

## Attachment FPO - 1

### MILWAUKEE AREA TECHNICAL COLLEGE DISTRICT BOARD Finance, Personnel, and Operations Committee Minutes

**ADMINISTRATION PRESENT:**

Tony Baez	Robert Hartung
Theresa Barry	Craig Piotrowski
Ellis Bromberg	Jim Walsh
Christy Brown	Nina Jo Look
Pablo Cardona	Mark Trask
Darnell Cole	

**GUESTS:**

Tom Held, Milwaukee Journal Sentinel  
John Mehan, Robert W. Baird & Co.  
Anthony Staton, Marsh, USA, Inc.  
David Wierkiewicz, Marsh, USA, Inc.

#### CALL TO ORDER

The regular monthly meeting of the Finance, Personnel, and Operations Committee of the Milwaukee Area Technical College District Board was held in open session on Wednesday, May 19, 2004, and called to order by Chairperson Earle at 12:02 p.m. in the Board Room, Room M210, at the Milwaukee Campus of Milwaukee Area Technical College.

#### ITEM A. ROLL CALL

**Present:** Peter Earle, William Hughes,  
**Excused:** Bobbie Webber  
**Additional Board Member(s) Present:** Lauren Baker

#### ITEM B. COMPLIANCE WITH THE OPEN MEETINGS LAW

The Finance, Personnel, and Operations Committee meeting was noticed in compliance with the Wisconsin Open Meetings Law. Mr. Earle announced changes in the order of agenda items to accommodate guests' schedules.

#### ITEM C. APPROVAL OF MINUTES – April 26, 2004 – Attachment 1

**Motion** It was moved by Dr. Hughes, seconded by Mr. Earle, to approve the minutes of the April 26, 2004, committee meeting as submitted.

**Action** Motion approved.

**ITEM D. COMMENTS FROM THE PUBLIC**

Mr. Michael Rosen, President of Local 212, voiced the union's concern regarding the projected \$4.2 million budget deficit.

**ITEM E. APPROVAL OF CONSENT AGENDA ITEMS**

**E-1 Bills – April 2004 – Attachment 2**

**E-2 Financial Report – April 2004 – Attachment 3**

**E-3 Human Resources Report – Attachment 4**

**E-4 Procurement Report – Attachment 5**

**E-5 Affirmative Action Quarterly Report – Attachment 6**

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, to approve items on the consent agenda as submitted.

Action Motion approved.

**ITEM G. Discussion Items**

**G-1 FY2003-04 Budget Reconciliation – Attachment 13**

At the request of Ms. Lauren Baker, Mr. Earle provided a current synopsis of the budget deficit as well as proposed strategies that have been recommended since the last FPO meeting, bringing the \$4.2 million deficit down to approximately \$1.9 million.

Specifically, Mr. Earle referred the Committee to the minutes of the June 24, 2003, Board meeting, wherein the Board approved the FY 03-04 budget as presented in FPO-11. The minutes confirm that the administration represented to the Board that the FY 03-04 budget was balanced, made no use of fund balance, contained a total increase in salaries and fringe benefits of 5.5% based on several of the Board approved planning assumptions, and that the efficacy of the Board approved budget assumptions had been confirmed by our accountants without exceptions.

Mr. Earle reported that FPO-11, as presented to the Board at that time, consisted of the resolution approving the budget, a copy of the eight page Virchow Krause & Company report regarding the efficacy of the budget assumptions, a projected budget spread sheet prepared by Virchow Krause & Company showing that the 3% budget assumption for wages plus the 1% budget assumption for step and class resulted in a projected budget expenditure for salaries of \$94.12 million in the operating fund budget, and a copy of the FY 03-04 budget document which did not breakout salaries as a line item of the operating fund budget. Mr. Earle stated that, based on the explicit representations of the Administration and the material presented to the Board, he and other Board members believed that the FY 03-04 budget had in fact contained within it the 3% salary assumption that had been approved by the Board. Mr. Earle noted that despite the fact that the Board never modified the budget planning assumptions; the Administration had failed to apply the 3% base salary assumption to the budget and never informed the Board until last month when Board members were informed that the District faced a \$4.2 million deficit in the current fiscal year, in part because of the retroactive application of the 2.85% salary increases granted to Locals 212, 587, and non-represented employees. Mr. Earle stated, unbeknownst to the Board, the operating budget actually contained only \$91.5 million for salaries in FY 03-04, and the planning assumptions had never been actually applied. Mr. Earle stated that he and some other Board members felt that they had been misled.

