

**Minutes of the
Erie County Fiscal Stability Authority Meeting
August 21, 2012**

Present: Chairman James Sampson, Director Brian Lipke, Director Lou Thomas, Director Catherine Creighton, Executive Director Kenneth Vetter

Chairman Sampson: “On behalf of the Erie County Fiscal Stability Authority & its board members I would like to welcome you to this meeting where we will review Erie Community College’s 2012 budget and 4-yr plan. College President Jack Quinn is here today to present the financial information to us and respond to any questions that we might have. However, before move to that agenda idea I’d like to do some housekeeping. To the board members we have in front of us the minutes from our April 16th meeting.”

Director Creighton moves to approve the minutes, Director Lipke seconds and the Board votes unanimously to approve the minutes of the previous board meeting.

Erie County Fiscal Stability Authority

Resolution No. 12-09

APPROVING MINUTES FROM

THE APRIL 16, 2012 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its April 16, 2012 meeting and affirms eight resolutions numbered 12-01, 12-02, 12-03, 12-04, 12-05, 12-06, 12-07 and 12-8 that were approved on APRIL 16, 2012.

Chairman Sampson: “Now to the Erie Community College financial plan. Mr. Quinn would you like to come and give us an overview of the plan and any comments you’d like to make, please?”

Jack Quinn: “Thank you Mr. Chairman, good morning to everybody on this beautiful summer day. School starts up in about 10 days so, the sooner we can get out of here and back over across the street its gonna help us get these thousands of students ready.”

“Seriously, Mr. Chairman & members, thank you for the opportunity to come over. Bill Reuter, our CFO, is with me this morning and he will give the bulk of this brief presentation this morning. Just to set the stage for you, the budget you are about to hear about this morning has been approved by our Trustees, it’s been approved by the County Legislature and the Executive and this is one more stop along the way before we send it off to Albany and finally get approval. Needless to say, this was a difficult year for us, we encountered the same kind of budget situations that every other higher education facility and institution has seen but we are delivering the services our Trustees believe we need to deliver. Our mission is that we’re open access to all students. We move forward with the County Executive’s approval and support (by the way) to discuss this whole manufacturing background and job openings and training. We believe Erie Community College is perfectly suited and situated and the place to make the most of all of it. Moving forward on it we like the mission, we like the assignment we are here to give you a broad overview of the budget and take any questions you may have. I’m going to now turn it over to Mr. Reuter.”

Bill Reuter: “Good morning, thank you for this opportunity. Ken, do you just want me to do a brief overview?”

Executive Director Vetter: “Yes, probably the five minute overview you gave at the Legislature.”

Bill Reuter: “Total budget is \$111 million; it’s up over 5% from the previous year. On the revenue side the three major sources of revenues that the college receives is embedded in the state statute. This is critical to know how community colleges are supposed to be funded. Unfortunately, ECC is not funded in this matter. State statute provides that state aid is suppose to represent 40% of our revenues, student tuitions 33.3% and county contribution sponsor support 26.7%. It’s a 6/15th, 5/15th, 4/15th funding formula. The state prior to this year has been cutting our funding. We have lost significant amounts, over 15% of our funds have been cut by the state and the county has not increased its support from the past 5 years. So, one of the only ways we can make up the revenue shortfall is turning to student tuitions. So, last year’s budget and this year’s budget unfortunately we had to move forward with a \$300 student tuition increase. That represents over 53% of our total revenue at the college is coming from student tuition and fees; compared to the state funding formula of 33.3%. It’s not just the County it’s not just the State they are both short over \$10 million & \$12 million respectively of what they should be funding to the college. Much like the County we are driven by employees and the only way we can control expenses or attempt to control expenses is to attempt to control personnel costs. So, this budget we actually deleted a net 44 vacant positions. We funded 9 vacant positions so our position count went from 725 down to 681. Even with 44 less net positions you can see salary and wages went up and

fringe benefits went up over \$2.2 million. We are seeing significant increases in health insurance projected over 8%. Especially in retirement rates both ERS & TRS rates are going up significantly.”

