

## Attachment A



### **Financial Advisory Council Meeting**

Tuesday, December 2, 2003

Governing Board Room

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

### **MINUTES**

**Members Present:** Alyssa Brown, Larry Christiansen, Roy Cohen, Rick Degraw, Rufus Glasper, Carnella Hardin, Karen Hardin, Leah Heathcoat (CGCC Student), Steve Helfgot, Maria Hesse, Emily Hogan (GCC Student), Conrad Mills, Lorie O'Brien, Linda Rosenthal, Anna Solley, Jane Saldana-Talley, Trevor Smith (CGCC Student), Debra Thompson, Yvonne Zeka

**Members Absent:** Ron Etter, Karen Hardin, Steve Riley, Les Strickland

**Guests:** Carl Couch, Joyce Elsner, Dianne Johns, Mark Mason, Georgia Gudykunst, Grady Wolfe

**Welcome and Introductions:** Everyone was welcomed to the meeting. Alyssa Brown was introduced to the council. Alyssa is joining FAC as the new representative for PSA.

**November 18, 2003 FAC Meeting Minutes:** The minutes were unanimously approved.

### **Agenda Items:**

**Flex Benefit Rate Update/Information Item** – Dianne Johns from Employee Services shared information with the council regarding flex benefits and retiree health.

Dianne provided an update on medical costs and flex credits in respect to MCCD employees.

Medical inflation rate remains approximately 15% per year. Blue Cross / Blue Shield is projecting a 15-22% (\$3.5-\$4.7 million) increase in our rates for FY 04/05. At the October 28<sup>th</sup> Executive Session Dianne made a presentation to the Governing Board. She summarized the following:

- External factors continue to drive up medical costs
- Many employees are currently taking home less pay due to: ASRS contribution increase, increased medical out of pocket costs, medical premium increase, and general inflation.

In addition the Governing Board was given examples of the net pay that span for three years for four different paychecks so that they could see the decreases that have occurred.

There are two bright lights; a shift to generic drugs with the 4 tier copay resulted in a \$.5 million savings and the success of the Wellness program.

The Board is being asked to fully fund the flex credit program. November 25<sup>th</sup> was the first reading of the FY 04/05 Flex Credit Funding and December 9<sup>th</sup> it is included as an action item for the Governing Board.

### **Retiree Health Update/Information Item -**

On August 6<sup>th</sup> the ASRS Board made a recommendation to propose legislation to send all the pre Medicare retirees back to their employees for healthcare. If this happens, in 5 years it is projected we will have 700 retirees and add an additional \$5 million to our healthcare costs, in 10 years a projected 900 retirees and add an additional \$10 million to costs. At a November 5<sup>th</sup> presentation to Representative Huppenthal's Retiree Health Committee there was focus on 3 problem areas and solutions to the healthcare dilemma.

1. *Adverse Selection*: Currently ASRS is giving a medical subsidy to any retiree whether they choose ASRS or their previous employer. Rural premiums are two times higher than in the city, which means that only the sick employees are buying coverage causing rates to go up. The open enrollment policy allows for retirees to opt-in when sick and opt-out when healthy, again causing premiums to go up. If the fractured retiree health plans were centralized into one plan it might help decrease costs.
2. *Financial Issues*: If vesting period were adjusted we could avoid subsidizing so many out of state employees. In addition, it was suggested that the service credit buy back be less generous.
3. *Bidding Process*: It was suggested to marry the ADOA network and the ASRS to provide the rural areas a network. It was also suggested that a little more flexibility be allowed in the RFP process for the bidders.

At the November 24<sup>th</sup> The ASRS Healthcare Committee Board Meeting the following motions were passed.

The committee rescinded the recommendation to send retirees back to employers' for medical coverage. They will meet informally with vendors prior to the RFP process to discuss retire medical plans. The plan design will be changed: high/low options, implement disease management, health promotion, tiered prescription benefits and review financial issues with single and multiple carriers. They will address ASRS adverse selection issues (e.g. open enrollment policies, pre-existing condition clauses, etc.). Communication with employer groups on progress will improve. The ASRS RFP will be finalized by January 22, 2004 and they will report back to committees by February 5, 2004.

Consolidation of program, common rate structure for rural and city areas, tightening up of disability eligibility and credited service buy back issues were not addressed. Any policy changes requiring legislation will not be addressed this year.

Dianne also highlighted some of the finding for a national premium benefit and health insurance survey conducted by ASRS. They surveyed the largest retirement systems in 49 states. Some of the key finding are: 46 provide health insurance to retirees, 41 provide some type of medical subsidy (20 years of service for full medical subsidy being most common), ASRS pays higher monthly pension for less contributions, 5 states are exploring pre-funding retiree medical by employee as an option and 30 states do not allow unrestricted opt-in and opt-out medical elections.

