

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, February 16, 2011 – 9:00 A.M.**

Present: Mr. Jeremiah White; presiding; Mr. Matthew Bergheiser, Ms. Varsovia Fernandez, Mr. Willie Johnson, Ms. Lydia Hernandez Velez, Dr. Stephen M. Curtis, Mr. Gary Bixby, Dr. Thomas R. Hawk, and Mr. James P. Spiewak

AGENDA – PUBLIC SESSION

(1) 2010-11 Year Budget Status Report (Information Item):

Dr. Hawk and Mr. Spiewak provided an overview of the College's budget status for fiscal year 2010-11. The 2010-11 fiscal year began with a projected revenue shortfall and therefore a planned use of reserves of \$2,065,160. In the early fall after the budget was approved by the Board, the City cut its funding to the College by \$1 million, raising the potential shortfall to \$3 million. Staff have been actively managing the budget since that period of time to reduce the potential deficit. The current projection for the shortfall for the year is \$728,000.

A variety of factors have contributed to changes in current-year revenues and expenses. Enrollments for the year are slightly below the level that was projected in developing the budget. Annual credit FTEs are up approximately 1.72 percent or 248 FTEs over the final enrollment numbers for 2009-10; but are about 153 FTEs lower than assumed at the time the budget was developed. (See the first page of Attachment A.) Mr. Spiewak noted that the decline in non-credit enrollments from the amount budgeted was not a significant factor in terms of the College's budget outcomes. Most of the non-credit FTEs are in adult literacy programs which are taught on a small net cost basis. This means that lower non-credit enrollments are actually positive for the College's overall budget performance.

Attachment A contains detailed information on both original and revised revenue and expense projections for the 2010-11 fiscal year. The largest change in revenues is the reduction by \$1 million in the City operating funds based upon the mid-year funding reduction that the College received from the City. In addition, credit tuition revenues are \$604,000 lower than budgeted and technology fee revenues are \$142,000 lower than budgeted based upon the slightly lower enrollments from the level that was budgeted. Overall, operating revenues are currently projected to be \$1.449 million less than budgeted.

Offsetting this drop in revenues has been a larger drop in expenses of \$2.786 million. The College consistently budgets a lapsed-salary offset to budgeted full-time salaries for the projected amount of salary dollars that will not be spent due to position vacancies for part or all of the year. The larger-than-projected lapsed salaries have resulted in an additional \$300,000 savings thus far this year in full-time salaries. There have also been reduced levels of expenditures in a range of part-time salary lines in such areas as part-time administrative use, classified over-time, and student workers. Salary expenses are now projected to be \$600,000 less than budgeted. A major expense reduction has occurred in healthcare costs. In 2009-10, the College moved to

self-insurance for healthcare costs. The actuarial firm working with the College to project this cost has been monitoring expenditures closely and updating the actuarial projections for the College based upon a growing number of months of experience. Based upon more months of experience, the projected healthcare cost for the 2010-11 year is now \$714,000 less than was assumed in May of 2010 when the College budget was developed. Group Life and disability premiums are lower than budgeted based upon an insurance RFP process that was used after the start of the fiscal year. The original assumption in developing the budget was that there would be an escalation in premium costs based upon the fact that rates for these coverages had been capped for three years. However, when the bids for new rates were received, there was a reduction in cost which resulted in the total savings on insurance cost in these areas of over \$170,000. Based upon these changes and other miscellaneous downward projections of fringe benefit costs, fringe benefits are now projected to be \$1.071 million less than assumed at the time the budget was prepared.

At the time the budget was prepared, there was significant concern about escalating utility costs associated with the deregulation of electrical rates which became effective in January 2011. Industry experts' advice was to assume rate increases in the magnitude of 20 percent. However, the deregulations have not had the major impact on energy cost that was originally assumed. The College was able, through a bid process, to secure utility electrical costs that were five percent lower than paid prior to deregulation. This lower rate will be in effect for two years. As a result, projected utility costs were reduced by \$489,000.

