MassBay Community College Board of Trustees
Minutes of the October 14, 2014 Board of Trustees’ meeting – Wellesley Hills Campus

Board members present: John Brown, Ken Der, Tom Dretler, Dan Juliani, Tom Peisch, Lon Povich, Pam Richardson, and Katherine Tonelli

Board members present (over the phone): Emmett Price

Board members absent: Lyris Bauduy-Liautaud and Sylvia Beville

Staff members present: John O’Donnell, President; Eileen Gerenz, Controller; Kathleen Kirleis, Vice President for Finance & Administrative Services; Robin Nelson-Bailey, Vice President of Human Resources, Employee Relations and Compliance & Affirmative Action Officer; Francesca Purcell, Provost/Chief Academic Officer; Yves Salomon-Fernandez, Vice President for Strategic Planning, Institutional Effectiveness & Grants Development; Mary Shia, Assistant Vice President of Institutional Advancement and Alumni Relations; Steve Sullivan, Vice President for Enrollment Management and Student Services; and Vivian Ortiz, Executive Assistant to the President

Guests present: David Difulis and Brendan McGuinness, O’Connor & Drew

Call to Order – After establishing quorum, Chair Richardson called the meeting to order at 8:01 a.m.

Prior Meeting Minutes – Vice Chair Peisch asked for clarification on topics discussed during the prior meeting, but no changes were made to the minutes.

MOTION: Vice Chair Tom Peisch made a motion to approve the minutes of the September 16, 2014 board meeting. Trustee Juliani seconded. The motion passed by majority vote via the following roll call vote: Pam Richardson – YES; Tom Peisch – YES; Ken Der – ABSTAIN; Tom Dretler – ABSTAIN; John Brown – YES; Lon Povich – YES; and Emmett Price – YES.

Approval of the Consent Agenda – No trustee requested that any items from the Consent Agenda be removed for discussion.

MOTION: Trustee Povich made the motion to approve the Consent Agenda; Trustee Juliani seconded. The motion passed unanimously via the following roll call vote: Pam Richardson – YES; Tom Peisch – YES; Ken Der – YES; Tom Dretler – YES; John Brown – YES; Dan Juliani – YES; Lon Povich – YES; and Emmett Price – YES.

Foundation Board Report – AVP Mary Shia shared the following report:
- A 50th class reunion was held with about 20 alum attending.
- The 5K Krystle Campbell Race raised over $22K, up from $7,000 last year.
- The income collected for September was $32.5K; $20K was from the Jacobs Foundation.
- An online appeal for approximately 20K alum was initiated in September.
- The appeal to parents with students 24 years old and younger is ongoing.
- The end-of-year appeal will be mailed at the end of November.
- The team is planning events to bring the outside community to MassBay.
- Close to $100K was distributed in scholarships for the fall semester.
After discussing the benefits of informing prospective donors about the percentage of trustees that contribute to the College financially, Chair Richardson asked AVP Shia to send an appeal packets to the trustees.

Trustee Tonelli joined the meeting at 8:09 a.m.

FINANCE, COMPLIANCE, PERSONNEL & AUDIT COMMITTEE REPORT – VP Kirleis summarized the reports presented at the October 7, 2014 Committee meeting.

Finance Item

August 2014 Actual to Budget Comparison Report (Item 3) – The revenues were above by what was expected by $400K. Expenses reflected a $1.3M in savings. August is traditionally a slow month, especially since the faculty are away for the summer. The report is presented in a different format with a breakdown of the various categories of operating expenses.

VP Kirleis stated that the monthly budget is based on historical data at this point. The consultant line is over budget due to the need to hire a financial aid consultant unexpectedly.

President O’Donnell pointed out that the college has had no normative year to compare with to gather month-to-month data, but is hoping to have that from this year going forward.

When asked why MassBay received a “clean” opinion from the auditors, VP Kirleis answered that it had to do with having good internal controls, having reliable data, and that the College has taken steps to reduce expenses.

MOTION: Trustee Dretler made the motion to accept the August 2014 Actual to Budget Comparison Report as presented; Trustee Povich seconded. The motion passed unanimously via the following roll call vote: Tom Peisch – YES; Ken Der – YES; Tom Dretler – YES; John Brown – YES; Dan Juliani – YES; Katherine Tonelli – YES; Lon Povich – YES; Emmett Price – YES; and Pam Richardson – YES.

Compliance Items

Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act – 2014 Publication – The report, required for all higher education institutions throughout the country, was submitted at the beginning of the month. The report includes information, policies and crime statistics for the last year.

