Call to Order, Introductions, and Approval of Prior Meeting Minutes – After calling the meeting to order at 5:03 p.m., Tom Peisch asked for introductions. Vice Chair Peisch then called for the review and approval of the September 9, 2014 meeting minutes (Item 1).

Trustee Beville asked for the fourth bullet in the section under Strategic Planning on page 5 to read:

- Time and dedicated resources are needed to obtain information on labor market analysis.

**MOTION:** Trustee Beville made the motion to approve the minutes with the amendments; Chair Richardson seconded. The motion passed unanimously via the following roll call vote: Tom Peisch – YES, Lon Povich – YES, Dan Juliani – YES, Pam Richardson – YES, Sylvia Beville – YES, and Tom Dretler - YES.

FINANCE ITEMS

**FY15 Actual to Budget Comparison Report for August 2014 (Item 2)** – VP Kirleis reviewed the report which shows activity for the first two months of the fiscal year. July and August have less activity than during the school year. The revenues exceeded budget by $400K and operating expenses were less than projected for the time period.

An observation was made about the format used in the report – excesses/overages are presented in brackets.

Chair Richardson commended the staff for the shift to positive numbers and asked if the overage was a result to having a plan in place. VP Kirleis stated that in the end, 250 students were dropped for nonpayment. Students were given opportunities to set up a plan to pay for college. President O'Donnell referred to the practice as a change in culture; there was some resistance to dropping students before the end of the semester.

Trustee Povich asked about the variances in the report, specifically an excess of 10% in the tuition and fees line with big savings in the permanent staff and faculty line. VP Kirleis explained that the college is in the process of filling some of those vacancies and the difference also has to do with timing. In this new
reporting system, the finance team will need to look more carefully at how the revenue is budgeted on a monthly basis.

Trustee Povich pointed out the 33% savings in the permanent staff line. VP Kirleis stated that those savings will be affected with additional hires. The adjunct line is also showing a surplus. The new contract with the state attaches penalties if classes are canceled too close to the beginning of the semester. Classes were cancelled that did not meet the minimum enrollment numbers and adjunct faculty members were asked if willing to, teach courses based on the number of enrolled students and not the full rate. Many of the courses went to full rate after offering the per capita method. MassBay saved $200K by canceling under enrolled classes.

President O'Donnell described the practice as a change in culture. In the past, faculty members would teach under enrolled courses and receive a full compensation. This practice asked the faculty members to designate the minimum number of students they would teach and then they could calculate the rate they would receive. The local collective bargaining unit protested, yet 140 out of 298 agreed to participate within an hour of the letter being sent out.

Vice Chair Peisch asked about the $846K positive variance in the tuition and fees revenue. VP Kirleis stated that amount in September will be lower because of the amount that will be remitted to the state. The consultant line is over budget because the college has had to hire a consultant in the financial aid office when a key member of the department resigned. The consultant is scheduled until the end of November to provide knowledge training during the financial aid system conversion to PeopleSoft.

President O'Donnell announced that the financial aid department now reports to VP Kirleis. Two additional staff persons have been hired in the department.

The Information Technology line is over budget due to payments of software agreements. The expenses should even out over the remainder of the year.

Trustee Povich made the suggestion to asterisk variances that are out of the ordinary on the report.

Capital expenses are low at this point because much of the activity for the year has not started. The figure in the reserves column is prorated and reflects one-sixth of the amount for the fiscal year.

**MOTION:** Trustee Povich made the motion to have the Committee recommend that Board of Trustees approve and accept the FY15 Actual to Budget Report for August 2014 at the meeting on October 14, 2014. Chair Richardson seconded and the motion passed unanimously via the following roll call vote: Tom Peisch – YES, Lon Povich – YES, Dan Juliani – YES, Pam Richardson – YES, Sylvia Beville – YES, and Tom Dretler - YES.

**Contracts (Item 3)** – VP Kirleis reviewed the report as presented. The College had appropriated the $88,400 to install a wheelchair lift in the Veterans’ area prior to receiving a $20K donation from the Jacobs Foundation for the project. The College and the Foundation have agreed to use the $20K to fund additional accessibility projects related to the area. The other contracts listed on the report are related to information technology projects.