“As far as other expenses we are capped at spending \$1.8 million on equipment because that is what we get funded by the County as part of their capital support. And the other expenses covers anything from maintenance to travel, utility payments and that did increase over \$ 2 million this year but \$1.5 million of that increase specifically is to enter into lease for a new network backbone which operates every computer, phone system, our on-line learning environment, everything at the college. We had been asking for that as a capital project from the County for the several years and were not successful in that funding request so we have to enter into a 5 year lease that we are still negotiating presently. So, that’s the major driver as far as our expense increases.”

“That is a very brief overview as President Quinn said. I would suspect that any community college especially ours is the most reviewed, analyzed, budget as Jack said we actually start in January. Our fiscal year ends August 31st. We start doing departmental budget hearings back in January. Roll all that information into...I believe we had four special board meetings in the months of April and May. Then the board actually approves the budget prior to May 10th. We send it to the County Executive he has until no later than June 1st to approve the budget and then it goes to the County Legislature they have until the last regularly scheduled meeting in the month of June. Then we send it over here and we also send it to SUNY so really there are five different approvals that take place with our budget.”

Chairman Sampson: “Thank you! Are there any questions by the board members?”

Director Creighton: “It seems we can’t keep going down this path. President Quinn, have you had conversations with the County Executive about increasing the County’s share?”

President Quinn: “Yes, we sure have Kathy. Each year we send over a budget and there are parts of it we ask for more. One of the, I don’t want to call it a quirk but one of the differences in the way we are funded is what is called maintenance of efforts. So, the way it works all across the state of New York in 30 community colleges including us is that when the county reaches a number of dollars that is used to support us in operating money they have to continue that all the time. And so, previous County Executives here in the County have been resistant to even include a couple hundred thousand dollars because they would pay it every year. We understand that because operating is operating we still have to take care of these students and everything else. We yearly and routinely since I’ve

been here and I know Bill did it as well, we open discussions with them other ways of funding and even we have discussed with them what we call one-shots where they come in a almost refer to it as a grant for an amount not expecting it to come back in the future. We are making some headway but the County is in the same difficult position the state and others are in. Bill points out correctly in a system that we would like to have our students paying in the 30's at ECC it's now over 50%. Even still, that full-time tuition for a full year is \$3,900 this year. Even though it's a lot of money and it's an increase that we wouldn't like to do if we didn't have to... it's the cost of doing business really. Short answer to your question is yes we have asked for some more, we do every year. In discussions with Mr. Tobe and the County Executive we are going to request some proposals made for next year that are a lot more specific to the manufacturing discussion at the college and I think we may have some more success but far be it from me to predict how the Legislature will act."

Director Creighton: "I just came back from Finland where Education is paid 100% and Healthcare is paid 100% and they pay 40% of their income in taxes but they have a beautiful standard of living. Your mission is a very important one. I saw Kristen Klein-Wheaton the weekend, the day after I came back from my 25th college reunion at Cornell, and she said, well you know, everyone is broke. I said, not everyone is broke! One weekend in Cornell the alumni raised \$88 million. And so, people have money and I think we have to think of ways to get revenue from people."

President Quinn: "Sure and I know this morning is not the morning to do this but maybe in the coming next year we can come over and spend a longer period of time to discuss exactly that kind of activity. Our foundation for example has a brand new Director, a guy named Jeff Bagel; he was recently at Sheas' and did some fundraising for them. He has really turned the ship around there along with Mark Martin's help; he's our Lead Director of the Foundation. We are going after a long list, we have some events planned and hopefully later this year we will be able to announce publicly a major gift from somebody out in California to the college that would be the biggest ever to the college in our history."

Director Creighton: "Is that from an alum?"

