William Rainey Harper College
1200 West Algonquin Road
Palatine, Illinois

Special Board Meeting

Agenda

April 14, 1993

7:00 p.m.

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| I. | Call to Order | |
| II. | Roll Call | |
| III. | Distribution of MSD Litigation Receipts | Exhibit 1 |
| IV. | Working Cash Bond Refinancing | Exhibit 2 |
| V. | Life Safety Bonds and Life Safety Levy | Exhibit 2 |
| VI. | Update on Current and Projected Construction and Renovation Projects | Exhibit 3 |
| VII. | Budget Assumptions and Tuition | Exhibit 4 |
| VIII. | Other Business | |

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 Wednesday, April 14, 1993.

CALL TO ORDER: The special meeting of the Board of Trustees of Community College District No. 512 was called to order by Chairman Norwood on Wednesday, April 14, 1993 at 7:06 p.m. in the Board Room of the Administration Building, 1200 W. Algonquin Road, Palatine, Illinois. Chairman Norwood noted that there would be an executive session at the end of the meeting for the purpose of discussing negotiations.

ROLL CALL: Present: Members Barton, Born, Coste, Norwood, and Student Member Sprake-Jones

Absent: Members Bakas, Howard, and Moats

Also present: Paul Thompson, President; Ed Dolan, V.P. Academic Affairs; Bonnie Henry, V.P. Student Affairs; Vern Manke, V.P. Administrative Services; David McShane, V.P. Information Systems; Susan Webb-Kmiec, Recording Secretary; Felice Avila; Larry Biewala; Pat Bourke; Diane Callin; Steve Catlin; Bob Goetz; Jerry Gotham; Bill Howard; Liz McKay; Ray Moehrlin; Patty Roberts; Karen White; Laurie Wren - Harper College. Jamie Baenen - Chicago Tribune.

Chairman Norwood read a letter from Member Pete Bakas stating because he is now a permanent resident of Glendale, Arizona and no longer a resident of Community College District 512, he is resigning as a member of the Board of Trustees.

Member Barton moved, with regret, and Member Coste seconded, that the Board accept the resignation of Peter Bakas.

In a voice vote, the motion carried.

Chairman Norwood turned the meeting over to President Thompson.

MSD LITIGATION President Thompson called attention to Exhibit 1, the Distribution of the Litigation Receipts from the MSD court case that was settled. Memos have been exchanged regarding the disbursement of those funds. A memo dated April 5 from Vice President Vern Manke to President Thompson indicates where the costs

MSD Litigation (cont'd)

were incurred in paying for the litigation. The amount of $250,110.66 came from the Education Fund and $158,434.21 from the Tort Liability Fund for a total of $408,544.87. It has been recommended by President Thompson and Mr. Manke that the total be established in the Operations and Maintenance Fund (Restricted), but the option is available to put the identical amounts back in the funds from which they were taken. Member Coste stated that it does not make a difference where the money goes, as long as it is not designated for any particular purpose. Mr. Manke felt that the most proper way to disburse the funds was to put the money back where it came from. The remaining $441,456 could be put in the Operations and Maintenance Fund (Restricted). This is an appropriate allocation because the money is for property that the College would have been able to use for other purposes in the future. The Board can designate a purpose for the money at a later time.

Member Moats entered the meeting at 7:12 p.m.

Member Coste asked if the figures in Exhibit 1 were complete in regard to both suits that were filed. Mr. Manke replied that this is only the settlement for the second suit. Member Coste noted that these figures do not include the costs of the first suit nor the cost of repair to the infrastructure. The figures also do not include the $35,000 out-of-court settlement. Mr. Manke agreed with Member Coste that these figures are not reflected. Member Coste asked for an accounting of the costs incurred for the entire MSD litigation, and felt that the College will possibly show a net deficit from this action. Mr. Manke replied that he did not have the figures available at this time regarding legal services for the litigation on the perimeter road. Member Coste noted that in addition to the perimeter road, it included the drainage and some of the light standards. Mr. Manke noted that this occurred before his employment at Harper, but that it did include some drainage from the parking lots across underneath the road. Mr. Manke stated that he will compile the figures regarding those funds and how they were expended.

