

## MINUTES

### COCHISE COUNTY COMMUNITY COLLEGE DISTRICT GOVERNING BOARD SPECIAL WORK SESSION

Tuesday, April 8, 2014  
Sierra Vista Campus  
6:00 p.m.

#### 1. GENERAL FUNCTIONS

##### 1.01 Call to Order

Mr. DiPeso called the work session to order at 4:02 p.m.

##### **Board Members Present:**

Mr. David DiPeso  
Dr. John Eaton  
Mrs. Jane Strain  
Mr. Dennis Nelson

##### **Board Members Absent:**

Mr. Don Hudgins

##### 2.01 Presentation and Discussion of the FY'15 Budget

Dr. Rottweiler thanked the Board for coming to the work session, adding that this is their opportunity to ask questions, take a look at, and go in depth in the budget. He began the session by stating that everything is mission based, with the key part being affordable educational opportunities that are accessible, responsive to the diversity across our county, and that lead to constructive citizenship, meaningful careers, and lifelong learning. This will be driven around our strategic plan, with the first four priorities being Competitive Advantages, Excellence, "Everything Speaks", and Completion. The newest strategic priority emerging out of our strategic think tank is that of Process Improvement; improving on processes we already have in place. One that will fall into this year's budget is the IT Assessment, which we are currently working on, and then the concept of Continuous Improvement, for which the Board will see the position emerge in that area.

Dr. Rottweiler reminded the Board of the 'three legged stool' of community college funding:

- 1) State Aid, which is actually three formulas -
  - *Maintenance and Operations* (M & O or FTSE, this is a FTSE-based formula that has seen significant changes over the last six fiscal years, because it recalibrates every time.)
  - *Equalization* is a formula that's based upon assessed valuation, basically taking the average assessed valuation of the eight rural districts, averages that out, and then says those that fall below that average can get assistance to bring them up to an equal level. We've seen some significant decreases in equalization based upon the changes we've seen across the state.

- *Capital Outlay/STEM* – Based upon the report received today, the House and the Senate Committee approved this late last night, it is sitting on the governor's desk, and all indications are that she will sign it. That is the amount we have based our budget on here today.
- 2) Property Taxes have become a significant portion now, probably the largest of all portions of the funding of the college.
  - This is based upon the primary tax levy that was established in 1962 with the founding of the college.
  - This is set and limited by Prop 101, which says property taxes can be raised 2%, plus new construction
- 3) Tuition and Fees, which is set by the Governing Board.

In reviewing the M & O funding over the last six fiscal years, we are down \$6.1M in our general operating funds (about 40%). In Capital Outlay/STEM, we received \$450,400 last year; we will receive \$1.2M this year if the governor signs the budget (which it appears she will). The eight rural districts will receive money based upon what the formula and statute says; Pima and Maricopa will split \$2M. Dr. Rottweiler provided the Board with a handout showing the budgets for the ten districts going back to 2006, which included totals for M & O, Capital Outlay/STEM and Equalization. He reviewed each of the years, including cuts, appropriations, and revisions dating back to 2006 for each college, and explained the funding formulas and how they are recalibrated.

Dr. Rottweiler then reviewed revenue from property taxes, and the amount of those taxes that has come in since FY'11. He stated we are proposing, and have based the budget assuming, the 2% increase. If this budget is approved, there is \$802,276 of new resources; all but about \$300,000 of this is new construction. The increase being proposed, that the Board will take action on at next month's meeting, is really to raise about \$300,000. There are two reasons for this proposal; 1) this college is eligible for equalization dollars – the implications of that are if we're going to ask the state to make up the difference from where we cannot access property taxes, the governor's office will come back and say we need to be asking our people to carry their load if the state's going to pick up the additional amount. We're eligible for approximately \$3.8M, and each of the rural districts that is eligible for equalization is being asked to make sure they access those resources.

