

Yavapai College
District Governing Board
Budget Workshop Meeting

Friday, February 24, 2023
9:00 a.m.

ZOOM

Members Present:

Ms. Deb McCasland, Board Chair
Mr. Chris Kuknyo, Secretary
Mr. Ray Sigafos, Board Member
Mr. Steve Bracety, Board Member

Administration Present:

Dr. Lisa B. Rhine, President
Atty. Lynne Adams, Board Attorney
Ms. Yvonne Sandoval, Executive Assistant
Ms. Deanne Petty, DGB Coordinator

MINUTES

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1. General Functions: Procedural
 - a. Call to Order {Time: 1}
Chair McCasland called the Yavapai College District Governing Board Meeting to order at 9:00 a.m.
 - b. Adoption of Agenda – **DECISION** {Time: 1}
Recorded discussion and comments are available and begin at 00:08.

Secretary Kuknyo moved, seconded by Member Sigafos, to adopt the agenda. Motion carried unanimously (Ayes: McCasland, Kuknyo, Sigafos, and Bracety).

2. Board Business
 - a. Executive Session
 - i. A.R.S. §38-431.03(A)(7), Discussion and Consultation with College Representatives Regarding Potential Purchase of Real Property in Yavapai County near Prescott Valley – **PROCEDURAL** {Time: 60}
 - ii. A.R.S. §38-431.03(A)(7), Discussion and Consultation with College Representatives Regarding Potential Lease of Real Property in Yavapai County near Verde Valley – **PROCEDURAL** {Time: 60}

Secretary Kuknyo moved, seconded by Member Sigafos, to go into Executive Session pursuant to A.R.S. § 38-431.03(A)(7) for Discussion

and Consultation with College Representatives Regarding Potential Purchase of Real Property in Yavapai County near Prescott Valley and Potential Lease of Real Property in Yavapai County near Verde Valley. Motion carried unanimously (Ayes: McCasland, Kuknyo, Sigafos, and Bracety).

- b. Convene in Public Session
 - i. Possible Action: Confirm Instructions to College Representatives Regarding Negotiations for Potential Purchase of Real Property in Yavapai County near Prescott Valley, as the Result of Executive Session – **DECISION** {Time: 5}
 - ii. Possible Action: Confirm Instructions to College Representatives Regarding Negotiations for Potential Lease of Real Property in Yavapai County near Verde Valley, as the Result of Executive Session – **DECISION** {Time: 5}
Recorded discussion and comments are available and begin at 02:07.

Member Sigafos moved, seconded by Secretary Kuknyo, to give staff direction to address the lack of affordable housing situation, which affects future and current employees as well as the student body, by pursuing the options discussed in executive session. Motion carried unanimously (Ayes: McCasland, Kuknyo, Sigafos, and Bracety).

3. Study Session

- a. Overview of Arizona Economy – Dr. George W. Hammond, Director of the Economic and Business Research Center – Eller College of Management at The University of Arizona - **INFORMATION AND DISCUSSION** {Time: 45}
Recorded discussion and comments are available and begin at 03:37.

Dr. Hammond gave a presentation on the Arizona Economy. He delivered statistics throughout Arizona and explained how that affects the economy overall.

LUNCH BREAK

- b. Environmental Scan Highlights for Fiscal Year 2022-2023 - Dr. Tom Hughes - **INFORMATION AND DISCUSSION** {Time:15}
Recorded discussion and comments are available and begin at 01:25:56.

Dr. Hughes gave a presentation on the Environmental Scan Highlights for the fiscal year 2022-2023. The purpose of the environmental scan is to provide a wide range of information that will enable decision-makers to understand the current context in which we operate, predict future trends, and incorporate this understanding into the College's strategic direction.

- c. Yavapai College Update - Dr. Lisa Rhine - **INFORMATION AND DISCUSSION** {Time: 30}

Recorded discussion and comments are available and begin at 2:25:01. (Was requested and approved to have item “e” moved before item “c” during the meeting.)