Member Barton moved, Member Coste seconded, that the $850,000 settlement payment from MSD be deposited in the Education, Tort Liability, and Operations and Maintenance (Restricted) funds as outlined in Exhibit 1.

MSD Litigation (cont'd)

Upon roll call, the vote was as follows:

Ayes: Members Barton, Born, Coste, Moats, and Norwood

Nays: None

Motion carried. Student Member Sprake-Jones voted aye.

WORKING CASH BOND REFINANCING

President Thompson noted that the first part of Exhibit 2 deals with the savings that could be realized on a refinance of the outstanding cash bonds. There would be an approximate savings of $170,000 after the cost of the refinancing is taken into consideration.

Mr. Manke noted that Paragraph 3 states that these projections are based on data as of March 9. The bond market is variable, and is likely to change again before the refinancing is completed, but this action would proceed only if the College realized a significant savings. President Thompson noted that a consensus is needed that the Board would like to proceed, and a resolution will be brought to the Board at the regular meeting.

Member Moats asked if the bonds are callable. Mr. Manke stated that not all of them are, but the bonds being discussed are. Mr. Manke proposed that the length of the bonds remain the same. Member Coste asked how much time remains on these bonds. Mr. Manke replied that this particular series is supposed to be finished approximately 1996. Mr. Manke noted that McKenna's fees would be $30,000, the underwriter's discount is $74,000, and bond counsel is estimated to be about $25,000. The total of paying agent, verification report, printing, advertising, etc. would result in a cost to the College of approximately $151,000. The savings of $170,000 is net of that. This is a $151,000 transaction cost for $7,425,000 in bonds compromised to $5,925,000 of refunding bonds and $1.5 million in Life Safety bonds. There will be a significant savings in terms of costs of issuing the Life Safety bonds if these are packaged together. Member Born noted that the $170,000 has nothing to do with the Life Safety bonds.

Member Moats noted that there is $5.95 million left in the Working Cash Fund and $1.5 million to be issued in Life Safety bonds. He stated that he is conceptually in full support of the refinancing, but questioned the validity of

Working Cash Bond Refinancing (cont'd)

spending $151,000 in fees to accomplish it. Mr. Manke noted that this is an estimate, and it may come in lower. Member Moats felt that 2 percent is high, and stated that he would be in favor of getting some quotes. He added that this is a very simple transaction, especially considering the College's high bond rating.

Mr. Manke stated that the sale can be negotiated, but that he prefers taking competitive bids for the bonds. Kane McKenna would take care of getting those bids. Member Barton asked if the original Working Cash fund was $10 million; Mr. Manke replied that it was $9.8 million.

President Thompson asked if there was a general consensus from the Board that the College proceed with the refinancing. The Board members agreed.

LIFE SAFETY BONDS AND LEVY

The second part of Exhibit 2 dealt with the Life Safety bonds and Life Safety levy. There is a plan for renovation of space on campus, and President Thompson noted that there is merit in doing as much as possible of the renovation in Building F in one package and getting a bid accordingly. To do that, more money will be needed up front than was previously planned. After Building L is ready, then Building F will need to be renovated.

Mr. Manke called attention to an exhibit which was distributed entitled Construction Funding Sources, Phase I. This was last revised in January 1991. Construction projects currently in progress and their costs were highlighted. In discussing the remodeling of Building F, $500,000 in local Funds would be spent in addition to $1,875,934 in Life Safety funding for a total project of $2,375,934. In doing that project, if Harper continues in the next year with a Life Safety project of $1 million as has been done over the past several years, the College would be short $875,000 to do this as a complete project. This would cause the project to be split into two packages over two years. With the low bond rates and the present market for construction, Mr. Manke felt that it is worth selling $1.5 million in Life Safety bonds and then issuing the balance in the regular Life Safety levy of $1 million to do this project. At the next meeting a number of important Life Safety capital projects will be dealt with in addition to this. This would enable the College to

Life Safety Bonds (cont'd)

proceed with $2.5 million worth of Life Safety projects, of which $1,875,934 would be for Building F. Based on all of the information available and the market for construction, and also bidding the project as a total project rather than splitting it up, Mr. Manke felt that it makes sense to consider using the Life Safety bond mechanism for partial funding along with a Life Safety levy which would be issued in November. The bond advisers did an analysis on a 5-year payout and a 3-year payout for $1.5 million in bonds. The tax rate on a 5-year payout would be affected by .0033. A 3-year payout would result in a .00550 tax. Mr. Manke recommended looking at the 3-year, which would result in a very quick payback and a better bond rate. This would also free the district of bond indebtedness faster. Mr. Manke also recommended the 3-year payback because of the effect on the total tax rate based on the present downward trend. The College would be paying back approximately $550,000 per year, and the shorter payback makes sense considering the cost of interest for this type of arrangement. This will also result in a savings by bidding the project as a total project. At the same time, the College should still be in a good bidding market.

Member Coste asked how this accommodates the $1.5 million limit. Mr. Manke replied that it puts us right at the limit as far as the bonds, and noted that the $1.5 million is the bonds and that there is no limit other than 5¢ for a tax rate for Life Safety. If the Board wanted to levy all of this and go beyond the $1 million levy, that can be done as well. The College could levy about $5 million if desired. Member Coste asked if the $1.5 million limit was for projects. Mr. Manke replied that it was, and that the other $1 million that would be levied in November would also go to finish this project. A recent engineering report indicates that the bleachers on the football field must be dealt with because of safety reasons, and ADA projects are pending. There is actually a list of projects that must be dealt with which total approximately $2.5 million. It is a question of whether the Board wants to do the library in one or two phases, and Mr. Manke recommended doing it in one. This is one way to do it and keep the tax rate fairly reasonable. It could all be done with a $2.5 million levy. At the current time we have a 1¢ tax rate for Life Safety, and this would

Life Safety Bonds (cont'd)

add 1.5¢ to the tax rate if another $1.5 million was added. If it was done through a bond, there would be an addition of slightly over .5¢.

Member Coste questioned the $1.5 million limit on projects. Mr. Manke explained that the law states that only $1.5 million can be raised in bonds, and this can be on several projects. Member Coste asked what would happen to the $375,000 that would be left. Mr. Manke answered that another $1 million would be levied in November. Member Coste asked if the College could levy again for that same project. Mr. Manke stated that they could levy again, as long as they stay under the 5¢ tax rate for the Life Safety Fund. Member Coste stated that it was his understanding that the $1.5 million limit was related to one project. He agreed that you could have three or four $1.5 million Life Safety projects if the tax rate was kept under 5¢, but asked if in the next year another $375,000 could be levied for the same project. Mr. Manke replied that it would be in the same year, and that he was recommending this levy in November, for the March/April 1994 taxes. In this way the College would have all of the money to do the project at once rather than spread the project over a two-year period. The $1.5 million restriction relates to bond sales, not levies.

Member Coste stated that he wanted to be sure that the College is meeting the legal requirements of the law. Mr. Manke explained that $1.5 million can be issued for Life Safety bonds, and can go on any number of projects. In this case, it will be used for the remodeling of the library which is $1,875,000, so there would be a $375,000 shortage. This shortfall will be made up by again levying in November for the $375,000 in addition to the other necessary projects. Member Barton noted that what Member Coste seemed to be concerned about was the legality of whether the College can provide for the same project through both a bond and a levy at the same time. Mr. Manke replied that he will double check it, but he felt at this time that it was legal. This controls the amount for smaller districts, but there are very few districts that have the kind of tax base that we have. Our tax base is over $9 billion with a 5¢ limit, so $4,500,000 can be issued with just a levy. There are not many community college districts which have that luxury. Therefore, it was

Life Safety Bonds (cont'd)

intended that this mechanism help the smaller districts out.

Member Howard entered the meeting at 7:30 p.m.

