Financial Advisory Council Meeting Minutes
September 9, 2003
Rio Salado College, Room 3B
2:00 p.m.

Members Present:

Sue Burrola, Larry Christiansen, Roy Cohen, Art DeCabooter, Rick Degraw, Ron Etter, Rufus Glasper, Carnella Hardin, Karin Hardin, Steve Helfgot, Maria Hesse, Conrad Mills, Lorie O'Brien, Steve Riley, Linda Rosenthal, Jane Saldana-Talley, Les Strickland, Debra Thompson, Yvonne Zeka

Members Absent:

Gene Eastin, Carol McQueary, Willie Minor

Guests:

Lulut Clow, Carl Couch, Joyce Elsner, Sam Harris, Jose Leyba, Mark Mason, Gayle Whittle, Grady Wolfe

Meeting Convened at 2:05 p.m.

Welcome and Introductions

Greeting and introductions were shared. There was an inquiry as to when students will be appointed to the committee and it was explained that students would be recruited from the upcoming Public Policy Forum. 2-3 students will be appointed to FAC this coming October.

Ground Rules

The ground rules for the meeting were reviewed.

Update: Information Items

FY 03-4 Budget Finalization

Last fiscal year a recommendation was made to seek approval from the Governing Board for an additional 1% salary increase, in addition to the approved salary adjustment for a step and 2% increase (1% for top of scale employees). The $36.6 million resource level needed to fund the additional 1% increase was not met; therefore the recommendation could not be made to the Board. This closes our FY 03-04 budget with the exception of whether our not the state will reduce appropriations as done in the last two years.

Capital Planning

All colleges have completed their master planning and have received their proposed allocations. In addition to capital allocations there are set asides (i.e. major maintenance, information technologies, energy conservation, developmental monies). In total we are looking at a possible bond of $951 million, with half as set asides and half as college allocations. Set asides will be a benefit to many high growth areas throughout the valley and some allocations will benefit all (e.g., major maintenance, occupational equipment).

Lionel Diaz will share more details and information regarding capital planning at the next FAC meeting. Currently, a retreat with the Governing Board and CEC is being planned for October 22nd to talk more about what colleges might do with allocations. Projections on operating costs will reflect FAC recommendations, but it is not necessary for FAC members to attend the retreat.

Active Retirement

The Active Retirement Committee has been formed to review current Active Retirement policies. The committee consists of approximately 20 members representing all employees groups. In the early 90's the program was decentralized to keep costs down. However, some colleges are experiencing difficulties funding the program. The committee was formed to look at ways to fund the program and how to open the program to more participants. Some ideas the committee is looking at are limiting participation (number of years) and a possible tiered approach to reduce costs. The committee will likely have a recommendation to CEC next month.

Salary Setting/Meet and Confer

All employee groups have been meeting in the past months with some FAC members to begin working on designing and implementing a new process on setting salaries. Some ideas are more discussion, possibility of decisions being made earlier and more understanding of what recommendations are. So far there have been 2-3 meetings and additional meetings have been scheduled in the coming months. FAC will be provided an update of the progress.

Nursing

Last year the state passed Senate bill 1260, requiring universities and community colleges to work together to double enrollment in Nursing by 2008. Universities did their plans in the spring and Maricopa Community Colleges finished our plan last month and submitted it to the State Board of Regents. The State Board of Regents will move plans to the Legislature and the Governor's Office. The plans lay out how we could increase enrollment and what additional costs we would incur. Plans will look to the state for additional funding. Maricopa's total costs were $50,182,276.

Joint Committee on Capital Review

With the elimination of the State Board's responsibilities the State put in to place one oversight for colleges, the review of our projects funded by revenue bonds by a committee. The committee assigned to this is the JCCR, equally comprised of senators and representatives. By law, the committee is required to review projects not approve them. They take a vote to provide a favorable or unfavorable recommendation. We did appear last month to request a review of the PVCC PAC. The JCCR declined to conclude the hearing and invited us back to provide more information on the project. Meetings are currently underway including various committee members to discuss the project in detail.

Strategic Planning Update

The Strategic Planning Handbook for FY 04-05 will be sent out next week. As we are not looking at budget requests to be submitted for FY 04-05, the handbook will be shared with FAC to provide insight on what the colleges are being asked to submit.

