

Navajo County Community College District Governing Board Study Session Minutes

April 20, 2010

2251 East Navajo Boulevard, Holbrook, Arizona, 86025

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

Staff Present: President, Dr. Jeanne Swarouth; 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 Approve the 2010-2011 Preliminary Budget – Vice President Hatch

Mr. Hatch reported that this year the college will see some cost savings due to new budget publication requirements. Mr. Hatch explained that the new rules require the college to publish only a budget notice in local newspapers and allow for the full budget document to be posted to the college website. Referring to the budget development calendar, Mr. Hatch reported that the college is on schedule with the Board to receive the complete budget analysis, adopt a tentative budget and approve budget publication and salary schedules during today's meeting. Mr. Hatch notified the Board that truth in taxation public hearing notices will be printed twice in preparation for the public hearing to be held at the May 18, 2010 Board meeting which will also include final adoption of the 2010-2011 budget. Mr. Hatch added that the college issues a press release to all media outlets regarding the budget and truth in taxation hearings. Mr. Hatch reminded Board members that the preliminary budget can be reduced, however, once approved, cannot be increased. Mr. Hatch noted that all budget requests are based upon, and linked to, the strategic plan and incorporate college-wide involvement, particularly from department chairs, deans and executive staff.

Mr. Hatch explained that the preliminary budget presented reflects a wage and salary reduction of 2% for exempt staff and faculty and at most, a 2% decrease for nonexempt staff depending upon schedule placement. Mr. Hatch reported that the budget also reflects cost changes in employee benefits as a result of Arizona State Retirement System (ASRS) contribution and health insurance cost increases.

Mr. Hatch summarized the preliminary budget presented to Board members:

- Budget summary (schedule A): Mr. Hatch explained that schedule A is a summary of budget information, particularly for the general, unexpended plant and retirement of indebtedness funds. Mr. Hatch noted that the proposed general fund budget is slightly higher than the current budget. Mr. Hatch explained that the approximate \$50,000 increase for 2010-2011 is related primarily to contingency funding. Mr. Hatch reported that the proposed budget contains a reduction of approximately \$500,000, or 15%, in the unexpended plant fund and when combined, the general and unexpended plant funds show a \$400,000, or 1.5% decrease from current budget levels. Mr. Hatch noted that from an expenditure per full time student equivalency (FTSE) perspective, the proposed budget reflects, based upon expected enrollment, a 3% decrease in general fund expenditures and an 18% decrease in unexpended plant fund expenditures. Mr. Hatch reported that the proposed budget expenditure limitation is increased by approximately \$260,000 over the current year and is based upon a FTSE estimate of 2,650 and a slightly higher inflation factor provided by the State Economics Estimates Commission. Mr. Hatch added that on-campus enrollments have increased or remained stable and the college has seen enrollment reductions from the Department of Corrections and NAVIT. Mr. Hatch reported that the expenditure limitation is not expected to be a limiting factor in providing services. Mr. Hatch reported that the current primary property tax levy is approximately \$11.3 million with the maximum increase totaling about \$600,000 with growth in centrally assessed properties (10%), new construction and locally assessed properties (3%). Mr. Hatch reported that the wind farm will not appear on the tax rolls until next year and will be classified as a centrally assessed property. Mr. Hatch explained that \$600,000 is a 5% increase in the levy but noted that the overall tax rate will decrease by about 1.5%.