Mr. Craig Piotrowski provided information showing the progression of the budget development, from the Virchow Krause reviewed projection and subsequent adjustments made to arrive at the 2003-2004 Board approved budget (June 24, 2003).

Dr. Cole and Mr. Piotrowski addressed questions and concerns of the committee and Ms. Baker regarding the reasons for the budget deficit. The FY2003-04 budget was developed using a set of assumptions; however, some of these assumptions were not realized.

Mr. Piotrowski noted that the design of the FY2004-05 public notice reflects that some fund balance will be used unless cuts are made. Ms. Baker shared some trepidation in drawing from the reserve account, thereby reducing the reserve fund below the targeted 10%-15%, as stated in Policy B0102-3. The development of the FY2004-05 budget needs to include some provisions for restoring the fund balance to target. Ms. Baker noted that the Administration held various meetings with Board members last fall that focused on budgetary concerns related to the fewer FTE's being generated than had been projected and less state aid coming in than had been projected. The focus of those meetings were entirely on possible strategies to cope with the anticipated decline in revenue and included no disclosure of the failure to apply the budget planning assumption to salaries.

Ms. Baker added that given this disappointing history she wanted specific assurances that the budget figures for the FY 04-05 budget were fully disclosed and fully accurate.

Mr. Earle stated that the Board policy dealing with fund balance must govern the Administration's budget planning activity in the absence of a proposal to change existing policy. Committee members opined that the FY 04-05 budget published in the Class One notice was therefore unacceptable and should be modified to maintain fund balance within the target range established by Board policy. Committee members further stated that any cuts necessary to comply with Board policy should be designed to have minimal effect on teaching and learning and front line staff.

**G-2 Continued Review of FY2004-05 Activity Plan & Budget and FY2004-05 Budget and Class I Legal Notice – Attachment 14**

Discussed above in Agenda Item G-1.

**ITEM F. ACTION ITEMS**

**F-2 Revised FY2004-05 through FY2006-07 Planning Assumptions – Attachment 8**

Ms. Renee Dudley reviewed the revised FY2004-05 through FY2006-07 planning assumptions, noting recent changes made to equalized property value, and new input made for wages and benefits (pending contract settlements).

At the request of the FPO committee, representatives from our benefits consultants, Marsh USA were present to provide information on the projected healthcare costs used in developing the budget assumptions.

Marsh representatives presented information indicating that there were five large claims in the first 3 months of this calendar year totaling just under one-half million. This will likely have an adverse impact on our projections. Additionally, last year's HMO increases were limited by contractual agreement with Humana. It is expected that in the next renewal (January 1, 2005), Humana will attempt to recover the amount that they lost due to that one-year "cap".

Ms. Lynn Fugina noted that MATC's July-June fiscal year causes some difficulty in projecting healthcare costs which have a January renewal. She will work with Marsh and our insurance carrier(s) to investigate the possibility of changing to a July renewal date. However, that may cause further confusion for employees who utilize flexible spending accounts. She noted that changing to a July renewal may cause additional premiums for the six-month interim period.

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the revised FY2004-05 through FY2006-07 Planning Assumptions.

Action Motion approved.

**F-1 Resolution Authorizing the Sale of \$1,700,000 General Obligation Promissory Notes, Series 2003-04F of Milwaukee Area Technical College District, Wisconsin – Attachment 7**

Mr. John Mehan of Robert W. Baird provided an historical review of MATC Moody's review ratings.

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the Resolution Authorizing the Sale of \$1,700,000 General Obligation Promissory Notes, Series 2003-2004F of Milwaukee Area Technical College District, Wisconsin.

Action Motion approved.

**F-3 FY2003-04 Budget Adjustment – Attachment 9**

Mr. Craig Piotrowski reviewed the proposed adjustment to the FY2003-04 budget. This item discussed in further detail under item G-1 above.

