MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
GOVERNING BOARD WORK SESSION
AUGUST 22, 2012

MINUTES

A Retreat of the Maricopa County Community College District Governing Board was scheduled to be held at 9:00 a.m. at the Glendale Community College in Glendale, Arizona, pursuant to A.R.S. §38-431.02, notice having been duly given.

PRESENT

GOVERNING BOARD	**ADMINISTRATION**
Doyle Burke, President	Rufus Glasper
Dana Saar, Secretary	Maria Harper-Marinick
Randolph Lumm, Member	Debra Thompson
Debra Pearson, Member	Steve Creswell for George Kahkedjian
Absent: Don Campbell, Member	Nikki Jackson
	Anna Solley
	Lee Combs
	Ernie Lara
	Gene Giovannini
	Chris Bustamante
	Linda Lujan
	Irene Kovala
	Shouan Pan
	Jan Gehler
	Paul Dale
	Shari Olson
	Steve Helfgot

BOARD RETREAT – CAPITAL PLANNING

CALL TO ORDER The retreat was called to order by Glendale Community College President Dr. Irene Kovala. She welcomed all to GCC and stated that she hoped they felt the wonderful energy on campus from students attending classes. The lack of parking should be viewed as a good sign and she hoped everyone was pleased with the pleasant look of the landscaping which was helped by the rain the previous night.

WELCOME & PURPOSE Vice Chancellor of Business Services Debra Thompson approached the podium to provide a welcome to all in attendance and to thank them for carving time out of their busy scheduled to attend this retreat. She stated that she hoped the information to be presented would provide them an opportunity to learn about past bond programs and future bond programs.

PRESENTATION #1 PROJECT STATUS REPORT – FACILITIES PLANNING & DEVELOPMENT

District Director of Facilities Planning & Development Arlen Solochek provided an overview of the 2004 Bond Program as a way of "looking backward."

The following information was highlighted in his presentation: In addition to 39 projects completed earlier, he highlighted the following:

Projects Completed to Date.

- SMCC Joint Library with City of Phoenix
- Rio 1715 West Northern Avenue Remodel
- Rio 7th Avenue Adult Learning Center
- SCC Film Program Storage Facility
- PC Hannelly Center Expansion & Learning Center Building Remodel
- SMCC LRC Remodel and New Parking
- PVCC New Health Sciences Building
- Rio Salado at Thomas Road Remodel

Other Projects Completed to Date include

- Southwest Science Building at MCC
- Ironwood Building at CGCC
- Life Science Building at GCC
- Student Union Remodel at GCC
- Public Safety Sciences at GCC
- Natural Science Building at SCC
- Aviation Maintenance and Engel Hall at Williams
- GCC North
- Fine Arts Building at Phoenix College

Projects Currently in Construction include:

- GWCC Integrated Education Building
- Maricopa Skill Center Expansion and Remodel
- EMCC Estrella Hall Expansion & Remodel
- PVCC Student Services Expansion & Remodel

Projects in Design, Consultant or Contractor Selection:

- CGCC Pecos Coyote Athletic Center
- MCC Performing Arts/Harkins Remodel
- MCC New Art Gallery
- SCC LS Building Remodel
- Rio Queen Creek Communiversity
- MCC Theater Out back Remodel
- Rio Price & Southern Remodel, Phase I
- SCC Library Remodel & Expansion
- MCC New Enrollment Center & Kirk Center Expansion
- GCC Technology Remodel
- GCC PAC Remodel
- GCC HT1 Building Remodel

- PC 3700 North 3rd Avenue Remodel for Nursing
  Land & Building Purchases
- Longmore St, Two Buildings, MCC
- 4110 East Wood Street, East Half
- 145 Centennial Way, Mesa
- 3631 West Thomas Road, Phoenix
- 1715 West Northern Avenue, Phoenix
- 3320 South Price Road, Tempe
- 163-165 North Centennial Way, Mesa
- 3700 and 3717 North Third Avenue, Phoenix
- 1325-35 Park Lane & 2250 West 14th Street, Tempe
- 3144 North 7th Avenue, Phoenix

Summary Totals:

- New Building Construction & Purchases: 1,635,265 square feet
- Remodeling: 815,665 square feet
- Acres Purchased: 280 acres
- Total Budget Expended and in Process: $671.23 million