- General fund revenue summary (schedule B): Mr. Hatch explained that proposed budget revenues include a caveat that provides for a possible 10%, or \$1 million decrease in State aid as a result of the failure of the sales tax vote. Mr. Hatch explained that for budgeting purposes, revenues assume passage of the sales tax and expenditures assume failure of the sales tax. Mr. Hatch reported that revenues from grants and contracts remain unchanged from the current year; the proposed budget reflects the previously approved tuition and fee schedules and the continued low rate of return on cash investments. Mr. Hatch reported that proposed budget transfers are increased by 13%. Mr. Hatch reported that in total, proposed budget revenues total approximately \$24.4 million which is about \$52,000 higher than the current year.
- Unexpended plant fund revenue summary (schedule C): Mr. Hatch reported that the proposed budget reflects significant reductions in estimated investment income and explained that the only other sources of fund revenue is either fund balance or transfers from the general fund as the state has continued to not fund capital expenditures. Mr. Hatch added that the college no longer collects a secondary tax levy for long term debt.
- General fund expenditure summary (schedule D): Mr. Hatch reported that the proposed budget general fund expenditure target is \$22 million but noted that the proposed expenditures include contingency funds of at least 2% for all areas, bringing the total proposed general fund expenditures to \$22.5 million. Mr. Hatch reported that little has changed in the allocation of funding for unexpended plant fund expenditures and noted that little activity is anticipated other than maintenance of facilities and replacement cycle equipment purchases. Mr. Hatch noted that retirement of indebtedness expenditures for capital leases and installment purchases are decreasing and will likely level out at about \$500,000 per year as the college continues to utilize equipment leases to meet equipment replacement cycle requirements. Mr. Hatch reported that the proposed budget includes no expenditures from the retirement of indebtedness plant fund.
- Auxiliary fund revenue summary (schedule E): Mr. Hatch reported that overall, auxiliary fund revenues remain largely unchanged but do reflect the college's transition to an electronic bookstore.
- Restricted fund revenue summary (schedule F): Mr. Hatch reported that the proposed budget revenues reflect an increase in federal student aid and budget capacity as the college will continue to seek grant funding sources. Responding to a question from Chairman Jeffers, Dr. Swarthout reported that activity at the federal level suggests that increased grant opportunities may be available in the future. Dr. Swarthout added that current grant opportunities associated with federal stimulus funds have been highly specialized grants that have made a college response difficult. Dr. Swarthout noted that the college is currently working on a couple of grants while being ever mindful of long term financial sustainability.
- Auxiliary and restricted fund expenditures (schedule G): Mr. Hatch reported that the proposed budget auxiliary fund expenditures for bookstore expenses have decreased significantly and reflect the move to an electronic bookstore. Mr. Hatch added that other fund expenditures are related primarily to moving Business and Industry Training and Community Education from the general fund to the auxiliary fund. Mr. Hatch reported that restricted fund expenditures match revenues and that overall, the proposed budget auxiliary and restricted fund expenditures are about 10% higher than current year levels.
- Levy limit worksheet (schedule H): Mr. Hatch explained that the levy limit worksheet contains calculations from Navajo County and shows the maximum allowable levy on primary property taxes.
- General economic summary: Based upon research from the Nelson A. Rockefeller Institute of Government, Mr. Hatch reported that Arizona lags behind the national average for state tax collections and in the fourth quarter of 2009, Arizona reported a greater than 10% decrease in tax collections. Mr. Hatch added that employment in all 50 states has declined in the fourth quarter of 2009.

2. Agenda Item 7.B.: Request to Approve the 2010-2011 Wage and Salary Schedules – Vice President Hatch

Mr. Hatch presented the staff recommendation to approve the 2010-2011 wage and salary schedules that reflects a 2% decrease in compensation based upon the current budget situation at the state level, ongoing economic conditions, the increase in state retirement matching contribution and increased health insurance costs. Mr. Hatch explained that for the exempt salary group, the base and maximum pay levels will decrease by 2% from the current



salary schedule and exempt employees will see a 2% reduction from their current wages; each step and grade on the faculty salary schedule will be reduced by 2%; the differential between each step and grade for nonexempt staff has been reduced by \$0.01 to \$0.34 resulting in wage decreases in a range of 2% for employees at the top of the schedule to 1.2% for employees at the bottom of the schedule. Mr. Hatch reported that the ASRS matching contributions for the college and employees are increasing by 0.45%. Mr. Hatch reported that basic health insurance costs covered by the college are increasing by 3.9%, college employees will see at least a 9% increase in basic plan dependent care coverage costs and employees who upgrade to premier coverage will pay \$90 per month, an increase of \$40. Mr. Hatch reported that the proposed wage and salary schedules pass on increases in health coverage costs and ASRS contribution rate increases to the employee who, as a result, will see about a 2.5% decrease in net pay. Mr. Hatch reported that through February 2010, the consumer price index, before any seasonal adjustments, has increased by 2.1%. Mr. Hatch added that staff is not recommending any step increases or lateral moves in fiscal year 2010-2011.

