

Presentation to Yavapai College Governing Board May 19, 2015

Good morning Madame Chair, members of the Governing Board, and Madame President

My name is Paul Chevalier and I am here today representing the Yavapai College Verde Valley Board Advisory Committee,

Today I will be presenting two new recommendations to you but first I would like to clarify the recommendation and the request our committee presented at the Governing Board's March meeting.

In March our committee proposed that the Governing Board postpone making a decision on capital improvement projects until you have studied strategic plans from both sides of the mountain. Executive Dean Perey has stated to you that he will be presenting the strategic plan for the Verde Valley to the Governing Board in August.

The College has asked you to approve their capital improvement budget plans this June for the next two years. If you do that without having considered and integrated the Verde Valley strategic plan for capital improvements you will be doing the owners of the Verde Valley a great disservice. The college's capital improvement money will then have been allocated for the next two years without having any opportunity for the strategic plan capital improvement to be considered.

You established our committee to be the voice of the Verde Valley. You had the elected political bodies of the various communities in the Verde Valley choose the people to be on the committee. They did. Committee members come from seven different communities of the Verde and our recommendations that we are presenting to you today are unanimous.

I want to clear up a misconception about this particular recommendation. In the last meeting of the Governing Board it was stated by one of the members that our committee was suggesting that the Governing Board delay approval of the budget. That is not accurate. Our committee is solely recommending that the Governing Board delay approval of the capital improvement portion of the budget and only until the Board has had an opportunity to consider the capital improvements in the Verde Valley strategic plan that will be presented by Executive Dean Perey in August. Our committee has made no recommendation about the remainder of the budget.

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Our second proposal made in March to the Governing Board was to increase the marketing and recruitment efforts in the Verde Valley by implementing a program

of continuous and direct interaction with students and their parents to seek student's wants and aptitudes.

Chair McCarver in her remarks after my presentation in March stated that this was not the role of the Governing Board. Before making this proposal to the Governing Board I reread the Carver's Policy Governance Model in Nonprofit Organizations, which you as a Board abides by. Under the section in those Guidelines entitled: "Using the Ends/Means Distinction," it says and I quote "ends may include very small and specific decisions about a single consumer.

Further in the Guidelines, under the section entitled "Expressing Exceptions in Nested Sets", the Carver's use the illustration of nested bowls to show a smaller end can reside within a larger end. That is what our recommendation is –a smaller end within a larger end. The larger end of course is. As Carver says, you start with a larger bowl, which in plain English is a larger end; an example of a larger end is improve marketing and recruitment in the Verde Valley.

. Carver says it is proper to have amore narrow end that fits within a larger end because that increases the definition and clarity as it delineates more precise outcomes within an identified target. Those are his words, not mine.

Our recommendation to implement a program of continuous and direct interaction with students and their parents to seek student's wants and aptitudes in plain English is a more defined end that fits within a broader end, Our proposal is well within the Carver definition of what is appropriate for a Governing Board to act upon. It is clear from reading the Guidelines that the Carver's did not see the world as black and white and did not want "ends" to be interpreted narrowly.

The fact is that greater focus on recruitment in the Verde Valley needed. We do not believe that the current recruitment methods will be effective enough. We are not opposed to continuing them, as every bit helps, but we believe more effective recruitment is needed now.

Let me clarify this statement: The College's 2014 comprehensive financial annual report on page 69 shows that in the past 10 years the percentage – we are not talking numbers but we are just talking percentages. - the percentage of FTSE's in the Verde Valley has halved – from 32% to 16%. FTSEs on this side of the mountain have increased from 68% to 84 %. And yet the percent of the population in the Verde Valley remains around 30%.

We recognize this drop in percentage of FTSE's is not all because of weak recruitment. Nevertheless effective recruitment needs to start now. Our Committee, make this recommendation unanimously.

And I hope I did not put anyone to sleep with all this talk about nested bowls.

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And now we have two new recommendations for the Governing Board. This first I think should be an easy one for you to agree with.

Our committee recommends that the Campus Master Plan be amended to remove all language about divesting of the Sedona Campus. Our committee recommendation is unanimous.

My understanding, from reading the minutes of the Governing Board's last meeting, is that the Governing Board is planning to formally approve revisions to Master Plan in the near future. I hope that all Board members support our recommendation and amend the plan to remove all language about divesting of the Sedona Campus. Doing so will send a positive message to the Verde Valley. This is a no cost positive community relations step and we hope for unanimous acceptance from all of you.

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Our final recommendation today is that the Governing Board not raise property taxes this year. We realize that our recommendation is contrary to the College administrations request to raise property taxes 2%. We note that a 2% raise in taxes would add about \$900,000 to college revenue.