Bond Series Issues

Series	Issue Amount	Remaining
A	$197,270,000	100% expended
B	$240,000,000	100% expended
C	$220,000,000	100% expended
D	$150,000,000	$125,000,000
E	$151,089,015	projected issue date Spring 2013

PRESENTATION #2 TELLING OUR STORY

Tom Gariepy, District Director of Marketing and Communications commented that looking back over projects funded make the Maricopa Story come alive. The brochure and website that has been prepared by Marketing will provide an opportunity to look 10-15-20 years down the pike and look at how we can affect lives of students. Years back what we have was just a dream. The website will explain projects that have been completed through the last bond programs. Page 27 of the brochure describes what we told the voters we were going to do. Goals were grouped and examples of each type of project we talked about. At end of book all projects were included. All this information will be available on-line. Tracking has indicated that the Maricopa Community Colleges have 8,000 followers on Facebook and this information will be available to those people that follow us on social media.

Mr. Gariepy explained that on a related project, a survey has been commissioned to determine knowledge of District satisfaction. Results should be available in about a month. It has been decided that a poll will be conducted every four years to track favorability issues.

SCC President Dr. Jan Gehler asked if bond funded projects would be distinguished from blended projects that used available college funds. She asked if the story was a pure story or if it was a blended story. Mr. Gariepy responded that it was hard to make a distinction. If a project was more than 50% bond funded, it would be included in bond funded projects. Vice Chancellor Thompson commented that at the end of the day we have to account for $951 million. Inflation drove us to seek other sources. With the bonds we were able to marry them to do more. Mr. Gariepy further stated that this is all about credibility. It is wise to remember that there was a huge stimulus effect as a result of bond program. They will make distinctions when necessary. Mr. Solochek stated that the blended projects were not significant; for example, the SMC Library cost $35 million and they received $10 million from the City of Phoenix so $25 million was connected to this project. Mrs. Thompson indicated that funds from the State have been limited due to the loss of capital state aid since FY08-9 though other resources are used in some cases. Even when we had State aid, the funds were limited and often used for small project. Some real estate acquisitions are funded from non-bond funds when the locations are outside the bond boundaries.

Governing Board Member Randolph Lumm asked if money was being leveraged with cities to make money grow. Mr. Gariepy indicated that from a sales point of view to the extent that we do that it is an advantage. We promote partnerships where we can.

PRESENTATION #3 ENROLLMENT TRENDS

Sherry Ondrus, Associate Vice Chancellor for Academic Affairs, provided information pertaining to the clusters of students for Spring 2012 and where these clusters were concentrated. Although students are at all of our campuses, heavy clusters existed between MCC and CGCC, as well as between PVCC and GCC, PC and GWCC. FTSE was stable in 2007 and 2008, however, it has been growing since then. Ms. Ondrus mentioned that Fall headcount dropped in 2011 but FTSE increased in 2011. FTSE is the Full-Time Student Equivalent divided by 15 credit hours per semester. There has been a historical upward slope. There has been an increase in evening course taking but daytime going up at higher slope. Attendance is 71% part-time and 29% fulltime. More and more students going fulltime. Her presentation included trends in high school dual enrollment (headcount), trends in student age, workforce development credit hours, and trends in instructional mode. The following numbers were provided pertaining to the top ten CIP groups:

Top 10 CIP Groups	Credit Hours
Health Professions And Related Clinical Sciences	167,083
Computer And Information Sciences And Support Services	158,106
Business, Management, Marketing, And Related	102,336

Support Services	
Security And Protective Services	96,737
Parks, Recreation, Leisure And Fitness Studies	37,127
Biological And Biomedical Sciences	35,287
Multi/interdisciplinary Studies	26,837
Visual And Performing Arts	25,366
Family And Consumer Sciences/Human Sciences	18,884
Mechanic And Repair Technologies/technicians	17,921
Other	107,604
Total Occupational Course Enrollments	793,288

Mrs. Pearson pointed out that the "Other" category was very broad and Ms. Ondrus indicated these categories were based on federal designations. Mr. Saar asked about population tracking and our percent of growth. Ms. Ondrus responded that the county was growing. The age groups between 14-18 year olds and the older group were coming back many contingencies. Growth and headcount would track but not on a one-to-one relationship. Ms. Ondrus reported that both online and in person FTSE credit hours are growing.