Chair Richardson commented that some of the language in the policies in the report may be hard to understand or not specific enough for students. Chair Richardson expects the Massachusetts Board of Higher Education (BHE) to offer recommendations on how campuses should report sexual assaults during their meeting on October 21. Chair Richardson wants to continue the discussion with the trustees after the BHE meeting.

Additional crimes have been added to the Clery Act, requiring campuses to provide training to students, staff, and faculty. Trustee Juliani asked if the BHE discussion will include information about registered sex offenders on campus. Chair Richardson encouraged trustees to contact Commissioner Freeland with concerns or questions before the BHE meeting.

As a response to the recent media attention related to sexual assaults on campuses, the MassBay Clery and Public Safety (CAPS) Committee worked closely with the College’s counseling team to plan training sessions for the community.
Update on the 2011 Clery Audit – The College has not received a summary letter from the federal official as promised. A fine may be imposed but Dr. O’Donnell is prepared to negotiate with the agency by presenting evidence on how the College has implemented procedures to comply with the Clery Act since 2011.

Audit Items

Presentation of the FY14 Financial Audit

Required Communications – David DiLulis from O’Connor and Drew reviewed the document with the trustees. The auditors presented the two of the four reports to the College for this: the financial statements and report on internal controls. The Federal Expenditures (A-133) Report and Mass Financial Aid Report (required every three years) will be presented later during the fiscal year.

MassBay has received an unmodified opinion. No material weaknesses or significant deficiencies were disclosed in the report of internal controls.

Mr. DiLulis pointed out the significant transactions related to an in-kind donation MassBay and other colleges in the system received from the Siemens Foundation and the upgrade for the PeopleSoft upgrade.

Mr. DiLulis alerted the board to a reporting change for 2015 related to the federal accounting standard that only allows staff to spend 25% of work time on foundation-related activities. A task force is in place now to review job descriptions and operations related to the law. Mr. DiLulis feels the law will pertain more to universities where the missions of foundations have changed over the years, from raising money and providing scholarships to owning real estate.

Financial Statements - Brendan McGuinness outlined the document. Pages 3-14 contain the Management Discussion & Analysis (MD&A), prepared by the College leadership. There was no discussion related to the MD&A.

Mr. McGuinness reviewed the financial statements, beginning on page 15 with the Statement of Net Position:

- Current assets have gone up about $2.3M from the prior year.
- The College’s cash position is up about $2.9M from 2013 which is offset by a reduction in cash receivables.
- The student accounts receivables has been consistent from year to year, but due to the increase in the appropriation, the amount has decreased.

Trustee Der asked if a reserve policy has been established. Mr. McGuinness pointed out that the topic would be addressed in the management letter before continuing with the Statement of Net Position:

- Capital assets are down about $2.3M, mostly due to depreciation.
- Liabilities remained pretty consistent from the previous year.
- The overall net position is up at $671K from 2013.

Mr. McGuinness reviewed the Statement of Revenues, Expenses and Changes in Net Position on page 16:

- Net tuition is down about $983K due to reduced headcount.
- The in-kind donation from Siemens, valued at $498K, is included as a revenue under donated equipment and software. It is also listed as a charge off under expenses because the lease of the donated licenses only lasted one year. The College will cover the annual $1,000 cost for the maintenance agreement for the software.
- Operating revenues are down about $715K due to the tuition decrease.
- Operating expenses up about $622K due to the increase in depreciation with the completion of the PeopleSoft upgrade.
The decrease in instruction expenses is also due to the loss in enrollment.

The operating loss has increased from $16.9M to $18.2M.

The state appropriation increase of $2.7M and capital appropriation of $37K resulted in a positive net position of $671K.

Discussion took place about the future state appropriations. Dr. O'Donnell stated it is difficult to predict what the state appropriation will be for FY16 because the candidates for governor have not disclosed their positions. Community colleges will be asking for a higher level of appropriation and an increase to the stop/loss level of 6% under the funding formula.

The President acknowledged how important the level of state appropriation is but pointed out the one issue the College has control over: headcount growth that will generate FTE. The decrease in the financial statements is due to the enrollment loss.

MassBay had done well in advocating for capital funds. The Board needs to monitor the College in regard to revenue growth from student fees.

Mr. McGuinness reviewed the Statement of Cash Flows on page 17:

- MassBay used about $10.4M in cash from operating activities in comparison to $11.7M in 2013.
- The year ended with an increase in cash of $2.9M with a total of $5M in cash at the end of FY14.