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the FY2003-04 Budget Adjustment.

Action Motion approved.

**F-4 FY2004-05 Contracts for Non-Represented Employees – Attachment 10**

Discussion Attorney Brown stated that review of the FY2004-05 non-rep contacts list is a procedural requirement, noting that the list does not include FY2003-04 salary increases.

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the FY2004-05 Contracts for Non-Represented Employees.

Action Motion approved.

**F-5 Resolution to Revise FY2003-04 Renovation/Remodeling (Capital) Projects – Attachment 11**

**Motion** It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the FY2003-04 Renovation/ Remodeling (Capital) Projects revision.

**Action** Motion approved.

**F-6 Resolution to Approve FY2004-05 Renovation/Remodeling (Capital) Projects – Attachment 12**

**Motion** It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the FY2004-05 Renovation/ Remodeling (Capital) Projects.

**Action** Motion approved.

**ITEM G. DISCUSSION ITEMS (CONTINUED FROM ABOVE)**

**G-3 Administrative Policy Review – Policy A0202-1 and Policy A0202-3 – Attachment 15**

Policy A0202-1 and Policy A0202-3 were reviewed In response to the March 2003 recommendation of the Legislative Audit Bureau. Both policies clearly delineates the authority of both the Board and the MATC President with regard to personnel matters.

**G-4 Policy B0102-3, Financial Reserves – Attachment 16**

Ms. Renee Dudley reviewed the proposed revision to Policy B0102-3 with regard to fund equity reserves for the internal service fund. It is recommended that the targeted amount to be retained for self-insurance costs be decreased from 35 percent to 15 percent, due to MATC's recent move to stop-loss insurance.

**Motion** It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the revision to Policy B0102-3, Financial Reserves, for a first-read at their May meeting.

**Action** Motion approved.

**ITEM H. INFORMATION ITEMS**

**H-1 Governmental Accounting Standards Board Letter– Attachment 17**

**H-2 Tax Incremental Financing Survey Update – Attachment 18**

After much discussion regarding the need for established criteria in determining approval of tax incremental financing, it was determined that this issue will be deferred until such time as a new Vice President of Finance has been selected.

**H-3 MEC Report – Attachment 19**

**H-4 Grants Management Report – Attachment 20**

**ITEM L. CONSIDERATION OF SALARY AND BENEFIT PACKAGE FOR NON-REPRESENTED EMPLOYEES**

The proposed 2.85% salary increase for non-represented employees was discussed, to include supervisory discretion to lower this percentage on a case-by-case basis where there is a documented concern with regard to performance.

Mr. Earle noted that while he fully appreciates the work that non-represented employees perform at this institution, MATC is facing serious financial struggles. However, fairness and equity requires that the proposed salary and benefit package be approved at this time, but he does so with much trepidation.

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, to recommend to the full board approval of the proposed salary and benefit package for non-represented employees.

Action Motion carried, the vote being as follows:  
Ayes – Mr. Earle, Dr. Hughes  
Noes – None.

**ITEM I. MISCELLANEOUS ITEMS**

**I-1 COMMUNICATIONS AND PETITIONS**

**I-2 INFORMATION ITEMS**

**ITEM J. OLD BUSINESS/NEW BUSINESS**

Date of Next Meeting: Wednesday, June 16, 2004

**ITEM K. COMPLIANCE WITH THE OPEN MEETINGS LAW**

Mr. Earle stated that the committee intended to convene into Closed Session.

Motion It was moved by Dr. Hughes, seconded by Mr. Earle, that the committee convene into closed session pursuant to section 19.85(1)(e) of the Wisconsin Statutes to discuss Item K, Collective Bargaining Update for Locals 212, 212 Part-time Faculty, 212 Paraprofessionals, 587 and 715, to deliberate regarding collective bargaining issues.

Action Motion carried, the vote being as follows:

Ayes – Mr. Earle, Dr. Hughes

Noes – None.

**CLOSED SESSION**

The committee convened into Closed Session at 2:36 p.m.

**ADJOURNMENT**

The committee adjourned from closed session at 2:55 p.m.

No action was taken.

Respectfully submitted,

Caryn J. Dohring  
Administrative Specialist