

Navajo County Community College District Governing Board Study Session Minutes

March 16, 2010

2251 East Navajo Boulevard, Holbrook, Arizona, 86025

Governing Board Members Present: Bill Jeffers, Ginny Handorf (via speakerphone), A.T. Siquah 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.: Allegations of Improper Administrator Compensation – President Swarthout

President Swarthout informed Board members that an anonymous letter to the editor had been forwarded to the college which raised concerns that Dr. Swarthout wanted to make the Board aware of. Chairman Jeffers commented that he was surprised and disappointed by the letter and generally, does not hold anonymous letters in high regard. Chairman Jeffers added that while the letter raises issues that may merit discussion, he finds it difficult to give it much credence given its anonymous nature and tone. Mr. Siquah noted that anonymous letters are difficult to deal with as it is impossible to have a discussion with unknown parties. Mr. Siquah expressed his concern that by addressing the letter at the meeting, staff members and the Board are possibly setting a precedent that could result in more anonymous letters. Mr. Siquah recommended that the Board take no action on the matter. Ms. Handorf characterized the use of an anonymous letter as cowardly and the contents of the letter to not be credible. Ms. Handorf praised Mr. Vest's efforts to positively support the College and agreed that the letter merits no Board consideration or action.

Dr. Swarthout added that the college has policies and procedures that clearly allow individuals to bring forward issues without the threat of retaliation. Mr. Vest explained that he asked Dr. Swarthout to bring this to the Board's attention due to the fact that Board members, as elected public officials, are stewards of public funds. Given the allegation of misuse of public funds, Mr. Vest wanted Board members to be aware and have the opportunity to raise questions or concerns. Regarding the letter, Dr. Swarthout stated that she has no concerns with the allegations and added that the claims of the letter are largely based upon erroneous information. Mr. Vest agreed, adding that the letter is factually incorrect and based upon false assumptions. Chairman Jeffers noted that teaching by an administrator is not uncommon and serves to keep administrators in touch with students and the college. Chairman Jeffers noted that the issue of instruction by administrators could be discussed and eventually addressed by the Board through policy implementation. Dr. Swarthout offered to prepare a recommendation for the Board that could serve as the starting point for any such discussion. Chairman ended discussion by stating that the Board has full confidence in Mr. Vest.

2. Study Session Item 2: 2010-2011 Wage and Salary Proposal (First Read) – Vice President Hatch

Mr. Hatch presented 2010-2011 wage and salary information that staff will recommend for action at the April Board meeting. Mr. Hatch explained that in addition to ongoing concerns over budget and economic conditions, the college is now aware that the Arizona State Retirement System (ASRS) will increase contribution rates for the next fiscal year and the college and its employees will see significant increases to health insurance costs. Mr. Hatch explained that based upon increased contribution rates and insurance costs, staff will recommend a 2% reduction in wages on the exempt and faculty salary schedules. Mr. Hatch pointed out that for nonexempt staff, wage reductions will range from 2%, for those at the high end of the schedule, to 1.2% for those at the low end of the schedule. As an example, Mr. Hatch explained that a Step 1, Grade 1 nonexempt employee would receive a 1.2% wage decrease amounting to \$0.13 less per hour. Mr. Hatch added that staff will not recommend any changes to the adjunct faculty or substitute instructor rates.

Mr. Hatch explained that the ASRS will increase the contribution rate by 0.45% for the upcoming year and anticipates that for the next four years, will increase contribution rates by a similar percentage in order to keep the system healthy and able to provide benefits. Mr. Hatch added that the 0.45% contribution rate increase for next year



will cost the college approximately \$55,000 and when combined with the proposed 2% wage reduction, will reduce employee net pay by approximately 2.5%. Mr. Hatch explained that the increased cost of health insurance was also a major factor in the recommendation for wage reduction. Mr. Hatch explained that the college pays \$485.00 per month per employee for the basic health plan for employees and that the employee is fully responsible for dependent coverage and additional cost if opting for the premier plan. Mr. Hatch reported that Arizona School Board Association Insurance Trust (ASBAIT) renewal information calls for a B15 plan cost increase of about 17%, or \$84.00 per month, per employee. Mr. Hatch added that this increase would raise employee coverage cost to \$569.00 per month, per employee, and cost the college approximately \$200,000. Mr. Hatch noted that there is a strong correlation between the increased cost of health insurance and the proposed wage reduction which would yield about \$225,000 in savings, based upon current employment levels. Mr. Hatch informed Board members that a range of alternative plan options are available, all with increased costs for co-pays, deductibles and out-of-pocket expenses, and generally, a decrease in benefits. Mr. Hatch anticipates that the B25, or possibly the C30 plan, will be the basic plan for employees and added that the Navajo County Schools Employee Insurance Trust is currently offering a subsidy of about 5%. Mr. Hatch explained that dependent coverage cost will increase and the increased cost for the premier plan, if offered, could be as much as \$100.00 more per month. Mr. Hatch expects other insurance trust members to choose plans to minimize coverage cost and Mr. Hatch will report to the Board when a decision has been made. Mr. Hatch stated that he is confident that the proposed 2% reduction in wages will offset increases to health care coverage. In response to a question from Chairman Jeffers, Mr. Hatch clarified that the college is responsible for basic plan coverage and that an employee does not pay anything for basic plan employee coverage.

