

MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE BOARD OF REGENTS OF THE DEL MAR COLLEGE DISTRICT

August 7, 2006

The Finance Committee of the Board of Regents of the Del Mar College District convened in the Isensee Board Room, Harvin Student Center, East Campus, 101 Baldwin, Corpus Christi, Texas, at 5:36 p.m. on Monday, August 7, 2006, with the following present:

From the Committee:

Mr. Trey McCampbell, chair; Mrs. Chris Adler, Dr. Haysam Dawod, Mrs. Olga Gonzales, Mr. Bill Martin, Mr. Gabriel Rivas, and Mr. Guy Watts.

From the College:

Dr. Carlos Garcia, College President; Mr. Jose Alaniz, Vice President, Business and Finance; Dr. Rosie Garcia, Interim Vice President of Instruction; Mr. Jose Rivera, Vice President of Student Services; Ms. Vickie Natale, Dean of Administrative Services; and other administrators, faculty, and staff.

From the Attorney's Office:

Mr. Augustin Rivera.

CALL TO ORDER/QUORUM CALL/MOMENT OF SILENCE/PLEDGE OF ALLEGIANCE

Mr. McCampbell called the meeting to order, and there being a quorum present, requested a moment of silence, followed by recitation of the Pledge of Allegiance.

PUBLIC COMMENTS (3-5-minute time limit)

Mr. Jay Knioum, representing the Exempt Employees Advisory Committee, noted that the compensation study was not designed to address inflationary factors affecting cost-of-living for the upcoming budget. He thanked the Budget Committee and Mr. Alaniz for their hard work in developing the budget.

Mr. Ed Cohn, Chair of Faculty Council, addressed a concern regarding the lack of step increase 19 in the faculty salary schedule. He stated a morale issue is produced by the fact that 40% of faculty will not receive an increase.

PENDING BUSINESS

Status Report on Pending Business

Mr. Alaniz reported that a bank depository contract has been drafted and submitted to Frost Bank for review and response.

ITEMS OF BUSINESS:

1. Approval of Minutes: July 11, 2006

Mr. McCampbell noted that the minutes should be corrected to reflect that he abstained from voting on the bank depository services.

Mr. Rivas made a motion, seconded by Mr. Martin, to approve the minutes pending the correction stated. The motion passed unanimously.

2. Discussion and possible action related to College tuition; and
3. Discussion and possible action related to tuition and fee increase.

Mr. Alaniz addressed Items 2 and 3 together. He explained that the proposed budget includes a \$1 tuition increase from \$34 to \$35 per semester hour for in-district and out-of-district students, as allowed by policy. He stated that the College did not recommend increasing any other tuition or fee increases since there were increases in the prior year.

Mr. McCampbell noted that a fairly large increase in out-of-district fee to try to equalize the cost of providing that service, but that this there is no increase in those fees except for the \$1 tuition increase.

4. Presentation, discussion, and possible action related to 2006-2007 budget and related matters; and
5. Discussion and possible action related to proposed tax rate.

Mr. Alaniz reviewed the budget and tax rate hearing process and schedule, which concludes with the official vote on the budget and tax rate on August 29, 2006.

Mr. Alaniz provided handouts relevant to agenda development, and then discussed the Operating Budget Plan for FY2006-2007, including the following:

Budget Comparison

A comparison of modified budgets from FY06 (\$64,530,504) to FY07 (\$67,171,915), represents a 4.09% increase from the prior year, for a difference, or shortage, of \$33,716. Mr. Alaniz stated confidence that the difference could be made up in view of the reorganization and combining of departments and various types of activities.

Mr. Alaniz reviewed funding streams for FY2006:

Special contracts	\$ -130,000
Tuition and fees	874,682
Property taxes	1,545,798
Other funds	<u>317,215</u>

TOTAL \$ 2,607,695

Mr. Alaniz explained that the property tax increase of \$1,545,798 is based on the valuation of the district increasing by 9% and the proposed tax rate, which is the same rate for Maintenance and Operations, with the only difference relating to debt service, as authorized by the voters in 2003.

Funding Streams

Mr. Alaniz stated that the \$317,000 increase represents adjustments to investment income and other line items.