Trustee Dretler asked when the last time was that MassBay had a $2.9M increase in cash. Trustee Der pointed out that it was all due to the state appropriation. Trustee Der asked that the College not touch this amount and make it part of the reserve. The College needs to control spending and increase enrollment.

President O'Donnell stated that debt service to maintain the Framingham campus ended in FY14. The College now has the debt service of $2.3M for the PeopleSoft upgrade for the next four years.

Management Letter – The auditors reported no new findings for the FY14 audit. One item was resolved and three remain outstanding from the previous year.

Resolved Item:

- Cash Flow (page 2) - In 2013, the auditors noted that the cash balance had been declining significantly over the previous years. The increase in state appropriations placed the College at a better place at the end of FY14.

Outstanding Items:

- Employee Personnel Files (page 4) - Four out of the 40 employee files in the sample were missing forms. This is a common issue within the community colleges. While forms are missing from all classification of employees, the unions have been resistant to providing the missing documentation. VP Nelson-Bailey stated that the legal team will be contacting the union leadership to come up with a resolution. Employees hired prior to 1986 were not required to have an I-9. A discussion ensued about the existing process of collecting and verifying required documentation. President O'Donnell pointed out that the collective bargaining unit agreement is trumped by federal law.

- Allowance for Doubtful Accounts (page 5) – The auditors are recommending that the College use an aging schedule to come up with a formula and a system for the allowance for doubtful accounts. At this point, MassBay is reserving 100% of prior balances prior to 2012. Management will need to make the decision about which accounts are collectable and which will need to be written off.

Trustee Der asked if the college should establish a reserve for items that may become aged.
VP Kirleis said the College is working with the state to follow their requirements to remove long-standing accounts, some going back to 2002. The College has not been able to obtain the missing information in order to turn them over to collections.

Student accounts has tightened up the process. In the past, students were permitted to remain in classes without paying. By establishing a process to work with students to ensure that a plan is in place before the start of the semester, less student accounts should be sent over to collections in the future.

- **Balance Sheet Review (page 7)** – The auditors recommend that the College establish policies and procedures to review the statement of net position accounts throughout the year, not just the end of the year. Mr. McGuinness expects this to occur with the new management team and with the information becoming available because of the PeopleSoft upgrade.

Trustee Der asked about the dashboard review and simplified financial statements, pointing out the responsibility to deliver these items falls on the Board, not the auditors. President O'Donnell responded by saying that now that the audit is complete, the financial team can now start working on it now. Trustee Der commended everyone on all their work, especially for receiving a clean opinion.

**MOTION**: Trustee Der made a motion that the Board of Trustees accept and approve the FY14 management letter and financial statements as prepared and presented by the auditors at O'Connor & Drew. Chair Richardson seconded. The motion passed unanimously via the following roll call vote: Pam Richardson – YES; Tom Peisch – YES; Ken Der – YES; Tom Dretler – YES; John Brown – YES; Dan Juliani – YES; Katherine Tonelli – YES; Lon Povich – YES; and Emmett Price – YES.

*Mr. Dilulis and Mr. McGuinness left the meeting at 9:16 a.m.*

**BOARD-FOCUSED SESSION**

**Enrollment Report for Fall 2014**

President O'Donnell referred to two points shared by Vice Chair Peisch from the recent statewide trustee conference.

- With changing demographics, the potential number of students that will be entering higher education is going down.
- To focus on enrollment, start looking at retention.

Dr. O'Donnell pointed out that while retention will keep a certain percentage of students and help solidify the student group, new students are what help enrollment grow. When academics are confronted with an enrollment challenge, the focus is on retention. Community relations and student engagement are not common practices. MassBay’s challenge is bringing in new students.

As of the September 22nd freeze date, the full-time equivalent (FTE) number decreased by 2.2% from Fall 2013. The figure is better than anticipated, but the College failed to meet enrollment targets in headcount and FTE.

VP Salomon-Fernandez reviewed three factors that may have led to the better-than-anticipated outcome:

1) The increased enrollment outreach efforts during August 2014
2) “Robocalls” made to help students that need an extra push.
3) Changing the process of dropping students for nonpayment. In the past, students would be dropped close to the start of classes, making it difficult for students to re-register for the semester. By
beginning the drop process earlier and increasing the number of drops, the College was able to work with students to ensure better financial planning was in place.