Mr. Hatch reported that last year, only one Arizona community college district gave a salary increase while all other districts froze wages. Mr. Hatch reported that preliminary wage information from other colleges indicates that some will increase wages to offset ASRS or health insurance cost increases, with about half of colleges reporting that their employees will see increases to health insurance costs. In summary, Mr. Hatch explained that staff will not propose that step increases or lateral moves be authorized in the upcoming year. Responding to a question from Chairman Jeffers, Mr. Hatch explained that other community college districts have made ongoing adjustments in staffing in the past year, some districts have instituted furloughs and that reductions in force at other colleges are anticipated to be similar to those instituted by NPC. Dr. Swarouth pointed out that only one equalization school has been able to accommodate increased costs in ASRS and health insurance. Chairman Jeffers relayed a question from Mr. Parsons concerning the proposed wage decrease. In response, Mr. Hatch explained that right now, the proposed wage decrease will be large enough given that the state has passed a budget, the college knows how state aid will be affected, the college knows how much it will receive in property taxes next year and the college is aware of the contingency should the proposed sales tax be defeated.

3. Study Session Item 3: Proposed Procedure 2777 – Early Retirement (First Read) – Vice President Hatch

Dr. Swarouth explained that the proposed procedure is an effort by the college to offer employees an early retirement health insurance bridge to Medicare eligibility. Mr. Hatch reported that an early retirement package would benefit the college by decreasing overall compensation compared to what the college currently pays. Mr. Hatch noted that the proposed benefit is not particularly robust but may provide some incentive for individuals that are considering retirement but are concerned with the cost of health insurance. Mr. Hatch explained that in order to participate, a staff member must have worked for the college in a regular full-time position for at least 10 continuous years and that all full-time staff members that are currently employed would be eligible to participate provided they are eligible to retire. Mr. Hatch explained that the benefit consists of a \$300.00 per month stipend towards the purchase of health insurance, for a period of 3 years or until such time as a retiree becomes eligible for Medicare, currently at age 65, whichever comes first. The retiree must demonstrate to the college that participation in a health insurance plan has been continuous in order to receive the benefit. Responding to a Board question, Mr. Hatch explained that currently, there may be 20 employees that could potentially participate in the proposed early retirement procedure.

4. Study Session Item 4: Preliminary Budget Analysis (Informational) – Vice President Hatch

Mr. Hatch reviewed the 2010-2011 Budget Development Calendar and highlighted completed items. Mr. Hatch notified Board members that in April, they will receive complete budget analysis information and will be asked to adopt a tentative budget with final adoption scheduled for May 18, 2010. Mr. Hatch reminded Board members that a final budget can always be reduced, but not increased, following formal adoption. Mr. Hatch noted that the



strategic plan continues to drive college planning activities and budgeting. Mr. Hatch presented preliminary budget information and noted that primary property tax receipts total approximately \$12 million, an increase of nearly \$600,000. Responding to a question from Chairman Jeffers, Mr. Hatch explained that the increase is due to higher assessed valuation of centrally owned properties such as power plants, railroads and possibly the new wind farm. Mr. Hatch added that locally owned properties such as residential and small business property increased by only 3%. Mr. Hatch will investigate how the wind farm was categorized. Mr. Hatch reported that he expects about \$300,000 in additional tuition revenue and that there is no change to state aid under the current budget proposal and added that state aid could potentially be reduced by \$1 million should the state sales tax initiative fail. Mr. Hatch reported that investment earnings continue to degrade and the proposed budget will call for a reduction of \$50,000. Mr. Hatch reported that the proposed budget will not call for changes in grants and contracts or any other significant budget categories. Mr. Hatch anticipates an overall revenue increase of \$850,000 next year with a general fund expenditure target, including contingency, of about \$22 million, or a \$2.4 million reduction from the current budget. Mr. Hatch reported that transfers from the general fund to the unexpended plant fund will be reduced by \$500,000 next year with an expenditure target of approximately \$1.75 million. Mr. Hatch reported that restricted fund transfers will be increased by about \$330,000 in anticipation of increased revenue and expenditures that may result from grant opportunities and increased federal financial aid awards. Mr. Hatch reported that for next year, Proposition 301 funds will be shifted to construction projects with some funds used as matches for Small Business Development which will make any decreases in funding to be more easily managed. Mr. Hatch reported that auxiliary fund transfers from the general fund will be increased by \$100,000 as a result of the move of Business and Industry Training and Community Services into the auxiliary fund.