3. Agenda Item 7.C: Proposed Early Retirement Procedure – Vice President Hatch

Mr. Hatch informed Board members that the proposed early retirement procedure presented at the March meeting has undergone review by the college attorney. Mr. Hatch reported that ASRS has implemented new legislation that requires notification be given when an early retirement incentive is offered; ASRS would then perform an actuarial report and determine if any unfunded liability exists due to the early retirement incentive. Mr. Hatch explained that the institution would then be billed for the unfunded liability. Mr. Hatch added that an actuarial report will only be performed on an approved early retirement procedure so the college has no way of knowing the financial impact until it is billed by ASRS. Mr. Hatch reported that conversations with other institutions affected by the new legislation have revealed that the unfunded liability amounts calculated by ASRS are very large. Mr. Hatch explained that due to the unknown financial impact to the college and the recent nature of legislation implementation, college staff is recommending that the previously presented early retirement procedure not be approved.

4. Agenda Item 7.D.: Request to Approve Amendment to Premises Lease with the NPC Foundation – Vice President Hatch

Mr. Hatch presented the staff recommendation to approve the amendment to the existing lease of the downtown Holbrook District Office building from the NPC Foundation. Mr. Hatch explained that the amendment serves to address existing commitments and ease the college out of the relationship over a period of up to five years, with a reduction of current obligations by 20% each year. Mr. Hatch reported that the amendment has been reviewed and developed by college legal council and the NPC Foundation has reviewed, and is comfortable with the agreement. Kerry Ballard, NPC Foundation President, agreed that it is a good proposal that will sustain the NPC Foundation and added that it is his hope to be able to lease out the space. Lance Chugg, NPC Foundation Executive Director, reported that the relocation of the fitness center is underway and that the Foundation board is reviewing the fitness center lease and has identified a third party to possibly manage the fitness center.

5. Agenda Item 7.E.: Request to Approve Purchase of Video Classroom Equipment – Director Bishop

Citing a shortage of time before the scheduled start of the regular Board meeting, Dr. Swarthout requested that Agenda Item 7.E., an action item, be discussed in the regular meeting to allow time for Study Session informational item 7.

6. Agenda Item 8.A.: Request to Approve Program Changes – Vice President Vest

Citing a shortage of time before the scheduled start of the regular Board meeting, Dr. Swarthout requested that Agenda Item 8.A., an action item, be discussed in the regular meeting to allow time for Study Session informational item 7.

7. Study Session Item 7.: Employment Procedure and Contracts (Informational) – Vice President Hatch

Mr. Hatch explained that the revisions to procedure 2720 are an expansion of the existing procedure that includes work hours, compensation and furloughs, in addition to reductions in force. Mr. Hatch explained that the revised procedure would allow increased flexibility on part of the college to react to changes in state appropriations and economic fluctuations. Mr. Hatch added that the revised procedure also provides a new cushion for employees as none of the possible actions outlined could take effect with fewer than 90 days notice. Mr. Hatch explained that the



revised procedure is to be implemented when there are financial or funding constraints that must be addressed. Mr. Hatch added that the procedure will, as is procedure, go out to the college for a period of comment. Mr. Hatch reported that the new employee contracts for 2010-2011 are significantly different from current contracts in that they contain more legalistic language and are longer. Mr. Hatch reiterated that this change to procedure and contracts would allow the college more flexibility given uncertain economic conditions and added that he does not anticipate that the revised procedure would be implemented in a way detrimental to employees without some major cause associated. Dr. Swarthout noted that she felt it important to notify the Board of the proposed changes to procedure and contracts and that it will now go out to the college for a period of review. Dr. Swarthout added that the revised procedure brings NPC more in line with the employment practices of other colleges, universities, and even, school districts.

Study session ended at 10:55 a.m.

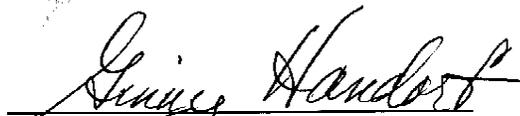
Respectfully submitted,



Russell Dickerson
Recording Secretary to the Board



Bill Jeffers
Chairman



Ginny Handorf
Secretary to the Board

