



**Financial Advisory Council (FAC)
January 23, 2007
Rio Salado College, Room 515
2:00 p.m. – 4:00 p.m.**

Agenda

1. Welcome and Introduction
2. Ground Rules
3. Meeting Minutes 9/26/06 – Action Item (Attachment A)
4. Legislative Update – Matt Ortega
5. Tuition Discussion/Recommendation – Action Item (Handout)
6. 2004 Capital Development Program – Action Items
 - Bond Operating Costs for Buildings seeking CDAC approval in FY 2007 (Handout)
 - Revised Bond Operating Support Policy (Attachment B)
7. Plus/Delta

Next Meeting: February 06, 2-4 p.m. at Rio Salado College, room 515

FAC Members:

Elizabeth Arvizu
Mary Kaye Allen
Joe Bodell
Alyssa Brown
Jeanne Christen
Larry Christiansen
Tom Chubinsky
Arthur DeCabooter
Ted Georgas
Rufus Glasper
Carnella Hardin

Maria Harper-Marinick
Steve Helfgot
Maria Hesse
Jared Langkilde
Mark Mason
Polly Miller
Linda Rosenthal
Les Strickland
Debra Thompson
Rene'e Young
Yvonne Zeka



Financial Advisory Council Meeting

Tuesday, September 26, 2006

Rio Salado College

Room 515

2:00 p.m. to 4:00 p.m.

Members Present: Mary Kay Allen, Jeanne Christen, Larry Christiansen, Arthur DeCabooter, Ted Georgas, Rufus Glasper, Steve Helfgot, Maria Hesse, Jared Langkilde, Mark Mason, Polly Miller, Linda Rosenthal, Debra Thompson, Rene'e Young, Yvonne Zeka, Dennis Shaw

Guests: Sally Buxton, Regis Della-Calce, Donald Campbell, Carl Couch, Joyce Elsner, Lulut Clow, Susan Horner, Darrel Huish, Gaye Murphy, Jane Saldana –Talley, Mary Wheeler, Grady Wolfe

Welcome and Introductions: Everyone was introduced and welcomed to the meeting.

Agenda Items:

New Student System Update and FY2008 Resource Request – Darrel Huish, Associate Vice Chancellor Information Technologies, gave a brief presentation on the new Student Information System. The initial phase of upgrading Oracle/PeopleSoft will be completed this week, according to schedule. The second phase, which includes the conversion of these applications from Version 8.0 to 8.9, is scheduled for completion in March 2007. With new system upgrades, Maricopa will begin to make a cultural shift from provider-based services to online self-services. The implementation date for the fully integrated, web-based Student Information System is October 2007.

Additional financial resources are requested for two significant operations:

- 1) A Central Call Center is needed to address initial calls from students needing assistance with the new SIS. The Project Team recommends that it may be more cost-effective to outsource this function initially. Based on experience with Blackboard, it is anticipated the SIS will generate 5 times the number of call. One vendor has provided an estimate of \$7 per call, which calculates to about \$450,000 needed for this part of the operation.
- 2) The new SIS will put an extra load on staff since they will have to both learn a new system in addition to their regular duties. The Project Team recommends a central pool of about \$775,000 available for staff relief, which will be distributed based on college requests.

Darrel answered various questions related to: quality control of the responses from the outside vendor, knowledge base of the vendor, benefits of outsourcing vs. hiring

permanent new staff, the flexibility of the vendor to adjust hours to stay within the threshold budget, and the technical support needed to address our diverse population of students.

Maricopa Financial Plan (Handout) – Gaye Murphy, Associate Vice Chancellor Business Services presented some highlights of the draft of the Financial Plan for Fiscal Year 2002 through 2016. She noted some costs on a ‘unit basis’ on page 4 “Facts at a Glance”. Table 5 on page 8 shows the projected increase in revenue, estimated increased expenses and a projected balance. Gaye explained each line of the fiscal year 2007-08 estimates, with a brief explanation of the rationale used in getting that amount.

She noted that the ASRS increase of 0.5% on line 9 was a mandate dictated by the Arizona State Retirement System. It was noted that the zero increase beginning with FY09-10 was based on the fact that ASRS projected a 0.5% increase up to a contribution rate of 10%, which would hopefully be reduced down to 7% in the future. Since we expect to reach the 10% contribution rate in FY08-09, there would be 0 increases after that point in time. Other highlights discussed include:

Instructional/Student Services

Line 1: The Phase 1 new faculty positions have been ‘suspended’ for FY07-08 due to the enrollment decline. The normal increase of 25 new faculty have been re-instated for FY08-09 and future years based on the assumption that enrollment will improve.

