries, during the 2011 fiscal year and require revenue generation in future years.

Mr. Hatch reported that budget managers met last week and reviewed year-to-date expenditures and added that budget information is being posted to the employee tab of MyNPC for staff review. Mr. Hatch reviewed budget and expenditure information for the last two years to highlight the effect of expenditure reduction measures already



implemented. Mr. Hatch anticipates a balanced budget despite the potential loss of the fourth quarter State aid payment and noted the impact of on-going cost savings measures. Mr. Hatch estimated that for fiscal 2009-2010, the proposed budget reduction measures will total approximately \$650,000 and approximately \$733,000 in fiscal year 2010-2011. Mr. Hatch reported that just under \$20 million is spent on college operations annually. Mr. Hatch added that he does not expect State revenues to rebound and anticipates that the college will take additional steps to reduce expenditures. Responding to a question from Chairman Jeffers, Mr. Hatch explained that current year expenditures will be similar, or slightly lower than the \$20 million expended last year and added that currently, college expenditures are at least \$1 million lower than last year.

Dr. Swarthout noted that the Governor has called for a legislative statute that would legalize fund sweeps in response to several lawsuits brought against the State. Dr. Swarthout expressed concern about the possibility of legalized fund sweeps and noted that such a statute would allow the State to sweep college cash reserves that are the result of fiscally conservative management of revenues since the college was established. Dr. Swarthout added that the Governor's budget describes community college enrollment as stable. Dr. Swarthout pointed out that community colleges are funded based upon full-time equivalency (FTE) numbers that are two years in arrears and that current community college enrollments have in fact, increased.

Mr. Hatch reviewed the estimates cost savings for the nine components of the Budget Reduction Plan:

Mr. Hatch explained that the current hiring freeze requires new hires or the replacement of personnel be scrutinized by the executive team and expects \$100,000 in savings for the current fiscal year and \$200,000 in 2010-2011. Mr. Hatch added that the savings figures are conservative estimates and are the lowest amounts the college will save. Responding to a Board question, Mr. Hatch explained that a more stringent hiring freeze is not expected to greatly affect service to students and in cases where vacant positions are not filled, the college would seek adjunct faculty members to continue to provide instruction, adjust workloads of existing Business Office or Financial Aid staff, for example, or utilize temporary staff to assist in managing increasing workloads.

With regard to the closure of the Heber Center, Mr. Hatch explained that there would not be any cost savings for the current fiscal year and in 2010-2011, the college would see approximately \$80,000 in savings. Responding to a Board question, Mr. Vest explained that Heber Center enrollment has declined this semester with 9.5 FTEs and that about one-third of the FTEs are degree seeking students enrolled in general education courses. Mr. Hatch estimates that the proposed elimination of summer school at center locations will save \$20,000 in the current fiscal year and \$80,000 in 2010-2011. Mr. Hatch added that closure of the centers during the summer will have some impact on students as they will have to travel to campuses or take online courses.

Mr. Hatch anticipates that the closure of the Therapeutic Massage program (TMP) would save \$25,000 in the current fiscal year and \$65,000 in 2010-2011. Addressing impact on students, Mr. Vest explained that TMP is primarily offered at the Show Low campus and the college will offer a summer capstone course for second year TMP students; the eleven first year TMP students will receive assistance from the dean to find other programs within the college or advising staff will direct students to alternative Therapeutic Massage programs at community colleges across the state.

Mr. Hatch anticipates that the transition to an electronic bookstore will result in \$500,000 of current fiscal year savings as the college will not have to purchase textbooks for next year and for 2010-2011, the college would save \$200,000. Mr. Hatch explained that students would be impacted minimally as measures are in place to accommodate students that do not have a means of ordering books online or making payment using credit/debit cards.

In fiscal year 2010-2011, the relocation of District Office staff to the Painted Desert Campus will result in \$25,000 in building operations savings. Mr. Hatch anticipates that the consolidation of services will be of benefit to students. Mr. Hatch explained that the closure of the fitness center will result in \$18,000 of operational cost savings in 2010-2011 and noted that the proposed closure will impact students and community members as it is the only fitness facility in the district. Mr. Hatch reported that the college has had some preliminary discussions with interested community members regarding the possibility of relocating the fitness equipment to an alternative



location not managed or operated by the college. Responding to a question from Chairman Jeffers, Mr. Hatch explained that the college does not currently have an estimate on relocation costs but expects that college maintenance staff will be able to perform all work related to the relocation of offices. Dr. Swarthout added that the college will see savings within Information Services as the relocation will eliminate the need for staff support and maintenance of an additional location.

Mr. Hatch anticipates that the shift of the Community Education and Business and Industry Training programs to self-sustaining models will save the college a total of \$100,000 in fiscal year 2010-2011 and over time, will begin to generate revenue. With regard to Community Education, Mr. Vest explained that the courses will shift to non-credit courses that will be required to generate sufficient revenue to cover the actual cost of running the courses. Mr. Vest explained that a similar approach would be taken for Business and Industry Training. Responding to a Board question, Mr. Hatch explained that any decrease in State aid means an increase in cost for Apache County to maintain current service levels and added that a reduction in overhead costs could result in savings for all entities. Dr. Swarthout reported that she has had a discussion with NAVIT Superintendent Matt Weber and that none of the proposed budget reduction components significantly impact NAVIT.

4. Agenda Item 8.C.: Request for Direction Regarding Show Low Bluff Proposal – President Swarthout

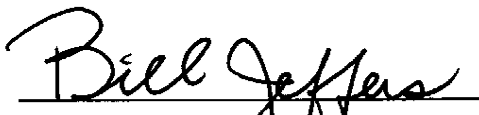
Dr. Swarthout reported that Show Low Bluff has proposed a multi-faceted partnership for the expansion of the college mission to include four year degrees and to build facilities costing approximately \$4.5 million. Dr. Swarthout noted that the college is not currently authorized by State statute to issue four year degrees. Dr. Swarthout requested direction from the Board whether to continue discussions, reject the proposal at this time, or to move forward. Ms. Handorf commented that public-private partnerships may become more prevalent as schools seek ways of providing services in an atmosphere of increasing budget cuts. Board members offered that the college should seek further clarification and that the college may explore the possibility of a future partnership, contingent upon available resources and the ability of NPC to issue four year degrees.

Study session ended at 10:20 a.m.

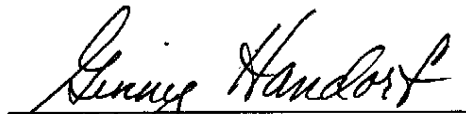
Respectfully submitted,



Russell Dickerson
Recording Secretary to the Board



Bill Jeffers
Chairman



Ginny Handorf
Secretary to the Board

