

Navajo County Community College District Governing Board Study Session Minutes

May 18, 2010

2251 East Navajo Boulevard, Holbrook, Arizona, 86025

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

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

Reports:

1. Study Session Agenda Item 1.: Truth in Taxation (Informational) – Vice President Hatch

Mr. Hatch reported that as a result of the approval of the preliminary budget at the April 20, 2010 Board meeting, the college moved ahead with publication of the Truth in Taxation notice in the Holbrook Tribune-News and the White Mountain Independent newspapers on April 29, 2010. Mr. Hatch explained that the notice contained the 2% maximum property tax levy increase after the adjustment for new construction. Mr. Hatch reported that on May 7, 2010, the college received a notice from the Property Tax Oversight Commission stating that a revision had been made to the centrally assessed valuation for the current and upcoming years at a meeting on April 29, 2010. Mr. Hatch explained that the revision resulted in a new press release, changes to the figures published in the second Truth in Taxation notice, as well as the posting of correct tax levy information to the college website. Mr. Hatch reported that the college still seeks the 2% increase and noted that the total levy amount and rate have changed as a result of the commission revisions. Responding to a question from Chairman Jeffers, Mr. Hatch explained that the college should not face any legal issues concerning the published notices due to the fact that at that time, the best information was used for both publications. Mr. Hatch noted that the college has contacted the Property Tax Oversight Commission to express concern over late changes to tax levy information.

2. Special Meeting Agenda Item 2.: Request to Approve the 2010-2011 Property Tax Increase – Vice President Hatch

Mr. Hatch explained that following the Truth in Taxation public hearing, the Board will be asked to approve the proposed 2010-2011 property tax increase in a special meeting. In order to clarify the changes made to the taxation notice figures, Mr. Hatch reviewed each notice in order of publication highlighting changes. In summary, Mr. Hatch reported that the revised figures will be discussed in detail during the public hearing and include a maximum allowable levy limit totaling \$11,975,227 at a rate of \$1.1308 (\$0.0044 less than the current rate) that will bring in an additional \$637,000 over current levels. Mr. Hatch reported that his office had not received any public comments, either in person or by phone, regarding the proposed tax increase or required notice publications. Mr. Hatch added that according to statute, the approval of the property tax increase must be a roll call vote.

3. Special Meeting Agenda Item 3.: Request to Adopt the 2010-2011 Proposed Budget – Vice President Hatch

Mr. Hatch reported that following a second public hearing regarding the 2010-2011 proposed budget, Board members will be asked to adopt the 2010-2011 proposed budget in a special meeting. Mr. Hatch reported that the proposed budget was posted to the college website and was updated following the receipt of new property tax figures. Mr. Hatch informed Board members that the approved preliminary budget has been reduced by approximately \$36,000 to offset the increase resulting from property tax figure corrections and that the total budget amount has not changed. Mr. Hatch reported that the budget was published in the Holbrook Tribune-News and that the notice of public hearing regarding the proposed budget was published twice in addition to a college press release.

Highlighting budget goals and targets, Mr. Hatch explained that the Board approved implementation of a 2% reduction in wages and salaries in 2010-2011 to offset increases in medical insurance costs and retirement contributions; the budget includes approximately \$2.5 million in operating expenditure reductions that are well within capacity and will not require adjustments to the operating budget even if the proposed sales tax fails; and that there will be no state capital funding in 2010-2011 and all capital requests will come out of the operating budget through direct budget transfers from the general fund. Responding to questions from Chairman Jeffers, Mr. Hatch



explained that stimulus funding will not impact the 2010-2011 budget as funds are expected to be distributed prior to June 30, 2010 and be treated as revenue for the current fiscal year that will be applied as a reimbursement for current year faculty wages. In response to a Board question regarding the impact stimulus funding on the decision to reduce employee wages, Mr. Hatch explained that the college does have the capacity, and could, from a legal and budget perspective, return employees to current salary levels.