Line 2: Fiscal year 2007-08 shows 16 new faculty positions as part of the Phase 2 matching process; however, with the proposed suspension there is \$0 match for FY08-09.

Line 3: Prop 301 funding through sales tax is expected only for the next 20 years. In order to avoid having to absorb the costs for all 39 faculty positions in the future, we have assumed that each year 2-3 faculty positions will be re-allocated to Fund 1.

Line 4: Enrollment Growth Funding: The \$0 for FY07-08 is based on the assumption that there are sufficient funds available in the budget for those colleges with enrollment growth, so no increase is needed next year.

Line 5 & 6: Operating funds for capital construction must be funded from Fund 1, not from bonds.

Line 7: Estimates are based on the increases needed to keep scholarship funding about 6% of total tuition & fees.

Employee-Needs:

Line 10: The Flex Benefit increase (line 10) was estimated with a 7.5% increase for FY07-08; however, we are meeting with our Consultants in a few weeks and hope to get a better estimate at that time.

Lines 11 to 14: The Meet & Confer amounts are illustrative only (e.g. COLA is based on the Western CPI of 4.2%). These are simply ‘what if’ estimates, not to be used as ‘starting points’ for negotiations.

Infrastructure/Business Costs:

Line 15: The Inflation estimate addresses a few key programs that are anticipated to increase (e.g. Software& hardware Maintenance). Utilities are not included here, since there is a special estimate for this under District-Wide Requests.

Line 16: This District Office operating costs address 3 new positions in Purchasing, Finance and Facilities Planning & Development (1 MAT and 2 PSA).

Gaye also addressed several questions related to property tax revenue and the impact of Proposition 101 to Maricopa Community Colleges. (“Proposition 101, known as the "2006 Taxpayer Protection Act", would amend the Arizona Constitution to remove unused taxing capacity and reset each taxing entity's limit to the actual tax levy of that county, city, town or community college district in 2005.”) Since MCCCCD has historically “taxed to the max” and has no unused capacity, this proposition should not affect our property tax revenue. Discussion ensued about the history of taxing and how this may be the beginning of other Legislative moves to decrease property taxes which affect community colleges.

Gaye noted that the potential balance for FY07-08 is showing a deficit of over \$8.7 million – without consideration of District-wide requests.

FY2008 District Wide initiative Requests (Attachment 1 Handout) Line 18, which totals \$7.3 million for District-wide Requests, was presented in detail with the handout. It was noted that the Call Center Support request for \$3.497 million was separate from the SIS request discussed by Darrel Huish earlier in the meeting.

Several committee members commented on the Request list and the Financial Plan; topics included:

- the Enrollment Management Initiatives (items 1 and 2) includes 75 new positions but there are only 16 new faculty positions for FY07-08 to handle new enrollment;
- the \$775,000 pool for SIS also discussed by Darrel is not on this list but was prioritized by the VP’s;
- some of these requests did not go through VP’s; in reality most of these requests will not be funded
- this plan includes a \$4/credit tuition increase
- the FTSE estimates on page 4 seem too high based on past year’s experience
- the ASRS and Flex Benefit estimates will go to the Governing Board in December, but other estimates will be revised during the budget process in the Spring

Plus / Delta
+ Nice Room

- + Good materials
- + Clarity of information
- + Good attendance
- + Work done on Prop 101 issue

- Location change
- Not enough \$ to do all this stuff

Next Meeting: October 24th, 2-4 p.m. at Rio Salado College, Room 515

2004 Capital Development Program Operating Cost Support Overview, Principles and Guidelines

Overview

The Maricopa Community Colleges have the capacity, subject to voter approval, to issue general obligation (G.O.) bonds for the purpose of new building construction, space renovation, technology investment and Occupational/Educational equipment acquisition across the district. Voter approval of a capital program authorizes the district to issue a maximum amount of General Obligation bonds and to assess a secondary property tax levy. The secondary tax levy is structured and assessed to fund the cost of the annual debt service on debt up to the level approved by the voters. **Voter approval of the referendum does not, however, bring any additional operational resources to the district.**

The district and colleges have historically partnered to provide the resources necessary to open and operate new and renovated buildings. Due to funding limitations, the district funding for operating costs has provided only part of the requisite funds. The colleges have contributed significantly to the funding need by reallocating resources or by committing other incremental resources from enrollment growth, faculty formula funding and other available college funds. It is anticipated that this college / district partnership will again be critical to the successful funding of operating cost needs for any new capital development program.