President Quinn: "No, a spouse of one. So, we're engaged in a lot of those things. Traditionally, community and state run colleges aren't. But we agree with you that we need to uncover every stone possible."

"If I may just to add one point to this budget discussion as Bill mentioned this is a summary that's for sure, I want you to understand the tough job our trustees had this year trying to balance, knowing were not getting any more money from the state or county and knowing its either got to be something from our fund

balance which we are directed must stay at a number and how much we raise it for students. Let me be clear, for some of our students in the City some will say at \$3,900 Jack you've got to be kidding me...we can't afford that. I need to tell you that an increase of even \$100 affects our students in a big way. That's why Mr. Bagel is trying to offset that with some scholarships through the foundation."

"But back to the budget, to underscore a point that Bill made, the trustees this year decided to do probably the most, one of the most difficult things with the budget to cut funded unfilled positions. You all know what that means in budget language, they are funded and the President uses them as a little wiggle room during the course of the year in an over \$111 million budget to take care of some things. We looked at it and trustees asked for some information and put together a team with Bill and some other Senior Management there. We cut out 44 paid positions that were not filled and so we are at the bone right now. In addition, the Trustees in their wisdom set aside about \$1 million in a reserve fund but earmarked it; over \$600,000 was for faculty."

"One of the problems we are having at the school, all community colleges are. We'd prefer to have full-time faculty but to hire adjunct is simply cheaper because we don't have to pay benefits and all those other things. But when you get to the tipping point of balance between full-time and adjuncts it dangerous because your students aren't receiving counseling and advisement and all those other good things. So, the trustees when they cut those 44 positions set aside an amount of money aside, just for faculty. And then put some for equipment and other things. Well, the Trustees at our meeting next Wednesday will spend all of that contingency of \$460,000 and more to hire a total ten new faculty."

"So, as difficult as this is, this budget you have before you today, our Trustees understood that we have to be able to provide good quality education and that means full time instructors. The numbers Bill shared with you, we are doing so much more with far less when it comes to number of faculty. We are going to hire ten new faculty next Wednesday... we hope. Add to the ranks of full-time instructors in a lot different areas. That we think strengthens our overall ability to deliver what we need to deliver and we are at the bone with the numbers. The trustees have done an amazing job for us this past year. Thank you."

Chairman Simpson: "Any other questions?"

Director Lipke: "Just one comment. I'm very pleased to see you are focusing on manufacturing. I think there is a lot of opportunities and a need for people to be trained in those areas and particularly with this situation you are facing, coming up with

an entirely new revenue stream is exactly the right thing the college should be focusing on, I applaud your efforts.”

President Quinn: “Thank you, Mr. Lipke as someone who understands the manufacturing world better than all of us put together probably... except for Lou Thomas.”

“That’s what we are hearing from our employers. That’s what we are hearing from our employers and just so you know we are using the money, we think the best possible way we spent some money to buy a piece of equipment to buy a CNC water jet to train. You know what it is Brian? There’s only five schools in the country that have this piece of equipment. I’ll tell you who they are because I think it puts us in great company: Its Columbia, Yale, RIT in Rochester and RPI, Rensslear, NY and ECC. We are proud as heck and we actually got it before RIT; there used to be only four of us. But the graduates who come out of this class have 100% placement...100% placement. One of these instructors we are hiring next Wednesday is in that department and we are going to teach the class on Fridays, Saturdays and Sundays and some evenings. We believe with 100% placement that is the best use of our money and the County’s money and the state’s money. We appreciate your support. We are trying to find some efficient things to do, some more efficient things to do so we can look at your efficiency grants if you have any left over here. See if you can help us out in any number of different ways.”

Chairman Sampson: “You’d better hurry up with that!”

Director Thomas: “Efficiency grants went along with skilled workers from 2 years ago. Just a point, like Brian said, there was a time when WNY was considered to have the most highly skilled & best workforce because of the unions. The state was involved and the community was involved in the training and companies were involved in the training. You might be the with a few exceptions the only one out there now saying look, we really need to find placement for these folks and I wish more people would listen and take a look at your program.”