Responding to a question from Mr. Parsons, Mr. Hatch explained that the stimulus funding previously received this fiscal year was applied as a reimbursement for expenses incurred in the previous fiscal year. Mr. Hatch noted that the past couple of financial position reports showed transfer activity in the restricted fund as a result of moving stimulus fund revenue into the prior year. Addressing the roughly \$400,000 in additional stimulus funds the college expects to receive by the end of June, Mr. Hatch explained that the revenue side of the budget has enough capacity to allow additional funds to be used to offset expenses incurred during the current year budget. Dr. Swarthout, addressing Mr. Parson's concern over the timing of stimulus funding as it affects budget adoption, explained that both stimulus payments were announced very late and included abbreviated application timeframes and added that one week ago, the college did not know if stimulus funding was available, the amount available, or when the funds would be received. Addressing the proposed maximum tax levy increase and the tax burden shouldered by property owners, Mr. Hatch explained that increased valuations do not necessarily mean that individual property taxes increase. Addressing the decision to propose the maximum 2% property tax levy, Mr. Hatch explained that historically the Board has shown great restraint with regard to tax increases; however, subsequent legislation imposed limits to what was then the current levy limit, resulting in a tremendous loss of capacity to levy property taxes which has an ongoing impact to the college. Mr. Hatch added that in effect, the state provided incentive to every taxing entity to always levy the maximum because of the potential loss of capacity.

Mr. Hatch and the Board members reviewed the proposed 2010-2011 budget document:

- Schedule A, summary: Mr. Hatch reported that the general fund and the unexpended plant fund show a total reduction of about \$400,000 which, on a per FTSE expenditure reduction basis, equals a general fund reduction of about 3% and a unexpended plant fund reduction of about 18%. Mr. Hatch reported that the retirement of indebtedness fund shows zero as a result of repayment of general obligation bonds.
- Schedule B, general fund revenues: Mr. Hatch noted that the state appropriation amount is based upon the successful passage of the state sales tax whereas the expenditure side of the budget is based upon failure of the proposed state sales tax. Mr. Hatch reported the amount of funds available for expenditures has not changed significantly in the proposed budget.
- Schedule C, unexpended plant fund: Mr. Hatch reported that the fund contains very few real sources of revenue outside of a transfer from the general fund for capital expenses that has been increased by approximately \$300,000 in the proposed budget.
- Schedule D, general fund and unexpended plant fund expenditures: Mr. Hatch reported that the academic support line within the general fund has increased due to the transfer of expenditures from the instructional support area. Mr. Hatch reported that, excluding scholarship and contingency funds, expenditures for the upcoming year total about \$22 million. Mr. Hatch reported that the unexpended plant fund has been adjusted as the college expects to fund equipment related to upkeep and maintenance. Mr. Hatch reported that the retirement of indebtedness fund is decreasing and that he expects expenditures level out at about \$500,000 per year as the college continues to lease and purchase computers and equipment related to distance education. Responding to a question from Mr. Parsons, Mr. Hatch explained that contingency funds for 2010-2011 have increase by \$400,000 to \$1.9 million because of continued budget unknowns including possible mid-year adjustments to state appropriations as a result of continuing state budget problems. Dr. Swarthout added that the end of stimulus funding maintenance of effort requirements creates large unknowns with regard to future state funding.
- Schedule E, auxiliary fund revenues: Mr. Hatch reported that the budget reflects a shift away from a college operated bookstore as well as a move toward funding business and industry training and community education as both programs transition toward self-sufficiency.



- Schedule F, restricted fund revenues: Mr. Hatch reported that the proposed budget contains plenty of capacity and added that federal Pell grants go into this fund.
- Schedule G, auxiliary and restricted fund expenditures: Mr. Hatch reported that the auxiliary fund shows a large reduction in budget for bookstore as well as a large increase related to business and industry training and community education.

Addressing the expenditure limitation, Mr. Hatch explained that the estimated 2,650 FTSE estimate for the upcoming year will closely reflect actual FTSE levels. Given the growth the college has experienced and decisions made regarding expenditures, Mr. Hatch expects the college to have no issues with regard to the expenditure limitation.