District Policy

The district has addressed the need for operating cost support for G.O. capital program investments by allocating new district resources on a square footage basis. The 1994 capital program was supported with \$12.50 per Gross Square Foot (GSF) for new construction and \$3.13 per GSF for renovated space. Operating cost support for technology investments has also been made. Operating support for new district wide technology investments (ex: CFS financial system, HR System, new Student System, etc.) was allocated to district office units and in some instances to colleges for backfill in an amount that equaled approximately 10% of the capital technology investment. Technology investments were made on a request basis (not formula based).

Maricopa Operating Costs

A prevailing guideline in developing an operating cost support level is the assumption that new district resources are not sufficient to fund the entire cost. The expectation is,

and has been, that the colleges will partner in the commitment to support capital program operating cost requirements. The college partnership in this effort contributed significantly to the success of the 1994 program. As a result, the recommendation for the 2004 Capital Program is to support new construction at \$15 per GSF and renovated space at \$5 per GSF. In addition, district wide technology investments may also be supported. Technology project support will be reviewed on a project- by- project basis for those projects that substantiate an operating cost need as part of the overall project budget in the technology plan.

Guiding Principle

An overriding principle of this initiative is to:

Insure the physical health and future of new and renovated square footage and to insure that such square footage is operated and maintained in the safest manner possible in order to protect such assets for the future. Therefore funds are provided to help ensure colleges have budget for such immediate needs as utility costs for the new buildings and, more significantly, to maintain appropriate staffing levels in Crafts, M&O and Safety employees to ensure the continued and safe usefulness of these facilities. It is recommended that expenditures be made from such G.O. capital development operating cost support as shall be necessary to fund utility costs appropriately and for staffing to insure proper safety and maintenance in areas such as HVAC, Plumbing, mechanics, electrical, carpentry, painting, safety and other areas as designated by the college.

Process Guidelines

- 1) G.O. Capital Development Program funded new construction will be supported at \$15 per gross square foot.
- 2) G.O capital funded renovations will be supported at \$5 per gross square foot.
- ~~3) Only projects funded by G.O. capital development funds will be eligible for operating costs funding (i.e., excludes projects funded by G.O. major maintenance, occupational equipment, technology, or other revenue sources).~~
- 4) New and renovated space eligible for support based on the above criteria will receive full support one month prior to the scheduled project completion date as identified by Facilities Planning and Development. A small portion of these funds may be requested at an earlier date, if the project can be demonstrated to place a burden on existing staff, in order to provide appropriate college project oversight. In particular, it is assumed that these requests might be for some crafts, M & O, Safety or other support staff as deemed necessary by the college, to help oversee the design and development of facilities. These requests should be brought forward to FAC and a process will be put in place for review. At this point the one known criteria is that all requests for the coming fiscal year should be identified by July 1 and

submitted to the budget office by this date. (Ex: July 1, 2004 for FY 06 need) Any advance funding request that would impact FY 06 funding, regardless of whether the building was completed in FY 06 or not, would have to be identified by July 1, 2004 in order to be considered in the FY 06 Budget Development Process.

- 5) All allocations will be pro rated, if appropriate, in the initial budget year (i.e, if a project is completed in October – operating costs for Sept through June will be provided in the same budget year with full funding in the subsequent year).
- 6) Project costs include Furniture, Fixtures and Equipment (FF&E) and budgeted contingency funds.
- 7) New and major district wide information systems may require additional operating costs. These may receive support on a project by project basis based on the need defined in the district wide project budget request and supporting technology plan. It is not assumed that individual college or unit plans or acquisitions of computing equipment or systems will receive operating costs.
- 8) Initial funding estimates are based on college master planning as of FY03-4. As colleges complete educational specifications for specific projects, these estimates may be revised. When designs are completed for specific projects, estimates will be updated. Final funding will be at the level set under design. However, the budget office and FAC will monitor changes in funding requirements that occur as projects become more defined through the design process; if overall costs for the program begin to increase materially, FAC will review and make recommendations on the District's ability to fund the program at these levels.
- 9) In addition to these costs, there may be some additional budget needs for District divisions that directly support the capital program, such as Facilities, Planning and Development, Business Services, and Legal. These needs will be assessed and presented separately to FAC.
- 10) **IN RECOGNITION OF THE NEED TO ADEQUATELY OPERATE MAINTAIN DISTRICT ASSETS, COLLEGES MAY REQUEST OPERATING SUPPORT FOR BUILDINGS ACQUIRED OR CONSTRUCTED WITH RESOURCES IN ADDITION TO THE 2004 G.O. BONDS. THE OPERATING SUPPORT FOR 2004 G.O. BOND FUNDED NEW CONSTRUCTION SHALL HAVE PRIORITY OVER ANY ADDITIONAL OPERATING SUPPORT REQUESTS.**