Minutes of the September 8, 2015 Finance, Compliance, Personnel & Audit Committee meeting – Wellesley Hills Campus

Committee members present: Tom Peisch, Sylvia Beville, and Dan Juliani
Board member present on the phone: Ken Der, Emmett Price

Staff members present: Yves Salomon-Fernandez, Interim President; Kathleen Kirleis, Vice President for Finance & Administrative Services; Robin Nelson-Bailey, Vice President of Human Resources, Labor Relations, Compliance and Affirmative Action Officer; Lynn Hunter, Vice President for Academic Affairs, Karen Britton, Executive Assistant to the President; Debbie Georgopoulos, Staff Associate for Finance & Administrative Services. Patti Ann Collins, Director of Nursing; Lynne Davis, Dean of Health Sciences, Larry Goff, Adjunct Faculty Member.

Call to Order and Approval of Prior Meeting Minutes – Tom Peisch called the meeting to order at 5:01p.m. After introductions, Interim Chair Peisch asked for the review of the prior committee meeting minutes (Item 1).

MOTION: Trustee Dan Juliani made the motion to approve the minutes of the June 2, 2015 Committee meeting as presented. Tom Peisch seconded and the motion passed unanimously.

Roll Call Vote to Approve the Minutes:
Sylvia Beville – Abstain; Ken Der – Yes; Dan Juliani – Yes; Emmett Price – Abstain; Tom Peisch – Yes;

FINANCE ITEMS

Approval of the Budget vs Actual Comparison Reports (Item 2)

Interim President Salomon-Fernandez suggested the college needs to look at cash balances and the trajectory closely. The College may be facing a $1.2-$1.5M deficit. Dr. Salomon-Fernandez advises the college to start exploring credit lines with different banks, and perhaps higher ed.

As of today enrollment is 12.64 percent lower relative to last year. A freeze of the data will take place on September 26, 2015. A preliminary report, which will reflect the enrollment more accurately, will be available by September 28, 2015. Spring is historically lower than fall, and the college needs to consider the long term implications and options to close the expected decrease. A 30% drop is being anticipated for spring fall-semester.

Vice President Kirleis presented two budget v. actual reports. The first for June, the last month of FY15, shows the budget results for FY15. Audit adjustments such as depreciation are not included, but will be presented in next month’s financial statements.
For revenue, points to note are:
1. State appropriation is below budget due to the 9c cuts of $222,923.
2. Tuition and fees were within budget at 4% down from the prior year, but there will be some final adjustments made for the summer term revenue.
3. Federal/state grants, which is primarily financial aid, is under budget by nearly $2m. The closeout for the summer term is still underway, so final tuition/fees and financial aid numbers will be presented with the audited financial statements in October.

For expenses:
1. Permanent salary is under budget by over $350k due to higher than expected salary savings due to vacant positions.
2. Adjunct faculty costs are over budget by close to $500k. This is due to the need to hire adjunct faculty to teach the course loads of the vacant full-time faculty positions and a historical disconnect between the amounts budgeted and expended for adjunct faculty costs.
3. Administrative expenses are over budget by $400K, with bad debt expense of $665K and credit card finance charges of $189K being the primary reasons for the deficit.

The July 2015 report is also presented. This report shows the results for the first month of the fiscal year. This month has historically been a month of low activity as much of the activity focuses on the closing out the prior year and many staff members are away on vacation. There was a surplus in the full-time personnel line due to a higher number of vacancies than originally planned.

Trustee Juliani noted that much of full time staffing is paid out of state. Part-time staffing should be included in the calculation so the final numbers would reflect the expenditures minus funds from the state. Vice President Kirleis will review costs to determine how that is impacting our free cash.

Recognizing the implications of low enrollment on the budget, the Trustees requested an alternate budget be developed. The Executive Team is currently looking at ways to reduce expenses and develop strategies that can be implemented. Vice President Kirleis will run additional scenarios reflecting a 6-12% reduction, and will work to determine how the enrollment translates to cash.