Based upon continuing tight management of all cost center budgets, the College has been able to make smaller reductions in planned expenditures across many different expense codes during the course of the year from the level that was budgeted. The impact of the \$2.786 million decrease in projected expenditures results in a current deficit projection of \$728,000. Dr. Hawk noted that if the City had not done the mid-year budget reduction for the College, it will be possible to now project a small surplus for the year. Staff will continue to work to control and reduce expenditures where possible for the remainder of the year to try to achieve a balanced budget by the end of the fiscal year.

The Committee discussed the many factors which were pointing to an extremely difficult budget year for the 2011-12 year. There is great uncertainty as to whether or not the State will replace the \$2.844 million that was provided to the College in the prior and current fiscal years out of federal ARRA funds. There is also real concern that the City will not be able to restore the one million dollars that were taken out of the College's allocation in fall, 2010. At the federal level, efforts to reduce the federal expenditures on federal Pell financial aid awards could have an adverse impact on next year's enrollments and tuition revenues as students elect to take fewer credits or not enroll at all based upon reduced availability of financial aid. Dr. Hawk noted that the normal time frame to present the proposed tuition increase for the next year to the Board is April. However, in the context of the uncertainty associated with both City and State funding, staff may elect to defer the recommendation on tuition increase until the May Business Affairs Committee meeting with the hope of having a better understanding of City and State funding for the next year. The College budget plan for the 2011-12 year will also be presented at the May Business Affairs Committee meeting.

(2) Board Resolutions of Support for 2011-12 State Capital Applications Action Item):

Discussion: The current State capital project approval process, created under Act 46 and enacted in July 2005, requires that the community colleges annually submit formal applications to the Department of Education for the new capital projects for which State funding is sought in the coming fiscal year. The deadline for submitting these applications is April 1. Included in the application process is a requirement to submit a Board resolution of support for each proposed project. Dr. Hawk noted that it was unlikely that there would be additional State capital funding for the 2011-12 year. However, the submitting applications will ensure that the College is funded if money is made available. For each college, one carry-over project will receive priority funding if capital funds are made available.

For the 2011-12 year, staff propose to submit three applications to the Pennsylvania Department of Education for funding from the State capital pool. A brief description for each of the three projects follows:

A. Chemistry Lab Renewal Project – Projected Cost \$1,089,000

The College's five chemistry labs located in the West Building were installed in 1982 at the time the original Main Campus buildings were completed. While new equipment has been regularly added in the labs to reflect changing technologies and instructional approaches, the infrastructure for the labs has not been updated since 1982. Project components include:

- New flooring in all the Chemistry Department rooms.
- New fume hoods, lab blowers, duct work with centralized-control operating system including improved ventilation in the storage areas.
- New lighting and upgraded electrical/power/IT/phone system.
- New ceilings.
- Upgraded HVAC, sprinkler, smoke, gas and fire monitoring system.
- Electronic door locks and security cameras.
- All utility upgrades.
- New eyewash, burn and safety equipment.
- Installation of smart boards in all laboratories.
- New safety/hazardous laboratory storage cabinets.
- New standing height laboratory cabinets.
- New sitting height laboratory cabinets.
- New wall laboratory cabinets.
- New laboratory tables/shelves.
- New laboratory stools/seating.

The installation of smart board technology in the labs will greatly enhance the effectiveness of laboratory-based instructional activities. The total cost of the project is estimated at \$1,089,000.

Note: This project was submitted for the 2010-11 year, but there was no capital funding available for new projects. As a carry-over application, this project will

receive priority funding for the 2011-12 funding year if new capital funds are available.

B. West Building Escalator Replacement - \$2,180,000

The West Building escalators were installed at the time the building was erected in 1981. Six escalators are in place connecting the four principal floors of the building. The escalators are at the end of their life cycle and continued repairs to them are no longer effective. Replacement at a total cost of \$2,180,000 is now essential.