President Quinn: “This is a discussion for later on. Here I go...I’m sorry.”

Director Creighton: “This is great, you come here and everyone is applauding your program.”

President Quinn: “Actually, I may be better off staying here the rest of the day instead of going across the street. To that point, you know my story, I was a steel worker and one of the problems was summer at Bethlehem, many, many years ago. But one of the problems we have is when we talked to our guidance counselors at our high schools that feed us...our feeder schools. When we talk about manufacturing I think they still thinking about the manufacturing days at Bethlehem when you carried around bolts and took two showers to get cleaned

up when you were done and it was 180 degrees. Well, when we took some 12th graders on a tour recently to Keller Technologies in Tonawanda- through the plant. And I took the tour through the plant. These folks were gowned up in white hospital gear with the hair net and booties and gloves. It's a sterile environment where this stuff is made."

" So, part of our job to get the message through to the guidance counselors, our high school principals and school boards to say that there are jobs out there. And after a one-year certificate with us or a two-year degree with us you can go into those jobs that pay, \$18, \$19, \$22.50 an hour with benefits and you can stay right here in WNY and not hear that someone has 80 openings they can't fill, so on and so forth. We hosted a forum about three weeks ago through the regional economic developments counsel."

" We hosted it at the City Campus and Brookings Institute was involved & talked about this very issue. One of our projects, I think you know is we are going to partner with Reverend Michael Chapman at St John Baptist Church in the City, in the fruit belt, to bring our auto technology which is located in Orchard Park right now and were not getting students from the City to go out there because of transportation problems. So, we are going to do that. We're going to move some faculty there and we found a facility we would like to remake to use it so if they can't make get to the courses we'll bring the courses to them. It's the same kind of occupation that there are openings and folks can stay right here and make a good honest living and have themselves get promoted up. So, we're heading in that direction. It takes a little longer for the four-year schools to adjust to all of that. With Bill's assistance at the budget level and some of our executive team at the college were getting to turn the corner. So, we'll have a report for you. If you'd like Mr. Chairman, maybe mid-year we can come back over and give you a half hour presentation on where we stand with mid-year budget numbers."

Chairman Sampson: "Any other questions? I have one question, but before I ask that question, I think the sentiment of the authority and the board members is that we acknowledge and recognize the importance of Erie Community College to the health and well-being of this community, not to mention economic development and we support the work you are doing in a visionary kind of way and view of the future. I have a little affinity for Erie Community College, when I got out of the Army it was the only place in Buffalo that would have me. It provided me with what I needed to go on to other places but it was a great place. So, I have a certain affinity. So, I'm probably now on the donor list?"

"I have a sort of technical question and it has to do with the relationship between tuition and enrollment. At what point does the tuition hikes, and I

agree with you that \$3,900 does not sound like a lot but the folks who attend Erie Community College it is a lot. At what point does the tuition increase, and I understand and appreciate the kind of work you are doing to supplement the tuition cost, have a diminishing effect on enrollment?"

Bill Reuter: "There are so many factors. There are so many factors, we always looked at economic. How the economy is doing as a driver and the worst the economy was the better our enrollment was. Not even tied to tuition, lately it appears the economy is so bad that potential students are becoming disenfranchised they don't want to give up that minimum wage job to go to college knowing they can get ahead because they're afraid they're never going to get a job. So, not necessarily tied to tuition, there are just so many other factors."

"The biggest factor that actually is hurting us is high school graduation rates. We looked at; the state produces a chart from 2008-2019, Erie County has projected a 17.7% decrease in high school graduates. When you think that is our major feeder coming in, our enrollment is going to be impacted regardless whether we have \$0 tuition or \$10,000 tuition, So, the high school graduations and this past year it hit us. We looked at the numbers from the state and the year we are just finishing up is going to be the largest decrease in high school graduation rates. So, I think we are weathering the storm as far as high school graduations, they still will go down but I think we are starting to hold our own. One of the questions Ken asked me is how we are doing with fall enrollment."

