

WILLIAM RAINEY HARPER COLLEGE
BOARD OF TRUSTEES OF COMMUNITY COLLEGE DISTRICT #512
COUNTIES OF COOK, KANE, LAKE AND McHENRY, STATE OF ILLINOIS

Minutes of the Special Board Meeting of Thursday, January 30,
1997

CALL TO ORDER: The Special meeting of the Board of Trustees of Community College District No. 512 was called to order by Member O'Reilly on Thursday, January 30, 1997 at 5:43 p.m. in the Board Room of the Administration Building, 1200 W. Algonquin Road, Palatine, Illinois.

ROLL CALL: Present: Members Gillette, Hess, Howard, Kolze, and O'Reilly
Absent: Members Barton and Ley; Student Member Starek

Also present: Paul Thompson, President; Ed Dolan, V.P. Academic Affairs; Bonnie Henry, V.P. Student Affairs; David McShane, V.P. Information Systems; Judy Thorson, V.P. Administrative Services; Victor Berner; Bruce Bohrer; Steve Catlin; Harley Chapman; Tom Choice; Donna Drake; George Evans; Bev Hoffman; Bill Howard; Roberta Lindenthaler; Liz McKay; Russ Mills; Sheila Quirk; Paul Sipiera; Phil Stewart; Rose Trunk and Laurie Wren - Harper. Guest: Dianne Fotland.

Member O'Reilly appointed Member Kolze as the Secretary pro tem during Member Barton's absence.

BUDGET DISCUSSION

Member O'Reilly stated that the purpose of the meeting was to discuss the budget, and that much of the discussion would be led by Vice President Judy Thorson and Member Kolze. Each of the Board members received a packet of budget information.

Ms. Thorson explained that the packet contained updated information from the January 21 Budget Committee meeting plus additional information Board members had requested. The discussion at tonight's meeting will help the committee prepare the Board budget guidelines for approval at the February 27 Regular Board meeting.

Review of College Funds and Financial Projections

Ms. Thorson called attention to the handout entitled "F/Y 96 Audited Financial Results." She stated that the only change reflected Working Cash on the Non-Operating Funds side of the page. Working Cash is now listed as a total separate from Operating Funds and Non-Operating Funds. She reminded everyone that each Non-Operating Fund can only be used for specific purposes.

Ms. Thorson pointed out that the O&M Fund balance of \$4 million and the O&M Restricted Fund balance of \$4.5 million have been targeted to pay for the College share of Building W.

Ms. Thorson called attention to the handout entitled "Financial Information and Projections." She stated that it shows the detail for the Education Fund and O&M Fund, and that the following two handouts show the visual picture (graphs) of this data. The first graph was shown at the November Budget Committee meeting. After looking at the gap between revenues and expenses, it was determined that some intervention has to be done to prevent depleting the fund balance. The first graph shows the effect of a minimal tuition increase -- \$1 for next year, \$2 for 97/98 and then staying flat for next three years. The second graph shows the effect of the proposed tuition increase. Ms. Thorson explained that the only difference between the two graphs was the amount of the tuition increase. Both graphs include the bond sale, but do not include funding for Building W. She explained that this is a dynamic picture; it is constantly changing as events occur. She added that if the tuition proposal is approved, it will start to close the gap between revenue and expenses, as shown on the second graph.

In Member Ley's absence, President Thompson asked if there was a substantial basis for the estimate of the CPI. He had previously asked how the three percent was determined. There was discussion as to how this was chosen as a base. President Thompson said that the Chicago figure is the tax levy percent of 2.7. It is also based on cost of living. Member Gillette noted that if the federal government changes the basis of the cost of living calculation, it will affect the College. If it is changed in the way that is being discussed, it will have an adverse effect on anyone under the tax cap. Member Howard concurred. In response to Member Ley's question, it was determined that this point had not been finalized yet, and that it was not intended to be specific, but simply a way of looking at trends for the future.