Mr. Hatch reported that the stimulus funds received by the college have been used for expenses incurred in 2008-2009 and no further funding has been received and possible future stimulus funding from the state remains an unknown and has not been built into the budget. With regard to the upcoming sales tax vote, Mr. Hatch explained that should the tax fail, NPC would see 10% reductions in both equalization and state aid that would total approximately \$1,021,000. Mr. Hatch does not anticipate any concerns with regard to the expenditure limitation as the college is continuing to reduce expenditures, as compared to prior years. Mr. Hatch presented updated budget forecast information for 2011-2012 and added that following the expiration of maintenance of effort as the end of 2010-2011, he expects significant reductions in state aid that would result in funding comparable to what the college received in 2006. Responding to a question from Chairman Jeffers, Mr. Vest confirmed that the college is currently working to capitalize on grant opportunities and continues to seek grant funding.

5. **Agenda Item 7.B.: Request to Approve Adjustment to FY 2008-09 Adopted Budget – Vice President Hatch**
Mr. Hatch presented the staff recommendation to adjust the FY 2008-09 Adopted Budget. Mr. Hatch explained that this is a routine activity following the fiscal year audit and serves to bring actual expenditures and the budget into alignment which maximizes the benefit to the college in expenditure limitation reporting. Mr. Hatch pointed out that the proposed budget adjustment would reduce the total budget by \$7.6 million matching actual expenditures for an adjusted 2008-09 budget of just over \$29 million. Mr. Vest explained that the 2008-09 restricted fund was over budget due to the enormous increase in Pell grants awarded.
6. **Agenda Item 7.C.: Request to Approve 2010-2011 Tuition and General Fees – Vice President Hatch**
Mr. Hatch presented the staff recommendation to approve the proposed 2010-2011 Tuition and General Fees, as discussed at the February Board study session, and highlighted increases in GED testing, graduation and transcript fees and introduced a new late registration fee. Mr. Hatch reported that staff recommends a \$4 per credit hour tuition increase to \$56 per credit hour for a total expected tuition revenue increase of about \$200,000. Mr. Hatch added that the proposed 2010-2011 tuition schedule calls for the elimination of the tuition plateau. Board members were provided with tuition historical information as well as comparative tuition information for other Arizona community colleges and colleges in the western United States.

Responding to a Board request for clarification, Mr. Hatch explained that the proposed elimination of the tuition plateau benefits the college by addressing the large amount of manual processing of registrations, as required for proper implementation of the plateau, in various college offices. Mr. Hatch added that the plateau also hinders course cost analyses as it is difficult to assign revenues and expenditures associated with the additional free course provided by the plateau. Mr. Vest acknowledged that the elimination of the tuition plateau will impact a subset of



students on the plateau through higher tuition. Mr. Vest added that elimination of the plateau makes sense as the college is currently being called upon to reduce expenditures and increase revenue. Mr. Vest pointed out that should the plateau remain in force, the 3,000 non-plateau students would be hit harder by the tuition increase, as they pay for every credit hour, and would in effect, be subsidizing the 1,700 students on the tuition plateau who would continue to receive a second course for free. Mr. Hatch reported that recommendations from the Budget Reduction Committee included an elimination of the tuition plateau. Mr. Parsons communicated to Chairman Jeffers that he is concerned that the elimination of the tuition plateau would have a greater impact upon low income students. In response, Mr. Vest stated that the cost to the college incurred from keeping the plateau in place would be huge and added that the intent of the plateau was to take advantage of the currently nonexistent, prior FTSE-based state funding model by increasing FTSE without increasing student headcount.

7. Agenda Item 7.D.: Request to Approve 2010-2011 Course Fees – Vice President Hatch

Mr. Hatch presented the request to approve the staff recommendation to approve the 2010-2011 course fees as discussed at the February study session. Mr. Hatch reported that there were no changes from what was presented last month. Mr. Hatch explained that the proposed course fee increases affect 121 of the nearly 1,300 courses the college offers. Mr. Hatch pointed out that the summary page should read that the college expects \$25,000 in additional revenue, not the \$60,000 figure that represents the anticipated additional revenue from general fee increases.

8. Agenda Item 7.E.: Request to Approve Disposition of Blunk Property – Vice President Hatch

Mr. Hatch reported that the college received multiple pieces of real property from Mr. and Mrs. Blunk as a life estate which enabled the college to construct the Blunk Sciences Center in Winslow. The college has received a comparable properties report from a Phoenix area realtor indicating that the college owned home in Phoenix has an average value of approximately \$47,000. Mr. Hatch requested Board permission for disposition of the property and noted that the college does incur about \$2,000 annually in ongoing maintenance costs associated with the home, the grounds, the swimming pool and travel to and from Phoenix. Dr. Swarthout reported that proceeds from the sale would be transferred into the unexpended plant fund as Blunk Sciences Center building costs were charged to that fund. Mr. Hatch reported that the college will ask for the maximum sales price and then negotiate with a potential buyer.