Dr. Rottweiler then shared the language taken out of the Truth in Taxation ad that will be set to go in the newspaper in late April, based upon the impression received from the Board. The ad will read: "Proposed Tax increase will cause Cochise County Community College District's primary property taxes on a \$100,000 home to increase from \$199.30 (total taxes that would be owed without the tax proposed increase) to \$203.29 (total proposed taxes including the tax increase)." This is an increase of approximately \$4 for every \$100,000.

Dr. Rottweiler provided information on Annual Tuition and Fees (30 credits), from FY '11 to FY '15. Depending on where you are, some will say students need to have 'some skin in the game', our local property taxpayers have some responsibility, and the college has some significant responsibility. If you add up all the increases/decreases, you'll still see that the college has cut millions of dollars out of its budget. Dr. Rottweiler stated that, last year, Cochise College was recognized as one of the 100 most affordable, quality community colleges in the country (in the larger districts). The FY '15 tuition rate, which the Board has already taken action on, is \$75 per credit hour; that is middle of the pack in Arizona, and probably in the lower quartile nationally. We continue to be very affordable, which is important when you look at poverty rates in our county. We don't want to be the cheapest, but we don't want to be the most

expensive – there's safety in the middle of the pack. Of note, our default rate dropped down to 9% this year, which is probably the lowest in the state of Arizona.

Dr. Rottweiler stated that, as we have done in the past, we will continue our budget principles of being student centered, making sure everything is based around providing quality education experiences for students, doing our very best to be employee friendly, and then we want to be as future focused as we possibly can moving forward.

When we became aware of the issues we had, along with anticipating issues coming in, and even with the STEM funding coming in, there was still going to be a decrease in resources to the college. Around January, we began a 'hiring chill' where we did not fill positions that became open without a senior administration review; some positions were filled where others were held. Dr. Rottweiler then reviewed changes/reductions/savings in the positions that were held; those positions included a graphic designer, an instructor for engineering, a professional librarian, an MOS advisor, an IMS Tech, a .49 office assistant, a student services tech in Corrections, an administrative assistant in the SDC, a registration tech in military programs, a recruiter, and a K-12 outreach coordinator. He added that you could consider these positions a RIF. Of these positions, there is only one that is currently filled that is on the slate for reduction. The employee has been informed, consistent with policy, and encouraged to apply for other positions. We anticipate bringing the formal RIF action to the Board in May, if the employee has not been placed. He stated he believes the reduction of these positions will have no impact to our operations. He then reviewed the reorganization of the library.

Dr. Rottweiler stated that, when over 70% of your budget is personnel and you have to make cuts, it's always in personnel. That said, we wanted to do some initiatives. We're proposing some salary movement, which we haven't done a lot of. In our Board meeting this evening, Vice President Davis will present the analysis we do each year on benefits. Based upon the models, we need to move all of our salary models 1%. We need to make sure our salary models are competitive for new employees coming in, otherwise, we can't hire. However, at the same time we move our salary model, we also need to make sure we provide some type of longevity, otherwise we end up with salary compression – new people coming in making more than people who have been in the system. For our employees hired before February 1, 2014, they can expect approximately a 2.5% salary increase – 1% based upon the model and 1.5% based upon longevity. In working with our faculty, one of Dr. Fick's initiatives is to move from a lab being two-thirds to .7. This means if you're teaching a science class that's four credits, and three credits are lecture (1 to 1) and one lab was two-thirds. What this is doing is moving it to .7. It will have some effect on our associate level and overload credits.

We are also adding some positions in – one of which is the Dean of Institutional Effectiveness. Dr. Rottweiler stated this is just moving some areas around from our Office of Institutional Research and others. One of the strategic initiatives was to increase institutional effectiveness. This will be a dean's level position that will work with all the departments to see if we can improve the things we need to do across the campuses. We think we can significantly increase our efficiencies and effectiveness if we have what we call a 'neutral party'. Other positions will include an Automotive Instructor for the new 'autoplex', an Agriculture Instructor on the Douglas campus, a Sociology Instructor (half-year), an Events Coordinator, and a STEM Pathway Coordinator (half-year). We will also change contract lengths to increase efficiencies.