Dr. Rhine gave a presentation on the various College updates and how we have improved over time. We know that the older models no longer serve our industry partners or students in the way they need today. We could look at it as a scary, sad thing or we could be thankful for where we've been and embrace the opportunities that lie ahead of us. We will stay true to our mission which is to enrich our communities by providing accessible quality workforce training, transfer education, lifelong learning, and cultural opportunities. As Dr. Rhine starts her 5th year as President of the College, she is truly amazed at what we've accomplished together as an organization. In 2019-2020, the following accomplishments were completed: broke ground on the Verde Valley Skilled Trades Center, began renovations of Building L, moved the Division of Student Affairs and Athletics under Mr. Rodney Jenkins, created a true Enrollment Management Unit, Restructured the Academic Division, and moved Human Resources as a direct report to Dr. Rhine. HR being placed under Dr. Rhine was with anticipation of focus being placed on adopting outward mindset and focusing on talent, acquisition, and belonging. Then the pandemic hit. The College community fared fairly well, and that's thanks to all of your efforts and the board's efforts that the College was able to stay open and deliver instruction and services, which kept the operation going. There is much for us to celebrate some statistical items to note are: increasing our annual associate degree completion rates by 58% since 2019, we increased our AZ General Education Certificates completion rate by 84%, improved first to second year retention rates by 5% since 2019, increased Hispanic Student Enrollment by 24% overall, increased our Foundation Invested Assets by 37% since 2019, increased our Foundation Scholarships and Program Supports by 35% since 2019, and decreased our student default rate from 25.5% to 3.7%. The College has received a stellar review and reaccreditation from ACEN for our Nursing Program, we were granted International Association of Campus Law Enforcement Administrators accreditation for our Campus Safety Department, we added the College Promise Program which was selected as a finalist for a Bellwether Award, we expanded advisor support and support for first generation students, we added athletic teams and refreshed Athletic Coaches, created our College Council, we received an award for Budget Reporting, received a flawless HLC decennial accreditation review with no monitoring which is extremely rare, received permission to offer our first bachelor's degree, and we've been nominated for a national award for our student success initiatives by American Association of Community Colleges.

Secretary Kuknyo asked Dr. Rhine to please explain the College Promise as Member Bracety may not know what that is. Dr. Rhine explained that the College Promise is for high school graduates who come to YC as full-time students. If they take the required credit hours each semester and successfully complete those credits, then the College will refund them any out of pocket expenses for tuition. Students have 7 semesters to complete it instead of 4 semesters to complete the degree. There are select degree programs for adults in the career technical areas that can do the same thing, but only in career technical programs that lead to a living wage.

Secretary Kuknyo made a comment about the terrific achievements and that the board get to brag about what has been accomplished and it feels really good. “It’s amazing how many people are in bad shape, and you look at what’s been accomplished, the student default rates and the completion rates, no one else is doing this stuff.” Dr Rhine commented that it’s pretty amazing, but we couldn’t do it without 100% support of the board. It isn’t about the President, it’s about the board and the President and everyone at the institution moving together toward a goal.

Dr. Rhine continued her presentation with defining the challenges ahead. What we know: 4 year enrollments are growing while 2 year enrollments are declining, ASU offering Associate Degrees & NAU encroaching, nationally community college FTSE declined 41% from FY11 peak, nationally higher ed shrank 12% since FY11, AZ community college FTSE declined 37% from FY11 peak (-50,000 FTSE), proliferation of new producers & distributors, increased demand for any time/any place education, rise in just-in-time education, pivot from inputs to outputs, employer driven curriculum in demand, and technology is changing and improving rapidly.

Dr. Rhine brought up the timeline of conversation surrounding the “Great Upheaval”. Based on all the of the timeline events, discussion and research the college facilitated a college-wide engagement session. The Collegewide Prioritization Exercise gave the following results as prioritization:

- #1. Online Learning – Improve online quality and consistency.
- #2. General Education – Gen Ed content and modalities must change.
- #3. Competency-based Learning – Competency- based learning critical.
- #4. Micro-credentials – Micro-credentials, unbundled classes.
- #5. Self-paced - Self-paced, just-in-time learning options.
- #6. AI/VR – Explore & expand Artificial Intelligence & Virtual Reality.
- #7. 3rd Party Providers – Partner with third party providers.
- #8. Subscription-based – Consider subscription-based offerings.

