

MINUTES

COCHISE COUNTY COMMUNITY COLLEGE DISTRICT GOVERNING BOARD SPECIAL BUDGET WORK SESSION

Tuesday, April 11, 2017
Sierra Vista Campus
5:00 p.m.

1. GENERAL FUNCTIONS

1.01 Call to Order

Mr. Nelson called the work session to order at 5:00 p.m.

Board Members Present:

Mr. Dennis Nelson
Mrs. Jane Strain
Mr. Danny Ortega

Board Member Absent:

Mr. David DiPeso
Mr. Tim Quinn

2. NEW BUSINESS

2.01 Presentation and Discussion of the FY18 Budget

Dr. Verlyn Fick, Vice President for Instruction/Provost, representing Dr. Rottweiler in his absence, welcomed the Board to the special work session. He stated he would be providing a PowerPoint presentation, of which the Board had a hard copy. He will also be reviewing a couple of other budget summary documents that will be provided. Dr. Fick informed the Board that ninety percent of what will be presented this evening has also been presented at employee open forums. He began with the college's mission, "Cochise College provides accessible educational opportunities that are responsive to a diverse population and lead to constructive citizenship, meaningful careers, and lifelong learning". This is the anchor we have as we move through the budgeting process.

We have other anchors, as well. One is a list of strategic priorities, some of which are older and some are relatively new:

1. Competitive Advantages
2. Excellence
3. "Everything Speaks"
4. Completion/Student Success
 - First Year Experience
 - College Preparation
 - Professional Development
5. Institutional Effectiveness

Institutional effectiveness is beginning to increase in its intensity; how we use our money is one of those institutional effectiveness measures, along with a lot of other things that are starting to play into that, as well.

We also have budget principles:

- Student Centered – success and completion
- Data Driven—use of key performance indicators
- Employee Friendly – retention, recruitment, and development
- Technologically Enhanced – impactful and efficient
- Future Focused – enrollment planning, management, recruitment, and educational services

Dr. Fick shared the key Budget Drivers for FY'18:

- Prop 206 (this is a game changer and will be a game changer for the next several years)
- Employee Compensation and Benefits
 - Retention, Recruitment, and Development
- Administrative Computing Overhaul (a major part of what we're doing this year and next year)
 - Technologically Enhanced and Data Driven
- Strategic Initiatives
 - Student Success/Completion and Future Focused

As previously mentioned, Prop 206 was the voter initiative that passed recently and provided for increases in the minimum wage. Dr. Fick provided specific information on the impact Prop 206 will have on the college, as follows:

- Minimum Wage
 - 1/1/17 - \$10.00 per hour (24.2% increase from \$8.05)
 - 1/1/18 - \$10.50 per hour (5% increase for those at min)
 - 1/1/19 - \$11.00 per hour (4.77% increase for those at min)
 - 1/1/20 - \$12.00 per hour (9.09% increase for those at min)
 - 1/1/21 – and beyond: increase each year by the “cost of living”

Dr. Fick stated these are some large percentages. Not only do we have to think about people that are earning the minimum wage, but the impact on the rest of our overall salary schedule, as well. Along with that, while this may not have as much budget impact as it has effort impact, is trying to keep track of the paid sick time that all our employees will now be receiving.

- Paid sick time (Effective 7/1/17)
 - Policy development in process
 - Implementation strategies being tested in HRIS
 - Impacts an average of 420 employees
- Security Services and Food Services (\$16,666 increase in funding we need to provide)

Dr. Fick stated that the employee compensation and benefits are going to be highly influenced by the Prop 206 actions. He reviewed the FY'18 employee compensation plan

(\$577,152) and began with the Classified Staff – reclassify all CS03 positions to CS04, increase base (CS04 minimum) by 1%, eligible staff receiving 2% increase (1% base + 1% longevity), and Classified Staff hired February 1 or later receive 1% base increase only. All other employee categories – increase structure base by 1%, eligible employees receive 2% increase (1% base + 1% longevity), and employees hired February 1 or later receive 1% base increase only. Associate faculty – increase base rate from \$685 to \$700 per equated unit (2.1%). Dr. Fick provided a slide showing how the overall schedules will be changing as part of the 1% adjustment.

