NOTICE OF SPECIAL MEETING

Time of Meeting: 5:30 p.m.
Date of Meeting: April 19, 2013
Location of Meeting: District Office
Board Conference Room C-228
4905 E. Broadway  Tucson, AZ 85709-1005

AGENDA FOR MEETING*

1. Call Meeting to Order

2. Executive Session
   a. As authorized by A.R.S. §38-431.03(A)(1) (discussion or consideration of employment/appointment of a public employee/appointee) and A.R.S. §38-431.03(A)(3) (discussion or consultation for legal advice with the attorneys for the College) - personnel executive session to discuss candidates applying for the Pima College Chancellor position and for advice concerning legal issues that may arise concerning candidates and/or selection of finalists for the Pima College Chancellor position.
   b. As authorized by A.R.S. §38-431.03(A)(1) (discussion or consideration of an individual public employee matter) and A.R.S. §38-431.03(A)(3) (discussion or consultation for legal advice with the attorneys for the College) - personnel executive session to discuss a complaint against an employee submitted through the EthicsPoint system and for advice concerning legal issues related to the complaint.

3. Fiscal Year 2013-2014 Employee Salary Increases—Presentation/discussion regarding employee salary levels; Board action to set salary levels.

4. Executive Session
   a. As authorized by A.R.S. §38-431.03(A)(1) (discussion or consideration of an individual public employee matter) and A.R.S. §38-431.03(A)(3) (discussion or consultation for legal advice with the attorneys for the College) - personnel executive session to discuss a complaint against two employees submitted and for advice concerning legal issues related to the complaint.
Fiscal Year 2013-14 Employee Salary Increases

Dr. David Bea
Executive Vice Chancellor for Finance and Administration
(206-4519)

Recommendation:

The Interim Chancellor recommends the Board of Governors approve employee salary increases to be included in the proposed budget for fiscal year 2013-14. Following is an overview and summaries of four proposed employee salary increase scenarios, not in priority order:

1. A 2.5 percent increase to regular faculty, exempt, non-exempt, and administrators. The total impact to the General Fund of this option is approximately $2.0 million, including the cost of employee benefits.

2. A 2.0 percent increase to regular faculty, exempt, non-exempt, and administrators. The total impact to the General Fund of this option is approximately $1.6 million, including the cost of employee benefits. This option would provide approximately $400,000 to enhance other College priorities.

3. An increase in which regular faculty, exempt, non-exempt, and administrators are provided different pool increases based upon a calculation that includes a component based on the proportion of the salary pool and a component based on the proportion of total employees. This option would provide slightly higher pool increases to the employee groups with the lowest average salaries and smaller percent increases to the employee groups whose average salaries are the highest. The total impact to the General Fund of this option is equivalent to Option 1, an average increase of 2.5 percent, or approximately $2 million, including the cost of employee benefits.

4. An increase in which the faculty, exempt, and non-exempt employee groups receive pool increases of 3.0 percent, while the administrator pool increase is 2.0 percent. This option would provide sufficient funds to award step increases to those who earn them in all employee groups with a lower increase for administrators. The total impact to the General Fund of this option is approximately $2.4 million, including the cost of employee benefits. This option would require approximately $327,000 in additional funds compared with Option 1, decreasing the funding available to enhance other College priorities, outlined below.

Variations of these scenarios are also possible options but should not exceed the total impact of Option 4. The impacts of some of the key variables are outlined below.

Justification:

In the last few months, the Board of Governors has been presented with a series of budget parameters, including estimated increases for: Arizona State Retirement System contributions;
Employee health benefits; contractual obligations; and a preliminary salary pool increase. The Board has indicated a desire to target employee salary increases in the range of 1 to 3 percent while keeping tuition increases to a minimum.

Employee benefits and other personal costs will be rising for fiscal year 2013-14. Specifically, mandatory Arizona State Retirement System contribution rates will be increasing 0.40 percent and employee health benefits costs, including some premiums, deductibles, and co-pays will also be increasing moderately next fiscal year. In addition, the Consumer Price Index for All Urban Consumers increased 2.0 percent over the last 12 months, indicating the impact of inflation on College employees.

Historically, the employee groups have provided guidance on whether Board approved salary pool increases will first fund step increases with any remaining funds being applied to an overall lift to the salary schedules, or if just an overall lift to the salary schedules will be applied. Each step in the College’s salary structure for exempt and non-exempt staff represents a 2.5 percent increase in salaries and wages, and each step for administrators represents a 2.4 percent salary increase. Each step for full-time faculty is a fixed dollar amount. Steps for twelve month faculty are $2,844, steps for nine month faculty are $2,174, and steps for nine month nursing faculty are $2,846.

Because steps must be earned, the amount of salary pool increases used to fund steps varies by employee group based upon the percent of employees who successfully complete a step progression plan and the amount that the cumulative steps cost in the employee group. We are estimating that awarding steps would represent approximately a 1.0 percent increase for the non-exempt employee pool, approximately a 1.6 percent increase for the exempt pool, approximately 2.0 percent for the administrator pool, and approximately 3.0 percent for faculty. In other words, the pool increase for faculty would have to be 3.0 percent to cover the expected steps.