Mr. Manke stated that if the Board would prefer to a do a $2.5 million levy, that is another way to accomplish this but would affect the tax rate more. In this way the tax rate will be smoothed out over a three-year period and has less of an impact on the local taxpayers. With the cost of money being very reasonable at this time along with the savings on construction costs by bidding the project in one package, it will be worth what will be paid in interest on this bond for the next three years. Member Born asked what the dollar amount of the interest will be. Mr. Manke did not have the figures available at this time, but noted that the percent of interest will be approximately 3 to 4 percent depending on the market.

Member Barton noted that the tax cap has not gone into effect, but asked if the College could exceed the 5¢ limit by going through legal procedures. Mr. Manke noted that a referendum would be necessary. President Thompson noted that without a cap, it is not necessary. Mr. Manke stated that if the bonds were sold now, it would avoid the cap. Member Barton stated that Harper was one of the only colleges in Illinois that didn't levy high enough so that that figure could be used as a basis when the cap went into effect, and wondered if we could pick up some of that at this time. Mr. Manke replied that this would help somewhat, and recommended that we consider this for that reason as well. However, it was not his intent that the recommendation be made to outmaneuver the tax cap issue. It makes financial sense for the reasons previously stated.

Member Moats felt that the increase should come through taxes rather than deal with the bond issue. Mr. Manke noted that there is the risk of a tax cap in the fall, and then the bonds can't be issued because of the cap effect. Mr. Coste stated that if you can't levy for it, you simply don't issue the bonds. Mr. Manke replied that you don't issue the bonds and you can't levy the $2.5 million that Member Moats was recommending because the cap would include only the $1 million that had been levied before. This would result in the College losing out in the good construction

Life Safety Bonds (cont'd)

market as well as the ability to bid the project as a total project rather than two separate ones. Mr. Manke stated that he understands the Board's feelings in keeping the Life Safety levy at $1 million, but in view of the various factors, he felt it was important to bring it before the Board for consideration. Member Barton felt that this is a fiscally responsible action. Member Howard noted that now we will begin to see the effects of not levying higher last year.

Member Moats asked if the College could loan money to itself. Mr. Manke answered that this could not be done for this particular fund. The Working Cash can be loaned to the Education fund and to the Maintenance fund, but not to the Life Safety fund.

Member Barton asked if a motion or consensus was needed. Mr. Manke replied that he needs direction as to how to proceed, and a formal recommendation would be made to the Board at a later date. Member Moats stated that the recommendation should be made to do these projects together as it is still a buyer's market in construction. He did not feel that a significant savings would be made in terms of construction costs, but that it would be easier to do the projects as one rather than piecing the two together. Mr. Manke noted that Building F will have to be done in phases, and if the same contractor bids it as a total project, then when one phase is done he can go on to the next phase without the coordination problems.

Member Barton stated her appreciation to Mr. Manke for bringing these alternatives to the Board's attention.

President Thompson stated that the recommendation would be brought to the Board for action at a later date.

UPDATE ON CONSTRUCTION PROJECTS

Exhibit 3 gives an update on current and projected construction and renovation projects. Mr. Manke gave a detailed explanation of the report. This included a recap of Building L funding sources and construction cost estimates as listed in Exhibit 3. A total of $9,490,759 is available for construction. The bids for Building L total $8,636,781. Other costs for build-out (finishing) of the Bookstore, a contingency of 5 percent, and A&E fee estimates of 6 percent for Legat Architects bring the estimated

Construction Projects (cont'd)

project cost total to $9,879,857. The bids came in slightly higher than expected, but Mr. Manke felt that this will be reduced when some options and alternates are reworked. There have been some change orders to date which will come before the Board in May, but they are still below the 5 percent contingency previously approved. Mr. Manke gave a brief description of architectural plans for the library and stated that a rendering of the building, whether in the form of floor plans or a three-dimensional model, will be made available to the Board.

