

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 Budget Committee Meeting of Monday, February 7, 1994.

CALL TO ORDER:

The meeting of the Budget Committee of Community College District No. 512 was called to order by Chairman Coste on Monday, February 7, 1994 at 3:05 p.m. in the Board Room of the Administration Building, 1200 W. Algonquin Road, Palatine, Illinois.

ROLL CALL:

Present:

Members Barton, Born, Coste, and Howard

Also present: Paul Thompson, President; Vern Manke, V.P. Administrative Services; Ed Dolan, V.P. Academic Affairs; Bonnie Henry, V.P. Student Affairs; David McShane, V.P. Information Services; Felice Avila; Vic Berner; Diane Callin; Steve Catlin; Donna Drake (Recording Secretary); Janet Friend-Westney; Jerry Gotham; Pat Kier - Harper College.

It was agreed that Budget Committee meetings will be held on March 2, 1994 and April 4, 1994. Mr. Manke stated that they are putting together the budgets for Working Cash Fund, Tort Liability Fund, the Auxiliary Fund, and the Bond & Interest Fund for the March 2 meeting. The budget for the Restricted Purposes fund is taking additional time because of the on-going installation of the new budget system.

APPROVAL OF MINUTES

Member Barton moved, Member Born seconded, approval of the Minutes for the January 24, 1994 Budget Committee meeting.

In a voice vote, the motion carried.

REVIEW RETIREMENT BUDGET PROJECTIONS

Mr. Manke directed attention to the summary which deals with the 34 people who have expressed interest in participating in the retirement enhancement program. The estimated net savings would be approximately \$3,843,272 because of the lower salaries paid to the

new faculty members. Member Barton asked if we would be bringing these people in at the same level as we have in the past. Mr. Manke replied that Step 5 was used in this estimation, although this could vary depending on the individual. Dr. Dolan added that Step 5 is the instructor level, which has been the average level for new faculty over the past several years. Step 5 pays a salary of approximately \$32,000. Chairman Coste asked if this allows for cost of living increases. Dr. Dolan responded that the cost of living and projected salary increases are tied to the salary schedule in the contract.

Member Born asked for an explanation of the incentive payment schedule. Mr. Manke replied that the enticement to have people retire was 25 percent of their annual salary, paid for a five year period. The enhancement would add 20 percent of the incentive payment to their salary for two years before they retire. The SURS retirement is a percentage of that salary, which makes it a more beneficial retirement package. Diane Callin added that this is paid back from the previous way of 25-25-25-25, whereas the first two years that these people are retired, they only collect 5 and 5 percent. No additional money is involved, it is merely disbursed two years earlier. Chairman Coste asked if the legislation is still open on both types of plans. Dr. Dolan replied that it is. President Thompson stated that in terms of the state, there is no limit on this type of plan. The latest plan that was put in place is closed, as the faculty had to already commit to this. One must be an employee of the College district for 10 years before the retirement incentive comes into play, and 20 years for the enhancement. Over seven years, the retirement payout will be totally paid back. Mr. Manke noted that in a five year period, the College saves approximately \$3,800,000.

Concern was raised regarding other employees wishing to retire under this type of program in the future. Diane Callin explained that under the current contract, there are now only two retirement options. No other employees can retire with this type of enhancement. Member Howard noted that the demographics of the current faculty show that there will not be such a large group of people ready to retire at the same time, but rather a few at a time. Mr. Manke stated that if there is another wave of possible retirees, it may be to the College's advantage to offer this again and realize significant savings. Ms. Callin noted that the next large wave of retirees will be in about 10 years.

Member Born voiced concern regarding the public's perception of the retirement program. Mr. Manke felt that if the public was aware of the savings this represents, they would agree with the action taken, and added that this is a common practice in large companies.

Member Barton asked what percentage of increase is used with the Step 5 salaries. Mr. Manke responded that it is approximately 4 percent, but could be higher if there is a significant increase in the inflation rate.

President Thompson stated that with the guidelines established by the committee for a balanced budget each year, there should be a recognition that the payout is coming after the fact. Thus, he

stated that he would like for the Board to consider not requiring a balanced budget in the two years where a deficit will occur, but allowing that deficit amount to be taken from the fund balance. This would occur in 1995-96 and 1996-97. Member Howard noted that if the money is taken out of the fund balance for those two years, it could then be returned to the fund balance when savings were realized in the following years. Member Barton responded that the money may not actually get paid back to the fund balances. Mr. Manke stated that the money going to the fund balance in the Education Fund in the coming year will cover some of the expenses that will be incurred in 1995-96 and 1996-97 because of the enhancement program. Otherwise, the Educational Fund budget would need to undergo unusually high cuts, particularly in one year, which would not be due to increases in the operating budget for that year. President Thompson felt that this recommendation would need to be shared with the entire Board.