C. Expansion of Information Technology Infrastructure Necessary to Support and Enhance the Main Campus Wireless Environment - \$384,600

This project is focused on creating universal wireless access throughout the College's Main Campus. The project has three components: a) establishing correct environmental conditions in equipment closets; b) establishing stable power supplies; and c) deploying the wired devices needed to establish network access points in the wireless environment. Each component is described below:

Maintaining Environmental Conditions in Equipment Closets – Equipment closet environmental conditions require tight humidity and temperature controls for optimum efficiencies. This includes conditioned air with directional circulation across devices for proper cooling and moisture control. The humidity needs to be maintained to a level where static electricity is not easily generated; yet below a level where condensation can occur on the equipment in the data-control spaces. Equipment capable of accomplishing and maintaining this environment has an estimated cost of \$28,000 per data-control space. Currently, the College has four-controlled spaces to convert and two new additional spaces to build for a total of six spaces. The total cost of this component of the project will be \$168,000.

Establishing Stable Power Supplies - Stable power requirements are met with devices capable of sustaining stable output voltage in the context of variable supply from the local utility company. These devices must be able to override harmonic conditions created through the use of direct current power supplies. The power needs to be sustained at the desired quality level even during periods of time when there is a power failure. The equipment includes uninterruptible power supplies to continue output voltage in sufficient amounts during a predetermined period of time. The cost for this equipment is approximately \$18,600 for each of the six-controlled equipment closets for a total cost of \$111,600.

Installing Wired Devices Required to Establish Wireless Access Points - The wired devices required to distribute data to mobile-user devices include components to operate in the 802.11 N protocol being used in current wireless environments. This technology allows students and staff to remain continuously connected to wireless access points as they move between classes and around campus buildings. The wired devices require connections to the wide-scale network infrastructure using high speed switches and power supplies. The wireless access

points, switches and power supplies are estimated at \$17,500 for each of the six-controlled data spaces for a total cost of \$105,000.

The total cost for this project will be \$384,600.

Mr. White asked how this project related to recent technology projects approved by the Board as part of the Main Campus Construction Project. Staff responded that project expenditures were directed toward the new Pavilion Building and the portions of the Mint, Bonnell, and West Building under renovation. This proposed capital project helps enable the establishment of a wireless environment throughout the remainder of the Main Campus.

Action: Ms. Hernandez Velez moved and Mr. Bergheiser seconded the motion that the Committee recommend to the full Board a resolution of support for each of the following projects to be included in the 2011-12 State capital funding applications:

- Chemistry Lab Renewal Project – Projected Cost \$1,089,000
- West Building Escalator Replacement - \$2,180,000
- Expansion of Information Technology Infrastructure Necessary to Support and Enhance the Main Campus Wireless Environment - \$384,600

The motion passed unanimously.

(3) SPSBA Funding Resolution (Action Item):

Discussion: On December 2, 2010, the Board authorized staff to enter into a lease of 7,291 square feet of space adjacent to the West Regional Center to permit the expansion and updating of the West Regional Center. At the time the lease was approved, staff explained that a five-year loan through the revolving capital pool maintained by the State Public School Building Authority (SPSBA) would be used as the source of funds to pay for the cost of the build-out for the leased space. Based upon architectural studies, the anticipated cost for the lease build-out to be undertaken by the landlord is \$845,000. The proposed amount of borrowing is \$1,000,000 which will provide funds for the lease build-out and funding for furniture and equipment needed to outfit the renovated space. The current borrowing rate is 3 percent. With a projected borrowing date of April 15, there will be no payment due in the 2010-11 fiscal year. The amount to be budgeted in 2011-12 for the loan repayment will be \$216,890.

Action: Ms. Hernandez Velez moved and Ms. Fernandez seconded the motion that the Committee recommend to the full Board the enactment of a resolution which authorizes staff to borrow the amount of \$1,000,000 from the State Public School Building Authority five-year revolving capital loan pool for the purpose of completing the build-out of 7,291 square feet of space to be leased adjacent to the current West Regional Center. The motion passed unanimously.

(4) Update on Construction Projects (Information Item):

Mr. Bixby summarized progress to date on both the Northeast Regional Center and Main Campus Construction Projects.