Another similar exercise was conducted with the following priorities for Workforce Training and Career Readiness:

- #1. Industry/Employers - Customized Training
- #2. Industry/Employers - Experiential Learning
- #3. Employment Preparation & Collaboration

Dr. Rhine gave an update on the Strategic Planning Committee goals. The plan is a 3-year rolling plan, and the three deliverables this year are: FY24 Strategic Planning Priorities, SWOT Analysis, and FY23 Key Strategic Priorities Update. Two efforts to begin immediately are: expand workforce training & partnerships, explore & expand use of AI and VR. Workforce training and partnership will be expanding through sponsored training, micro credentials & self-paced options, experiential opportunities for students with employers, employment preparation & collaboration, 3rd party collaborations, and customized training programs. We have received a \$1.48 million federal grant called the Quest Grant to use for this purpose to expand more workforce training. We received a second grant to partner with Meta and Victory XR

to receive equipment and training to build course contents and components that we can use to teach and engage students in the metaverse. Nearly 60 faculty and staff have applied to be part of our metaverse team, we're going to work this semester and over the summer to venture into this new delivery method that will be used to supplement our courses and services.

The Victory XR CEO, Steve Grubbs, has agreed to be our fall Convocation Speaker. He will introduce use all to the Metaverse and by then we hope to be able to share some content that we've created ourselves for our own courses.

RECESS

- d. Yavapai College Finances for Fiscal Year 2023-2024 – Dr. Clint Ewell -
INFORMATION AND DISCUSSION {Time: 60}

Recorded discussion and comments are available and begin at 03:05:45.

Dr. Ewell gave a presentation to the board on the current finances. He discussed the expenditure limit, property taxes, revenues & expenditures, and highlights & challenges. On June 6, 1980, voters of AZ voted in favor of a Constitutional Amendment to Article IX, Section 21. This amendment created what's called an expenditure limit, which limits our per capita spending of local revenues to same rate as 1980, adjusted for inflation (GDP deflator). It affects all local agencies: Community Colleges, Cities, Counties, and K-12. The financial penalty is up to 1/3 of YC's state appropriation, which made this very important in year past. However, you'll see that that appropriation number has gotten smaller over time. EL Calculation Exclusions that are revenues are: interest, Federal/State/Private Grants & Donations (Prop 301, Prop 207), capital accumulation funds, tuition & fees, research & entrepreneurial activities (rentals, community events), and auxiliary fees (bookstore, food, residence halls). EL Calculation Exclusions that are expenses are: capital debt payments (bonds, capital leases), and intergovernmental contracts. This process used to work pretty well for the last 40 years, however, recently we've been seeing the issues in K-12 in particular, and without legislative intervention every year they would run out of the ability to use their local property taxes around this time of year. This would make it difficult for them to finish their school year off. This same issue is starting to appear in community colleges. Currently, at least 2 of our sister schools are beyond their expenditure limits, which is causing them some real headaches and concerns. Statistics are showing that since 2011, people are starting to go back to work and enrollments are starting to decrease. The downward enrollments are creating downward pressure on our expenditure limit ceiling. Based on current numbers, we are right at our expenditure limit; however, we do have a carry forward balance from prior years so there is so room there. With that being said, we have some really exciting programs and projects that we're launching. This includes the Business and Nursing baccalaureate degrees. We have high confidence that those degrees are going to generate a substantial amount of enrollments. Even without those programs, we still have a good 5-7years before we would be in a dire situation and that would be assuming no growth in enrollment. YC is trying to

update our product mix to be relevant to the workforce. Since 1980, our CTE enrollments have grown from 35% to 52%. These numbers are good for the students and for our community. However, this is also causing downward pressure on our expenditure limit because the CTE programs tend to be more costly to offer due to equipment, class cap sizes and full-time faculty. The AZ Community College Presidents are working to put together a plan to have non-credit workforce training count as some credit. Additionally, the other thing the colleges are talking about is the possibility of proposing a Constitutional Amendment to reflect current community college finances and operations, and not those of 1980.

