

NAVARRO COLLEGE BOARD OF TRUSTEES
NOVEMBER 9, 2016 SPECIAL MEETING
MINUTES

Navarro College Board of Trustees gathered on Thursday, November 9, 2016 to conduct a Closed Session and Special Meeting. All trustees were in attendance including: Mr. Lloyd Huffman, Mr. Phil Judson, Mr. Richard Aldama, Ms. Faith Holt, Mr. A. L. Atkeisson, Mr. Todd McGraw and Mr. Loran Seely.

Others in attendance included:

Dr. Richard Sanchez	District President
Dr. Kenneth Martin	President, Ellis County Campuses
Ms. Teresa Thomas	Vice President, Finance and Administration
Ms. Carol Hanes	Interim Vice President, Academic Affairs
Ms. Maryann Hailey	Vice President, Student Services
Dr. Harold Housley	Vice President, Institutional Advancement
Ms. Sina Ruiz	Interim Vice President, Enrollment Management and Institutional Studies
Mr. Roark Montgomery	Athletic Director
Ms. Stacie Sipes	Director of Marketing and Public Information
Mr. Karl Humphries	Executive Director, Facilities
Ms. Leslie Smith	Executive Assistant to the District President

Other faculty, staff and guests were also in attendance.

Closed Session

At approximately 6:30 p.m., Mr. Huffman called the meeting to order in the President's Dining Room. Mr. Judson immediately made a motion to convene into Closed Session to discuss real property matters according to Government Code 551.072. Mr. McGraw seconded the motion and the decision was unanimous.

At 7:05 p.m., Mr. McGraw made a motion to relocate to the Lone Star Room and reconvene into Open Session. Mr. Huffman called the meeting back to order in the Lone Star Room at 7:12 p.m. and asked Mr. Judson to begin with a prayer.

Mr. Huffman announced the purpose of this special meeting was to address repairs to the Albritton Administration Building which may require financing through issuance of revenue bonds. He stated because this is "not an ideal time" to incur additional debt due to the state of the economy and reductions in legislative appropriations, the Board felt it would be wise to take this time to review the College's financial situation.

Conduct Workshop on College Finances and Take Action, As Necessary

Dr. Sanchez stated he was very concerned about the College's finances during the next biennium. He asked Ms. Thomas to share the college's projected financial posture over the next biennium, specifically best case and worst case scenarios.

Ms. Thomas began with a review of audited revenues and expenses from 2013-14 through 2015-16.

- 2013-2014 Total Revenues = \$70,793,487 Total Expenses = \$71,198,620
- 2014-2015 Total Revenues = \$74,194,511 Total Expenses = \$69,806,594
- 2015-2016 Total Revenues = \$70,975,194 Total Expenses = \$70,607,920

She noted a decline in Auxiliary Enterprises expenses correlates with the decline in student enrollment.

Ms. Thomas continued with a review of student enrollment from 2007 forward, including projected enrollment for 2016-17. Annual enrollment reached an all-time high of 28,540 students in 2011 and steadily declined each year afterwards. An annual enrollment of 23,973 is projected for 2017.

Biennial state appropriations fluctuated from 2007-2009 through 2015-2017:

- 2007-2009: \$24,249,318
- 2009-2011: \$28,800,766
- 2011-2013: \$31,219,873
- 2013-2015: \$32,524,626
- 2015-2017: \$30,532,745

Based on the Legislative Budget Board's (LBB) recommendations and dependent upon enrollment, Navarro College could potentially be awarded \$31,050,836 in state appropriations for the coming biennium (2017-2019). In the past, however, the legislature has not followed the LBB's recommendations and has awarded less.

At Dr. Sanchez's request, several financial scenarios for 2017-2018 were presented based on projected revenues and expenses and enrollment declines up to -5%. The first was based on a "worst case scenario" without LBB recommendations followed by a "best case scenario" with LBB recommendations:

2017-18 PROJECTIONS								
RECAP: WORST CASE SCENARIO	2016-17 BUDGET	FLAT	-1%	-2%	-3%	-4%	-5%	
COMBINES EDUCATIONAL & GENERAL & AUXILIARY REVENUES:	\$ 56,313,554	\$ 54,256,634	\$ 53,945,142	\$ 53,633,650	\$ 53,322,158	\$ 53,010,666	\$ 52,699,174	
COMBINED EDUCATIONAL & GENERAL & AUXILIARY EXPENSES:	56,313,554	55,254,305	55,249,305	55,244,305	55,239,305	55,234,305	55,229,305	
NET REVENUES OVER (UNDER) EXPENSES-EDUCATIONAL & GENERAL & AUXILIARY:	\$ -	\$ (997,671)	\$ (1,304,163)	\$ (1,610,655)	\$ (1,917,147)	\$ (2,223,639)	\$ (2,530,131)	

In the worst case scenario, Navarro College could realize a deficit of <\$997,671> with no increase or decrease in enrollment (flat) and potential deficit of -\$2,530,131 if enrollment declines by -5%.