The Northeast Regional Center Project is largely complete and is now in the building commissioning phase. This will occur in two stages: at the present time to initiate the full operations of all building systems; and a year later to confirm that the building systems are operating according to specifications. Mr. Bixby stated that the College was very confident that the building would receive a LEED gold-level certification. However, that will not become official until the commissioning of the building was completed in 12 months, and there was confirmation that the building is meeting the performance expectations as required for LEED certification. Mr. Bixby noted that there were miscellaneous smaller punch-list projects yet to be completed in the Northeast, including the landscaping and outfitting of the rear patio area off of the student dining services. This part of the project will not be completed at the time the Board meets at the Northeast Center on March 3 2011; but the hope is to try to have the patio completed in time for the grand opening on April 20, 2011. Board members will have an opportunity to see both the completed new building, as well as the renovations to the existing building on a tour which will be conducted after the March 3, 2011 Board meeting.

With respect to the Main Campus, the Pavilion Building is now fully enclosed. The building's heating systems are functioning which is allowing all interior finished work to be undertaken without concern about damage due to cold weather. Kitchen equipment for both the Culinary Arts and the College's food service operations will be installed over the next few weeks. The Pavilion Building is on schedule to be completed in June 2011 with a July 1, 2011 occupancy.

The Bonnell, Mint and West Building renovation is being completed in seven phases in order to allow all College functions to be sustained throughout the construction process. As phases are completed, staff are moving into the new space and the vacated spaces being renovated. The ground floor of the Mint Building on the western end will be occupied first with some staff moving in mid March. Mr. Bixby described an ongoing problem with leaks in the northwest corner of the Mint Building, and the steps that are being taken to address this longstanding problem. The two new elevators in the Bonnell Building have been installed and will be put into operation for construction purposes in March. The existing escalators in the Bonnell Building will be removed during the summer 2011 period and replaced with a grand staircase which will fit into the openings that were originally used for the escalators. These changes in vertical access will resolve some longstanding problems that have existed with respect to student and staff movement among floors in the Bonnell Building.

Mr. Bixby stated that College staff, in collaboration with the Redevelopment Authority Fine Arts Committee, had identified a slate of very promising public artists from which will be selected the artist to complete the public art at both the Main Campus and the Northeast Center. The original artist selected for the Northeast site withdrew from the project because of his inability to commit time to the project and his concern about the available dollars to complete the art. The landscaping components of the Main Campus projects have been withdrawn from the existing contractors' budgets and will be undertaken in conjunction with the installation of the public art. The goal is to create a complete integration of the Main Campus landscaping with the public art. The presumed location for the public art at the Main Campus will be the corner of 18th and Spring Garden Streets. It is expected that the same artist will undertake both the Main Campus and Northeast Regional Center public art projects which will provide flexibility within the budget as to how dollars are spent at the two locations; will provide some expense efficiencies associated with only working with one artist; and will create a

larger overall art budget for the selected artist which will make the project more attractive. The artists have been invited to submit design concepts and is anticipated that an artist will be selected by late spring.

Ms. Fernandez asked that updates on minority and women-owned business activity associated with both projects be provided at a near future Committee meeting.

(5) Next Meeting Date

The next regularly scheduled meeting of the Committee will occur on Wednesday, March 23, 2011 at 9:00 A.M.

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ATTACHMENT A

**COMMUNITY COLLEGE OF PHILADELPHIA
2010-11 YEAR BUDGET STATUS REPORT**

Community College of Philadelphia
Enrollment Information (FTEs) for Fiscal Year 2010-2011

	<u>Actual FY2009-10</u>	<u>Budgeted FY 2010-11</u>	<u>Actual FY 2010-11</u>	<u>Actual FY 2011 vs Actual FY 2010</u>	<u>% Variance</u>	<u>Actual FY 2011 vs Budgeted FY 2011</u>	<u>% Variance</u>
<u>CREDIT</u>							
Summer 2	1,862	1,862	1,922	60	3.22%	60	3.22%
Fall	13,275	13,719	13,550	275	2.07%	(170)	-1.24%
Spring	13,644	14,001	13,805	161	1.18%	(195)	-1.40%
Summer 1	2,834	3,000					
Credit Year-to-date Totals - Annual FTEs	15,808	16,291		248	1.72%	(153)	-1.03%
<u>NONCREDIT</u>							
Summer 2	123	123	99	(24)	-19.51%	(24)	-19.51%
Fall	937	955	844	(93)	-9.93%	(111)	-11.62%
Spring	695	705					
Summer 1	328	265					
Non-credit Year-to-date Totals - Annual FTEs	1,042	1,024		(59)	-5.62%	(68)	-6.59%