Here is our reasoning:

Many Verde Valley property owners are discontent that a high percentage of their college property tax money is not being used to provide educational opportunities in the Verde Valley. We are talking about a large number, 5 to 5 ½ million dollars a year, which is 45%, of the Verde Valley property taxes.

We make this recommendation because it is unfair to increase tax Verde Valley property under the current circumstances. Our committee recommendation is unanimous.

We acknowledge that our recommendation affects the entire county. If there is to be no college tax increase in the Verde Valley it means there is no tax increase in all of Yavapai County.

To understand the impact on the college of having no increase in taxes in the entire county the 2014 College Financial Report was carefully studied to determine how this would impact the college as a whole. I have copied several relevant pages of that report which I am now distributing to review with you.

The first page is p. 19. titled Condensed Statement of Revenues, Expenses, and changes in Net Position. It is for the years ending 6/30/ 2014 and 6/30/ 2013. What this chart on this page shows is that college revenues were 10.4 million dollars above expense in 2014 and 12.2 million dollars above expenses in 2013. That's over 10% a year.

P. 50 of the financial report, that I did not copy for you, shows that in every year of the last consecutive 10 years reported from 2004/05 to 2013/14 the college has had income in excess of expenses a every year in the millions of dollars.

The College's Chief Financial Officer, Dr. Ewell stated at your last meeting that if you do not increase the property tax 2% it will " eliminate or delay some critical new initiatives and make additions reallocations within the budget". I respectfully raise the question for your consideration as to why any initiatives, valued up to the amount of the tax increase which is \$900,000, would have to be eliminated or delayed when the college has 10+ million dollar excesses of revenues over expenses, year after year in the past several years?

The statement has also been made to you at the March meeting that the college has not increased property tax in several years. We see it differently. Please take a look at the next page I provided you. This is p. 54. This page shows that in every single year for the past ten years the amount of college property taxes increased. In ten years it has grown from \$31 million to more than \$45 million, which is about a 50% increase. Some of this increase was because the value of property increased but since 2011/12 the property tax increased because the Governing Board increased the mil rate on the property s and that is a way to increase taxes that the owners must pay. In just four years the Governing Board has increased that mil rate from 1.35 to 2.05, which is a 65% increase.

Please look at the next page I gave you, which is page 54. This page shows how much more property tax the college has been collecting. This page covers the ten-year period starting in 2004/05 to 2013/04. This shows that the amount of property tax the college levied for the county property owners was \$40.5 million 2007/08 when property was its market peak and in 2013/14 it was \$45.7 million, which is a 13% increase in 5 years, an average increase of 2.6% a year during the worst recession in decades.

I will ask you to look at one final page from the College financial Report, page 67. This page shows what has happened to Yavapai County citizen's income in the past ten years. Please look at 2008, which was the best year before the current recession. The per capita personal income in 2008 was \$31,379.

Now skip down to the latest year in the report 2013/14. As you can see in 2013/14 the per capita personal income was \$31,418 -a total increase of \$29 more a year than in 2007/08, which is practically nothing. The owners have been getting hit with tax increases but their income has not increased.

Our recommendation is no tax increase of any kind this year.

I realize that we are proposing some changes that you personal all may not agree with. But recognize that these recommendations are being made by the committee representing the citizens of the Verde Valley, or, as the Carvers would call them, the owners of the college in the Verde Valley. Please ask yourself if you can live with the owner representatives' proposals even if you personally disagree with them. Our

recommendations are unanimous and should be accepted by you as the will of the people of the Verde Valley. In your packet the final page is a short list of our four recommendations. We ask that you agendize them for action as soon as possible.

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Please understand that our committee supports the college and wants to help it to be successful and well received in the Verde Valley.

We appreciate the clerical support, the physical space support, and the presentations by college officials that the Board and the college have provided to our committee.

But having said that I will go out on a limb to tell you that to continue to be effective as a committee representing the owners in the Verde Valley you need to allow us to act independently without interference. I fear that you, as a Board, have begun a process of taking control of our mechanism of advice. And that is just wrong. As the Carvers have said, **“If the Board controls the mechanism of advice, a very different relationship between advisors and advisees is established. The wisest route is for the board to govern and leave advice and advisory mechanism’s to the committee’s own initiative.” That is a quote from the Carvers Guidelines, only substituting the word committee for staff. I hope you will reconsider and give us back our independence.**

**That concludes our recommendations.** I respectfully thank you all for giving me this time to present the Verde Valley Board Advisory Committee recommendations so far. Ours is a fine committee of leaders from throughout the entire Verde Valley, We all have the higher educational welfare of the Verde Valley and Yavapai College at heart. For the benefit of both the college and the Verde Valley I hope you accept our recommendations and acknowledge that the representatives of the owners of the Verde Valley are making them. I further hope you will return our independence to us so that we can give you clear carefully researched advice.

If any Board member has questions I am more than willing to answer them if I can.

Paul Chevalier