9. Agenda Item 7.F.: Request to Approve Atwell Proposal – Vice President Hatch

Mr. Hatch presented the staff recommendation to approve a proposal from Atwell Salvage and Demolition for the cleanup of the building material buried at the former PDC-Hermosa campus. Mr. Hatch requested that Atwell be designated as a sole source provider. Mr. Hatch reported that at the end of February, staff met with representatives of ADEQ regarding the demolished building. Mr. Hatch added that the demolition contractor and Atwell, a subcontractor, both received notices of violation and were present at the meeting. Mr. Hatch reported that as part of that discussion, Atwell offered to provide cleanup services at a greatly reduced cost, working as a partner toward resolution of the issue, and agreed to submit a proposal. Mr. Hatch explained that the proposal is for \$60,000 to excavate, sort, screen, haul away debris, and finish off the site so that no dangerous conditions exist and that Atwell will also comply with air quality requirements during the project. Mr. Hatch explained that Atwell expects the project to take three weeks and if approved, will begin March 17, 2010. Mr. Hatch added that should the project require more than three weeks to complete, the college will not be charged more than the agreed upon \$60,000. Mr. Hatch explained that Atwell was the firm that actually buried the demolition debris and has a unique sense of what is buried, meeting the college's sole source provider requirements. Mr. Hatch explained that staff estimated cleanup costs to lie within the \$100,000 to \$200,000 range and added that the Atwell proposal is a fair and generous offer and even more appealing given the quick response time for the excavation project. Mr. Hatch reported that ADEQ has issued verbal assurances to staff, college legal counsel and to Atwell indicating that ADEQ approves of the cleanup project and may begin following approval of the proposal. Mr. Hatch reported that the City of Holbrook has been notified of the impending cleanup and the city will allow access to the site for remediation. Mr. Hatch added that the NARBA facilities representative had also been notified as to the quick move to remove demolition debris. Responding to a question from Mr. Peaches, Mr. Hatch explained that the college will continue to explore avenues for reimbursement of the college for cleanup costs. Responding to a question from Chairman Jeffers, Mr. Hatch explained that about 10% of the buried is regulated material that will be removed and the remaining 90% of unregulated material will not be removed from the hole and that some fill material may need to be imported to finish



off and level the site. Mr. Hatch will notify ADEQ of Atwell activities throughout the cleanup process and Mr. Hatch expects that following the project, the college will receive written notification from ADEQ indicating that the situation has been resolved. Mr. Hatch added that the NARBA facility should not be greatly impacted and that water will be on site to control dust generated by remediation activities.

10. Agenda Item 7.F.: Request to Approve Lease of Fitness Center Equipment – Vice President Hatch

Mr. Hatch presented the staff recommendation to approve a lease for the fitness center equipment at a rate of \$1 per year for a period of three years with the requirement that the NPC Foundation operate a fitness center in Holbrook, accessible to the public at reasonable rates, for no less than 40 hours per week. Chairman Jeffers suggested that the agreement include language that would allow for another fitness center operator should the Foundation not want to continue to operate the center beyond the initial 3 year lease agreement. Addressing a question from Mr. Siquah regarding equipment replacement and safety, Mr. Hatch explained that the life cycles of the equipment vary greatly and will be dealt with as equipment fails and added that the college expects the Foundation to perform regular equipment maintenance. Mr. Hatch confirmed that it is his understanding that the Foundation will reopen the fitness center at the former District Office facility located in downtown Holbrook.

11. Agenda Item 7.F.: Request to Approve Program Deletions – Vice President Vest

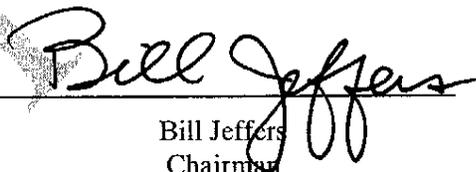
Citing a lack of time, Chairman Jeffers elected to defer discussion of the Request to Approve Program Deletions to the regular meeting scheduled to begin at 11:00 a.m.

Study session ended at 11:00 a.m.

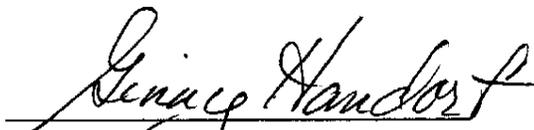
Respectfully submitted,



Russell Dickerson
Recording Secretary to the Board



Bill Jeffers
Chairman



Ginny Handorf
Secretary to the Board