Member Coste questioned the movement of the money for the three-dimensional art classroom from Phase II to Phase I. Mr. Manke explained that it was part of the remodeling of C, E, H, U and V, but that it was found to be more cost-effective to move it to the Building L project and do it in Phase I. This was presented to the Board in December 1991. President Thompson noted that $1,085,000 was actually moved. Phase II included the Performing Arts Center and was going to link to Building L and include three-dimensional art in that facility. If the $1,145,000 is added to the $2,710,234 for the new Performing Arts Center, that is the amount that was in Phase II total. Member Coste asked what the Performing Arts Center budget has to do with this money. President Thompson replied that at the time the Board was discussing the Performing Arts Center, it was going to include the three-dimensional art project area because it was going to be the link to Building L and was going to provide the space for construction of sets, etc. It was moved over because of the way the architecture worked out for Building L, in that the space was much better to build in now. That part was broken out and moved up. The amount for the Performing Arts Center was $3,855,000 and has been reduced by $1,145,000. Member Coste stated that he understands what has been done, but he did not personally approve of it. President Thompson noted that the Board had approved that change.

Mr. Manke proceeded to explain the Building L Project Summary which shows a deficit of $389,098. This shortfall results when the 5 percent contingency is applied. Mr. Manke felt that the project will come in on budget without needing the contingency funds. If it doesn't, however, the difference will be made up with the interest that was earned on the

Construction Projects (cont'd)

money for the period of time it was waiting for the project to progress. Member Barton asked what percentage the deficit is of the total. Mr. Manke replied that the amount is approximately .33 percent. Member Moats stated that he was under the impression that the project came in quite a bit under budget. Mr. Manke noted that the original project came in very close to budget, but the additions such as the Bookstore and three-dimensional art classroom came in higher than budget. The net effect, by bidding it as one project, was a good price for the total project. Although there is a $389,098 deficit on paper, Mr. Manke felt that the final amount will be close to the original project budget of $9,490,000 because of some of the credits and savings that will be realized.

Mr. Manke explained the Project Budget/Cost Update for Building S, the Print Shop. The total available local funds earmarked for the Print Shop was $1,078,113. The estimated project cost total is $1,397,350 which includes a 5 percent contingency and an A & E fee of 6 percent. The deficit of $319,257 exists because of the allocation of the 5 percent contingency, as well as the addition of the ADA requirements. If the contingency isn't needed, the shortfall will be reduced to $111,707. The deficit would be funded through interest income earned on previous investments. This was approved by the Board in December 1991.

The Building Projects Analysis for Phase I will be tracked on a monthly basis and made available to the Board. This report includes the remaining balance in the Operations and Maintenance Fund (Restricted) and shows $2,139,712 available at this time for the dedicated funds for these projects. Mr. Manke noted that this is right on target.

President Thompson felt that it was time to bring the Board up to date on available balances and on the progress of the building project. In conversation with our legislators and the Board of Education staff, and ICCB staff, it has been made clear that the $5 million available for Harper College because of a previous credit will come to the College only if there is a building project. President Thompson stated that the Board has to be thinking about what building project they want for the future. There are many requests on campus for various projects, so

Construction Projects (cont'd)

there may be recommendations coming to the Board. Member Barton noted that this issue should be kept in the forefront so that the legislature doesn't forget that it owes the money to the College. Member Moats suggested that the master plan be reviewed. Chairman Norwood noted that although the money is owed to the College, it cannot be applied to any building project that is already approved and must be spent on a project that still needs approval. President Thompson stated that the Performing Arts Center could be funded with this money, but that the legislators are not approving funding for Art Centers. It would have to be classrooms, lab space, etc.

Member Coste noted that this dates back to 1989, and that all of the state funding went south. Member Barton stated that we did not know about the $5 million at that time. Member Coste replied that the Board did indeed know about it and discussed it in 1989. Member Barton clarified her statement that we knew about the money, but not that it had to be spent only on a new project. Member Moats noted that there were classroom buildings being planned at the time that should have been funded by the state, but there was considerable discussion regarding the timing of the projects and the sources of funding. Member Howard asked when the decision was made that the state would not reimburse for building projects already paid for with local funds. President Thompson did not know when the decision was made, but had found that was the case when trying to pursue funding from the state. Member Howard felt that the question needs to be asked because the understanding was that we had an I.O.U., and we had gone ahead and used local funds because we couldn't wait. There was an intent to reimburse community colleges if in fact they did use local funds for classroom buildings, and that there has been a complete change in policy. President Thompson stated that he would ask that question of the proper authorities. Member Barton stated that the Board of Higher Education at one point said that the College should not be concerned with the $5 million because we can fund these projects without the assistance. Member Howard noted that that is their attitude, not a policy. Member Moats related that at the last meeting with our legislators he learned that we need to be more political and more aggressive in the way we go about getting money. Member Born stated that if Member Howard is correct