A portion of the October 22nd retreat will be spent addressing the alignment of Board Goals and Strategic Directions. The goal is to have a more streamlined process in place so that when planning and planning the budget there is more of a sense of what we are planning to.

15 Year Financial Plan

Mark Mason provided the most recent draft of the 15 Year Financial Plan. The draft will also be shared with the FAC Joint subcommittee at their next meeting. Mark explained that the plan provided was a 15 year plan as opposed to a 10 year plan to include ramifications of the potential 2004 bond. The additional 5 years were added to address the operating costs of the bond program, which amounts to approximately $53 million over that period of time. Mark provided some highlights of the draft.

Summary

Pages 6 and 7 provide a summary of where we will be with the assumptions at present. Mark explained that FY05-11 are currently showing deficits. The assumptions will need to be looked at and prioritized in order to bring this plan into balance.

Narrative

The narrative addresses major assumptions and will be the operative areas of this plan that address deficits through FY11. The tuition rate assumption addresses one of two things: either a $2.00 increase in tuition (applied to FY05, 06, 07 & 13), or an increase based on the current HEPI (applied to FY08-12). A comment was made that another point to consider should be whether or not inflation will remain as it has.

An assumed tuition increase is always included in our financial plans. Inflation is looked at as a starting point, some years being greater than others (there are many factors that impact any given year). This is a planning assumption that needs to be looked at and a recommendation drawn from there.

State Aid

The plan reflects a conservative expectation from State Aid. Due to the state of the economy we may see a lower state appropriation in FY05 than in FY04 and planning to absorb an additional 5% reduction in FY05. FY06 reflects a recovery to current appropriations level. FY07-13 reflects hope of more normal support from the state.

New Faculty

The District has made a commitment to fund 25 new faculty positions each year. In Spring FAC recommended and CEC approved a change to the Faculty allocation formula that has been implemented in the plan. The Phase II component of the change is also included in the plan, allowing funds for District to match up to three faculty positions per college with the assumption that all colleges will take advantage of the matching incentive.

Enrollment Growth Funding

An escalation of $1,800 to $2,600 per FTSE for Enrollment Growth Funding has been built into the plan. It was clarified to the group that although this may seem high, it is measured against a change in tuition rate and stays comparable.

Meet & Confer

Meet and Confer is the largest resource user in the 15 Year Plan. In FY05 the assumption is that we will fund a step and 1.95% COLA increase, FY06-FY13 includes an assumption of a step and a 2.91% COLA increase. This increase reflects the average western region CPI. ***A point was made that this increase does not reflect any recommendation from the Governing Board or that this increase is what would be asked of the Board to recommend, nor is it assumed that this will be the Board's recommendation. This estimate is provided for illustrative purposes and was selected because employee groups often have expressed interest in such a point of comparison, if not an actual salary adjustment that is set in this manner.***

Active Retirement

The recommendation from the Active Retirement Committee could include additional resources and the plan will need to be revised to reflect that recommendation.

MAT Reclassification Study

The results of the MAT reclassification study may also have an impact on resources and will also need to be a consideration.

Bank Credit Card Charges

There is an initiative for bank credit card charges to be absorbed by fund 1 to free up some capacity in fund 2. The plan shows the cost in FY06-07 with 1.8 million absorbing charges.

A question was posed regarding the $15.00 per square foot figure used for new space constructed. There was concern that this figure was an accurate reflection of the needs that will come with new space. The FAC Joint Committee will revisit the formula and verify that it is accurate for Maricopa's needs. It was suggested that Security, Crafts and M&O also be involved in this process.

A comment was made that we need to take into consideration the potential for increase in cost for ARS. Mark will further research that possibility.

A comment was made that there is legislation forthcoming this spring to have retirees that have left the Maricopa system come back to our program. Although they will be paying their own premium cost, they will impact our experience. This potential increase needs to be considered.

A comment was made encouraging the group to look at a 10 year Capital Plan and manage that by our ability to manage operating costs on a yearly basis. In addition, the packages need to mirror what in is the colleges strategic and master plans.

Plus / Delta

Plus

- Great work on plan
- Helpful to see big picture
- Able to fully fund the 94 program for operating costs
- Appreciate the updates
- Continue use of microphones

Delta

- Room, too hard to hear

Next Meeting

October 14, 2003 / District Office, Governing Board Room / 2:00 – 4:00 p.m.