Review of Working Cash Rules

Ms. Thorson called attention to the handout entitled "Working Cash Fund Community College Rules versus K-12 Rules." It had become apparent to her after the last meeting that many Board members were not clear about Working Cash Fund rules. After speaking with bond counsel, Ms. Thorson organized data to explain the differences between K-12 Working Cash rules and community college Working Cash rules. She stated that most Board Members are familiar with K-12 rules, and they assume that community college rules are the same, but they are very different. One of the major differences is that for the community college the Working Cash Fund is looked upon as a bank -- money can only be borrowed from this account, and cannot be seen as a revenue source. For the K-12 side, Working Cash operates as a supplemental revenue source. Member Howard added that the benefit of Working Cash is that when the College needs money, it can borrow from itself and not pay interest. It must, however, replenish it. The interest earned can be transferred to the Education Fund, and in that small way it is a revenue source.

Ms. Thorson explained that for the community college, the only way to establish a Working Cash fund is to sell bonds. The K-12 schools can levy directly. That is another big difference between the two groups. Member Kolze added that it is not very easy to have the Working Cash fund grow; once it is gone, that is it. Ms. Thorson concurred, adding that the community college can only abolish the fund totally and then reestablish it through referendum, while K-12 schools can deplete it in pieces and replenish it in other ways. Ms. Thorson is also speaking with employee groups about this issue. Board members thanked Ms. Thorson for making this more understandable.

Member O'Reilly asked Ms. Thorson for examples of how the College would use the Working Cash Fund totally and then do a referendum to replenish it. Ms. Thorson responded that her guess is that no community college has ever abolished its Working Cash Fund. The only situation would be if the College borrows it and continually pushes the limits every year on tax anticipation. Ms. Thorson added that if the fund is abolished, the Board must decide whether to put the remaining money into the Education Fund or O&M Fund. She noted that not all community colleges have a Working Cash Fund, and it is her guess that of those that do have one, they have not abolished it. Member Kolze stated that they are fortunate that previous Boards have had the foresight to establish a Working Cash Fund for Harper. Ms. Thorson added that the biggest advantage of the Working Cash fund is the interest it creates every year, which is income for the Education Fund. She added that another benefit is that when Cook County is late in getting their tax bills out, the College can borrow from the Working Cash Fund (without interest) to meet payroll and pay bills, and then repay it when the tax money comes in. As

Treasurer, Ms. Thorson cannot borrow on her own, it has to be borrowed by Board resolution.

Review of Tuition Proposal

Regarding the handout entitled "Tuition Recommendation," Ms. Thorson explained the changes made regarding the per capita cost projections. She came up with a seven percent average for the past ten years, recalculated the projections and placed them next to the previous projections separated with a slash (/). She noted that the seven percent average does not reflect a true pattern or trend over those ten years, because it was four percent one year, one percent another year, and thirteen percent another year. She stated that this new projection made a difference especially in the out years. If the goal is 20 percent of per capita cost, it would push up tuition higher. She said that she did not change the proposed tuition increase that is being brought to the Board in February. At this point, it still reflects tuition increases of four dollars per year for the next four years.

There was discussion regarding the percent of per capita cost and whether it should be a range or a specific figure. President Thompson stated that last year tuition was acted upon in February or March, and it would be beneficial for students to get this information soon. Ms. Thorson said she has introduced this plan to student leaders, and they requested time to review it. Member O'Reilly asked about the reaction of the students. Ms. Thorson said that after Student Senate leaders learned about the plan, they did not have any "negative" responses. They asked many good questions, and said they wanted to think about it. She is meeting with the Student Senate again next Friday. Dr. Dolan noted that when meeting with the students he found two things: 1) they appreciated being consulted at the front end, and 2) they appreciated the situation or the facts that were presented. They were very clear that it would be difficult to endorse something like this (as it is always hard to endorse tuition raises), but they understood the overall situation of the College. He added that there were questions regarding financial assistance programs, and he felt that these should be promoted aggressively as part of the tuition plan.

Ms. Thorson said that, after looking at the graph with the large gaps of revenue and expenses, some students asked, "How high would tuition have to be to totally close the gap?" She responded that she had never even thought about that, but she would let them know.

Member Howard said that it is very important to have a tuition plan for budget reasons and also for the students to be able to look ahead and plan with their own finances and savings. It is a responsible thing to do. If this graduated jump can be planned, it will give students information in plenty of time. In regard to financial assistance, the College can look at the amounts of the grants and tailor the financial assistance to meet more of the students' needs. In other words, instead of being a grant of \$100, it could possibly go up to \$120 to make up some of the difference.