Director Creighton: "Can I interrupt you just real quick? Is the 17% decrease in the whole numbers or 17% decrease of people who are graduating or I mean people who were enrolled?"

Bill Reuter: "People who are graduating from high school. From 2008-2019 the State Education Department projects how many high school graduates. So, from 2008 how many students that were coming out to 2019 is going to be a 17.7% decline."

Director Creighton: "It's just numbers, isn't part of that demographics though...that the baby boomers?"

Bill Reuter: "Oh, Absolutely! So, we have to adjust our portfolio of what type of students we are going after."

"As far as...what we are doing. The tuition rate- we have always been near the bottom of the state. We were at 26th three years ago, two years ago we were 21st and this year we will be 14th in the state of the 30 community colleges. So, we are right in the middle. We've always been under Niagara Community College which is our competition, so to speak, this year we are slightly ahead of

them. Our real competition in the areas is really the four-year institutions. Buff State full-time tuition for the current, coming next year is \$5,570. So our tuition differential is 30% between the two-year community college and the four-year SUNY institutions. We don't see tuition impacting our enrollment significantly because we also track financial aid and 83% of our students full-time receive financial aid. And when I talk about financial aid I'm talking about PELL which is federal program which can be used for all living expenses not just tuition and TAP which is only for tuition. We try to evaluate when we're projecting a \$100-\$200-\$300 tuition increase how many students will have to take money out of their pockets. We saw only about 40% of our full-time students will be truly impacted where it's going to come out of their pocket as far as that tuition increase. So, there are a number of factors that's very difficult to say tuition hurts enrollment, it certainly doesn't help. To try to correlate on a one-to-one basis it's very difficult to do."

Chairman Sampson: "Thank you. Just a comment, I'm not looking for an answer, but perhaps we can have a discussion next time you come; the relationship between graduation at Buffalo Public Schools graduation rate and your potential students. I would imagine there is some direct relationship there."

Bill Reuter: "That's our biggest feeder system, Buffalo Public Schools. So, obviously if their graduation rates are not happening or their student population..."

Chairman Sampson: "And college preparedness."

Bill Reuter: "Yes- absolutely! Well, each student that comes to the college, as President Quinn said, we are open access. If they don't have a minimum SAT score they have to take a placement test. What we are finding is many students are placing in developmental education. Now, financial aid guidelines are being changed...students have to have academic persistence and maintain a certain GPA. Previous, there were no requirements. Now both the federal and state government different requirements say you have to persist, you cannot take 10 years to graduate, because financial aid will not be there. You have to graduate over a certain amount of time, while maintaining a certain GPA. If they're in developmental classes they're not getting academic credit towards that persistence. So, it's a difficult thing that students are not coming prepared."

Director Thomas: "I'm sorry. I have a thought and just wanted to know what the answer would be? Is it, talking about the industrial training, would it be possible for say an employer or other interested parties to set up some form of sponsorship?"

President Quinn: "Yes, Lou. Absolutely, in fact we have some of that already. I was at a meeting at a tour last week at Fresenius Kabi. Two words- it's a pharmaceutical company in Grand Island. Second word is K-a-b-i... Fresenius Kabi. They have

750 workers in Grand Island right now. I always say ECC is the best kept secret in Buffalo. A lot of these places, they have 750 employees and they are expanding and will need 120 new employees by the end of 2013 going into 2014. So we were out there talking to them about the kind of training they are going to need and we believe and they believe that is us to do that. We had a discussion with them and we could really use some help with the equipment for example. If their workers need to be trained on specialized equipment if they could help us pay for that- we could have these workers trained and ready to go. They are going to need 40 of them in quarter two of 2013 and their financial plan has the rest of them. We discussed sponsorship- what we called it. If they would be willing to pay for some of their folks to come to our training and when they graduate they would go right to them. Yes, we encourage it.”

