MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, November 16, 2011 – 9:00 A.M.

TO: Business Affairs Committee of the Board of Trustees

FROM: Thomas R. Hawk

DATE: November 11, 2011

SUBJECT: **Committee Meeting**

A meeting of the Business Affairs Committee of the Board of Trustees will be held on **Wednesday, November 16, 2011 at 9:00 A.M.** in the College's **Isadore A. Shrager Board Room, M2-1**.

AGENDA – PUBLIC SESSION

(1) 2011-12 Budget Update (Information Item):

Dr. Hawk and Mr. Spiewak will provide an overview of the College's budget status for fiscal year 2011-12. The implications of the key factors currently impacting on the budget will be discussed.

(2) 2011 Financial Performance Indicators (Information Item):

The annual financial performance indicators were developed in collaboration with the Board to provide a snapshot of the College's current financial operating characteristics. Attachment A (page 4 to 11) contains the 2011 Performance Indicators. These indicators incorporate the financial results for the 2010-11 fiscal year and include preliminary projections for the current year.

(3) Award of Construction Management Services for the Completion of the Bonnell, Mint and West (BMW) Building Renovations Project (Action Item):

The current Construction Management (CM) services contract for the Pavilion and Bonnell, Mint, and West Building construction and renovations will expire December 31, 2011. This contract is held with the Gilbane Construction Company. As a result of scheduling the Main Campus Project in two parts, the Pavilion and BMW, the BMW component of the project is being completed later than originally assumed and additional construction management services will be required.

Proposals to complete the BMW projects were solicited from two firms: Gilbane and Reynolds. Due to the complexity and phasing issues, the College cannot bring in outside service providers not familiar with the project and expect them to be successful starting mid-term in the project. Gilbane, the current service provider, and Reynolds, who has done extensive consulting work on this project, are both thoroughly knowledgeable and were asked for proposals to cover up to one additional year of services.

Staff will review the proposals received for the construction management to complete the project with the Committee and recommend one of the two firms to serve as Construction Manager for the remaining project period.

(4) <u>Update on Construction Projects (Information Item)</u>:

Staff will summarize progress to date on the current construction projects; provide a status report on the construction budgets; and present an update on minority, women and disabled business owner participation in the College's construction projects.

(5) <u>Next Meeting Date</u>

The next regularly scheduled meeting of the Committee is scheduled for Wednesday, December 21, 2011 at 9:00 A.M.

TRH/lm
Attachments
c: Ms. Varsovia Fernandez
Dr. Stephen M. Curtis
Mr. Gary Bixby
Ms. Marsia Henley
Mr. Jim Spiewak

BAC\1111AGD.DOCX

ATTACHMENT A

2011 FINANCIAL PERFORMANCE INDICATORS

CCP FINANCIAL PERFORMANCE MEASURES

NOVEMBER, 2011

FIGURE I

Average Monthly Operating Fund Cash and Investment Assets as a Percentage of Final Operating Budget Expense

	Average Monthly Amount of Operating Cash and Investments	% of Budget
2004-05	$25,328,414	26.8%
2005-06	$28,909,469	30.4%
2006-07	$33,923,655	34.6%
2007-08	$40,065,045	39.1%
2008-09	$42,902,426	40.1%
2009-10	$45,390,373	40.4%
2010-11	$48,696,232	40.6%

Comment: An upward positive trend is indicative of improved liquidity and the ability to withstand short-term fluctuations in revenue receipts.

Target: 25% (coverage for 3 months of operations) or higher.

Current Status: The purchase of the 15th and Hamilton Street property in the amount of $5.8 million in the second half of the 2010-11 fiscal year reduced the College's liquidity. Recent tightening of federal cash drawn down procedures for federal student financial aid dollars has delayed College access to these funds. Current projections are that the College's liquidity position will not change greatly from the average levels held for the 2010-11 year.

FIGURE I1

Unrestricted Reserves Including Quasi Endowment Funds as Percent of Operating Budget.

Fiscal Year	Unrestricted Reserves Including Quasi-Endowment Funds	Operating Budget	Reserves as a Percent of Budget
2004-05	$9,692,958	$94,728,456	10.23%
2005-06	$11,682,218	$95,054,502	12.29%
2006-07	$17,051,787	$98,088,111	17.38%
2007-08 with GASB 45	$17,154,757	$102,513,725	16.73%
2008-09 with GASB 45	$14,553,315	$106,942,052	13.61%
2009-10 with GASB 45	$14,588,450	$112,444,701	12.97%
2010-11 with GASB 45	$9,352,894	$120,084,822	7.79%
2007-08 without GASB 45	$22,349,410	$102,513,725	21.80%
2008-09 without GASB 45	$24,587,300	$106,942,052	22.99%
2009-10 without GASB 45	$31,164,140	$112,444,701	27.72%
2010-11 without GASB 45	$31,967,219	$120,084,822	26.62%

Comment: Growth of unrestricted reserves provides a resource to ensure stability in College operations in a year of under-funding, as well as provides potential resources for one-time needs not fundable out of current-year budget resources. The GASB 45 post-retirement benefit accrual reduces the amount of unrestricted reserves reported in the College's financial statements but has no impact on the College's cash position.