Members agreed that this was a good plan. Member Gillette suggested that a letter be included with the catalog explaining the tuition plan and emphasizing that there is financial assistance available for those who need it. There was discussion regarding timing of applications for certain grants. President Thompson said that the College would encourage students to make arrangements as early as possible and check with the Financial Aid Office to see what is available. Ms. Thorson called attention to the three-page list of financial assistance items available.

Member Kolze asked each Member how they felt about the proposed plan. Member Hess said that one of the things that concerns her are the people that "fall through the cracks" -- those that do not qualify for financial aid but really need assistance. For example, the wife is returning to school, but their prior family income may show that it is too high to apply for some type of scholarship. She suggested that the College educate the students with the list of financial assistance included with the course descriptions for the Fall and the Spring Semester. President Thompson said that this suggestion could be reviewed. Member O'Reilly said that Harper needs to be concerned about the person who never comes on campus because they know that tuition is higher than they can pay. Harper needs to publicize as much as possible that financial assistance is available. Member Gillette said that the course schedule in the Sun Times is the one thing that everyone reads and perhaps it could be communicated there. There was discussion about establishing a "hardship" fund. Member O'Reilly asked if the Board could see information that is currently given to students that explains financial assistance. Ms. Thorson said the administration and the student group are discussing ways in which to spread the word about financial assistance.

Board Members were in agreement that the plan should show all four years of tuition increases. The College should publish what the increase will be for next year, and show the projected increases for the next three years, stating that this plan will be revisited each year. This will help students and parents plan for the future. Ms. Thorson stated that it was not her original

intent to publish all four years, just next year's increase. Member O'Reilly stated that the four year state schools are doing this, and she felt that Harper should do this as well.

Ms. Thorson noted that the last page in this section of the handout was added at the request of Member Ley. It shows the per capita costs of other community colleges.

Review of Long Range Cost Containment

In response to the Board's request to produce a balanced budget while not disrupting the College community, Ms. Thorson reintroduced the idea of long-range cost containment. The administration is proposing that the College community go through a process of 1) identifying functions, 2) determining those functions that would be further from the Harper mission, and 3) targeting the functions for either reduction, elimination, or self-supporting depending on their character. Once these areas have been identified, as vacancies occur they would not be filled. Ms. Thorson included a list of functions to give an example of how to identify the functions in a department. She noted that the list from Student Affairs was for discussion purposes only, and had no correlation to this plan.

With this plan, cost containment would come from two areas: more efficient ways of doing things may become evident during this process; and some areas clearly would not be restaffed as vacancies became available. This is different from the way things are done now -- as vacancies occur, the job is looked at, but because we have no priorities on functions, it is very hard to discern whether or not we need the job. With the proposed plan, the decisions will be made ahead of time. Ms. Thorson explained that this will take longer because attrition will just happen on its own, but it will be a less disruptive way to contain costs. Member Kolze asked if the Vice Presidents are supportive of this plan. Ms. Thorson responded that it is looked upon as a collaborative project. She feels that everyone will respond.

President Thompson stated that one of the concerns he has heard is "Will there be any sacred cows?" Some employees fear that this will not be done fairly. He added that everyone must do this with the understanding that there are no sacred cows. Member Kolze said that everybody seems to understand that there is a need to do something.

Member Gillette suggested that after certain vacancies have not been filled and College enrollment starts going up in the future, these functions may need to be looked at again. The employees should not be overworked to make up for the larger enrollment. Ms. Thorson responded that the Vice Presidents see that this will

be an ongoing exercise, where they will find that some areas will grow, some will stay the same, and some will be cut. The question that comes up is how will this be done, will there be fairness, and will it be equal. Clearly, it will not be equal, because there are some things that need to grow.

On behalf of the Board, Member Howard congratulated Ms. Thorson and the administration on preparing this material and educating groups on campus. She noted that very often there are opportunities for savings in the way we do things, and very often the people who can make the best suggestions are the ones doing the work. Member Howard suggested to Ms. Thorson that, as she speaks with various employee groups, she challenge the people to help the College find ways to work more productively and effectively to meet the goals. Ask them if there are areas in which they see waste happening and if there are functions that could be done more economically. If this is a collaborative process, it should be a common goal for everybody. It is not just a question of cutting, but a question of using our resources better.