Dr. Ewell moved into discussing property tax and what it pays for. Property tax revenues help fund service operations (primary): state and local governments, schools, law enforcement and library. It also helps fund voter-approved capital projects (secondary): sewer/wastewater/sanitary/domestic water, fire districts, parks, street lights, and other capital projects. Arizona has the 12th lowest personal property tax rate in the US, and our business property tax rate is the 11th lowest in the US. The Property Tax Levy in Arizona can be increased due to new construction, and the College may increase its tax levy by 2% per year, and it's cumulative. Since the board has taken 8 of the last 10 years off from increasing the tax levy at all, they are allowed to increase it by 20% this year, or by \$10 million. Increasing the levy by 2% on a median home value of \$500,000 would increase that taxpayer's taxes by \$14. Increasing the levy by 5% on a median home value of \$500,000 would increase that taxpayer's taxes by \$36. YC hasn't increased levy for the last 4 years due to some very good reasons including the pandemic.

Dr. Ewell moved into discussing revenue streams. The three primary revenue streams for the College are: state, primary property taxes, and tuition & fees. Other secondary revenue streams are: sales & service, grants & gifts, and other. Again, the expenditure limit applies to state and primary property tax revenues. However, grants and gifts do come with restrictions as most of the time they come with instructions as to what the revenue should be spent on. State revenue is currently at \$300,000, which is minimal for an entity with a \$100 million budget, like the College. YC is 1% away from becoming a Hispanic serving institution, which will open up a whole host of grants and federal funding that we can apply for. YC is in the middle of the pack of our peer colleges, ranking 6th lowest property tax. YC is 10% below annual tuition and fees for AZ Community Colleges, 39% below National Community Colleges, and 81% below AZ 4 year sister schools. YC is the 3rd lowest tuition in the state in the 4th lowest tuition charging state, which makes us extremely competitive with our tuition rate.

Dr. Ewell then moved into expenses. He explained that he can present expenditures by our 5 Funds: general, auxiliary, capital, debt, and restricted. He can present expenditures by our 7 Programs: instruction, academic support, student services, instructional support, facilities, public service, and auxiliary. He can present expenditures by our 9 Natural Expenses: salaries & benefits, supplies, contract services, utilities & communications, travel & conferences, scholarships, capital, debt, and contingency. We are not only required to have our budget setup this way, but it

allows us to benchmark against. The General Fund Budget is broken up by Major Business Unit including: President, DGB, Human Resources, VP Office CR, Community Relations, Athletics, Enrollment Management, Student Affairs, VP Office FAS, Business Office, Information Technology, Facilities, Institutional Effectiveness, Campus Safety, VP Office Instruction, School of Business & Arts, School of Health & Wellness/Public Services, Instructional Support, and School of Human & Social Science/Verde & Sedona/Com Ed. Reasons for increases this year are due to raises, new positions, inflation, contract renewal increases, utility increases, and expansions of programs. Auxiliaries Budgeted Expenditures are broken up by Service: Residence Halls, Food, Edventures, Family Enrichment Center, Community Events, Southwest Wine Center, SBDC, Contingency, YCF and Miscellaneous. When looking at auxiliaries we need to look not only at expenditure, but also at their revenues to get the entire picture. Goal with auxiliaries is to get them to break even. Capital (Plant) Fund records large improvements in building, infrastructure, and grounds, which are then depreciated over time. Within the Fixed Capital budget you have the following: Planned Maintenance, Unplanned, Equipment Replacement, FFE, Library, and Contingency. This budget totals \$7.7 million. Variable Capital budget includes the Capital Improvement Plan. This budget totals \$1.8 million. In regard to our Long Term Debt, we are sitting better than most with our GO bonds paid off in 2021-2022. Our revenue bonds only have a few years left with June 20, 2028 projected as the final payment date.