**Student Accounts Receivable Report – September 2014 (Item 4)** – VP Kirleis reviewed the report. In September, a number of financial drops for nonpayment occurred. During that process, students were given the opportunity to re-register for classes. The final count of 250 student accounts dropped are not reflected in this report.
VP Sullivan stated that approximately 345 students registered for the Fall II semester, with a significant increase in the number of courses offered from past years. That number included new students as well as those enrolled for the fall semester that chose to add an additional course. The number of students that re-registered after being dropped for nonpayment was not available.

Payments of $1.4M were received from August to September 2014. Funds have been reserved in the audit to remove everything from 2009 prior from the books. There is not enough accurate information to collect on those prior balances. The staff in student accounts is working on 2009 and 2010, but there are accounts from 2002 included in the report.

Final notices for collection of spring 2014 accounts have been sent out. VP Kirleis spoke about the approximate 300 accounts where students have been given the designation of WR instead of a grade. This designation is given by professors to students as administrative withdrawals and cannot be sent to collections. In order to collect on an account, a grade must be awarded. President O'Donnell referred to the WR as a safety net that exists in community colleges for students that may have received a failing grade, which becomes a compliance issue. The WR designation needs to be reviewed through the college governance process.

The College is currently attempting to collect $773K from 652 present or students via Intercept.

Local Funds Cash Position Report – August 2014 (Item 5) – The College’s cash position has improved from last year this time, due to the increase in performance funding.

COMPLIANCE ITEM

Clery Report – Each committee member received a hard copy of the 2014 Clery Report, required by the Department of Education. Students and faculty received an electronic version of the report. Policies and crime statistics are included in the report.

President O'Donnell stated that prior to 2011, the College did not have an organized data system and was not filing the report. The Department of Education Audit was conducted in August 2011 and the report was filed in 2012. The Clery and Public Safety (CAPS) Committee meets on a regular basis to review the emergency system and Clery reporting. The President pointed out the statistics related to reporting of sexual offenses, in light of the recent headlines.

Programs will be offered to students and staff in public safety topics.

VP Kirleis reported that the Department of Education has indicated that the College will receive a report before the board meeting next week.

PERSONNEL ITEM

Personnel Actions Report (Item 6) - VP Nelson-Bailey reviewed the report as presented. Trustee Povich asked if there are trends in the reasons given for individuals that chose to leave MassBay. VP Nelson Bailey stated that opportunities for advancement and retirement are given as reasons during the exit interviews.

President O'Donnell reminded the committee members that the faculty in nursing chose to return to having a Director of Nursing position after having made the decision to follow a self-governance model.
**AUDIT ITEMS:** Presentation and Review of the FY14 Financial Audit

Financial Statements and Management’s Discussion and Analysis (MD&A) – VP Kirleis presented the highlights from the MD&A:

- MassBay received a $2.5M increase in the state appropriation.
- The year-end financial position increased by $671K over the previous year.
- The cash position increased by $3M over the year.
- The overall revenue increased by $1.5M.

The College received an unqualified opinion from the auditors.

VP Kirleis pointed out the following from the Statement of Net Position (balance sheet) on pages 5 and 15:

- The cash amount increased by $3M.
- Accounts receivable decreased overall for both student accounts and grants. VP Kirleis acknowledged that the College has to continue working in this area.
- Capital assets decreased from FY13 as old assets were removed from the books.
- Liabilities increased by $150K. Payroll was slightly higher than the previous year.
- Lease obligations were down because MassBay worked on paying the lease off over the year.
- The College’s overall net position went from a negative $276K to a positive $1.6M.

The following notes are from the Statement of Revenues, Expenses and Changes in Net Position (income statement) on pages 7-8 and 16:

- The major sources of revenue for the College are tuition and fees and state appropriation. The state appropriation is used mostly for salaries.
- Tuition and fees had a 2% loss in revenue.
- The gift that several colleges received from Siemens was valued at $498K by the auditors, not the $33.2M amount valued by the donor.
- Operating revenue decreased by $715K.
- Operating expenses increased by $800K.
- The income before other state appropriations, the results of operations, turned around significantly from a loss of $670K in FY13 to a positive $634K for FY14. This figure reflects the efforts made to defer spending over the year. Investments in new faculty and staff positions are also included in this figure.
- The College needs to improve investments in capital appropriations. This is money budgeted from the state to invest in facilities’ improvements.