Construction Projects (cont'd)

about the previous policy and intent on the I.O.U., the Board should review past minutes to present evidence to the legislature. President Thompson replied that we have the commitment, but there is a question as to the interpretation by the legislature and the Board of Higher Education of how they are going to live up to that commitment. Member Barton asked if that can be challenged. Member Moats felt that it would have to be a political maneuver. Member Barton agreed with the point made by Member Moats regarding increased political activity, and felt that we need a stronger presence in Springfield to achieve our means. She felt that this should not wait, and that an administrative person should be in charge of this. President Thompson noted that there was no likelihood of getting any money this year, but that we need to get into the system soon with a project or a claim on our legislators that they will bring back the $5 million for us. Mr. Manke felt that the place to put the project is in the RAMP report because the legislature puts a lot of significance on that. If a project is not in that report, it is not viewed as important. Even though we may not have a chance of getting it for two or three years, if it's in the RAMP report it is a matter of their record. Member Coste noted that since we submitted a RAMP report, we should be in line for funds. President Thompson replied that since we funded our projects locally, it in effect took us off the list.

BUDGET ASSUMPTIONS AND TUITION

Mr. Manke explained the information in Exhibit 4 which shows a three-year outlook based on a number of different assumptions. The last page shows the different assumptions broken into two categories, Revenue and Expenditures.

The assumptions for Exhibit #1 are a 3.2 percent tax cap, 3.5 percent salary increase, $2 tuition increase for 1993/94 and $3 tuition increase for years 1994-95 and 1995-96, and a reduction of $472,000 for 1992-93 expenditures. The Education Fund deficits using these assumptions would be ($90,060) for June 30, 1994; ($689,144) for 1995; and ($1,135,300) for 1996. Using the same assumptions except for a $3 tuition increase for each year from 1993/94 through 1995/96, the fund balances would change respectively to a surplus of $208,366 for June 30, 1994; deficit for 1995 of ($366,993); and deficit for 1996 of ($798,347).

Budget Assumptions (cont'd)

Mr. Manke noted that although the $1 increase does not sound significant, it will make a considerable impact over time. As this is projected over 5 years, the financial picture for the institution remains quite stable and the financial position of the college will be greatly improved by the tuition increase. The tuition by 1995-96 would be $42.00, and the maximum allowed by law is $67.00. Mr. Manke stated that if the tax cap doesn't come into effect, then the amount of tuition increase could be reconsidered.

Member Born noted that we don't seem to require the contractors to stay within budget on our building projects and at the same time have significant fund balances, so that the students might view the tuition increase as inconsistent. Mr. Manke replied that the public probably wouldn't understand this because they don't realize that the funds are earmarked and are restricted by law for certain types of expenditures. Mr. Manke added that some bids are coming in over budget but will be required to be reworked or rebid so that they come in at budget. Member Born felt that the student body and the public should be educated as to the reasons for the tuition increase.

Student Member Sprake-Jones felt that there is a good deal of consolidation of resources and personnel that could be accomplished with more effort, as well as cut-backs and excessive overhead that should be reduced before a tuition increase is put into effect. Mr. Sprake-Jones felt that the public is very sensitive to the inefficient way that government institutions are being run. Member Born countered that the College has recently gone through significant cuts in expenditures. President Thompson noted that even with student tuition increase, the College is still heading for deficit spending over the next couple of years.