4. **Special Meeting Agenda Item 3.: Request to Adopt the 2010-2011 Proposed Budget – Vice President Hatch**
Mr. Hatch explained that during the public hearing, he will address budget questions from the Board and the public as well as summarize the budget in preparation for the adoption of the proposed 2010-2011 budget during the special meeting.
5. **Agenda Item 7.A.: Request to Approve Intergovernmental Agreement (IGA) with the Governor’s Office of Economic Recovery (GOER) – Vice President Hatch**
Mr. Hatch reported that the IGA with GOER being presented for approval is exactly the same, except for the dollar amount, as a previously approved IGA with GOER for phase one stimulus funding and has been reviewed and signed by college legal counsel and will become effective upon approval by the Board. Mr. Hatch reported that phase two funding is \$418, 920 for a total allocation of just over \$1.7 million. Mr. Hatch reported that phase two funding will be a reimbursement for funds expended for faculty salaries and that the state is responsible for reporting stimulus funding activities.
6. **Agenda Item 7.B.: Request to Approve Transfer Admission Guarantee (TAG) Agreement Between Arizona State University and Northland Pioneer College – Vice President Vest**
Mr. Vest reported that the state legislature has long required the state universities and community colleges to develop transfer articulation for designated transfer associates degrees, with the exception of the Associate of Applied Science (AAS) degrees which have been viewed as a direct employment degree. Mr. Vest reported that the state universities have begun to express interest in articulating transfer pathways for AAS degrees as the universities themselves begin to develop technical degrees. Mr. Vest reported that Arizona State University and Northern Arizona University are negotiating individually with community colleges to establish transfer pathways. Mr. Vest explained that the TAG agreement presented for Board approval is brief and represents an initial overture to the college to establish individually negotiated, program specific and mutually beneficial transfer pathways under the general terms of the TAG agreement. Dr. Swarthout added that the TAG agreement is of benefit to NPC students as it will provide for the transfer of up to 75 credits of community college coursework to the university.
7. **Agenda Item 7.C.: Request to Accept Annual Strategic Planning Report – President Swarthout**
Dr. Swarthout reported that the bullet style annual strategic planning report highlights the year listing accomplishments for each pillar. Dr. Swarthout noted that this year the report is prefaced by events that bridge the plan and entire college including the Higher Learning Commission accreditation visit, the National League of Nursing accreditation visit and the cooperative effort to ensure the future of the college. Dr. Swarthout reported that the college did not accomplish much in pillars 5 and 6 due to budget constraints; made excellent progress in pillar 4; made significant progress in strengthening accountability; but was slow in strengthening technology in the absence of an Information Services Director. Mr. Parsons commented that given the economic environment, the college has done well despite budget constraints.
8. **Study Session Agenda Item 8.: 2010-2013 NPC Strategic Plan (First Read) – President Swarthout**
Mr. Vest explained that the Strategic Planning and Accreditation Steering Committee (SPASC) as a whole, is broken into six pillar groups that recruited members from outside of SPASC. Mr. Vest added that the individual pillars were put out to appropriate groups within the college to verify accomplishments and to reevaluate parts of the strategic plan that have not been accomplished. Mr. Vest noted that new areas were examined and folded into the strategic plan in a cautious manner that looked at new processes instead of spending large amounts of operational



funds. Dr. Swarthout reported that the 2010-2013 Strategic Plan is prefaced by new strategic initiatives consisting of crucial items that have been identified as top priorities. Dr. Swarthout reported that the current 10-year PEAQ accreditation pathway will no longer be available; AQIP, a year to year total quality pathway, will continue to be available; information on the new pathway is, at this time, still vague but does allow the college to choose accreditation projects; and the college will be moved to the new pathway if a pathway decision is not made.

9. Agenda Item 8.A.: Curriculum: Request to Approve Program Modifications – Vice President Vest

Chairman Jeffers recommended that the request to approve program modification, an action item, be presented and discussed in the regular meeting in order to have time to address two remaining informational items on the study session agenda.

10. Study Session Agenda Item 10.: Draft Memorandum of Understanding (MOU) Between University of Utah and Northland Pioneer College (Informational) – Vice President Vest

Mr. Vest reported that Dr. Henderson, Dean of Arts and Sciences, was approached by the social work department of University of Utah and asked to consider developing a partnership contingent upon the university securing grant funding. Mr. Vest explained that such a partnership could be a great opportunity for NPC students as it is currently very difficult to earn a baccalaureate degree without leaving the area. Mr. Vest reported that the college has provided a letter of support to the university and should grant funding be made available, staff will return to the Board to present a MOU for approval.

11. Study Session Agenda Item 11.: Student Refund Debit Cards (Informational) – Vice President Hatch

Mr. Hatch reported that the college serves as a conduit for Pell grant awards and issues checks to students for the difference between the award amount and obligations such as tuition, fees and books. Mr. Hatch reported that the business office produces about 3,000 checks annually and faces challenges in issuing refunds due to students losing checks or not having a banking relationship. Mr. Hatch announced the Visa or MasterCard debit card process will be implemented in the fall 2010 semester and that Higher One will be the company to address student refunds by allowing refund funds to be accessed by debit card, direct deposit, or check.

Study session ended at 10:50 a.m.

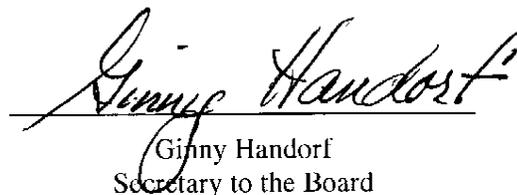
Respectfully submitted,



Russell Dickerson
Recording Secretary to the Board



Bill Jeffers
Chairman



Ginny Handorf
Secretary to the Board

