

**FINANCE SUB-COMMITTEE MEETING  
OF THE BOARD OF TRUSTEES  
HOUSTON COMMUNITY COLLEGE**

**June 24, 2014**

**Minutes**

The Board of Trustees of Houston Community College held a Finance Sub-committee Meeting on Tuesday, June 24, 2014, at the HCC Administration Building, 2<sup>nd</sup> Floor, 3100 Main in Seminar Room B, Houston, Texas.

**MEMBERS PRESENT**

Neeta Sane, *Chair*  
Adriana Tamez, *Committee Member*  
Robert Glaser, *Alternate Committee Member*  
Eva Loredo  
Sandie Mullins  
David B. Wilson

**ADMINISTRATION**

Cesar Maldonado, Chancellor  
Shantay Grays, Chief of Staff  
William Carter, Vice Chancellor, Information Technology  
Charles Cook, Vice Chancellor, Academic Affairs  
Thomas Estes, Vice Chancellor, Special Projects and Bond Program  
Diana Pino, Vice Chancellor, Student Services  
Teri Zamora, Vice Chancellor, Finance and Planning  
Fred Zeidman, Vice Chancellor, Institutional Advancement  
Margaret Ford Fisher, President, Northeast College  
Fena Garza, President, Southwest College  
William Harmon, President, Central College  
Zachary Hodges, President, Northwest College  
Betty Young, President, Coleman College  
Janet May, Chief Human Resources Officer

**OTHERS PRESENT**

Derrick Mitchell, Board Counsel, Bracewell & Giuliani  
Michelle Novak, President, Faculty Senate  
Ava Cosey, President, COPA  
Other administrators, citizens and representatives from the news media

**CALL TO ORDER**

Mrs. Sane, Chair, called the meeting to order at 1:49 p.m. and declared the Board convened to consider matters pertaining to Houston Community College as listed on the duly posted Meeting Notice.

*(The following Trustees were present: Loreda, Mullins, Sane, Tamez and Wilson)*

**BUDGET WORKSHOP REGARDING PROPOSED BUDGET (UNRESTRICTED FUNDS) FOR FISCAL YEAR 2014-2015**

Dr. Cesar Maldonado apprised that Mrs. Teri Zamora would provide a budget overview for the next coming fiscal year.

Mrs. Zamora informed that a budget was passed in June 2013 and noted that the session would be for general direction. She apprised that the budget would be presented in August 2014 for approval.

Mrs. Zamora provided an overview as follows:

- Current Unrestricted Budget
- Budget Scenarios
- Composite Financial Index
- Proposed Tax Increase
- Supplementary Information
- Annual Planning and Budget Development Calendar
- Recommendation

Mrs. Zamora noted that normally the budget committee convenes in May to review new funding; however, the committee did not meet this year. She informed that the committee will be convened to review priorities and possible new funding.

Mrs. Zamora provided a review of the original budget approved for FY2013-14 in the amount of \$308,627,508 and \$304,731,185 for FY2014-15.

Mrs. Sane inquired if the \$14 million in new priorities could be counted as a deficit. Mrs. Zamora apprised that the entire \$14 million has not been used and that it nets down to a better picture.

Mrs. Zamora provided overview of the FY 2013-14 and budget surplus history. She noted that \$11 million more has been collected in ad valorem taxes than expected. She informed that the projected year-end is \$302 million as opposed to the anticipated \$308 million. Mrs. Zamora apprised that the budget is in a much better position than anticipated six months ago.

Mr. Wilson inquired if it is better to state that enrollment is declining rather than flattening. Mrs. Zamora noted that declining is a better term.

Mrs. Zamora provided an overview of the scenarios proposed revenue options for FY2014-15:

- Scenario A
  - No new revenues
  - Additional cuts in positions

- Scenario B
  - Increase in tuition and fees
  - Lessens cuts in positions
  
- Scenario C
  - Increase in tuition and fees
  - Increase in maintenance and operations (M&O) tax
  - Lessens cuts in positions
  - Adds funds for maintenance and IT
  
- Scenario D
  - Increase in maintenance and operations (M&O) tax
  - Lessens cuts in positions
  - Adds funds for maintenance and IT

Mrs. Zamora informed that scenarios A & B assume that M&O remains flat and would cost the homeowner an additional \$27 per year. She noted that scenario C would cost the homeowner \$30 and scenario D would be a \$33 increase to the homeowner.

Mrs. Sane inquired if only one tax increase is allowed relating to the bond measure or is another increase allowed. Mrs. Zamora informed that the tax increase denoted on page 36 of the presentation would cover debt so that additional increases will not be necessary.

*(Mr. Glaser arrived at 2:07 p.m.)*

Mrs. Zamora apprised that the literature provided to the public referenced a tax increase of 2.7 cents; however, the Board's discussion referenced a one-cent increase if the bond was sold in two stages. She noted that the increase in tax valuation and the rate on the bond sale would carry the costs. Dr. Maldonado informed that the increase in valuation has assisted.