Dr. Fick then turned the time over to Dr. Wendy Davis to provide information on employee benefits (health insurance and retirement - \$217,209). Dr. Davis hit on the highlights of a couple slides related to the benefits programs and the increases we're experiencing, based somewhat on the Affordable Care Act and the impact of the requirements of that, as well as some high dollar cases that the Trust incurred over the last year that has projected our costs up. She stated the college is part of Cochise Combined Trust, which is a consortium between the county and the college; we're self-insured, which means our premiums pay our claims. She explained that we ask our actuarial to take our costs and project out what those will be over the next fiscal year; as a result, we will have an increase of just over 9% for our employer funded contribution for a single EPO plan which is exclusive provider organization. We are also increasing that deductible, currently at \$350 per person or \$1050 for a family, to \$500 person or \$1500 for a family.

As a result of a survey conducted with the county and college employees to find out what they were looking for as far as insurance benefits, a lot of options were requested. Dr. Davis reviewed a couple of different options that have been added. Dr. Davis then provided a slide showing premium costs related to an employee-only contract for the different types of health options being offered.

Dr. Fick stated that there will be no increase the Arizona State Retirement System (ASRS), and only a slight increase for Long Term Disability (0.14% to 0.16%).

Continuing on into other compensation-related items, Dr. Fick stated that one of the things we try to do at this time every year is determine if there are people that need to be reclassified or make any changes in their positions. We have a number of those, and that will probably run between \$55,000 and \$60,000 to get those positions adjusted.

Keeping with our budget drivers and principles, professional development is important at the college. A couple efforts being made include Career Ladders and the (2nd) President's Leadership Academy (\$40,000). One other Prop 206-related item is that we've set aside \$25,000 to try to cover the student/PT wages. Mrs. Strain inquired if the participants in the President's Leadership Academy are the same as last time or will new participants attend. Dr. Fick stated that this group going in will be an entirely new group. We are trying to find other activities for the people who have been through the academy.

Dr. Fick stated our next driver is the administrative computing overhaul (\$750,000 now; \$1,200,000 future). Currently, we are in the middle of trying to get our system stabilized. He will be providing a monthly update on this during the regular meeting this evening. We have put \$750,000 into the budget for next year. To continue, this might include consultants and hiring people in the computing area. Mr. Nelson inquired if this money will also be used for equipment. Dr. Fick replied that a small percentage of it would, but a lot of the need is still with the people.

Dr. Fick stated we're trying to figure out where we're headed from a big picture standpoint. One of the things we're beginning to ask is what program do we want to use as the main campus data program (currently we're on Banner 8). We are planning on going to Banner 9, but wanted to take our time while we have the opportunity, to ask if there are other options that would be useful. We are working with our Banner Action Team to study some alternative ERP systems. Mr. Nelson inquired if the \$750,000 for administrative computing is for the next fiscal year, to which Dr. Fick replied yes. Mr. Nelson then inquired if the administrative computing plan for the future is for some other fiscal years in the future. Dr. Fick stated that, if we decide we need to go down a totally different road and need to spend that kind of money, it would be coming out of this year's budget; however, it would probably end up being out of our reserves and not out of our general fund. Mr. Nelson asked if the \$1.2M would basically be the maximum figure as far as what might be needed. Mr. Fick stated probably not. Some of these expenses could be in following years. There are still a lot of questions that need to be answered before he could provide a more reliable sense of what that expense is going to be.

Dr. Fick reviewed the strategic initiatives, based on the drivers. There are a number of them around staffing, totaling over \$600,000:

- Instructor Student Success
- Instructor Building Construction Trades/New Direction
- New Programming in Nursing, e.g. LPN; LPN to RN
- Santa Cruz Center Teach Out Plan
- Instructor Digital Media Arts in FY'17
- Administrative Assistant for Instruction – Douglas in FY'17
- Director Aviation Programs in FY'17
- Aviation Mechanic II in FY'17
- Staff Reclassification and Adjustments
 - Director, Emergency Medical Services
 - IT Project Manager/Web Solutions in FY'17

Another set of strategic initiatives, which are on-going (\$186,946), include:

- Recruitment Specialist
- Student Research Program
- Department Chair Realignment
- PT Payroll Specialist
- Cyber-Insurance
- Douglas Utility
- Culinary Instructional Supplies
- Student Enrollment Management

One-time strategic initiatives (\$370,550) include:

- Aviation – Automated ADSB
- Building Construction Trades (BCT) Equipment
- Green House for Agronomy Program on DC
- 2 Additional Cochise-Connect Rooms
- New Cable System for Douglas Housing
- Health & Fitness Equipment Upgrades
- New Carpet for Douglas Campus Library

- Rodeo Stock Trailer
- New Soccer Field Sound System

Dr. Fick then reviewed the Key FY'18 Budget Drivers: Prop 206 (\$16,666); Employee Compensation and Benefits (retention, recruitment, and development - \$916,562); Administrative Computing Overhaul (technologically enhanced and data driven - \$750,000 to \$2M); Strategic Initiatives (student success/completion and future focused - \$1,171,105). When you look at the overall total, the low end comes out to be \$2,854,333, with the high end coming out at \$4,104,333 (which would involve some funding from our fund balance).

Dr. Fick turned the time over to Mr. LaMont Schiers, Vice President for Administrative Affairs, who reviewed our available resources/revenues. Mr. Schiers stated we waited this year until we received the governor's preliminary budget in January before starting to implement the development of our budget for this coming year. In doing that, we asked all the budget managers to try to make a five percent reduction in their non-labor budgets. That effort generated roughly \$324,305, which can be used for other initiatives. Along with that, we are no longer maintaining the Old Smith Middle School on post (\$78,000). Also, we are reallocating President Rottweiler's Innovation Fund (\$250,000) towards initiatives such as administrative computing. In addition, we have unfilled/reduced/reorganized positions, which resulted in a savings of \$585,375. Combined, we end up with \$1.2M to be scheduled or used for new initiatives. Mr. Nelson inquired about the reduction of staff in Santa Cruz. Dr. Davis stated the Santa Cruz positions are paid for by the Santa Cruz County Provisional Community College District. Any faculty or staff we have as a result of the teach-out will be an added cost for FY'18. Mr. Ortega inquired if the vacant positions were eliminated. Dr. Davis stated most of the positions were vacated either through internal transfer or retirement, and we chose not to fill those positions. We did have one reduction in force. Mr. Schiers stated that, as previously mentioned, there were several reorganizations in regards to some of our functions, district-wide, which resulted in some savings or efficiencies.

Dr. Fick then reviewed a slide showing the community college funding model:

The 3 Legged Stool (The Big 3)

1. State Aid
 - Funding Formula established in Arizona Statute
 - Operation & Maintenance (M&O or FTSE)
 - Equalization (offsets low assessed valuation)
 - Cochise, Graham, Navajo
 - Capital Outlay/STEM
2. Property Taxes
 - Primary Tax Levy to Support Cochise College (1962)
 - Constitutionally controlled
 - Limited to 2% annual growth + New Construction
3. Tuition and Fees
 - Set by Governing Board

In regards to new revenue, Mr. Schiers stated one of the things we do have control over, at our district level, is that of tuition. Last month, the Board approved a \$3 increase, increasing the cost from \$79 a credit hour to \$82 a credit hour. As compared to other districts, we are right in the middle; while there are a couple districts below \$82 a credit hour, there are five

districts above \$82 a credit hour. With that said, this is going to generate over \$200,000 in revenue. We also introduced differential tuition, which will also increase opportunities, in regards to the 3 legged stool, in revenue we can bring in. Mr. Schiers provided a slide showing that we're asking the students to pay an additional \$90 (30 hours per year) for FY'18.

Dr. Fick stated that, in addition to tuition, we do have some estimates on state funding (which is not finalized until the legislature and the governor finish their processes). Currently, if the formula funding continues, we anticipate receiving a net increase of \$371,100. Just as a reminder, he stated our history has not been kind, as we've seen our state aid, M&O, and equalization drop by about \$5M. Over the past several years, it's bounced around the \$9M rate. We'll see how that proceeds in the future.