Chairman Coste noted that this is not a discretionary expenditure as it has already been written into the contract. Member Howard stated that she and Member Moats had worked through this in the contract negotiations, and that they wanted to bring it before the budget committee so that everybody could see the effect over the five year period rather than looking only at this year's budget.

REVIEW OF EDUCATION FUND BUDGET WITH RETIREMENT ENHANCEMENTS

Mr. Manke pointed out that there was an asterisk in contractual services because this is the category where the salary enhancements are budgeted. That has increased, which reduced the net total by \$320,578. However, the \$675,000 is going to increase the projected fund balance for 1994-95, which will then be used to cover the future costs of those salary enhancements for 1995-96 and 1996-97. This will require that the Board approve a deficit budget in the next two years to accommodate those increased costs. This can be done because the \$675,000 has been put into the fund balance. He noted that this would then conclude the Education Fund budget. Mr. Manke noted that almost \$1 million in cuts was made in the Education Fund for 1994-95.

Chairman Coste asked if the revenue from the Local Government Sources was based on an estimate of a 6.5 percent levy and 4 percent growth. Mr. Manke agreed with this. Chairman Coste stated that he would like to see the beginning balance and ending balance at the next meeting. Mr. Manke noted that the 1993-94 budget may look better than the legal budget because of savings realized by not filing positions during the 6 month hiring freeze. He stated he would give Chairman Coste the information he requested using both the legal and projected actual 1993-94 ending balances. Member Howard felt that it was important to see the effects of the hiring freeze on the actual budget.

Chairman Coste asked if the Computer Oversight Committee is still in existence. David McShane responded that Member Moats is now the Committee chairperson, and they are in the process of setting up a meeting schedule. Chairman Coste suggested that that committee study the Information Systems budget. Member Born asked Chairman

Coste what questions he would like to have answered in regards to the IS Division budget. Chairman Coste replied that he is still concerned that too much money is being spent on this part of the budget rather than using it in other areas. Member Howard stated that the computer capabilities being built in will subsequently enhance and support instruction across all disciplines.

Member Born noted that it would be easier to make budgetary decisions if priorities were set as to where the money was most needed. She added that the computer systems may be a priority for up to three years in the future, and then there may be a major drop in that area once the groundwork is in. A prioritization of needs would also help other departments see that they will get the spending they need at a specified time in the future.

Member Barton asked if there are other large departmental requests that are scheduled for future action. President Thompson stated that there is plan similar to Member Born's suggestion. There will be a reduction in terms of the money spent on the computer system which will allow for increased spending in other departments, but those departments have not been neglected in the meantime. Member Howard noted that the Theater and Arts Department have also received a great deal of support in the last year after a lengthy wait. Much of the expenditure was for infrastructure, which is the same case with the computer system, and this has been the case in other departments over the years.

The method of prioritizing needs, as suggested by Member Born, was discussed. Member Howard suggested that Dr. Dolan and his staff submit a list of large requests or projects that will be coming on line in the next couple of years. Dr. Dolan stated that they have been doing that in areas such as expenditures for the library which were cut back one year to allow for expenditures in another area. Last year the art and drama area received major capital funding, while this coming year Building F will receive major renovation.

Member Born stated that the committee wanted to be sure of Chairman Coste's feelings on the budget. Chairman Coste stated that he is unhappy with total amount of money being spent, and wanted to be sure that the Education Fund Budget is complete. He stated that before the work of the committee is finished, he will come back with specific recommendations on the budget. Diane Callin stated that from a faculty viewpoint, if they knew for the next 7 years the estimates for computers, etc., then they would be more in tune with the budget and would tend to prioritize their requests to a greater extent.

Chairman Coste asked if the other committee members were also going to have recommendations. Member Born replied that she did not feel she had enough experience with the budget to make recommendations.

There was a consensus to send the budget for Information Systems to the Computer Oversight Committee.

REVIEW OF CAPITAL EQUIPMENT BUDGETS / OPERATIONS & MAINTENANCE FUND

This report includes all capital equipment and identifies each proposed item. The largest increase is in account 02-92-039-585 and -586. Account -585 represents office equipment and furniture and amounts to \$259,415. Account 02-92-039-586 represents equipment for the classrooms that qualifies for budgeting in the O&M Fund.