Mrs. Zamora reviewed the expense history to include proposed options and apprised that expenses are projected at \$302 million, which is \$5.1 million less than originally projected. She noted that all the budget scenarios include an increase to the debt service portion of the tax rate committed for the bond

Mrs. Zamora provided an overview of peer institution costs per contact hour. She informed that HCC is in alignment with its peers and apprised that some of the support costs are according to the uniqueness of each institution.

Mrs. Sane inquired if there are more funds in institutional support, could they be reclassified to academic support or student services. Dr. Maldonado noted that the funding would be allocated in accordance with the Southern Association of Colleges and Schools (SACS) requirements. He informed that the issue is a reporting issue and apprised that there will be a realignment of the reporting to the Texas Higher Education Coordinating Board (THECB).

Mrs. Zamora apprised that there will need to be a review of all the accounts to provide consistency on how funds are allocated.

Ms. Loreda inquired if there is a review or comparison with the colleges closest to HCC such as Wharton Junior College and San Jacinto College. Mrs. Zamora noted that there is a more detailed report that she would review regarding the inquiry. She informed that in terms of size, HCC has a low cost due to the higher number of contact hours.

Dr. Maldonado inquired if the interest is in the cost per contact hour to deliver the service or amount the students are charged. Ms. Loreda apprised that a review of both is requested.

Mr. Glaser inquired if in-district/out-of-district differential is mandated by the state. Mrs. Zamora noted that it is set by the institution and there is not a mandate.

Dr. Maldonado inquired if there are any scenarios that Mr. Glaser would like for the administration to review. Mr. Glaser informed that there is none in particular at this time.

Ms. Mullins commended on the formatting of the budget presentation.

Mr. Glaser inquired if the estimated ad valorem is higher than last year. Mrs. Zamora apprised that the preliminary evaluation number is slightly higher; however, the final number will not be available until August.

Mrs. Zamora noted that the state started a Composite Financial Index (CFI) and provided an overview of the financial ratios to include:

- Primary Reserve Ratio
- Viability Ratio
- Return on Net Assets
- Operating Margin
- Equity Ratio
- Leverage Ratio

Mrs. Zamora informed that HCC meets all the THECB standards except the viability ratio. She apprised that the cause is the amount of debt the college owes.

Mr. Wilson inquired if the ratios are in reference to the bond rating agency letter. Mrs. Zamora noted that she is not familiar with the letter from the bond rating agency but apprised that the calculations should be similar

Mr. Wilson inquired if the financial advisors will speak regarding the CFI. Mrs. Sane noted that the financial advisor is responsible for providing feedback and advising as it relates to the four scenarios presented.

Dr. Maldonado informed that administration would contact the financial advisor and have his comments included in the presentation to be provided in August 2014.

Mr. Glaser apprised that long-term debt management needs to be included in the long-range plan discussion. He noted that the institution used to have no debt but now it has considerable debt that needs to be reviewed and discussed.

Mrs. Zamora presented an overview of the estimated impact of the proposed tax increase to homeowners.

Mr. Glaser requested increasing exemptions for seniors and disabled homeowners for next year. Mrs. Zamora informed that a review of the options will take place for future considerations.

Mrs. Sane apprised that consideration should be given regarding exemptions going forward.

Mrs. Zamora provided an overview of the debt services. Dr. Maldonado noted that there will be a review of debt services and informed that debt management will be included in the financials going forward.

Mrs. Sane recommended reviewing the debt management policy to make certain it aligns with the recommendations.

Mr. Wilson apprised that there was no debt four to five years ago. He inquired of the \$70 million, how much is principle and how much is interest and does this include revenue bonds and the Public Facilities Corporation. Mr. Wilson noted that he has questions regarding the revenue bonds and will pose it once a discussion is held.

Ms. Mullins noted that the debt should be kept in perspective and noted that she would like to have seen other options for increasing out-of-district tuition and fees. She informed that there has to be a review and plan for managing the debt.

*(Dr. Tamez stepped out at 2:46 p.m.)*

Mrs. Zamora provided an overview of the SCH trends, tuition and fees from 2010-2014, and homestead exemption amount. She apprised that homestead exemptions are ranked in size of the exemption. Mrs. Zamora noted that the institution is relative low compared to some and high in comparison to other institutions.

*(Dr. Tamez returned at 2:47 p.m.)*

Mrs. Zamora informed that supplementary pages are provided for information and noted that the presentation would skip those pages unless there is a desire to discuss any of them.

Mrs. Zamora apprised that a budget review will be provided in December and noted that there has been a recommendation for a zero based budget for FY 2015-2016.

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Mrs. Zamora apprised that the recommendation from administration is to go with scenario D as the basis to fund the FY2014-15 budget to minimize the impact on the students, taxpayers, and the college operations.

Mrs. Sane informed that the presentation was wonderful and noted that the budget will be presented to the Board for consideration in August 2014.

**ADJOURNMENT**

With no further business coming before the Board, the meeting adjourned at 2:48 p.m.

*Minutes recorded, transcribed & submitted by:*  
Sharon Wright, Manager, Board Services

Minutes Approved as Submitted: August 21, 2014