2017-18 PROJECTIONS								
RECAP: BEST CASE SCENARIO	2016-17	BUDGET	FLAT	-1%	-2%	-3%	-4%	-5%
COMBINES EDUCATIONAL & GENERAL & AUXILIARY REVENUES:	\$ 56,313,554	\$ 56,818,771	\$ 56,507,279	\$ 56,195,787	\$ 55,884,295	\$ 55,572,803	\$ 55,261,311	
COMBINED EDUCATIONAL & GENERAL & AUXILIARY EXPENSES:	56,313,554	55,254,305	55,249,305	55,244,305	55,239,305	55,234,305	55,229,305	
NET REVENUES OVER (UNDER) EXPENSES-EDUCATIONAL & GENERAL & AUXILIARY:	\$ -	\$ 1,564,466	\$ 1,257,974	\$ 951,482	\$ 644,990	\$ 338,498	\$ (517,994)	

In the best case scenario, the College could realize an increase of \$1,564,466 based on flat enrollment or a deficit of -\$517,994 if enrollment drops to -5%.

Ms. Thomas continued with a review of future needs of the College District, information pertaining to issuing revenue bonds to fund these needs, and a recap of total Navarro College debt. Repairs to the Albritton Administration Building (\$5,000,000), updates to Drane Hall science labs (\$200,000), and an extension to the Welding facility (\$100,000) are estimated to cost approximately \$5,300,000.

Several options for issuing from \$5,000,000 to \$13,000,000 were reviewed. Consultants recommend less than \$10,000,000 in revenue bonds be issued by the College and consider selling more in the future, if funds are still needed. Navarro College's existing revenue bond debt is \$27,555,197. If the Board decides to issue \$6,000,000 in revenue bonds, total Navarro College debt, including existing revenue bonds and Midlothian lease payments, will total \$36,565,647. Ten more years remain on the Midlothian lease payment.

Dr. Sanchez stated it's very risky to be engaging in debt of \$36,565,647 but there may be no choice. Mr. Judson stated the answer seems to be to increase enrollment. With a tremendous institution and mentors, he inquired what can be done to increase enrollment.

Dr. Sanchez responded the institution is working extremely hard under the leadership of Ms. Sina Ruiz to promote enrollment. Advice from a Noel-Levitz consultant has been sought and various strategies/promotions are being effectively implemented to encourage enrollment in spring classes. Enrollment reports indicate a 210% increase in spring 2017 enrollment as of day three early registration, compared to the same time last year.

Dr. Sanchez continued stating both financial scenarios predict some kind of deficit next year based on legislative appropriations and enrollment. He discouraged the use of reserves and stated expenditures will have to be curtailed to help make up the deficit. He stated he will be holding forums next week with staff to share the information presented to the Board and advise them of a freeze being placed on expenditures.

Albritton Administration Building Repairs

Karl Humphries was asked to give a brief update on repairs taking place upstairs in the Albritton Administration Building. Mr. Humphries reported work is being done by the contractor on Fridays and Saturdays and is approximately half-way finished. A brick layer has been contacted to look at the portico and a proposal for repairs is expected soon.

Mr. Humphries stated the total cost of overall renovations and repairs will not be known until the bidding process is complete. Before bids can be requested, blueprints are required. Mr. Humphries also stated the architect strongly recommends adding a professional cost estimator to the team and he agrees.

The overall cost for repairs of the Albritton Administration Building, including the practicality of staging the work out over two to three years, was discussed. When asked his opinion, Mr. Humphries stated completing the repairs in stages was "less attractive" because it will require moving in and out of the building several times.

Mr. Humphries stated once blueprints are prepared, the cost estimator will be able to project the total cost. The Board can then make a decision to bid the project as a whole or in pieces. Dr. Sanchez stated authorization is needed to have the architects move forward through Phase 1-4 of the project, including blueprints, at a cost of \$453,407. Mr. Huffman inquired if the cost could be paid from the College's fund balance (reserves) and paid back when the revenue bonds are sold. Ms. Thomas stated if the Board makes a decision to issue revenue bonds within sixty days of incurring this cost, funds from the revenue bonds can be used to cover the cost.

By consensus of the Board, authorization to move forward through Phase 4 will be placed on the November 17, 2016 agenda for action.

Announcement and Adjournment

The date and time for the December Board meeting was discussed. A decision was made to move the meeting to December 13, 2016 at 1 p.m. in the Lone Star Room. A Christmas lunch, including spouses, will be held at 12 noon in the President's Dining Room prior to the meeting.

Mr. Atkeisson moved to adjourn the meeting at 8:25 p.m. Mr. McGraw seconded the motion and the decision was unanimous.

Respectfully submitted,

Richard L. Aldama
Richard L. Aldama, Secretary-Treasurer
NAVARRO COLLEGE BOARD OF TRUSTEES