**Community College of Philadelphia
Operating Budget Results
Fiscal Year 2010-2011**

	<u>Original Budget</u>	<u>Current Projection</u>	<u>Change</u>
<u>REVENUES</u>			
Student Tuition and Fees	\$69,545,261	\$69,168,692	(\$376,570)
Commonwealth of Pennsylvania	31,409,104	31,377,104	(32,000)
City of Philadelphia	19,116,376	18,116,376	(1,000,000)
Other Income	<u>1,653,788</u>	<u>1,613,164</u>	<u>(40,624)</u>
TOTAL REVENUES	\$121,724,529	\$120,275,336	(\$1,449,194)
<u>EXPENSES</u>			
Salaries, Net of Lapsed Funds	\$73,815,722	\$73,215,722	(\$600,000)
Fringe Benefits	29,631,642	28,560,263	(1,071,379)
Other Expenses	20,207,325	19,092,436	(1,114,889)
Student Financial Aid	<u>135,000</u>	<u>135,000</u>	<u>0</u>
TOTAL EXPENSES	\$123,789,689	\$121,003,421	(\$2,786,268)
OPERATING BUDGET DEFICIT prior to GASB 45 *	<u>(\$2,065,160)</u>	<u>(\$728,085)</u>	<u>\$1,337,075</u>

* Estimated value of the accrued post retirement expenses is \$6,184,440.

**Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2010-2011**

	Original Budget	Current Projection	Over (Under) Original Budget
OPERATING REVENUES			
State Funding	\$31,152,104	\$31,152,104	\$0
State Lease funding	257,000	225,000	(32,000) Lower-than-budgeted replacement costs for PCs.
Total State Revenues	31,409,104	31,377,104	(32,000)
Tuition - Credit Students	56,279,680	55,675,624	(604,057) Fall and Spring enrollments lower than budgeted.
Technology Fee	11,325,881	11,183,368	(142,513) Fall and Spring enrollments lower than budgeted.
Net Contribution from: Contracted Non-credit Instruction; Other Noncredit Instruction; Adult Community Non-credit Instruction	782,000	782,000	0
Course Fees	2,966,000	3,016,000	50,000
Student Regulatory Fees	953,700	983,700	30,000
Tuition Adjustments - Student Receivable Write-offs, Collection Costs, Credit Card Costs & Senior Citizen Discount	(2,762,000)	(2,472,000)	290,000 Lower-than-budgeted Opportunity Now exemptions.
Total Student Tuition & Fees	69,545,261	69,168,692	(376,570)
City Operating Funds	19,116,376	18,116,376	(1,000,000) Mid-year reduction in City appropriation.
Investment Income	562,500	500,976	(61,524)
Vocational Education Funding	300,000	240,900	(59,100)
Indirect Costs, Administrative Allowances	300,000	350,000	50,000
Parking Proceeds & Miscellaneous Income	491,288	521,288	30,000
Total Other Income	1,653,788	1,613,164	(40,624)
TOTAL OPERATING REVENUES	\$121,724,529	\$120,275,336	(\$1,449,194)

**Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2010-2011**

	Original <u>Budget</u>	Current <u>Projection</u>	Over (Under) <u>Original</u> <u>Budget</u>
<u>OPERATING EXPENSES</u>			
<u>Salaries</u>			
Full-Time Administrative Salaries	\$15,189,272	\$15,189,272	
Less: Projected Lapsed Salaries	<u>(800,000)</u>	<u>(900,000)</u>	
Net Full-Time Administrative Salaries	14,389,272	14,289,272	(100,000)
			Increase in lapsed salaries due to more vacancies than budgeted.
Full-Time Faculty Salaries	28,687,443	28,687,443	
Less: Projected Lapsed Salaries	<u>(200,000)</u>	<u>(250,000)</u>	
Net Full-Time Faculty Salaries	28,487,443	28,437,443	(50,000)
			Increase in lapsed salaries due to more vacancies/leaves than budgeted.
Full-Time Classified Salaries	10,817,036	10,817,036	
Less: Projected Lapsed Salaries	<u>(600,000)</u>	<u>(750,000)</u>	
Net Full-Time Classified Salaries	10,217,036	10,067,036	(150,000)
			Increase in lapsed salaries due to more vacancies than budgeted.
Subtotal - Full-Time Salaries	53,093,751	52,793,751	(300,000)
Part-Time & Overload Credit Salaries	11,137,591	11,137,591	0
Summer Credit Instruction	4,082,296	4,147,296	65,000
Part-Time & Overload Non-Credit Salaries	369,349	369,349	0
			Lower-than-budgeted expenses in PT Administrative Hourly, PT Classified, Overtime, Student Workers and Learning Lab Specialist categories.
All Other Salaries	4,682,735	4,317,735	(365,000)
Early Retirement Incentive Payments	450,000	450,000	0
Subtotal - Other than Full-Time Salaries	20,721,971	20,421,971	(300,000)
Total Salaries	73,815,722	73,215,722	(600,000)

**Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2010-2011**

	Original <u>Budget</u>	Current <u>Projection</u>	Over (Under) <u>Original Budget</u>
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Fringe Benefits

Medical Premiums	18,969,713	18,255,184	(714,529)	Reflects revised actuarial projections based upon first year of self-funded medical plan.
Retirement	5,449,099	5,350,388	(98,711)	Reflects lower-than-budgeted salaries.
FICA	2,786,839	2,800,501	13,662	
Tuition Remission	609,500	596,400	(13,100)	
Group Life	426,453	354,800	(71,653)	Budget assumed a 15% increase over prior year; RFP process resulted in decrease in rates.
Unemployment Compensation	340,101	356,278	16,177	
Workers' Compensation	302,071	305,324	3,253	
Unused Vacation	279,515	225,138	(54,377)	
Disability Premium	335,150	228,800	(106,350)	Budget assumed a 15% increase over prior year; RFP process resulted in decrease in rates.
Forgivable Education Loan	133,201	87,450	(45,751)	
Total Fringe Benefits	29,631,642	28,560,263	(1,071,379)	

**Community College of Philadelphia
Operating Budget Projection
Fiscal Year 2010-2011**

	Original Budget	Current Projection	Over (Under) Original Budget	
Facility Expenses				
				Budget assumed worst-case scenario due to electricity deregulation; rates are stable.
Utilities	3,089,635	2,600,246	(489,389)	
Contracted Security	1,250,000	1,250,000	0	
Contracted Cleaning	1,207,599	1,207,599	0	
All Other Facility Expenses	1,549,317	1,466,817	(82,500)	Reduction in property tax and management fee associated with transfer of Center for Business & Industry Building.
Total Facility Expenses	7,096,551	6,524,662	(571,889)	
All Other Expenses				
Leased Equipment & Software	4,044,416	4,009,416	(35,000)	
Catalogs and Advertising	1,599,999	1,599,999	0	
Supplies-Pool	1,437,780	1,387,780	(50,000)	
Consultant	718,902	833,902	115,000	Cost of Enrollment Services Imaging Project that was originally budgeted for FY 2009-10.
Legal Fee	225,000	200,000	(25,000)	
Contracted Services	1,050,806	1,050,806	0	
Postage	543,000	520,000	(23,000)	
Maintenance & Repairs	599,064	599,064	0	
Other Expenses	2,891,807	2,366,807	(525,000)	Project lower-than-budgeted costs in a variety of budget categories.
Total All Other Expenses	13,110,774	12,567,774	(543,000)	
King Scholarship	135,000	135,000	0	
TOTAL OPERATING EXPENSES	\$123,789,689	\$121,003,421	(\$2,786,268)	
OPERATING BUDGET DEFICIT prior to GASB 45 *	(\$2,065,160)	(\$728,085)	\$1,337,075	

* Estimated value of the accrued post retirement expenses is \$6,184,440.