The Committee discussed challenges the college is facing and is aware of the implications and budget options.

Dr. Salomon-Fernandez reported that the many of the challenges the college faces will be addressed at Professional Day on September 25, 2015. Inefficient policies and procedures, low enrolled programs, customer service and items that hamper student satisfaction will be addressed. Low morale is a major concern, and the Interim President is working to create a positive atmosphere. Town hall meetings and meetings with union leadership have been established.

**MOTION:** Trustee Sylvia Beville made a motion to recommend the Board of Trustees accept the June and July 2015 Budget vs Actual Comparison Reports. Trustee Dan Juliani seconded and the motion passed unanimously.
Roll Call Vote to Accept the Budget vs Actual Comparison Reports:
Sylvia Beville – Yes; Ken Der – Yes; Dan Juliani – Yes; Emmett Price Yes; Tom Peisch – Yes.

August 2015 Student Accounts Receivable Report (Item 3)

This report is as of 8/31/15. Fall tuition has been billed and is now reflected in the balance. Presently $1.2M of the balance has been placed with Intercept.

June 2015 Local Funds Cash Report (Item 4a)

This report shows the balance of the College’s cash accounts as of 7/31/15. It is $2.1M higher than at this point last year.

June 2015 Ten-Year Cash Balances Report (Item 4b)

The Month End Cash Balance Report shows cash balances from January 2006 to July 2015. Vice President Kirleis proposed that going forward this report replace the Local Funds Cash Position Report, as this report includes the same information, plus additional comparative information for all other months over the past 9 ½ years. The balance as of July 31st is the highest cash balance for July in the past 10 years. All of the information on the Local Funds Cash Position Report is shown on the Month End Cash Balance Report. The Board agreed with the recommendation that the Month End Cash Balance Report replace the Local Funds Cash Position Report, as it has all of the information included in the Local Funds Cash Position Report, as well as additional information on the other eleven months of the year.

Cash Projection Report (Item 4c)

This report shows projected cash over a twelve week period beginning at the end of August. It will be updated as the Fall enrollment numbers are finalized, as the estimated cash coming in was projected at the enrollment levels at the end of August.

August 2015 Contracts Report (Item 5)

This report shows two contracts issued since the Board last met. The Xerox contract is for a managed print solution for the College that includes the replacement of select equipment and the implementation of a pay for print system for the College as discussed last spring. The Association of Community College Trustees contract is for the presidential search firm and a copy of the scope of work has been included in the Committee’s packet. The $35,000 cost is the search firm’s fee only; the costs for candidate travel will be additional.

Members of the Committee expressed concerns regarding the awarding of the contract for the Presidential search and cautioned against rushing the process. The By-laws will be reviewed to confirm the role of the Board in the hiring process. The Board noted the need for leadership stability at the College is a powerful issue among faculty and staff and the need to maintain morale and look for leadership is challenging.
Vice President Kirleis noted that state procurement practices were followed and all due diligence was given to the selection. The submissions can be made available to the Trustees if they are interested in reviewing them.

**COMPLIANCE ITEM**

**Final Audit Determination Letter Request Response (Item 6)**

The Department of Education sent determination of the A-133 Audit. Findings:

Vice President Kirleis reported that the college was not fined, and our ability to issue financial aid was not compromised. However, the college is cautioned to remain vigilant focused on addressing these findings.

Finding 1 – National Student Loan Data System (NSLDS) Reporting. Faculty must become involved as problem solvers and recognize the impact to the college and their jobs if they fail to report attendance or allow exceptions for work study students. The Union leadership will be requested to stress the importance of compliance. The topic will be addressed at Professional Day.

Finding 2 – Failure to Return Refund Checks. Clear processes and procedures are being developed.

It is anticipated that these findings will be present in FY2015 as the final Audit Determination Letter was for FY14. The Committee noted the college would have 3 years in a row of bad audits and that management must tighten the controls and closely monitor compliance.

