MINUTES OF THE INFORMATION SESSION OF THE BOARD OF TRUSTEES OF THE COMMUNITY COLLEGE DISTRICT OF THE COUNTY OF MACOMB

An open information session of the Board of Trustees of the Community College District of the County of Macomb was held Tuesday, September 17, 2013 at 6:00 p.m. in Room K315 of the John Lewis Student Community Center, South Campus, 14500 Twelve Mile Road, Warren, Michigan, pursuant to notice.

1.0 CALL TO ORDER

The meeting was called to order by Chairperson Kelly at 6:35 p.m.

2.0 ROLL CALL

Present:	James F. Kelly, Chairperson Christine Bonkowski, Vice Chairperson Connie Bolanowski, Secretary Roseanne DiMaria, