

**HARRISBURG AREA COMMUNITY COLLEGE
BOARD OF TRUSTEES FINANCE COMMITTEE**

Wednesday, February 27, 2008 – 7:30 A.M.
Boardroom, B106

MINUTES

Present:

Mr. Terry Burrows
Mr. Daniel Delaney
Mr. Donald Schell

Dr. Edna Baehre
Dr. Winnie Black
Ms. Eleanor Bosserman
Mr. Thomas Fogarty
Mr. George Franklin, Jr.
Ms. Kathy Green
Ms. Barbara Hutchinson
Ms. Brenda Krebs
Ms. Nancy Rockey
Ms. Meredith Tulli
Mr. Ronald Young

Minutes

The minutes of the January 30, 2008 meeting were reviewed and approved.

Resolutions

The resolution regarding the Contract for Child Care Services at the Lancaster Campus was reviewed and approved. Mr. Savin explained that these rates are what a student who does not have a subsidy would pay. The resolution regarding the Contract for Construction Project/Program Management Services for all Campuses was reviewed and approved. This was thoroughly reviewed by the Board Buildings and Grounds Committee. This is a five year contract for management services as it relates to construction projects, and most projects will be presented to the Board for review and approval, unless they are under \$20,000.

The gifts and scholarships were reviewed and approved.

Financial Reports

Mr. Franklin reviewed the financial reports for January. The deficit increased \$423,207 from December to January. There are two primary reasons why this increased. In Noncredit, the projected net change to fund balance increased from \$120,000 to \$359,000. The Noncredit area made adjustments to their revenue and slight adjustments to their expenses. They expected much less revenue to come in from WED. The other major part of the deficit came out of Wildwood Conference Center. Their projected net change in fund balance was \$110,000 and increased to \$140,000. The remaining deficit was split between various campuses' adjustments.

Status Report on FY 2008-09 Budgets

These budgets are a work in progress, Mr. Franklin explained. The biggest concern is the Harrisburg Campus, and we are having a meeting next week with Harrisburg Cabinet members to discuss how to decrease the deficit, he explained further. \$800,000 of the deficit is due to the fact that we are receiving fewer dollars from the ACA transfers in, since we phased it in over a three year period. The proposed fund balance is really taking a dive, and we can't let that happen, Mr. Schell noted. Mr. Franklin agreed and will be addressing this at the Cabinet meeting.

The proposed 11% tuition increase is due to the new sponsorship agreement that the College is proposing with the school districts. Mr. Burrows questioned the 4 and 5% salary increase. The recommendation that came from the Budget Advisory Committee (BAC) was 5%, Mr. Franklin answered. Unless we can mitigate the impact to the students, I think our consideration should be 3 and 4%, Mr. Burrows added. Over the past several years, the

salary increase has been approximately 4%. On average, school districts salary increases were 3.9%. The community colleges salary increases ranged from 2.5 – 4.5%. Our benefits package is also very comparable, Ms. Tulli noted.

We discussed this at the Human Resources Committee, Mr. Delaney added. We have done a number of salary adjustments this year for different groups of employees, mostly in terms of raising the base salaries at certain levels, so we need to keep that in mind when looking at the salary increase recommendation, he explained. Dr. Baehre explained to the committee that not all employees received salary adjustments, certainly not the faculty. We anticipate that in the next couple of years as the new sponsorship agreement really impacts our budget that the raises will be less. While we currently have a healthy fund balance and healthy enrollment growth now, Dr. Baehre thought that the BAC's rationale behind the 5% was reward us now because in a few years the College is not going to be able to afford a 4 or 5% salary increase. It was a way to reward the growth towards everybody, she explained further. The dollar amount for a 1% change in salaries institutionally is \$577,000, Ms. Hutchinson added.

Mr. Burrows was concerned that there was no budgeted amount for deferred maintenance. If there is any significant maintenance that should be occurring, we don't want to defer it, he added. We are accommodating that in two ways, Mr. Franklin explained. Last year we made a transfer from the surplus to cover deferred maintenance projects that were budgeted, so we have about a million dollars in the plant fund to cover these projects, Ms. Hutchinson explained. With the new capital funding through PDE, we are putting projects on that list as well (a one time cash project), Mr. Franklin added.

We are going to have to chip away at the personnel requests, Dr. Baehre explained. The growth at Harrisburg is just not there and has leveled off. We also need to look on the expense side to see if we can get greater cost efficiencies, she explained further.

Virtual Campus is definitely impacting Harrisburg's enrollment. Virtual Campus allocates approximately \$7MM back to the campuses. Mr. Burrows suggested allocating additional funds from Virtual Campus to the regional campuses. Mr. Franklin explained that Virtual Campus is going to need funds for their continuing operations for their expansion. We also discussed using some of this money to improve the technology infrastructure for the College, he explained further. The Dean of Virtual Campus was very supportive of using that fund balance for collegewide activities, Mr. Franklin noted. Also, there is sharing of personnel costs going on. Virtual Campus is paying for some of the faculty on the credit side in addition to the ACA that is being transferred out, and I'm not sure it's fair to change the ACA for just Virtual Campus, Dr. Baehre added. The fund balances all roll to the College, Mr. Franklin noted. We are not holding back on those entities that have negative fund balances because we are supporting each other.

Mr. Franklin discussed the Wildwood Conference Center budget with the committee. The operating deficit is lower. They made significant changes in their personnel, and they are really trying to improve their operating, but there are still some areas that are being worked on, such as the rate that has to be charged back to the College and how it relates to the debt service. This is the best January and February that we've ever had in the history of the Conference Center, Ms. Rockey explained. The plan we have put in place is working, she explained further.

The Noncredit budgets were reviewed. We are going to make the Noncredit area leaner and are looking at different ways to cut costs, Ms. Rockey explained. We have a plan and have a business model that we are working with, but the key is going to be the structure. They are being very conservative right now, she explained further. We are still working on the collaboration between Credit and Noncredit as well, Dr. Baehre noted.

The Museum Store budget was reviewed. Obviously, we haven't made any money there, Mr. Schell noted. If the State Museum wants us to continue our operation, then they should help subsidize this so at least we don't lose money every year. Mr. Fogarty has approached this in meetings, but the response is that they are on a tight

budget. If we are providing them a service, it shouldn't cost us money, Mr. Schell explained. The alternative is that we can give the store back to them, since the likelihood that we are going to be profitable in the future is slim to none. They should consider giving us some kind of assistance for keeping the store open for them, he explained further.

We do have a window at the Hilton and display some of the Museum Store's work at Midtown, but we still need to work with BRICCO about displaying some of the Museum Store items, Ms. Rockey noted. Dr. Baehre suggested that the advisory group and management group meet to brainstorm not only about increased marketing but also to send out a flag to the State Museum that we need help. We do think there is an educational component for us that is valuable to our students, but the bottom line is we need to bring that deficit down, she explained. Mr. Delaney asked if the Museum Store was doing any internet sales. We'd like to and started the process, but with the redesign of the College's internet page, the process was halted, Mr. Fogarty explained.

Mr. Delaney suggested that we coordinate with the advertising sales courses and get professors to add training for the students to design a site for the Museum Store as part of a credit exercise. They could also link it to the College's website. Mr. Delaney suggested it be done as a student project that would benefit the store. The committee thought that was a great suggestion.

The budgets and salary increase recommendation will be presented for approval at the next Board of Trustees Finance Committee meeting.