PRESENTATION #4 PLANNING THE NEXT BOND PROGRAM

This presentation was made by Lionel Diaz, Associate Vice Chancellor of Capital Planning. Mr. Diaz reported that in a five-year bond planning calendar during the current year 2012 strategic thinking and planning needed to occur in the following areas: Academic Programs, Modes of Instructional Delivery, Student Services, Technology Issues, and Facilities and Utilities Infrastructure. He stated that all issues are related and are not independent. There is a need to look at growth and projections. From FY09-10 to FY10-11, in-person and in-seat went from 50,000 to 55,000 (10% growth) and on-line went from 10,000 to 15,000 (50% growth). Need to look at numbers and what they mean. Enrollment in the nation and in the West has dropped 5% according to the Chronicle. In 2013 colleges will refine academic master plans as the basis for facilities and technology. By mid-2013 Board Members and Chancellor will need to make the decision as to whether to move forward with a proposed 2016 G.O. bond or not. $3.5 million is estimated cost for college master plans for facilities and ITS, and the final cost for bond planning will reach $6 million. In 2015 the Governing Board and the Chancellor will need to set the upper limit on the total bond amount. The target date for an election currently is November 2016. There will be needs for 2016 through 2026 for technology and on-line learning. There will be a need to assess the extent to which new space or remodeling with more technology will be needed. There is a need to assess the needs of occupational education, maintenance and infrastructure, land for future growth on the perimeter, and the need to balance capital funds and operating costs. There is an interest in continuing to look at the definitions of capital and operational costs.

PRESENTATION #5 UPDATE ON INFORMATION TECHNOLOGY TRENDS AND PLANNING ASSUMPTIONS

Steve Creswell represented Vice Chancellor George Kahkedjian on this presentation. He emphasized that this was not meant to be a master plan presentation but rather planning assumptions based on two simple questions:

- What Technology initiatives need to be funded under the next bond?
- What are the trends in technology that Maricopa will need to plan for?

Mr. Creswell provided a quick review of the 2004 bond. Key technology initiatives included:

- Servers
- Networks
- Major application implementations
- Learning spaces
- Technology for Buildings

According to the experts, Gartner, Inc. and Educause the following technology trends will prevail:

Gartner – Top 10 Technology Trends

- Diversity of devices
- Mobile-centric applications
- Social/contextual computing
- Internet expansion
- Application stores
- Next Gen analytics
- BIG DATA
- In-memory computing
- Green
- Cloud Computing

Educause/ECAR – Top 10 IT Issues

- Updating IT Staff skills
- Consumerization
- Cloud strategy
- Improving operation efficiency
- Data driven decision making
- Developing analytics to support outcomes
- Strategic funding
- Business Transformation
- Supporting the research mission
- IT Governance

Key Implications for Maricopa:

- Devices – They're here, more are coming – we need to support them.
- Mobile applications – It's the new normal.

- Social applications – It's the new normal.
- Data & Analytics – Maricopa is behind here. This will be a key focus in future.
- On-line is not the end of the classroom.
- Cloud(s) on the horizon – Leveraging cloud will enable us to keep pace.

Forecast of Maricopa Initiatives

- Seamless Student Initiative is key – Improving the student experience. SSE is representative of next round of process & application improvement projects to improve the usability of our environment.
- ERP Maintenance – Periodic upgrades are the norm – we need to get better at them.
- ERP Enhancement – Most systems are in, now we need to improve usability (Pace layered approach).
- Strategic staff augmentation – how can we outsource to meet new requirements.
- New Initiatives (From SSE & 21CM) – Portal, Customer Relationship Management, and Single Sign-on.

Synopsis

- Technology is still critical, still hard to implement, and still expensive.
- New hardware and new software – always.
- Classrooms aren't going away.
- Less ground up implementation, more cloud and integration of diverse products.

Mr. Creswell introduced Rod Marten is the Chief Architect of IT and is working with colleges.

SSE is indicative of a project that is student success driven.

Mrs. Pearson asked if this was going to be a plank for the bond program. Mrs. Thompson indicated this would all be part of the master planning. We have to talk about main purpose of providing education and however it is best done. All of this will come out. CGGG President Dr. Linda Lujan commented that she is on the IT Council and feels we are on course and reorganizing. Rio President Dr. Chris Bustamante indicated that Rio is at the forefront of analytics which is still very experimental.