**Accreditation (Item 7)**

**Accreditation Commission for Education in Nursing (ACEN) (Item 7a)**

Vice President Lynn Hunter reported that the Nursing Program has been granted full accreditation with no conditions.

**Joint Review Committee on Education in Radiologic Technology (JRCERT) (Item 7b)**

The Radiologic Technology Program received the maintenance accreditation of 8 years which is the maximum award granted.

**PERSONNEL ITEMS**

**Sabbatical Request - (Item 8)**

Dr. Hunter presented the sabbatical request for Professor Guy Lochiatto. The topic is to study the relationship of business to the arts. The proposal was reviewed and approved by the Sabbatical Committee.

**MOTION:** Trustee Sylvia Beville made a motion to accept and recommend that the Board of Trustees approve a sabbatical leave request at the September 15, 2015 Board meeting. Professor Guy Lochiatto in the Business and Professional Studies Division is requesting half-year leave at full salary for the Spring 2016 semester. Trustee Dan Juliani seconded and the motion passed unanimously.
Roll Call Vote to Approve Sabbatical Leave:
Sylvia Beville – Yes; Ken Der – Yes; Dan Juliani – Yes; Emmett Price Yes; Tom Peisch – Yes.

August 2015 Personnel Actions Report (Item 9)
The Trustees were provided with the Personnel Actions Report for informational purposes.

Search Firm Update (Item 10)
The Association of Community College Trustees (ACCT) was awarded the contract to assist the College with the search for a new President. Discussion of the Search Firm took place during the Contracts Report.

Search Committee
Vice President Robin Nelson-Bailey reported that the discussion is ongoing. Faculty and staff are being solicited to serve on the presidential search committee. Invitation will conclude on Friday. An invitation will be extended to the Student Government Association (SGA) to get students involved. A committee of approximately 20 members is anticipated to ensure a fair representation of the college community. Human Resources is in the process of preparing spreadsheet for the Board.

Chair Tom Peisch reported that Emmet Price was asked to Chair the Search Committee, Sylvia Beville will Vice Chair, and Trustees Ken Der and Tom Dretler will also serve, Kevin Kane will serve representing the Foundation. Consideration will be given to reducing the number of committee members.

AUDIT ITEMS

FY16 Financial Statement Special Meeting
Vice President Kirleis noted that the Financial Statements must be submitted to the State on October 15, 2015 and that the Board must approve the financial statements before they are submitted. The auditors are still working on the Financial Statements for the College due to outstanding information that is required from third parties, including GASB 68 information from the Commonwealth. A qualified opinion is not expected. The Trustees will either have a Special Board Meeting to approve the audited Financial Statements, or delegate authority to the Finance, Compliance, Personnel, and Audit Committee to approve at a special meeting of that Board prior to October 15, 2015. October 7, 2015 was suggested as a possible date. The audit firm, O’Connor & Drew will be invited to the meeting. The President’s Office will coordinate. Vice President Kirleis also noted the auditor’s contract would be going out to bid following all procurement guidelines.

EXECUTIVE SESSION

Interim Chair Peisch called for a motion to enter Executive Session to discuss strategy with respect to litigation.
**MOTION:** Trustee Dan Juliani moved to enter Executive Session to discuss strategy with respect to litigation. Trustee Sylvia Beville seconded and the motion passed unanimously via roll call vote.

*Roll call vote of the body to enter executive session*
Sylvia Beville – Yes; Ken Der – Yes; Dan Juliani – Yes; Emmett Price Yes; Tom Peisch – Yes.

The Interim Chair announced that the meeting would adjourn from Executive Session and would not reconvene in open session.

Ken Der will not participate in Executive Session.

Respectfully Submitted,

[Signature]

Thomas E. Peisch
Interim Chair
Board of Trustees

[Signature]

Yves Salomon-Fernandez, Ph.D.
President
MassBay Community College