A question was asked if the ASRS Healthcare Committee will revisit the rescinding of the recommendation to send retirees back to employers' for medical coverage. Can we go ahead with our planning? At this point it does not look like the committee will revisit that recommendation. It was suggested that our government relations department stay on top of this issue.

An inquiry was made as to whether or not there will be similar discussion on different coverage options that will have an impact on the cost to Maricopa. There will be additional options explored, for example, fully funding v/s self-funding and weighing the saving against the risk.

**Active Retirement/Information Item:** The revised active retirement policy went to the Governing Board last month for first reading and there were no comments. The major changes are a tiered approach to participation for years of service. It was stressed that participation in the program is not guaranteed and is based on the needs of the college or district office. There is also support for a \$600,000 allocation for 4 colleges that have experienced difficulties in funding the program and received very little when the program was decentralized years ago. This additional funding is not part of the policy, it is not for Board action but it was approved by this group and CEC for funding. The Board is being asked to take action on the policy at their next meeting. If the proposal is accepted it will go into effect July 1, 2004.

**FY 05 Tuition Consolidation Discussion/Information Item:** Historically MCCD has split tuition into tuition and fees. This has posed some problems for students that are submitting for reimbursement from their employers. Many employers will only reimburse for tuition and see the fees different from tuition. The proposal is to have all tuition and fee charges appear together as one tuition charge. We would then go back and make the necessary transfers. Currently there are no issues anticipated with the accounting department if we make the change to have everything appear as tuition. There was some concern as to whether or not the long-term consolidation of funds will impact the carry forward policy in Fund 2. This will be researched further if the funds are going to be merged in the future. It was proposed that the group look further into the full consolidation of the funds and the issues that may need to be resolved.

A question was asked if this consolidation could appear as a tuition increase. How we report this to the federal government will be researched further to see what affect this might have.

A point was made that we need to clarify why this change has been made and the advantage to students at all campus visits regarding the budget.

At past meetings it was suggested to look further into the availability of scholarships to students. The subcommittee looked at how MCCCD is currently funding scholarships and the need to make changes to accommodate FTSE growth for FY05 and a potential tuition increase. A Student Support Summary was provided that included the increase in funding for scholarships for FY05. The funding for several scholarships show significant projected increases for FY05. A point was made that this is just a summary and there are several other resources available to students. A request was made to provide the group with a summary of these other resources. An additional request was made that we invite the colleges out to present on financial aid opportunities that are available and share some success stories.

**FY 05 Tuition Rate Discussion/Information Item:** The financial plan does assume a possible \$2 per credit hour tuition increase. Even with this increase and all other assumptions we still show a deficit. There has been discussion on no tuition increase in light of the bond and there has been discussion of a higher tuition increase. There are strong feelings on both sides.

A comment was made that we need to take a very close look at the implications an increase could have on the upcoming bond issue.

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.

Other options in regards to MCCCD's ability to tax at a higher amount are being explored to keep the increase as low as possible or avoid a tuition increase all together. As these options are explored and more details are known they will be shared in a public manner.

A suggestion was made that we begin to look at some choices we might have to make on the expenditure side. It was proposed that we look at what a potential cut of 1% for every \$1 million we have to find relative to the short falls we are currently looking at might look like. A larger concern is not making a decision or delaying a decision and having to build back the loss of the base and continue try to move programs ahead. Both sides of the tuition increase need to be explored. An additional comment was made that we could look at cutting some proposed increases in funding in lieu of cutting existing funds.

A request was made for a matrix that will summarize some of the options that have been discussed at the next meeting.

This group needs to make a decision on tuition increase by the end of January to be able to make a recommendation to CEC by February.

**Expenditure Limitation FTSE Estimate/Action Item:** Each year an expenditure limitation is set for MCCD and other political subdivisions. Our expenditure limitation is based on our FY80 budget (approximately \$52 million) inflated by the GPD deflator (inflation adjustment) and a FTSE projection that we provide. The FAC Joint Subcommittee has met several times regarding the matter and recommends to FAC to make a recommendation for an 85,000 FTSE estimate. The council was previously 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 group moved to forward the estimated FTSE of 85,000 to CEC for consideration.

**Other Business:** There was no other business.

#### **Plus / Delta**

- + Interesting analogies
- + Had a tough discussion
- + Candid exchange of views
- + Rick out of his shell
- Poor attendance
- Learning curve needs to be addressed

**Next Meeting** / January 27, 2004, from 2:00 p.m. to 4:00 p.m., in the Governing Board Room