PRESENTATION #6 WORKFORCE DEVELOPMENT

Randy Kimmens, Director of Workforce Development, provided the following information:

Occupational Programs at MCCCD:

- 6,788 active occupational courses, 967 active programs

- Represent 27% of district-wide credit hour enrollment
- Occupational FTSE – 25,807 in 2011
- Largest occupational areas:
    - Healthcare - 21%
    - Information Technology - 20%
    - Business - 13%
    - Security and Protective Services (police & fire) - 12%
    - Occupational awards – 8,606 (2010), 10,373 (2011), 11,458 (as of July 2012)
    - 600 partnerships with 38,000 students served/trained

Emerging Industry Sectors:

• Cloud Computing	Computing resources delivered over the Internet Advantages – cost, reliability, security, scalability
• Mobile Computing	Soon, more people will access the Internet via phone than by computer
• Nanotechnology	Not an industry, but an “enabling technology” Impacting sectors including electronics, agriculture, aerospace, materials, healthcare, environmental
• Personalized Medicine	Customization of healthcare services Targeted therapies, tailor-made drugs, digital records
• Renewable Energy	Solar, wind, biofuels, algae
• Unmanned Aerial Systems	Pilotless aircraft and the systems that support them Aerospace and defense employs 43,000 in AZ, $84,000 average wage Sequestration (spending cuts) is an issue

Workforce Trends

The Skills Gap (structural unemployment)
- Mismatch between the skills workers have and the skills employers need

Technology is Transforming the Nature of Work
- Middle-level production and service jobs have been hard-hit by technology

Disaggregation of Jobs
- The separation of high-skill jobs from their more routine tasks - an opportunity for MCCCD

Rising Income Inequality
- Many causes – demographics, immigration, technology, government policy, decline of organized labor, globalization, executive compensation, education

Divergent Training Needs
- At the same time employers are having trouble finding skilled workers, there are growing pools of untapped labor
- Young, old, male/female, minority, re-careering, long-term unemployed
- Each group has different training needs
- Intergenerational workforce

Growth of the Hispanic Population in Arizona
- Traditionally lower levels of educational attainment
- They must be brought into the labor force for Arizona to succeed
- The "cultural generation gap" – Five Shoes/Dropped (Morrison Institute)

More Jobs Requiring Certifications and Apprenticeships
- Tied to industry needs

<u>Operationalizing Workforce Trends</u>
- Employer Needs Assessment
- Regionalization of Services
- Business and Industry Corporate Training
- Evaluation of Programs – New and Transition
- Collaborate/Consolidate Advisory Committees
- Kuder Career Assessment System
    - Career decisions, access jobs, salary, workforce information
    - Partner with JTEDs, West-MEC, EVIT

<u>Employer Needs Assessment</u>
- Being conducted to assess the training and employment needs of Maricopa County employers in specific industry sectors
- Will include questions regarding:
    - Employment
    - Training needs
    - Soft skill requirements
    - Technical skills requirements
    - Internship and apprenticeship opportunities
    - Results available by May 2013

PRESENTATION #7 FINANCIAL SCENARIOS

Vice Chancellor of Business Services Ms. Debra Thompson, reviewed the history of the 1994 Bond Program. She stated there was no debt from 1984, the economy was better, there was growth in assessed valuation and there was a 60% passage rate. Issues of the economy right now will affect future bond program. In 2004 there was a 76% passage. Resources from the bond program are for capital and non for operational needs.

Resources related to a Bond Program are:

- Pre-election:
  - Master Planning--$3-6 million
  - Election Related--$1-2 million (not advocacy but legal or other requirements to inform voters and cover the costs of the election itself, etc.)
- Post-Election:
  - Operating costs allocated from existing resources—depends on size and composition of the bond

Bond Scenario Assumptions

- There are many possible scenarios
- Assumptions drive numbers
- Key assumptions that drive numbers
  - Size of bond
  - Maturity dates
  - Interest Costs
  - Timing and amounts of principal repayment
  - Assessed Valuations

Assumptions for Two Scenarios

  - Sizes of bond program scenarios: $500 million and $1 billion
  - Composition of the bond programs—the result of master planning
  - Amount and timing of bond issuances (3 and 5 issuances, respectively, every two years)
  - Maturity dates: maximum of 15 years
  - Interest Costs: 2004 Series E @ 4%; 2016 bonds @ 5%
  - Assessed Valuations: 2% annual increase starting in FY 2016-17 after more declines and no change

