

FINANCE & BENEFITS COMMITTEE MINUTES

December 4, 2012

Attending: Jim Manaro, Chair, Emily Chamlee-Wright, Joe Holt, Alan Chesney, Karl Kehm, Eugene Hamilton, Ed Guseman, Lansing Williams, Annie Krotee, Jeani Narcum, Cathy Naundorf and Peggy Fulton. Also present were Dean Mariaca and Courtney Beatty of Willis of Maryland.

Jim began the meeting by reviewing the latest estimated FY 14 budget projections. He stressed that these numbers are still very preliminary. The projections and increases in student charges have been discussed with Senior Staff and the Financial Affairs Committee of the Board. The enrollment target number for budgeting purposes is 430 although the College hopes to obtain 460 total enrollment of new students. Once final enrollment is known, other priorities for spending will be established. Jim reminded the Committee that small fluctuations in enrollment result in big revenue fluctuations. The projections also assume a 45% discount rate and an increase in the Washington Fund of \$250,000. The net result is \$1.9 million in estimated marginal revenue (new revenue). From that number, \$854,250 is already committed for expenses such as health insurance, maintenance contracts, dining hall food purchases, a head volleyball coach for women (Title IX) and four additional faculty. Other non-discretionary expenses include energy and depreciation. The net marginal revenue remaining is \$629,452.

Charlie Kehm noted that Jim's exhibit does not include a line for salary increases. Jim stated that salary increases are continuing to be discussed in senior staff meetings and that it has not been forgotten. However, there are \$4 million worth of needs and positions that are also on the table for discussion. Enrollment will be the key to any additional expenditures. Ed Guseman noted that replacing the 20,000 gallon fuel tank might raise energy costs. Ed also asked how the College will accommodate increased enrollment on the residential side. Jim noted that Kent Crossing continues to be a very viable option for us. A certain level of enrollment must be hit and maintained before the College can consider construction of a new residential facility. Again, Jim reminded the Committee that all the numbers are preliminary. Senior staff continues to review and discuss and more changes will be brought to the Committee before the final budget is prepared for the Board in April.

Gene Hamilton reviewed a spreadsheet he developed on the net endowment per student. His calculations indicate that the current net endowment per student stands at \$72,028 down from a high of \$143,305 in 2007. It is his firm belief that the College must increase the endowment substantially and his conclusions indicate that an increase of \$45 million will bring the per student average up to 1999 levels and \$105 million would be needed to bring it to the 2007 level. Dr. Hamilton mentioned that Dr. Toll had drastically increased the endowment during his tenure ensuring financial stability for the College. Joe Holt noted that although Dr. Toll did add to the endowment, enrollment also rose dramatically and there were several years where a surplus of funds was also directed to the endowment. Emily noted that the College must work really hard to generate \$50,000 in spendout and that its focus might be better directed to increasing the Washington Fund which provides direct relief to the operating budget.

The discussion then moved to information regarding Consumer Driven Health Plans. Dean reviewed a presentation on Health Reimbursement Accounts (HRA) and Health Savings Accounts (HSA). Both of these plans require a high deductible health plan be in place. An HRA is 100% employer paid with no pre-tax employee contributions. There are no direct or indirect cash-outs and no “at risk” or “use it or lose it” rules. An HRA is not “funded” at inception but is more a promise to pay when costs are incurred. An example was presented with a \$2,000 deductible where the College would fund the HRA at \$1,000 which would pay first. The employee would then be responsible for the remaining \$1,000 at which time the plan would begin to pick up expenses on a 90/10% split.

The HSA is funded either by the College, the employee or both. Contributions by employees are tax deductible and employer contributions are excluded from individual’s taxable pay. Earnings grow tax free and distributions are also tax free if used for qualified medical expenses. The minimum annual deductible required for an HAS plan is \$1,250 individual/\$2,500 family. The maximum out of pocket expenses are \$6,250 individual/\$12,500 family and includes deductibles and co-payments. The contribution limits to the HSA plan are \$3,250 individual/\$6,450 family.

Jim asked if the “promised” contributions to the HRA plan would appear as liabilities on the College balance sheet and the answer is yes. HSAs do not offer the same flexibility as an HRA. An HSA is owned by the employee and an HRA is owned by the College. Both plans will encourage engagement in an employee’s own health. Jim asked Willis to prepare an exhibit of the whole picture: contributions/caps, exposures, etc. for the next meeting regarding health insurance.

The last exhibit by Willis gave some benchmarking information of peer institutions that have traditional plans, HRAs and HSAs.

The next meeting is scheduled for December 19, 2012.