



Financial Advisory Council Meeting

Tuesday, November 18, 2003

Governing Board Room

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

MINUTES

Members Present: Sue Burrola, Larry Christiansen, Roy Cohen, Rufus Glasper, Carnella Hardin, Karen Hardin, Steve Helfgot, Maria Hesse, Conrad Mills, Lorie O'Brien, Linda Rosenthal, Anna Solley, Jane Saldana-Talley, Debra Thompson, Yvonne Zeka

Members Absent: Rick DeGraw, Ron Etter, Steve Riley, Les Strickland, Gene Eastin

Guests: Chad Douwstra, Lulut Clow, Carl Couch, Sam Harris, Mark Mason, Georgia Gudykunst, Mark Velarde

Students Present: Leah Heathcoat (CGCC), Trevor Smith (CGCC), Emily Hogan (GCC)

Welcome and Introductions: Everyone was welcomed to the meeting. Students from the Student Public Policy Forum were in attendance. The students had expressed an interest in serving on FAC and have been appointed for FY 03-04.

October 14, 2003 FAC Meeting Minutes: A suggestion was made to include an Adjunct Faculty item referencing the discussion at the October 14th meeting that included a suggestion in the financial plan that we would model what it might cost if we were to increase the rate and overload for Adjunct Faculty to higher degree than CPI and review of the potential of incremental steps in wages for Adjunct Faculty. The minutes were unanimously approved.

Agenda Items:

State Budget Update from Government Relations/Information Item: Chad Douwstra from Government Relations distributed a copy of a memorandum from the Citizens Finance Review Commission. Chad provided an update on the status of state budget. There is currently a special session going on that is dealing with Child Protective Services and the Department of Corrections. This special session could possibly run into regular session scheduled for January. For FY05 there is a possible budget deficit of \$750 million up to \$1 billion, possibly closer to the \$1 billion mark (currently estimated at \$960 million). The worse case scenario for community colleges could be a 10% cut and no growth funding. The not so worse case scenario would be a 5% cut with no

growth funding. There is discussion to try to get the growth funding that we did not receive last year, universities did receive their funding. Currently the legislature and staff are looking at various funding options and they are deciding on ways to receive revenue and increase savings for the state. The governor is currently taking suggestions. The proposals are included in the Citizens Finance Review Commission handout, available at http://www.azcfr.gov/documents/Memorandum_july.htm. Some proposals listed include: reinstating a statewide property tax and phasing out the difference in property taxes that exist (i.e. raising homeowners and lowering business property taxes). We will continue to look at how any of these scenarios might impact MCCCCD.

Active Retirement/Action Item: A handout was provided that included a financing recommendation for the Active Retirement Program funding. The handout reflects the recommendation of the Active Retirement Committee. The AR Committee met a number of times and collaborated with colleges and the district office to develop this recommendation and felt this was the fairest approach. The recommendation includes the following:

- leaving the maximum participation years at 5 years, tiering the individual's ability to participate based of their years of service with Maricopa
- paying for job that is being performed as opposed to the past salary from the previous board approved position
- several colleges will receive funding that have experienced difficulties funding the program and have received little or no funding previously
- the colleges are required to match 20% and the funds will be held in a central account for 2 years and monitored for any adjustments that might need to be made.

A concern was brought forward regarding the colleges that have been receiving funding and their accountability for the funds. Several colleges have increased their support of the Active Retirement programs and other colleges have at least maintained their commitment to their AR programs. The proposal in place will in no way change this program to a mandate. It remains that a request will be made and if a match can be found participation will be allowed. We need to remain mindful of what our needs our.

A request was made for the Budget office to provide a listing of the allocations that were originally made to the colleges for the program. The information will be provided to the council via email.

A recommendation was made to move the item forward to CEC for review. There was consensus to move the item forward.

Maricopa 15 Year Financial Plan/Action Item: A revised copy of the 15 Year Financial Plan was provided to the committee. The plan reflects all comments/suggestions that have been made by the committee thus far. Through the recommendations of this council and subcommittee members the layout has been changed to draw a closer connection to MCCCCD strategic planning efforts. Some additional changes highlighted: absorbing an additional 5% cut in our state aid appropriation and an additional 7% escalation in Flex Benefits costs.

A request was made to include the expenditures prior to FY05 so that an accurate comparison can be made. An appendix will be added with a summary of the expenditures prior to FY05.

A request was made for clarification on the bank credit card charges. Currently charges are assessed by the district when students use their credit cards. The fee is just under 2%. There has been a request from the colleges to move the charges from fund 2 to fund 1. This proposed plan would phase in the move.

A question was asked regarding the assumption of a 1.95% Cola increase. Clarification was made that this increase was based on the CPI index that was agreed upon with the employee groups as a planning tool to provide an estimate for earlier decision-making. **This plan does not reflect any salary increase recommendations from the Governing Board.** A statement clarifying this will be added to the plan.