Target: At the end of fiscal 2006, the Board set a target to maintain unrestricted reserves at a level equal to 15% of the operating budget (prior to impact of GASB 45). The original target continues to be met. However, as expected, the impact of GASB 45 has been to reduce the reported level of reserves below the target level. The bottom portion of the chart shows what the four most recent year results would have been without the GASB 45 expense accrual.

Current Status: The 2011-12 fiscal year is projected to end with a required use of prior year carry-over funds. Excluding the impact of GASB 45, the reserve target will be met. However, as it did in fiscal years 2008 through 2011, the accrued post-retirement liability will again result in a reported reserve level that is below 15% of the operating budget level.

FIGURE III

Current Asset to Current Liability Ratio

	As Reported in Financial Statements	Including the Value of Liquid Long-Term Investments
2004-05	1.22	1.22
2005-06	1.29	1.29
2006-07	1.57	1.57
2007-08	1.47	1.65
2008-09	1.54	1.70
2009-10	1.50	1.65
2010-11	1.11	1.66

Comment: A positive trend in this ratio is indicative of a growing capacity to handle current debt obligations. The 2011 ratio was reduced by the movement of some cash to liquid long-term investments. An additional $10,000,000 of core cash was invested in longer-term (non-current) fixed-income investments in 2010-11. Without this investment shift, the College's current ratio would have been 1.66. Because the longer-term fixed-income investments can be liquidated without penalty, the current investment strategy did not create any significant operational risk for the College. The above chart shows the current ratio without and with the inclusion of liquid long-term investments.

Target: Ratio: 1.2 or higher

Current Status: No major change in this ratio will occur during the 2011-12 year.

FIGURE IV

Total Debt Payments Made Using City Dollars as a Percentage of Unrestricted Operating Revenue

	Total Debt Payments Made from City Dollars	Debt Payments Made from City Dollars as Percent of Total Operating Revenue
2004-05	$3,378,206	3.56%
2005-06	$3,378,259	3.46%
2006-07	$3,469,762	3.37%
2007-08	$3,848,690	3.57%
2008-09	$6,819,821	6.25%
2009-10	$6,183,563	5.20%
2010-11	$6,471,559	5.32%

Comment: The portion of the College debt paid by the State is funded separately by the State and, as a result, growth in State-funded debt does not impact on the College's operating revenues. However, debt payments made using City revenues directly impact on dollars which are available for College operating purposes. A decline in the percentage of revenues required for debt payments is a positive indication of financial flexibility.

Target: The accepted standard for private colleges and universities is to keep this ratio below 7%.

Current Status: Debt payments will remain relatively constant through fiscal year 2014 at which point the debt issued in 1999 will have been retired.

FIGURE V

Revenue Dispersion - Operating Revenues by Source

Operating Revenue by Source	FY 08-09	% of Total	FY 09-10	% of Total	FY 10-11	% of Total
State Appropriation	31,218,045		31,368,722		31,152,104	
State Lease Appropriation	217,434		225,674		191,123	
TOTAL STATE	31,495,479	28.85%	31,594,396	26.62%	31,343,227	25.78%
City Operating Appropriation	19,380,266	17.75%	19,073,934	16.07%	18,091,851	14.88%
Student Tuition & Course-related Fees	56,079,737		64,327,916		68,811,100	
Student Regulatory Fees	984,209		979,620		899,739	
TOTAL STUDENT	57,063,946	52.27%	65,307,563	55.02%	69,701,839	57.32%
Investment Income	178,425	0.16%	1,587,209	1.33%	700,181	0.58%
Other	1,060,133	0.97%	1,135,227	0.96%	1,753,815	1.44%

Comment: The value reported for FY 2010 and 2011 State funding includes the amount provided by the State out of federal stimulus funds, $2,844,299. These funds were not replaced for the 2012 year by the State when federal stimulus funding expired. As a result, FY 2012 State funding is projected to be $3.1 million less than received in FY 2011. The City operating appropriation value represents dollars remaining from the total City allocation after all City capital obligations are met. Investment income was significantly higher in fiscal year 2010 based upon the increase in fixed-income rates and fixed-income unit values which occurred as a result of market recovery during the fiscal year. Interest rates were stable in 2011 and, as a result, significant unit value appreciation did not occur. Revenue dispersion, lack of overdependence on one revenue source, is viewed as an important indicator of financial stability. The growth in College dependence on student revenues, and indirectly on State and Federal Student aid programs, is a potential concern.

Target: To reduce dependence on student revenues over time.

Current Status: On a percentage basis, State funding will be lower in fiscal 2012 and will provide an estimated 23.3 percent of operating revenues. In October 2011, the City administration informed the College that it will receive $.51 million less in fiscal 2012 than in fiscal 2011. After this reduction, the City will provide an estimated 14.3 percent of operating revenues. The current realities of City and State revenue receipts are likely to require a greater dependency on tuition and fee revenue for at least the next several years, if not permanently.