The Nursing Program had an overall enrollment decrease of 48%, due to the evening program being eliminated. The day nursing program enrollment is down by 55%.

**Board Discussion**

Report on the Department of Higher Education's (DHE) Trustees’ Conference – Vice Chair Peisch stated that the decline in headcount was a common theme heard from the colleges represented at the conference. Also, the private institutions have priced themselves out of reach. Vice Chair Peisch reminded the trustees that President O’Donnell has oftentimes stated that these are not excuses for MassBay. The College can grow enrollment.

Vice Chair Peisch stated that the individuals he spoke to at the conference are very concerned about enrollment.

Dr. O’Donnell cited that the state university system’s enrollment grew by 2%, and MassBay remains flat.

The demographic trends show a downturn for the next 10 years for high school students going to college. The population in that age group is decreasing.

VP Salomon-Fernandez stated that there is an opportunity to reach the number of degree-seeking students, those that have some college credit but have not completed their credentials.

During the past 10 years, Quinsigamond and Bunker Hill Community Colleges have had growth, but MassBay has either had flat or declining growth.

President O’Donnell spoke about the strong potential for high school students to come to MassBay due to affordability and the competitiveness of getting into the four-year institutions. The President shared the study of program development at MassBay over the past 10 years. The study showed that the impact on enrollment from those programs was minimal which leads to the question as to whether the College has the right programs. VP Salomon-Fernandez is now leading the academic staff and others in develop programs that will lead to careers and salaries that students are attracted to. MassBay needs to meet its own internal challenges related to welcoming students and increasing our external recruitment efforts.

Trustee Dretler asked how the College is staffing to meet enrollment goals, referring to VP Salomon-Fernandez as the “quarterback”. Trustee Dretler asked if the board needs to create a subcommittee focused on enrollment. Trustee Dretler referred to the topic of enrollment as a strategic imperative and he is concerned that the College may not have enough human resources to meet the goals. The December Board retreat will focus on enrollment. Chair Richardson agreed to place the discussion on the subcommittee on the agenda.

VP Salomon-Fernandez stated that the College should consider marketing to Latinos who account for the fastest growing segment of the population. Adding a member from this group to the Board and preparing materials for Spanish- and Portuguese-speaking residents would be an added plus.

Trustee Povich suggested that the College develop a marketing strategy to be shared with the trustees.

Trustee Tonelli attended a session at the DHE conference focused on academic programs. The reoccurring theme of program growth is in the area of precision manufacturing which require students prepared in
Trustee Tonelli is encouraged with the partnerships MassBay is developing and the potential to offer these programs at the downtown Framingham campus.

Trustee Dretler asked President O'Donnell if VP Salomon-Fernandez is the “point” person overseeing enrollment growth with the President. Dr. O’Donnell reviewed the organizational structure. When he started as President, the Provost had an associate vice president responsible for enrollment management and student services. The decision was made add another vice president to the Cabinet and make enrollment management and student services its own area. Together, Provost Purcell and VP Sullivan are responsible and co-lead enrollment growth efforts for the College.

VP Salomon-Fernandez presents on the topic often because of her area’s data gathering and strategic planning responsibilities.

EXECUTIVE SESSIONS

Before entering into the Executive Sessions, Chair Richardson informed the trustees that each session will be treated as a separate meeting. A roll call vote will be conducted before entering and ending each of the sessions.

Chair Richardson read the following information: “During the executive session, the Board cannot deliberate about the reputation, character, physical condition or mental health of any individual or discuss the discipline or dismissal of any individual without being required to give the person 48 hours notice prior to the meeting, the right to attend the meeting with an adviser and address the board. The person would also have a right to demand that the Board’s deliberations occur in open session.”

**MOTION:** Trustee Dretler made the motion to have the Board go into executive session to discuss strategy with respect to litigation because deliberation in open session may have a detrimental effect on the litigation position of the College. Vice Chair Peisch seconded the motion. The motion passed unanimously via the following roll call vote: Pam Richardson – YES; Tom Peisch – YES; Ken Der – YES; Tom Dretler – YES; John Brown – YES; Dan Juliani – YES; Katherine Tonelli – YES; Lon Povich – YES; and Emmett Price – YES.

President O’Donnell asked VP Kirleis and VP Nelson-Bailey to remain for the Executive Sessions because of their knowledge and involvement in the situations.

**ADJOURNMENT** - The Open Session of the meeting was adjourned at 9:40 a.m. when the Board entered into the Executive Sessions.