Member Moats asked what assumptions are made on FTE and reimbursements from the state. Mr. Manke replied that the FTE percent change for 1993-94 will increase 1.5 percent. In 1994-95, based on Jack Lucas' projections, it should decrease 0.13 percent. In 1995-96 it will increase 0.85 percent. Member Barton asked if it has been projected that there will be a significant FTE increase in the middle 1990s. Mr. Manke stated that if one looks out further than three years, there is an upswing

Budget Assumptions (cont'd)

in the high school population. The state apportionment for 1993-94 is projected to increase 1.14 percent, 3.35 percent in 1994-95, and 3 percent in 1995-96. The report from the state which Mr. Manke saw recently shows an increase of 0.8 percent. This is based on FTE enrollment two years ago. Member Moats asked if the amount that we get on a unit cost basis is decreasing. Mr. Manke answered that our unit cost has been going up. President Thompson added that our flat rate grant from the state is going down, but our FTE's have been going up. On a reimbursement for credit hour basis, the revenue is going down.

Member Coste recommended that before we proceed with budget preparation, the Board should obtain the unit cost for the entire community college system from Springfield, as this has not been looked at since 1989. President Thompson replied that this would be done.

Member Howard asked what the basis is for the apportionment estimates from the state. Mr. Manke replied that this is based on enrollment two years ago. What is not known is the allocation of dollars for a flat rate grant. President Thompson stated that the funding for ICCB has been a flat dollar amount which is said to be a certain percentage of increase. A number of things are included in the formula including equalization for districts that have a smaller tax base to draw upon. This decreases the amount available to us even more. What appears to be an increase in total dollars available then gets divided by the number of FTE in the system. Member Moats asked if the flat grant is our total compensation from the state. President Thompson replied that the rate is about $27 per credit hour, but has been as high as $32. This $5 decrease has been over the last five years. Member Barton asked if there are a number of colleges which were looking at possibly changing that formula because some schools can't pass a referendum or don't have a significant tax base and were not going to be able to raise money. President Thompson said that there is always talk about that, but it is hard to implement. The Presidents' Council is going to take another look at the funding formula, and task-force studies were started in the spring. Member Howard stated that one thing that can be looked at is the tax base. There is a difference between whether a school system can pass a referendum

Budget Assumptions (cont'd)

or if they have the potential based on their tax base. Member Moats asked if the equalization formula is predicated on tax base per FTE. President Thompson replied that it is either on a per capita or per FTE basis. In this way school districts with a lower tax base may get significantly more reimbursement per credit hour. Harper's revenue from the state is down to 14 percent of our revenue or less at this point. There are some equalization districts getting over 50 percent of their funding from the state. This was done with the intent of preserving community colleges in areas without the means to pay for them. Vice President Ed Dolan commented that this raises very basic questions as to whether those districts are willing and able to support a community college and to what degree the state is willing to support it at a cost to other districts. Member Howard noted that some of these areas are truly depressed, where other areas have a good tax base and are not taxing to their potential.

President Thompson asked when the tuition increase is projected to go into effect for the coming year. Mr. Manke replied that this would go into effect for fall of 1993. In order to do this, the Board must approve a tuition increase recommendation at the April regular meeting. Member Barton reported that at the State Relations Meeting at the ICCTA this subject came up that almost all of the schools in the area are increasing their tuitions because of decreased state reimbursement, and many have tuitions much higher than that of Harper. Student Member Sprake-Jones noted that we are comparing ourselves to everyone else and they are comparing themselves to us. Member Barton replied that this is a common problem being dealt with to offset the lack of money from the state, as the Boards cannot always look to the taxpayers for increases. Student Member Sprake-Jones felt that a 3.5 percent raise should not be given, overhead should be cut and duplicated jobs should be trimmed. Automated systems should be employed whenever possible, and a consolidation of resources between departments should be considered. President Thompson replied that these suggestions are being looked into, but all of those consolidations cannot occur in a time frame that is going to affect next year's budget. This includes consolidating labs in contiguous space to reduce overhead, but there is no way to accomplish these things by fall. Student

Budget Assumptions (cont'd)

Member Sprake-Jones felt that if it was required of the departments to do this, they would be able to accomplish it.