Additional strategic initiatives include an Aviation A320 simulator, the Automotive Remodel Phase II, automotive equipment, resources for microscopes, Engineering Technology, and deferred maintenance projects to include fire alarms, HVAC water lines, Phase II, air handlers, A/C replacement, sewer line repairs, restroom remodel (DC 200), and xeriscaping. As we continue to become more environmentally friendly, we will be replacing some golf carts.

In an effort to improve our efficiencies, by July 1<sup>st</sup>, we will move all district-wide IT services to the Sierra Vista campus, as it will allow for a better exchange of information, as well as help with some of our bandwidth issues. We realized that having district-wide functions split across two campuses is neither efficient nor effective. Therefore, these functions will be consolidated on the Sierra Vista campus. As space becomes available, we will also move Business Services (accounts payable/receivable, the finance office, the budget office, and the controller). All student service level areas will remain at both campuses. Dr. Rottweiler emphasized that these moves will have zero impact on students and the services they receive.

Dr. Rottweiler pointed out that also included is a System Analyst/IT Assessment Consulting. This is a placeholder as we finish up our assessments. We will either need to potentially hire a systems analyst to do some of that work, but it more likely appears we may need to bring in some consulting to implement some of the initiatives/recommendations that are coming out of that assessment. Therefore, we've budgeted a placeholder for that.

In summary, Dr. Rottweiler stated our FY 2015 budget is based upon our mission and strategic priorities. It does follow our budget principles of being student centered, employee friendly, and future focused. It has conservative projections of revenue, anticipating a 3% decrease in enrollment. That doesn't mean we expect 3% fewer students - from where we were in previous years in anticipated revenue and tuition, this is anticipating the 3%. We think we've stabilized on enrollment, but we want to make sure we're conservative in our projections of revenue. If more tuition comes in, that's a good thing. If less tuition comes in that we've budgeted for, that's not so good. Therefore, we've been very conservative in this area. Initially when he put the budget together, it was based upon the best projections out of the governor's and legislative offices; as of today it looks like our projections will be just right in what we've projected. We continue to be very conservative in our expenses in what we're trying to do, making sure we're doing the best we can for students.

The budget addresses some key areas; our strategic priorities, employee compensation, and ongoing deferred maintenance. The budget will also provide for contingencies, will allow for some growth, as well as for other opportunities – should they materialize. We typically budget much of these types of things based upon fund balance, should those opportunities arise for growth or should we have some unique opportunities that materialize, such as the Lawley motors-type opportunity. We will budget and plan for those as part of our future focus.

Most importantly, we believe we have a budget that is balanced, with the caveat that we will use some fund balance for some one-time expenses, primarily around deferred maintenance. We've had savings in some years that are built into our reserves – we'll then utilize those reserves for the deferred maintenance.

Dr. Rottweiler provided the Board with a draft preliminary budget that we will continue to work through, comparing this year's budget to last year's budget. He pointed out property taxes, bringing in \$802,000, a decrease in maintenance and operations of about \$366,000, a decrease in equalization of \$841,000, a decrease in capital outlay/STEM (based upon the formulas), and tuition with a decrease of \$765,000 (based upon the 3% decrease). Fees actually go up \$508,000, which is the addition of \$450,000 in fees that will come in on the new simulator. Overall, when looking at the budgeted resources, we're down about 2% in our revenue. Also listed in the draft budget were salary and benefits, vacancies, salary increases, compensation study (which was done last year and shows no dollars for this year), plus many other initiatives. There was discussion around contingencies, Governing Board reserves, carry forward, plant fund, and fund balances.

**4. ADJOURNMENT**

Mr. DiPeso adjourned the work session at 5:20 p.m.

Respectfully Submitted:

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Ms. Loretta Mountjoy, Executive Assistant, Office of the President

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Dr. John Eaton, Secretary of the Governing Board