Ms. Thorson stated that if the Board members are supportive of this plan, the administration will work on the next steps. In response to Member O'Reilly, Ms. Thorson stated that the next step needs to be decided, but in her mind, it would be to determine exactly what the functions are. The Vice Presidents need to work with their staffs about how this would be organized and how it would be tied into FTE (full time equivalent of personnel). The goal is to reduce FTE. There are a lot of mechanics that need to be worked out. Ms. Thorson explained that the biggest issue is that the Board understand that this will take longer. Many things flow out of this - whether or not there should be a balanced budget, whether or not 20 percent fund balance will be used as an assumption. She pointed out that it cannot be done all at once. Board Members were in agreement that this was an appropriate and intelligent way to handle the situation.

Ms. Thorson added that the community is just beginning to learn about this plan, while the Board has heard about it for approximately three months. She wanted the Board to be aware that this is a new idea for the campus community, and she does not want it to be perceived as being done already and that everybody has accepted it. Member Kolze asked if there has been any progress with the credibility issue. Ms. Thorson responded that she has not talked to many people, and will only say that there is some progress. It might be too early to measure. The sacred cow issue affects credibility as well. Member Howard said that the word should be that everything will be looked at and examined as objectively as possible.

Review of Board Budget Guidelines

Ms. Thorson explained that the budget guidelines summarize everything that has been discussed. Once these are approved, Ms. Thorson would like to use them to help educate the College community. The first guideline discusses the tax cap; the second one explains the long range projections and why there is a need for interventions to keep the College financially healthy. The third one talks about the fact that the administration wants to do all these things in a collaborative way with minimum disruption on campus. The fourth guideline explains the whole idea of prioritizing functions, and then letting planned attrition, reorganization and creative solutions be the primary cost containment effort.

She explained that the next item is where the most discussion is needed. At this point it says that the target fund balance in each of the operational funds is 20 percent. Board members were in agreement that the fund balances for the Education Fund and the O&M Fund would not be used for day-to-day operations but only for special initiatives. There was disagreement as to what percent should be used. Dr. Dolan expressed his concern with stating a 20 percent target. There will be a credibility issue with staff and faculty on campus with a Working Cash fund of \$10 million which is not going to be abolished, and then a target of another 20 percent of each operational fund. It will be very difficult to argue that the College needs to make the kind of interventions that are being discussed. At one time a range of between 10 and 20 percent was discussed, and that seems to be more realistic. Member Howard said that a range between 10 and 20 percent could be considered; however, she felt that, having been through a time when the fund balance went down to where the College was practically bankrupt, she has real concerns about not having something in the policy that is sufficiently specific, stating a target and guidelines for usage. Member Gillette agreed with Dr. Dolan's suggestion of a range between 10 and 20 percent. Member Howard stated she is concerned that the target will automatically be perceived at the low end (ten percent) rather than the high end. Member Kolze stated that he did not like to use ranges in this kind of matter, but instead wanted a fixed percent. Member Kolze responded to Dr. Dolan's concern regarding the faculty and staff perception of the \$10 million in the Working Cash Fund. He stated that the Working Cash Fund rules should be made abundantly clear to the campus community, and that this figure should not even be considered in all of this. Member Hess felt that a range of 10 to 20 percent is too broad and leaves too much open for discussion. President Thompson called attention to the projections on the second page of numbers. The projection in 97/98 is 19.2 percent which is close to 20 percent, and that could be the target for now. In the year 2000/2001 the projection is 9.8 percent, showing a

difference of approximately 10 points. The middle point would be 15 percent, and perhaps this could be the target. Member Kolze concurred that 15 percent would be a good target, but that he would not go any lower than that. Member Howard agreed with a 15 percent target as long as there were fiscal restraints. Member Gillette agreed with the 15 percent target, saying it was more realistic than 20 percent. Member Hess said that if there would not be a range, she would like it to be 20 percent. Member O'Reilly stated that this gives an idea of where each member stands on the issue. Ms. Thorson said that what is most helpful in all of this is the dialogue and that the audience hears this dialogue.

Member Howard said that the rest of the Board budget guidelines are very well expressed and that she has no problem with them. She asked if anyone else wanted to discuss the rest of the guidelines. It was decided that the second line of item number seven should read ". . . that the target is 20 percent of per capita costs." The 33 1/3 percent will be removed.