Chairman Coste asked for an explanation of the \$351,000 expenditure for furniture remodeling. Mr. Manke explained that last year's emphasis was on equipping Building L as it came on line. Bids are now being taken to remodel Building F. This budget amount is what is anticipated to be needed to equip and furnish the third floor, which is the AE/LS Department. This has been worked over very thoroughly by Dr. McKay and Thea Kevshari from Purchasing, with additional input from Mr. McShane regarding computer related furniture. Dr. Dolan added that the other faculty members were involved in the process. Chairman Coste asked why this isn't in the \$2.3 million for renovation of the Library. Mr. Manke replied that it never was intended to be included there. The proposed budget to remodel and refurbish the Library was strictly construction costs, not equipment costs. The budget will show a deficit, but in reality will be a balanced budget if one takes into account the \$500,000 for the Northeast Center and the \$200,000 for contingency. The fund balance will only be used to pay for the Northeast Center. Projections for 1993-94 in this fund showed a deficit of \$344,000. Mr. Manke stated that the O&M Fund may not have that large of a deficit because some expenses did not occur, and some projects are coming in at a better cost than anticipated by using our own workforce. Mr. Manke stated that although refurbishing of the 2nd and 3rd floors of Building F is included in this budget, there is still a satisfactory fund balance for the year.

Chairman Coste voiced his concern with the budgeting and Mr. Manke's financial philosophy. He agreed that the Library needs the shelving, but he felt that this sort of expense should be included in the \$2.3 million that was allocated for the renovation, rather than taking it out of the operating fund. Mr. Manke replied that when the building and renovation plans were made, they anticipated that the money for furnishing those facilities would come out of the Operating & Maintenance Fund. The construction money came out of the Bond Proceeds Fund and the Operating & Maintenance Fund (Restricted). Chairman Coste replied that although this may have been the plan, this is not the type of accounting practice that he is used to working with. He was concerned with the effect that this type of budgeting has on the operating funds. Mr. Manke responded that the O&M Fund will level off because by the time they are done paying for the renovations, the cost of operating the facility will increase by about 4 percent per year. He noted that for this reason, they will not be able to pay for these types of expenses out of the operating funds as they have in the past. Mr. Manke stated that he feels the Board and administration have put together a very good plan that has allowed for the building and renovation of facilities that was greatly needed. He did not feel that in the long run this would have a negative impact on the O&M Fund.

Member Barton asked if it would be advisable to include the cost of furnishings and equipment in the construction costs when building the next facility. Mr. Manke felt that this approach would be appropriate.

Chairman Coste questioned the \$85,000 expenditure for the Print Shop. Mr. Manke replied that it will either replace a printing press or a copier which will better support the faculty. There is a problem in the printing area at this time in terms of timely turnaround for faculty printing requests.

Chairman Coste asked if the expenditures for Technical Services equipment were items for the Voice Communications that were not in their budget. Mr. McShane replied that this is part of the telephone and network systems and therefore part of the budget that he oversees. This rewiring will allow networking systems to go to faculty desks in buildings that were previously unreachable (Buildings D, H, I and J). Member Barton asked when the entire campus will be on the network. Mr. McShane hoped that could be accomplished within two more budget years. During the renovation, labs are being consolidated in the buildings. The voice mail initiative is part of the five-year technology plan. Member Born requested a visual chart plotting the progress of computing networking across the campus by building. Mr. McShane said that this could be done.

There was discussion regarding the repair and/or replacement of the chairs in the Board Room. New chairs will be bought for the Board Room, and those chairs that can be repaired will be moved into other conference rooms.

OPERATIONS & MAINTENANCE FUND BUDGET / CAPITAL EQUIPMENT REQUESTS

After including all of the capital expenditures, the budget has a deficit of \$699,512. This includes \$500,000 for the Northeast Center and approximately \$200,000 for contingency. If the contingency is not spent, there will be a deficit budget of \$500,000 for the Northeast Center, which would come out of the fund balance. Mr. Manke felt that even with the deficit, it provides adequately for materials, supplies and capital for 1994-95. Member Barton asked what effect this will have on the fund balance. Mr. Manke replied that it will still leave a fund balance of 30-40 percent. There was an actual deficit in 1993-94 of \$144,000 after taking out the \$1.5 million payment for the Northeast Center and the \$200,000 contingency.

EDUCATION FUND CONFERENCE AND MEETING EXPENSE / EMPLOYEE BENEFITS

Item VI relates to Chairman Coste's questions on this subject at the previous committee meeting. Other than the medical, dental and life insurance in the Institutional budget area, the employee benefits include tuition waivers, professional development, and retirement benefit for administrators.

Chairman Coste noted that \$7,286 is being spent per individual for employee benefits in this fund. He added that in a budget of this size, \$261,153 for conference and meeting expenses was not a large expenditure. Thus, there is not a great deal of discretionary money in this budget.

ADJOURNMENT

As there was no other business before the committee, the members agreed that the committee adjourn. The meeting adjourned at 4:26 p.m.

Chairman