The approximate cost to the College’s General Fund for salary increases may be summarized as follows:

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Cost of 1.0% increase</th>
<th>Cost of 2.0% increase</th>
<th>Cost of 2.5% increase</th>
<th>Cost of 3.0% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Full Time</td>
<td>$282,000</td>
<td>563,000</td>
<td>704,000</td>
<td>845,000</td>
</tr>
<tr>
<td>Staff Non-exempt</td>
<td>$254,000</td>
<td>508,000</td>
<td>634,000</td>
<td>761,000</td>
</tr>
<tr>
<td>Staff Exempt</td>
<td>$199,000</td>
<td>398,000</td>
<td>498,000</td>
<td>598,000</td>
</tr>
<tr>
<td>Administrators</td>
<td>$52,000</td>
<td>103,000</td>
<td>129,000</td>
<td>155,000</td>
</tr>
<tr>
<td>Executive Administrators</td>
<td>$28,000</td>
<td>56,000</td>
<td>71,000</td>
<td>85,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$815,000</strong></td>
<td><strong>$1,628,000</strong></td>
<td><strong>$2,036,000</strong></td>
<td><strong>$2,444,000</strong></td>
</tr>
</tbody>
</table>

**Option 1:**

This base option includes a 2.5 percent increase to regular faculty, exempt, non-exempt, and administrators and would cost approximately $2.0 million. This increase would assist employees with paying for rising Arizona State Retirement System contributions, certain employee health benefits costs, and the overall increase in inflation. It would be sufficient to cover step increases in each group except faculty.
**Option 2:**

Option 2 includes a 2.0 percent increase to regular faculty, exempt, non-exempt, and administrators. This option would cost approximately $1.6 million and provide approximately $400,000 for funding other College priorities, such as enhancing campus safety, enhancing College support for the adult basic education program, and/or could allow for a small reduction to the tax levy. A $400,000 reduction in the tax levy would save approximately $0.53 per $100,000 of assessed valuation. This increase would assist employees with paying for rising Arizona State Retirement System contributions, certain employee health benefits costs, and the overall increase in inflation.

**Option 3:**

Option 3 includes an increase structure in which regular faculty, exempt, non-exempt, and administrators are provided different pool increases based upon a calculation that includes a component based on the proportion of the salary pool and a component based on the proportion of total employees. This option would provide slightly higher pool increases to the employee groups with the lowest average salaries and smaller percent increases to the employee groups whose average salaries are the highest.

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Approximate Salary Pool</th>
<th>Percent Increase</th>
<th>Approximate Cost of Tiered Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Full Time</td>
<td>2.4%</td>
<td>$676,000</td>
<td></td>
</tr>
<tr>
<td>Staff Non-exempt</td>
<td>2.9%</td>
<td>$736,000</td>
<td></td>
</tr>
<tr>
<td>Staff Exempt</td>
<td>2.4%</td>
<td>$478,000</td>
<td></td>
</tr>
<tr>
<td>Administrators</td>
<td>2.0%</td>
<td>$106,000</td>
<td></td>
</tr>
<tr>
<td>Executive Administrators</td>
<td>2.0%</td>
<td>$53,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.5%</td>
<td>$2,049,000</td>
<td></td>
</tr>
</tbody>
</table>

The total impact to the General Fund of this option is equivalent to Option 1, an average increase of 2.5 percent, or approximately $2 million, including the cost of employee benefits. This option would not provide a sufficient pool increase to fund faculty step increases.

**Option 4:**

Option 4 would provide 3.0 percent pool increases to faculty, exempt, and non-exempt employee groups and a 2.0 percent increase to administrators. These pool increases would be sufficient to award step increases to those employees who have earned them during the year. The total cost of this scenario is about $327,000 more than option 1 and would decrease the money available to enhance other College priorities. Examples of those priorities include enhancing campus safety, enhancing College support for the adult basic education program, and/or providing funds for a new lease of a city center facility.

(Continued)
<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Salary Pool Percent Increase</th>
<th>Approximate Cost of Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Full Time</td>
<td>3.0%</td>
<td>$845,000</td>
</tr>
<tr>
<td>Staff Non-exempt</td>
<td>3.0%</td>
<td>$761,000</td>
</tr>
<tr>
<td>Staff Exempt</td>
<td>3.0%</td>
<td>$598,000</td>
</tr>
<tr>
<td>Administrators</td>
<td>2.0%</td>
<td>$106,000</td>
</tr>
<tr>
<td>Executive Administrators</td>
<td>2.0%</td>
<td>$53,000</td>
</tr>
<tr>
<td>Total</td>
<td>2.9%</td>
<td>$2,363,000</td>
</tr>
</tbody>
</table>

**College Plan Initiative:**

Initiative 5 – Enhance Operations

**Financial Considerations:**

The cost to the College of employee salary pool increases are specified above. Costs range from $0.00 for no employee salary increases to $2.4 million to the General Fund for Option 4, with the final cost to the College dependent upon which option the Board of Governors selects. The salary increase percentages approved for the General Fund will be carried to the other funds for budget development.

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**Approvals**

Contact Person ________________________________

Dr. David Bea

Interim Chancellor_____________________________

Dr. Zelema Harris
b. As authorized by A.R.S. §38-431.03(A)(3) (discussion or consultation for legal advice with the attorneys for the College) - discussion of legal issues regarding Higher Learning Commission review and notice of probation status.

c. As authorized by A.R.S. §38-431.03(A)(1) (discussion or consideration of public employee assignment) - personnel executive session to discuss the duties of College General Counsel.

d. As authorized by A.R.S. §38-431.03(A)(3) — Discussion or consultation for legal advice with the attorneys for the College - advice concerning legal issues that may arise concerning the award of contracts for outside legal services for Fiscal Year 2013-2014.

5. Adjourn Meeting

*Option to recess into legal advice executive session --- Pursuant to A.R.S. §38-431.03(A)(3), the Governing Board may vote to go into executive session for the purpose of obtaining legal advice from the Governing Board’s legal counsel with respect to any item listed on this agenda or any addendum thereto.