Member Barton added that it had been determined that the increase in tuition had not significantly decreased the number of students going to community colleges because tuition is getting so much higher at the four-year schools. Member Moats stated that he is concerned about the number of students who don't go on with their education because the increases continually outstrip the inflation rate and that this is a very difficult number to determine. Member Born asked if it was possible to make a contingency to agree on a $3 increase, but decrease it to $2 if the tax cap did not go through. President Thompson replied that it might be better to put in the $3 tuition increase this year, and not implement a tuition increase next year if there was no tax cap to make up for it. Chairman Norwood asked when the last tuition increase was. Board members responded that the tuition was raised during this budget year, but that was the first one in three years. Chairman Norwood stated that she would like to see the Board refrain from a tuition increase every year. Member Howard noted that there is a projection for three years, but only the tuition for 1993-94 will be voted on. Student Member Sprake-Jones suggested that the Board at least voluntarily limit it to the inflation rate. Member Coste stated that a number of issues need to be looked at before the Board authorizes another tuition increase. Member Howard noted that a proposal will need to be brought to the Board. Member Barton noted that as nice as it is to try and not raise tuition, there isn't an institution of higher learning in the country that isn't resorting to major tuition increases. Member Moats agreed with Student Member Sprake-Jones that everyone seems to take the attitude that "everyone else is doing it", and that someone needs to break the cycle. Mr. Manke pointed out that even $2 tuition increase leaves a $90,000 deficit after we've reduced this year's budget by $472,000 as well as holding the salary increases to 3.5 percent. Every $1 in tuition increase increases the revenue approximately $317,000. If no tuition increase is passed, there would be a deficit of close to $700,000 if nothing else is cut.

Member Coste noted that the figures are fine, but that all of this presupposes that the

Budget Assumptions (cont'd)

Board has even looked at the budget yet. President Thompson replied that this is true, but these are the figures that are anticipated. Member Moats noted that these assumptions are made without knowing if we've crossed the "pain threshold" for a certain percent of the student body who will no longer be able to pay tuition. He granted that it is probably impossible to determine where that curve comes into effect, but somewhere along the line this is happening. This could change the number of students dramatically if only 1/2 percent did not continue, without changing anything else such as the number of teachers.

President Thompson stated that a recommendation would be brought before the Board at the regular April Board meeting next week.

## OTHER BUSINESS

President Thompson announced that Harper College will be visited by a Trustee and Principal of Cokebridge College in Scotland on the 28-30 of April. The Trustee, Mr. John Riley, will need overnight accommodations if any of the Board members would like to have him. They are coming because the colleges of England are going to independent boards and trustees, and they are trying to learn how the Board of Trustees deals with financial matters.

There were copies in the Board packets of Robert Atwell's presentation speech at the ACE annual meeting.

The annual Leadership 2000 event is from July 18-21 in Washington, D.C. Those interested should see President Thompson for the program information.

Member Barton asked the Board members to bring their information on the distinguished faculty award to the next meeting.

Chairman Norwood reminded the Board that it will be necessary to bring calendars to the next meeting in order to schedule several dates and to make a time line to interview potential Board member candidates. Chairman Norwood reported to Members Howard and Moats that Member Bakas' resignation had been accepted with regret before they arrived at the meeting. There will be appropriate recognition for Mr. Bakas at the next meeting.

EXECUTIVE SESSION

As there were no other matters to bring before the Board at this time, Member Barton moved, Member Moats seconded, that the Board adjourn into executive session for the purpose of discussing negotiations.

Upon roll call, the vote was as follows:

Ayes: Members Barton, Born, Coste, Howard, Moats, and Norwood.

Nays: None

Motion carried. Student Member Sprake-Jones voted aye.

ADJOURNMENT

The Board adjourned into executive session at 8:39 p.m. The executive session was called to order at 8:44 p.m.

Following executive session, it was moved and seconded that the Board return to regular session. By a voice vote the motion carried, and the Board reconvened into regular session at 9:19 p.m.

Member Barton moved, Member Born seconded, that the meeting be adjourned. In a voice vote the motion carried, and the meeting adjourned at 9:20 p.m.

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Chairman Secretary