A comment was made that the plan was the most complete collection of fiscal information that this council has ever been able to have at our disposal. This plan is meant to show what resources might be available given different assumptions. The financial plan is an evolving document and necessary changes will be made.

A recommendation was made to finalize the document with the requested revisions and move the plan forward. There was consensus to move the plan forward.

FY 05 Tuition Rate Discussion/Information Item: A handout was provided including a 10 year historical view of tuition and fees and a local and national comparison. The district has historically raised tuition annually by an average of \$2 to \$3 per year, last year increasing tuition by \$5. The decision to increase tuition is decided annually, it is not automatic. The tuition increase included in the 15 year financial plan is based on an adopted tuition pricing plan that has been in affect for a number of years and is based on inflation. The average is a \$2 increase, we have gone above that in some years.

The FAC Joint subcommittee has been addressing this subject at a more detailed level. There are several suggestions coming from the subcommittee. For example, model increases of universities, no increase on a bond election year, and to just stay with current method. Differentiated and discounted tuition has also surfaced in the subcommittee meetings.

The other area the subcommittee is addressing is the consolidation of tuition and fees. The subcommittee has asked for the reaction of FAC on this subject. There appears to be a discrepancy on the two being separate when students are submitting for reimbursement. The group was asked to address the consolidation of the fees and if it is simply an accounting issue. The item will be researched further to find the best way to propose resolving this. A statement was made that we need to be cautious with our prior financial statements and will need to make a public statement that will explain the change as it will appear as an increase . In addition, we will need to consider the possibility of a lower share of state funds. A suggestion was made that it might be best to implement this

change after the bond to avoid any misconception. It could be as simple as changing the report MCCCCD publishes and add the two together.

A comment was made regarding the fact that the financial plan already has a \$2 increase in tuition and we still show a deficit. A tuition increase could be hard to avoid. Some members felt that a tuition increase would not be popular amongst students. The main difficulty is the lack of state aid. We have to find alternatives to fill that gap in funds. In the interest of helping students with funding alternatives there is currently a proposal to expand the funding of scholarships programs. In addition, MCCCCD has changed some strategies to increase financial aid for students.

There was a request to add a 1% budget reduction reference to the financial plan in the Facts At A Glance for reference.

The FAC Joint Subcommittee has the tuition rate discussion on its upcoming agenda and will explore all suggestions further and report back to FAC.

College Activities Allocations/Action Item: A handout was provided illustrating how the Student Activity Fee of \$12.50 is allocated for college activities and district-wide expenditures. The handout is based on formula allocations that have been established for sometime. \$17.9 million dollars has been proposed to be distributed to the colleges for FY05. It was noted that a new scholarship program has been added for FY05, Hoop of Learning.

There was consensus to move the item forward to CEC.

Expenditure Limitation FTSE Estimate/Action Item: Each year an expenditure limitation is set for MCCCCD and other political subdivisions. Our expenditure limitation is based on our FY80 budget (approximately \$52 million) inflated by the GDP deflator (inflation adjustment) and a FTSE projection that we provide. The handout included past projections and noted a significant under projection in FY01-02. This is expected to occur in FY03-04 again. FAC was asked to make a recommendation for a FTSE estimate that would accurately anticipate a significant increase in enrollment for FY04-05. The council was asked to take the following in to consideration when making their decision: slow economy, expanded programs, new partnership with universities and delayed impact of universities tuition increase. A comment was made that we also need to consider that we need to have the capacity there if we are able to find an alternate revenue source. It was recommended to have the estimate as high as possible considering all factors.

The subcommittee is looking into this further and will report back to FAC at the next meeting. The FTSE estimate the group is looking at is between 82,500 and 85,000.

Equipment Form Change (E-1)/Action Item: We report on an annual basis the colleges and district office an estimate of equipment acquisitions and major maintenance activities. Currently we ask everyone to report on all equipment over \$5,000 and on

building activities in the excess of \$10,000. It was proposed to change the threshold on equipment to \$20,000 and eliminate reporting on construction. The reason being that equipment costs have significantly increased since the original threshold was set and the fact that in the case of capital construction we are duplicating reporting requirements of Facilities & Planning and CDAC.

The handout included the impact of what \$10,000, \$15,000 and \$20,000 threshold would have on reporting.

There were no questions or comments on the document and there was consensus to move the document forward to CEC.

Course Fee Change Reporting Process/Information Item: We have started reporting course fee changes of any dollar amount. As a result the volume of course fee change request has grown. There is currently discussion as to what process we should have in place for this. The current consideration is that the requests be packaged and submitted on a quarterly basis. Just the changes in the course fees will be submitted to the Governing Board. The group also asked for a clause to be added for considerations for exceptions to the quarterly submittal.

More details on a proposal will be brought back to FAC at a later meeting.

Other Business: There was no other business.

Plus / Delta

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| + Good State analysis handouts | - Poor attendance |
| + Maricopa Financial Plan | - turn mikes to higher level |
| + Patient w/ students | - taste of water |
| + Student input | |

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