In the area of capital outlay, Dr. Fick stated Dr. Rottweiler deserves a lot of credit; he was one of the key people who got the legislature to consider starting to pay out some of what used to be capital outlay and now is STEM funding. We're now seeing some of that funding, as well. Dr. Fick provided a slide showing Capital Outlay/STEM beginning in FY'11 through FY'18. Mr. Nelson inquired if FY'18 was FY'18-'19 or '17-'18. Dr. Fick stated it would be FY'17-'18. Mr. Nelson requested this be stated as FY'17-'18 in the future, so he understands better where we are.

As an example of how enrollment has impacted the college in the past several years, Dr. Fick reviewed a slide showing Enrollment and Lost Revenue, along with M&O and STEM decreases based on FTSE reductions. The amounts were significant.

Dr. Fick then reviewed a slide showing how Cochise College compared to other rural institutions (Maricopa and Pima are no longer part of the state funding model). The chart showed, for FY'15-'16, how much money, per FTSE, an institution is spending from their general fund or from all of their funds. The average across the rurals, for their General Fund Expenditures, is a little over \$9,500 per FTSE. The All Funding is a little over \$16,000 per FTSE. It's certainly quite a bit of expense across the state. We're fortunate to be on the low end of the spectrum, where we spend just under \$5,600 of our general Fund per FTSE, and a little over \$10,000 out of all of our funds. Again, we're very fortunate to be at that level of institutional effectiveness. Hopefully, we can continue to do that. Part of that is overall effort and part of it is being strategic in some of the kinds of products and partnerships we've made over the years.

In the area of property taxes, Dr. Fick stated if we proceed to do the Truth in Taxation, we're looking at \$872,689 of potential property tax revenue. He provided a slide showing a history over the last several years. In terms of percentages of increase, we have rates from 3.1% up to 5.1%, in terms of actual percentages that come in. We definitely value the property tax. One of the things that make it very valuable this year is the fact that, based on the estimates, the 2% increase would bring in \$424,546, but new construction in addition would bring in even more, \$448,143. Therefore, we are recommending that we move forward and do a Truth in Taxation hearing and try to do the 2% increase. The actual increase for a \$100,000 of assessed value is \$4.65. Again, that is an average estimate across all of the taxpayers.

In review, Dr. Fick stated that, in looking at the big picture in terms of resources, we've come up with over \$1.2M in savings and reallocation efforts, and in terms of new revenue, a little over \$1.6M. In a final summary, the Board can consider \$2.8M as potential resources for allocation. We have \$2.8M - \$4M in proposed expenditures; the dash in there means we

are also looking at whatever the future needs are for the administrative computing equation. If we stay with the smaller number, we would have a balanced budget. If we go with the additional resources for the future administrative computing end of expenditures, those resources would be coming from fund balance.

Dr. Fick reviewed the FY'18 Budget Summary:

1. Based on College Mission and Strategic Priorities
2. Follows Budget Principles
3. Conservative Projections:
 - a. Revenue
 1. Enrollment (flat)
 2. Governor's/Legislative Budget
 - b. Expenses
4. Addresses:
 - a. Prop 206
 - b. Employee Compensation
 - c. Administrative Computing Overhaul
 - d. Strategic Priorities
5. Provides for:
 - a. Contingencies
 - b. Growth
 - c. Opportunities
6. Balanced

In looking at the timetable and actions coming up, we've looked at tuition increases, state funding is pending, and we're recommending a 2% property tax increase with a Truth in Taxation hearing in early May. We would then be looking at recommending the FY'18 budget approval in mid-June.

Mrs. Strain inquired if we have any indications that the current budget process taking place in Phoenix is going to stay on target. Dr. Fick stated he has not heard anything.

Dr. Fick provided two additional handouts to the Board. Mr. Schiers stated one provides detail to the numbers shown in the PowerPoint presentation. The other document is the overall general fund budget. He added a caveat – at the bottom of the page is a \$43M budget for next year. When the Board sees Schedule A, B, and C, that figure will be closer to \$70M, because it will also include restricted funds, auxiliary funds, and other resources besides general funds.

5. ADJOURNMENT

Mr. Nelson adjourned the meeting at 5:54 p.m.

Respectfully Submitted:

Loretta Mountjoy, Executive Assistant to the President

Mr. Danny Ortega, Secretary of the Governing Board