Dr. Ewell then addressed what he felt the board should know about our finances. YC has a very strong credit rating, we have some of the most affordable tuition in the country, we have some of the more reasonable property taxes in the country, we have sports & residence halls, we have a REDC/FEC/Community Ed/Community Events, we offer Career Technical Education, we have some of the best quantity and condition of facilities (some of the highest net asset values in the country), and we have a very competitive Cost per Full Time Student Equivalent (FTSE). As far as challenges, these items factor into our budget: demographics, product mix, competition, and expenditure limit.

- e. Academic Master Plan – Dr. Clint Ewell - **INFORMATION AND DISCUSSION** {Time: 30}
Recorded discussion and comments are available and begin at 1:54:10. (Was requested and approved to be moved before item C during the meeting.)

Dr. Ewell gave a presentation about the Academic Master Plan on behalf of Dr. Ryan. The Academic Master Plan is where the college defines what kinds of programs and services the college will offer and how the college will deliver them. Additionally, it addresses if they are remaining relevant in today's marketplace. The College has multiple plans that align with the Strategic Plan, which is the main plan, the Academic Master plan is one of the plans that helps accomplish the Strategic Plan. As a college, it is our responsibility to leave students better off than when they came to us. Not a new debate, but an ongoing one is which study is more important, Career Technical or Liberal Arts? The college is split about 50/50 based on student

credit hours. Almost every College campus offers Gen Ed, Community ED and CTE courses. The top 10 College Majors are: Business, Liberal Arts, Health, Science, Engineering, Education, Psychology, Social Sciences, Computer & Information Technology, and Visual & Performing Arts. The Academic Plan is a 3-year plan in which is trying to focus on the CTE programs that have employer and student demand. It will focus on the local county and state level first. The programs the College offers need to lead to median living wage positions. A career ladder is being offered for most starting with certificates, into Associates and now some into the Bachelors. The plan includes expanding workforce training which will broker with 3rd party providers. The training is self-paced, competency-based, and on-demand. Trying to work to figure out how to co-award credit for these workforce training. Working to expanding partnerships with ERAU, Early College Academy, Spectrum Health, and Freeport McMoran. The plan is working to optimize General Education. Community Education is a strong area for our college, but had a decline due to COVID, so the plan is working to bring back the numbers we had pre-COVID. The plan is working to increase open educational resources. The College has saved students over 1.2 million dollars by offering them free educational resources as opposed to making them go buy the course book. The College is engaging with the Early Alert System. This system followings sign in information to see who is engaging specifically during the first week of class, it becomes a good predictor for the faculty to know who may be at risk of failing. The plan will develop Metaverse Tools. We have won a grant to help with its development. The College has 50 people who have signed up to go through the training. Everything is very new with the Metaverse. As we go through training, we will learn more about it and what path the college will take to use it. Another part of the Academic Plan is Intrusive Tutoring whether it is an embedded tutor or extended tutoring hours. The College wants to make sure that they have every opportunity to get assistance either in class or out of class. Another part of the Academic Plan is improving online student success rates. There is an online course review process where faculty is getting training in proven best practices. Credit for what you know is another aspect of the Academic Plan. There are several ways students can get credit without taking a class. Whether it be from advanced placement, concurrent or dual enrollment or from military training courses. Adding more 8-week courses and programs is another aspect of the Academic Plan. With more enrollment of older non-traditional students, they have work obligations and family obligations, so with an 8-week program they have less chance of something going wrong in their personal life. Therefore, there's more of a chance for them to finish the course successfully.

Chair McCasland made a comment that she understands a lot of the faculty would love to get involved with the Metaverse. Dr. Ewell and Dr Rhine confirmed that about half of the 50 getting trained are faculty members. Member Bracety made a comment about thinking the Board should get involved with the Metaverse. Dr. Rhine said the Board will be taken to the Metaverse.

- f. Broadband in Yavapai County – Mr. Patrick Burns – **INFORMATION AND DISCUSSION** {Time: 20}

Recorded discussion and comments are available and begin at 03:05:45.