Funding Sources: Maintenance and Operations

<u>Source</u>	<u>% of Current Budget</u>
State appropriations	27.7
Local property taxes	40.3
Student tuition and fees	27.7
Miscellaneous income	4.3

Tuition and Fees / Property Taxes

Mr. Alaniz referred to a handout that compared tuition and fees for area colleges and universities, and discussed the current tax rate (.228327), the published 2006 effective tax rate (.214136), and 2006 rollback rate of 8% (.258181). The recommended FY06 rate (.255723), considering a 9.4% increase in district value (\$14,084,424,382), provides \$1,534,576 for operations.

Debt Service Requirements

Mr. Alaniz explained that voter-approved debt service requirements provides an increase of \$3,988.196 with the .027396 increase in the tax rate, totaling \$8.5 million for FY07. He reiterated that the increase in tax is solely due to the debt service requirement as approved by voters in 2003, not for maintenance and operations.

Mr. McCampbell noted that the increase is coming at a time when the bulk of new buildings are coming on line for public use.

Comparison of Residence Homestead Values

Mr. Alaniz explained that the average residence homestead appraised value increased from \$95,589 in 2005 to \$103,213 in 2006, for average increase of \$44.31.

Fund Balance – Local Maintenance

Mr. Alaniz stated that the beginning fund balance on September 1, 2005 totaled \$12,595,273, with estimated additions of surplus operating funds in the amount of \$1,500,000 as of August 31, 2006. The estimated fund balance as of August 31, 2006, therefore, is \$14,095,273, or approximately 17% of the current operating budget. Mr. Alaniz noted the increase from 12% just a few years ago.

Expenditure Items

Mr. Alaniz reviewed expenditure items:

Salary adjustments	
Steps, promotions, and education	\$ 539,933
Faculty base / staff adjustments	1,111,040
New Programs	
Collegiate High School	128,935
Disaster Planning	87,500
Teacher Certification	61,972
Nuclear Medicine	110,912
Pharmacy Technology	136,874

New initiatives, including insurance and utilities, and physical plant items, including roof repairs/replacement (\$100,000) and building maintenance (\$395,000), were also discussed.

Mr. Alaniz insurance funding. FICA has been increased by \$300,000. No health insurance increases were made since the State of Texas funds at 100%. Utilities funding was increased by \$450,000 (electricity \$400,000 and gas \$50,000). He stated that the College will be looking at an increase of \$2-1/2 to \$3 million for windstorm and property coverage. Mr. Alaniz announced that Mr. Robert Reim, insurance consultant, and Mr. Lloyd Neal, HRH Insurance, will attend the August 22, 2006 Board meeting to review the proposed insurance coverage.

Cost of Proposed Salary Adjustments 2006-2007

Mr. Alaniz explained that the total adjustment of \$539,933 funds promotions, education increases and steps in the current schedule for nine-month faculty, exempt and non-exempt employees. Mr. McCampbell noted, with confirmation from Mr. Alaniz, that if

the College were to do a zero percent increase elsewhere, the College would still be committed to \$539,933 due to step increases (implementation of the current schedule).

Mr. Alaniz discussed additional salary adjustment options including the range from \$1,000 to \$3,000 to the base for nine-month faculty, and 1.5% to 4.5% to the salary schedule for exempt and non-exempt personnel. The minimum cost would be \$555,518 and the maximum \$1,666,582. He explained that these numbers include only salary cost, not FICA, etc. He mentioned that last year the Board approved \$1,000 to the base for faculty, and 3.5% across the board for exempt and non-exempt employees. Mr. Alaniz also mentioned that reserves had been previously established to address the findings of the Waters study.

After responding to questions of the Board, Mr. Alaniz recommended the Board approve an effective tax rate of .255723 per \$100 valuation. He reiterated that it is the same tax rate for the Maintenance and Operations budget; the only increase is six cents based on debt service requirements.

Mr. Alaniz asked for preliminary approval regarding tuition and fees for non-credit courses in the event an increase is requested by Mr. Bud Harris, Dean of Workforce and Economic Development.

