



Financial Advisory Council Meeting

Tuesday, October 14, 2003

Governing Board Room

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

MINUTES

Members Present: Sue Burrola, Larry Christiansen, Roy Cohen, Art DeCabooter, Rufus Glasper, Carnella Hardin, Steve Helfgot, Maria Hesse, Conrad Mills, Lorie O'Brien, Jane Saldana-Talley, Debra Thompson

Members Absent: Rick DeGraw, Ron Etter, Karen Hardin, Steve Riley, Linda Rosenthal, Les Strickland, Yvonne Zeka, Gene Eastin, Willie Minor

Guests: Joyce Elsner, Sam Harris, Jose Leyba, Mark Mason, Devi Bala, Lynda Helminski, Georgia Gudykunst, Lionel Diaz, Dianne Johns, Kevin Vahle

Students Present: Lucinda Jahn (SCC), Leah Heathcoat (CGCC), Trevor Smith (CGCC), Emily Hogan (GCC), Teresa Ottesen (MCC)

Welcome and Introductions: Students from the Student Public Policy Forum were in attendance. These students have expressed an interest in serving on FAC. 2 to 3 students will be appointed to FAC.

Ground Rules: Have Fun and Give Freely of your Experience were the Ground Rules selected for this meeting. FAC recognized and presented Dr. Glasper with a Certificate of Excellence in appreciation for his many years of leadership, service, and sharing of his experiences on the many Financial Advisory Councils.

September 9, 2003 FAC Meeting Minutes: A suggestion was made that clarification be made to paragraph three on the last page to be clear on what this signifies. The minutes were unanimously approved.

Information Items:

Capital Planning 2004 Update/ Lionel Diaz distributed a draft of the Proposed Schedule for the November 2004 G.O. Bond Program. A Governing Board Retreat, to discuss strategic and capital planning for 2004, is scheduled for October 22nd. This will include a summary of the 2004 submittals from the colleges and the district wide total. The schedule provides details on the process; considerations and approvals needed before the May 2004 Governing Board deadline on deciding whether to place the 2004 capital program on the November 2004 ballot. A question was raised as to whether the G.O.

Bond still required the approval of JCCR. At this time it is unclear whether approval is required by JCCR—this is still being negotiated; some meetings are being scheduled to discuss this issue.

Another question was raised as to whether polls were going to be conducted to collect data to see if taxpayers are receptive to raising taxes. Marketing and Public Relations will be conducting polls in November and December and again in April and May of 2004 to see what kind of support MCCD would receive.

The second page of the schedule includes history on the allocations that were made to the colleges totaling 505,000,000. Also included, was the 2004 Bond Allocation Summary, which is based on a Governing Board Retreat and a CEC, meeting held in August 2003. A question was raised as to why some of the original estimates were cut by half while others were increased significantly? A lot of politics were involved, along with discussions and direct negotiations.

Another item brought to attention was the purchase of land for future development. In addition to all the work done with all the colleges and centers MCCD also looked at population growth in the metropolitan Phoenix area in Maricopa County. These areas are Laveen, Peoria/Surprise, and far West Maricopa County.

Medical and other Insurance Update/ Dianne Johns explained how the Healthcare System works, in general, to allow a better understanding as to why healthcare cost continue to increase. The medical impact for Maricopa for FY04-05 includes a 15% to 20% increase which totals to be about \$3 million to \$5 million. The Cigna Refund account has been used to pay part of the employee premium each year—employees have only been charged 96% of the premium however, beginning 2004 they will be charged 100%.

Another item impacting Maricopa is the ASRS Retiree Health Issue. The ASRS formed a subcommittee who worked on the retiree healthcare issues and recommended two choices; one was to pool all retirees from the state, which equals about 9,000 employees. The other choice was to return retirees between the ages of 55 to 65 back to their employer for medical coverage. The subcommittee decided to recommend to the ASRS Board to draft legislation to send retirees under the age of 65 back to their previous employer for medical coverage. If legislation passes this will occur in 2005-06.

It would cost Maricopa \$1.5 million to add retirees to the medical plan. There are several ways of looking at retirees healthcare funding; one is to separate the retiree health plan from the active employee health plan. The cost for someone to pay for their own coverage would cost them \$660 per month, which is double of what they are currently paying. Another option is to blend retirees with the active employees; this would add an additional 2% to 3% to the medical premiums each year.

Some of the long-term implications in blending retirees with the active employees are that it would add 7% to 8% premium increase to each year. It is estimated that in

FY07-08 there will be 800 retirees, which will add an additional 16% to 24% to the premium. Ten-year projection will add an additional \$10 million. This amount is for retirees only it does not include spouses. Maricopa opposes does not agree with what ASRS is proposing. Maricopa is partnering with the Arizona Retiree Consortium, who represents the rural area retirees, to come up with a proactive solution for the retiree health care issue.

Review of 15 Year Plan Discussion/ Debra Thompson indicated that the Maricopa Financial Plan had been restructured based on recommendations made at a previous meeting and asked that comments be sent to her via email before the final version is printed. An open discussion was held on major issues related to the Financial Plan.

A lot of numbers have changed since the last review of this document one of the most critical part of the plan is the tuition rate assumption. A \$2 tuition increase is proposed annually which would bring the tuition rate to \$56.50 combined with student activity fees. This is slightly higher than the Higher Education Price Index (HEPI). A 5% reduction is still being projected for State Aid allocation for FY05, but Maricopa has added the potential impact of an additional 5% cut in State Aid. This is increasingly possible given the discussions taking place with regard to health of the state budget overall.

MCCD continues to assume the new methodology for faculty allocations phase two, which in addition to the 25 faculty that have been funded over the years provide an opportunity for as many as 30 additional faculty for a total of 55 new faculty. This concept allows the colleges to use reallocated resources to create faculty positions and the district would make a commitment to match the reallocated positions to a maximum of 3 per college per year. There is a commitment to increase the tuition and fee rebate by \$100 each year up to 2,600 by the end of the plan.

Planning for Meet & Confer needs to continue due to the significant commitment of resources each year. This has been done by a step increase and a 1.95% COLA and a step increase and 2.91 COLA for subsequent years. The 1.95% is the most recent CPI and the 2.91 is the average CPI.

The financial plan supports the operating costs associated with implementation of the 2004 \$951M Bond Program. This would allow Maricopa to increase tax levy for Capital Planning. A difference is a commitment of \$56.6M for operating costs.

It is proposed that credit card charges that are absorbed by fund 1 be shifted from the Auxiliary Fund to the General Fund.

The Financial Planning & Budget staff was complimented for putting the financial plan together; it is very well developed plan.

Review /Possible Action Item /State aid capital allocations FY04-05

A recommendation to set aside \$4.5 million of fund balances for a period of three years for life without the bond. This period was for when we did not have GO Bond allocations for occupational and technology equipment. This helped the colleges with the limited amount of funding that they had for a seven-year period. These amounts have not changed for any of the colleges in the time that these funds were allocated. Based on projections it appears that the same amount possibly a little bit more that will be allocated next year.

Next Meeting / November 18, 2003, from 2:00 p.m. to 4:00 p.m., in the Governing Board Room

Plus / Delta

- + Interesting Students
- + Progress on the 15 Year Financial Plan
- + Plaque presentation for Dr. Glasper
- + Good comments
- + Well organized
- + Meeting ended early
- Lack of membership present
- Microphones not working properly