Mr. Burns gave a presentation to the board on the status of broadband availability in Yavapai County. He noted that Arizona is ranked 36th nationally for broadband coverage. Additionally, 31% of Arizonans are either unserved or underserved on their broadband needs. The biggest issue for YC on this is most rural households don't have access to internet fast enough to work or learn remotely. There is a AZ Broadband Plan in which they plan to implement priority interstate corridors, select state routes/segments, and a Program Governance. AZ Commerce Authority was offering \$100 million in broadband grants in 2022, unfortunately, Yavapai County was not an awardee. In Yavapai County, we do not have the population in our rural areas to make economic sense for them to do anything, and that's part of the reason why we're lagging behind in some of our areas. The infrastructure is coming along pretty well up the I-17 which will help our county along that route. Additionally, they plan to place infrastructure along I-40 which will help Ashfork and Seligman area residents. Mr. Tim Carter (YCESA) has been the catalyst for Yavapai County Broadband Projects. In 2018, Yavapai County decided to spend \$3.7 million on fiber-optic middle mile network connecting 74 school and libraries (Middle Mile Project). Yavapai County Educational Technology Consortium (YCETC) awarded \$1.8 million to pay 100% of the construction costs to bring high speed fiber (broadband) to rural schools and libraries that are members of the consortium. The county was awarded \$45.6 million in America Rescue Plan (ARPA 2021) funds, and they set aside \$20 million to work on broadband initiatives. Cox Communications is spending \$3,757,763 to expand service to 2,923 locations in two towns: Congress and Black Canyon City. Altice USA (Suddenlink/Optimum) has been awarded \$12,614,582 for Mayer, the Beaver Creek area, Cornville and Paulden.

- g. Receipt of the Yavapai College's Comprehensive Annual Financial Report (CAFR), Independent Auditors' Report on Internal Controls and Independent Auditors' Report on Compliance for Each major Federal Program – for the Fiscal Year Ended June 30, 2022 – Dr. Clint Ewell and Mr. Frank D'Angelo - **INFORMATION AND DISCUSSION** {Time: 15}

Recorded discussion and comments are available and begin at 04:40:15.

Mr. D'Angelo gave a presentation to the board on the CAFR and Independent Auditors' Reports. YC has 3 audits annually: the financial audit, the federal single audit, and the expenditure limitation audit. They're all done by the Auditor's General's Office. All audits went very well and there were no findings on any of them and no points of discussion. The AG's Office will be at YC in April to review the audits with the board, although there were no findings. This is pursuant to a state law where they have to report to the boards. The ACFR was submitted for the GFOA for the Certificate of Achievement for Excellence in Financial Reporting

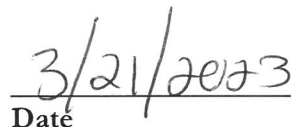
award. This will be the 23rd year that the College receives that award. Mr. D'Angelo went over some ACFR Financial highlights including positive financial results by reviewing the Statement of Net Position (Balance Sheet), Statement of Revenues/Expenses/Changes in Net Position (Income Statement), and Statement of Cash Flows.

4. Adjournment of Board Budget Workshop: Procedural - **DECISION** {Time: 1}
Secretary **Kuknyo** moved, seconded by **Member Sigafos**, to adjourn the Workshop Board Meeting. Motion carried unanimously (Ayes: **McCasland, Kuknyo, Sigafos, and Bracety**).

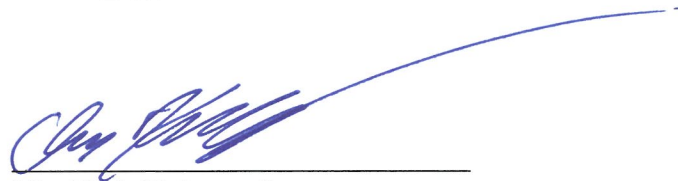
Regular Meeting adjourned at 3:45 p.m.

Respectfully submitted:


Deanne K. Petty, Recording Secretary


Date


Ms. Deb McCasland, Board Chair


Mr. Chris Kuknyo, Secretary