Mr. Alaniz requested approval of adjustments to the adjunct faculty salary schedule, with an estimated high-end amount of \$25,000. He also asked the Board to approve implementation of a \$2,000 increase to the faculty base. Lastly, he asked for approval of a 3% adjustment to the salary schedules for all full-time employees. He stated that part-time and specially funded employees are not addressed within these schedules.

Mr. McCampbell noted that the 3% adjustment, added to the 1.2% (\$539,000) to implement the current salary schedules, would result in an average 4.2% increase in salary.

Mr. Alaniz reviewed the budget line items, page 16 of the *Operating Budget Plan*, and responded to questions of the Board. He explained that the 17% reduction in exempt resulted from reclassification of some positions to non-exempt, which impacted the funding for non-exempt.

Mr. Alaniz discussed budget items implemented pursuant to cost issues reported in the Rangel report, including travel, supplies, part-time salaries for faculty, and summer salaries.

Mr. Alaniz reported that the College has budgeted \$1 million for property insurance. He stated that Mr. Robert Reim and Mr. Lloyd Neal advised the College should anticipate premium costs up to \$2-1/2 to \$3 million. Mr. Alaniz responded that the budget could not be burdened with that amount, and asked Mr. Reim and Mr. Neal to bring options to the Board on an additional \$1 million.

Mr. McCampbell noted that even without the hurricanes last year, the College could expect higher premiums with the advent of additional buildings. He also expressed concern that the College has not built into the budget a reasonable increase for insurance for the new buildings.

Mr. McCampbell asked Mr. Alaniz to provide a report on examples of cost efficiencies that have been implemented as a result of the Rangel report.

Mr. Alaniz responded to further questions of the Board.

In response to Board questions, Mr. Ed Cohn stated that 40% of faculty is so experienced that they will not receive a step increase. He reiterated his proposal that the 18th step be expanded or a 19th step be created to provide the equivalent of a step increase. The overall cost would be \$60,000-70,000.

The Board discussed and offered support of performance-based raises.

Mr. McCampbell's request, Regents expressed concerns as follows:

Mr. Watts – None

Mr. Martin – Stated he was not comfortable with the 9.4% increase to taxpayers. He commented that he would have hoped a decrease in the current tax rate could have been accomplished. Mr. McCampbell asked for a his recommendation, to which Mr. Martin expressed hope that the State would more fully fund based on formula fund, and that the College will have to do more with less.

Mrs. Adler – Asked for clarification on the debt service requirement. Mr. Alaniz explained the increase as a result of the new bonds being sold in January.

Dr. Dawod – Stated concern for the long-term health of the College. He stated the College must be very careful how it spends money now and in the future.

Mr. Rivas – Agreed with Dr. Dawod about planning for the future. He noted the College had lowered the effective tax rate every year. He stated he was glad that tuition was not raised so that the College will remain affordable.

Mrs. Gonzales – The College has worked hard to bring about what we promised the taxpayers. She stated that Legislature has failed to consider the importance of community colleges. She commented that we need to teach our students, the consumers, how to lobby.

Dr. Carlos Garcia – The College is not increasing the maintenance and operation funds. The increase is due to a voter-approved bond election to pay for debt service. He noted that the College is ranked #3 in faculty salaries.

Mr. McCampbell – Pleased that faculty salaries are third in the state. He noted the importance of budgeting contingencies, particularly in light of the discussion on insurance.

Mr. McCampbell noted that with the \$2.6 million increase in revenue, the College is spending 97% on salaries, plant and utilities.

Mr. Watts made a motion, seconded by Mr. Rivas, that property taxes be increased by the adoption of a tax rate of 0.255723%. A roll-call vote was taken, and Regents Adler, Dawod, Gonzales, McCampbell, Rivas and Watts voted in favor; Regent Martin opposed.

6. CALENDAR: Discussion and possible action related to calendaring dates.

August 8, 2006	Regular meeting (presentation of Orders for public hearings on budget and tax rate)
August 18, 2006	Public hearing on budget; public hearing on tax rate
August 22, 2006	Public hearing on tax rate
August 29, 2006	Called meeting to adopt budget and tax rate

ADJOURNMENT

The meeting was adjourned at 7:29 p.m.