Director Thomas: “That would seem like a win-win for the whole community.”

President Quinn: “Just a real quick word Jim...I know you’re trying to get out of here but I could talk all morning.”

Chairman Sampson: “That’s ok...this is fun.”

President Quinn: “I said to Bill as he described the funding apparatus, because it is complicated, your question about graduation rates Cathy. Think about that... 17% decrease in graduates and we are funded on our state match here the state funding that comes to us is in the form of FTE’s (full-time equivalents). So, the number of students who walk in the door determines the number of state funding you are going to get. We are going to get hit with the local, whatever the graduation rate is lower, because of volume. People aren’t having as many children and aren’t sticking around. We know our census says people are leaving so there are less graduates coming out of the schools. Therefore, we have less folks, even when we make the best sales pitch around, who aren’t simply filling the seats. So, that hurts us with the funding formula. Last year the state upped us, the community colleges sector a little bit. And we’re going back for some more this year. Your question about enrollment while is driver on financial aid and the cost of tuition being a barrier. The raw numbers of people who come in the door make this a very competitive business with our neighbors at NCCC and Jamestown, Geneseo and Monroe in Rochester and as Bill points out our four year brothers and sisters in the SUNY system. We’ve got some nice agreements with them that when students finish up with us they go on to Buff State and UB. The question on our numbers plays into our budget plan big time. Bill was just working on this, this morning to see we have a big PR campaign and we are doing some enrollment management work and working on retention rates. The formula is the formula and nobody’s going to change that in my lifetime. So, we need to find some ways connected with enrollment numbers not only with

tuition rates to get them in the door, the funding or else we'll have to go back to tuition."

Chairman Sampson: "Thank you very much. To the members of the authority there is a resolution in your packet. The resolution has been vetted by our legal counsel, plus the observations and conclusions in the report that we all received. At this point I would entertain a motion to accept that resolution."

Director Thomas moves to approve Resolution No. 12-10; Director Lipke seconds and the Board votes unanimously to approve the following resolution:

Erie County Fiscal Stability Authority

Resolution No. 12-10

COMMENTING ON THE 2012-13 ERIE COMMUNITY COLLEGE BUDGET

WHEREAS, Chapter 182 of the New York Laws of 2005 created the Erie County Fiscal Stability Authority ("ECFSA") to serve as a corporate governmental agency and instrumentality of the State of New York, and as a public benefit corporation to "oversee [Erie] County's budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required step toward fiscal stability;" and

WHEREAS, section 3951 of the New York Public Authorities Law ("Public Authorities Law") defines a "covered organization" as "any governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the County;" and

WHEREAS, the ECFSA Board of Directors ("Board") and staff have reviewed the 2012-13 Erie Community College ("ECC") budget document, which was adopted by the ECC Board of Trustees and subsequently approved by the Erie County Legislature; and

WHEREAS, the ECFSA Board and staff have identified a number of financial risk items for the college including a high reliance on tuition revenues (more students and higher tuition), an assumption of increasing state aid, and continued use of fund balance for current and future operations;

NOW, THEREFORE, BE IT RESOLVED that the ECFSA encourages ECC to continue to provide a high quality education at an affordable price without placing an undue burden on Erie County

taxpayers, to produce the highly skilled work force that is and will continue to be a major driver of Western New York's economy; and

NOW, THEREFORE, BE IT FURTHER RESOLVED that the ECFSA directs ECC officials to review the risk items put forward in the ECFSA's August 21, 2012 review of the ECC budget and financial plan and report back prior to the beginning of the 2013-14 fiscal year on the progress in addressing those risk items.

Chairman Sampson: "I'll accept a motion to adjourn."

Director Creighton moves to adjourn, Director Lipke seconds and the board votes unanimously to adjourn.

Respectfully submitted,

James Sampson, Chairman

September 21, 2012