Scenario 1: $500 million

- With interest, total cost est. $735 million
- Annual additional debt service ranges between $3.7 million and $48 million
- $.10 avg additional tax rate; Range $.01 - .14
- 2004 and 2016 Annual Debt Service ranges between $17 million and $118 million
- Aggregate tax rate $.04 - $.35
- Repaid 2036
- Operating costs estimated at $20 million annually

Scenario 2: $1 billion

- With interest, total cost est. $1.5 billion
- Annual additional debt service ranges between $4.9 million and $96 million

- $.16 avg additional tax rate; Range $.02 - .26
- 2004 and 2016 Annual Debt Service Between $15 million and $132 million
- Aggregate Tax Rate $.03-.39
- Repaid 2040
- Operating costs estimated at $35 million

Thoughts on Tax Rates:

- Two variables
- Assessed valuation steadily rose between 1994 and 2008, from $13.5 billion to $58.3 billion
- Slight .5% decline 2009, then declines between 11 and 22% between 2010 and 2012
- 2012 Valuation of $34 billion
- Valuation declines expected for next 2 years
- Our projections do not assume valuations will reach the $58.3 high during the period that new debt is outstanding
- Secondary Tax Rate has ranged between $.17 and $.22 since 1994-95
- Currently at $.22
- Expected to go up to as much as $.26 through 2021, depending on actual debt service requirement and assessed valuation
- New bond program would add to this
- $500 m estimated to bring rate up to $.27 - $.35 through 2021
- $1 billion estimated to bring rate up to $.28 - $.39 through 2021

Thoughts on Operating Costs

- 2004 program estimated at $32m
- Future program amounts are estimated and depend on composition of actual program as well as level of support decided on during planning
- Amounts for two scenarios do not proportionately double because we have different assumptions on the composition of the $500m and $1b scenarios
- Operating costs are both for capital development and IT
- Actual need could be greater than estimated
- Bottom line
    - Annual long term commitment in the budget
    - Draws resources that could be available for other needs
    - If unable to honor commitment, rethink proceeding with bond program

Thoughts on Bond

- Economic and political environment are challenging
- What will the next 4 years be like and what might that mean for a bond program?

PRESENTATION #8 ECONOMIC

Alan Maguire provided brief information pertaining to the economic outlook nationally and locally. He stated that the recession was relatively

OUTLOOK

short and still existing in Europe. This recovery is slower than past ones. In 2004 consumer confidence was very high, however that is not the case anymore. Arizona economic outlook lower than 2007. Construction jobs are not coming back. 300,000 jobs lost in 2010 and 150,000 of those were in construction. We are now fifth in job growth from 49.

Mr. Maguire stated we do not want to be like California. During 1980-2010 they had a population growth of 10 million and 7 million were on Medicaid. They only have 150,000 tax paying people.

Need for consumer confidence to rise. 2% GDP; drop of 1% expected during 2013 recession after 4% growth. Consumer confidence dropped 75% between 2004 and 2015.

CHANCELLOR'S COMMENTS

Chancellor Glasper commented that the Board should think about what Mr. Maguire and Ms. Thompson presented about debt exposure. MCCCD has tried to be all things to all people. Can we continue this? Our ten colleges are developing partnerships with each other to be comprehensive colleges. Need to look at regional programs. May become the norm, not the exception. High point for enrollment was last year at 275,000. Question is what is our utilization rate? What would happen if we were to expand our schedules, minimize facilities. What would the need for space then look like? We have always been challenged by operating costs. If California gets worse, Arizona will expand in population. Driver of additional resources will be tuition, not state aid. Can we do more? We may need to change our planning and philosophy. Look at student coming in our system. As you look at growth pattern, what are we planning for? More and more students will be Hispanic. There are other dynamics as well. We can't present a scenario to build if we do not have the money to operate. Want to discuss policy questions with the Board and how to balance bricks and clicks. Will talk about more flexible schedules and staffing. If we do choose different way, we may need different resources. Can look at seeing if operational expenditures can be capitalized but that is swimming upstream. Must work with Auditor General. Bond programs are all about jobs, jobs, jobs. How to put programs in place? How many people will we be able to place?

CLOSING COMMENTS

Governing Board President Doyle Burke thanked everyone for their excellent presentations and for everyone's attendance.

ADJOURNMENT

The retreat adjourned at 12:00 p.m.

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Dana G. Saar
Governing Board Secretary