Member Kolze stated that the next two items regarding referendum and legislators were okay. Member Gillette noted that on the last item, the \$48,000,000 was incorrectly rounded. If it reflects the \$49,666,270 figure on the first handout, it should be rounded to \$50 million dollars rather than \$48 million dollars. Ms. Thorson concurred. Member Kolze asked if this could be looked at for approval at the next Board meeting. Member Howard stated that it could. Member O'Reilly stated that it is important that the absent Board members get this material and have time to review it and give their comments also.

Capital Projects

Ms. Thorson explained that these items, Building W and the Space Plan, were included on the agenda to keep them before the Board. She explained that she does not have a lot of detail on the Space Plan. The administration hopes to present the Plan to the Board in April or May. She said that it will be expensive to do all the things the people want to have done, and a plan will be developed to prioritize and integrate the projects, spending some money from the O&M Fund every year to accomplish some of these things. Ms. Thorson complimented Liz McKay and the committee for doing an outstanding job processing all of the requests.

There was discussion about Building W expenses, Space Plan expenses, and whether or not a referendum should take place. It was agreed upon that a referendum is somewhere in the future, but will not be researched until after the Space Plan is finished.

In regard to Building W, Ms. Thorson distributed two handouts outlining the revenue sources used for funding and the projected

operating costs. She explained that these are not exact numbers because the numbers have changed both on the Building and on the fund balances. Member Kolze explained that in March when this was originally done, the Board made a decision not to have a referendum, and instead go the route of using fund balances. Now, with the uncertainty of when Building W will be built, there would be time to revisit this again. Ms. Thorson again suggested waiting for the Space Plan before making any decisions regarding referendum. There was more discussion regarding referendum. Member Howard mentioned that at the time the Board sold the property, the funds were set aside and restricted for future construction. This was in the press and shared with the public. Member Kolze clarified that the College did not tax to get the money in the last instance.

Ms. Thorson called attention to the last page of the handout outlining the operating costs of Building W. This is a rough estimate but the intent is to get the Board thinking about costs to run the new building. She explained that to arrive at the year 2000 cost, she took today's cost and increased it by three percent inflation rate. It will cost approximately \$90,000 for utilities. She added that this is estimated with "normal" gas bills and does not include the huge price increases that were experienced this year. She included in the figures three extra custodians, one maintenance mechanic, and one HVAC mechanic that would be needed to serve the 70,000 extra square feet. Ms. Thorson explained that the \$200,000 figure for theater operation was given by Harley Chapman. Zero dollars were put in for the conference center operation because it should be a break-even item, or possibly a moneymaker. The range of yearly operational costs appears to be approximately \$450,000 to \$500,000, once Building W would come online. The additional cost for furniture is estimated to be \$500,000, but this figure may be inaccurate. Member Gillette stated that previously there had been a range of approximately \$500,000 to \$1,200,000 for furnishings, depending on what type of AV (theater) equipment was chosen. Member Howard stated that at the time the Board took the tour, the architects had given estimates based on costs of equipping similar facilities. Ms. Thorson noted the last item to be included is the extra staffing needed for a curator, if a benefactor is found to finish out the art museum.

Member Gillette thanked the administration for all their hard work preparing the budget information.

Member Kolze summarized the meeting by saying that Board members have reviewed the tuition proposal and the budget guidelines and these items will be presented at the February 27 Board meeting. With this consensus, these two items are ready for action.

ADJOURNMENT:

Member O'Reilly moved, Member Howard seconded, that the meeting be adjourned. In a voice vote, the motion carried and the meeting was adjourned at 7:20 p.m.

Chairman

Secretary

BOARD REQUESTS

JANUARY 30, 1997 SPECIAL BOARD MEETING

- 1) Ms. Thorson said that, after looking at the graph with the large gaps of revenue and expenses, some students asked, "How high would tuition have to be to totally close the gap?" She responded that she had never even thought about that, but she would let them know.
- 2) Member Gillette suggested that a letter be included with the catalog explaining the tuition plan and emphasizing that there is financial assistance available for those who need it.
- 3) Member Hess suggested that the College educate the students with the list of financial assistance included with the course descriptions for the Fall and the Spring Semester. President Thompson said that this suggestion could be reviewed.
- 4) Member O'Reilly asked if the Board could see information that is currently given to students that explains financial assistance.