FIGURE VI

Tuition and Fee Changes

	2006-07[3]	2007-08[3]	2008-09[3]	2009-10	2010-11	2011-12
Tuition[1]	$112	$115	$115	$122	$128	$138
General College Fee	$4.00 per cr. hr.	$4.00 per cr. hr.	$4.00 per cr. hr.	$4.00 per cr. hr.	$4.00 per. cr. hr.	$4.00 per cr. hr.
Technology Fee	$26.00 per cr. hr.	$28.00 per cr. hr.	$28.00 per cr. hr.	$28.00 per cr. hr.	$28.00 per. cr. hr.	$28.00 per cr. hr.
Average Course Fee	$6.48 per cr. hr.	$6.65 per cr. hr.	$6.53 per cr. hr.	$6.39 per cr. hr.	$6.31 per. cr. hr.	$7.15 per. cr. hr.
Average Total Annual Costs for Full-time Study[2]	$3,564	$3,688	$3,685	$3,849	$3,991	$4,252

Source: The College.

(1) Per credit hour for Philadelphia residents. Other Pennsylvania residents pay double tuition and out-of-state students pay triple tuition.

(2) Assumes 12 credit hours plus student activity, technology fees per semester, and average course fees.

(3) The College charges course fees in high cost course areas such as allied health and laboratory sciences. Course fees range from $75 to $300 per course.

Comment: Course fees are charged for in disciplines where instructional delivery costs are above average based upon factors such as class size constraints, faculty workloads, and instructional materials costs. As a result, full-time student charges vary by program of study. The lowest possible charge for a full-time student in the 2011-12 fiscal year is $4,080. Over the past five years, the average annual increase in tuition and fees has been 3.59%.

Target: To keep tuition and fee increases per year at the lowest possible level.

Current Status: Tuition and fee charges for the 2012-13 year cannot currently be predicted.

FIGURE VII

Total Credit Enrollments and Cost Per FTE Credit Student

	Total Credit FTEs	Percent Increase/ Decrease in Enrollment	Cost Per FTE Credit Student	Percent Increase/ Decrease[1] in Cost Per FTE	Philadelphia All Urban CPI Increase
2004-05	15,294		$5,808		
2005-06	13,629	-10.9%	$6,668	14.8%	4.1%
2006-07	13,569	-.4%	$7,020	5.3%	3.9%
2007-08[1]	13,942	2.8%	$7,486	6.6%	2.4%
2008-09[1]	14,208	1.9%	$7,563	1.0%	3.2%
2009-10[1]	15,808	11.3%	$7,191	-5.0%	-0.2%
2010-11[1]	16,091	1.8%	$7,541	4.9%	1.9%

(1) Includes the impact of GASB 45 post-retirement expense accrual.

Comment: FTE credit enrollments were at the highest level in the College's history for fiscal 2011. However, the 2011 fiscal year percentage increase in the College's operating budget was greater than the percentage increase in the College's enrollments resulting in a 4.9% increase in the average cost per credit FTE. Beginning in fiscal 2008, the cost per student includes the impact of the GASB 45 post-retirement expense accrual. This accrued expense added $375 to the cost per credit FTE student in fiscal 2011.

Target: To keep percent increase in cost per credit FTE at or below the Philadelphia Consumer Price Index increase.

Current Status: A projection of stable enrollments, coupled with continuing restraints on College expenditures, will result in a small increase in cost per student for the 2011-12 year.

FIGURE VIII

Average Annual Salary and Annual Percentage Increase in Average Salary

	Fall 2007	Fall 2008	Fall 2009	Fall 2010	Fall 2011
Faculty and Lab Aides					
Average Salary	$62,144	$63,408	$65,381	$67,266	$66,236
Percent Increase	+2.4%	+2.0%	+3.1%	+2.9%	-1.5%
Administrators					
Average Salary	$69,450	$70,863	$71,910	$74,652	$75,744
Percent Increase	+1.4%	+2.0%	+1.5%	+3.8%	+1.5%
Classified and Confidential					
Average Salary	$37,866	$38,936	$39,553	$41,307	$40,944
Percent Increase	+2.7%	+2.8%	+1.6%	+4.4%	-.9%

Comment: Data for each year are points-in-time values as of the middle of the fall term based upon all filled positions as of that date. Vacant positions and associated salaries are not included in the computation.

Target: All faculty and classified employees' salaries are set by collective bargaining agreements. The most recent five year employee contracts expired on August 31, 2011. The five year contract provides for average annual salary increases of 3.62% for full-time employees over the life of the contract. However, through the opportunities provided by employee turnover and retirement, the goal has been to keep overall average salary increases below the 3.62% increase for continuing employees over the five year contract period.

Current Status: The fall 2011 salaries are based upon the circumstance that no College employee has received a salary increase for the 2011-12 year. As a result, turnover of existing staff resulted in a decline in average salaries for both faculty and classified/confidential employees. Some previously-vacant high-graded administrative positions were filled for the fall, 2011 term. This resulted in the modest increase in average administrative salaries.

\BAC/PERFORMANCE INDICATORS NOVEMBER 2011.DOCX