The following are notes from the Statement of Cash Flows on page 17:

- The cash amount from tuition and student fees decreased by $583K.
- Grants and contracts increased by $685K.
- The College returned $684K to the state for the amount collected for day tuition.
- The amount in cash at the beginning and end of the year increased from $2.1M to $5M.
- The state paid $4.5M for benefits of full-time employees, an increase as a result of the increased amount of the state appropriation.

VP Kirleis also noted that higher education financial statements almost always show an operating loss. The key figure to focus on is an increase/decrease in the net position.
Management Letter – The purpose of the management letter is two-fold: to point out findings and deficiencies as well as serving as an opportunity for the auditors to help the College improve on operations.

The auditors reported no new findings for the FY14 audit.

VP Kirleis reviewed the comments from the previous year finding that has been resolved:

- Cash Flow – While the overall position improved, work still needs to be done to project cash flow to ensure the College has enough funding to meet its obligations. Management is working on a forecasting model that will help monitor cash flow.

The following are comments from the outstanding previous year findings:

- Employee Personnel Files – Out of the 40 files reviewed, four had missing forms.
- Allowance for Doubtful Accounts – The auditors recommend the College review its policies and procedures on how to calculate the allowance for doubtful accounts, how to determine the amount of reserve necessary, and ways to increase the likelihood of collecting outstanding balances. The College also needs to identify which past accounts to write off.
- Balance Sheet Review – The auditors recommend the College conduct a periodic review of the balance sheet. The management team plans on adding the review process as an action team with the Board of Trustees.

VP Kirleis stated that the audit required a lot of work and as a new controller, Eileen Gerenz and her staff did a great job. Several trustees echoed the comments.

Trustee Juliani asked about the $2M difference in payment to suppliers from one year to the next on the Statement of Cash Flows. Controller Gerenz and VP Kirleis were not able to respond but indicated they would provide an answer at the Board meeting.

Trustee Dretler asked what the auditors can expect to find in FY15’s audit. VP Kirleis stated that there will be an increase in appropriations for this year. The future will depend on the enrollment plan. The budget is in good shape, with a plan in place. VP Kirleis added that she hopes the auditors will find improved procedures, especially related to accounts receivable.

Trustee Dretler asked if the College has relatively fixed costs, i.e. that if enrollment is down, costs do not increase. VP Kirleis stated that class management is important to manage the costs. If enrollment grows, courses can be added. If it drops, courses need to be dropped.

Trustee Dretler feels the College needs to create a more variable cost structure. Trustee Dretler commented that it seems like every meeting ends with a lot infringing on enrollment.

Trustee Povich asked about looking at what flexibility exists to we have to fix any enrollment gaps throughout the year.

Trustee Dretler suggested preparing 3-4 scenarios depending on enrollment. Trustee Dretler stated that he is unable to determine how he should feel about the College’s financial picture.

Chair Richardson spoke about the all the work done to restructure and eliminate costs. Chair Richardson feels the College has a management team that knows how to handle how to work on enrollment.
President O'Donnell shared his opinion about the audit finding comment related to the cash flow issue being resolved. The President advised the group to remain cautious because the College does not have enough cash on hand and no unrestricted reserve has been established.

The state appropriation is awarded based on performance in enrollment and student success. The College's executive staff and departments have done a great job in controlling expenses. While full-time faculty salaries are a fixed cost, the adjunct faculty costs are more of a variance. A schedule can be built and staffed around enrollment.

President O'Donnell referred to the positive changes as progressive and incremental. The reality in higher education today is that enrollment drives financial strength.

**ADJOURNMENT**

**MOTION:** Trustee Povich made the motion to adjourn the meeting; Chair Richardson seconded. The motion passed unanimously via the following roll call vote: Tom Peisch – YES, Lon Povich – YES, Dan Juliiani – YES, Pam Richardson – YES, Sylvia Beville – YES and Tom Dretler - YES.

The meeting was adjourned at 6:18 p.m.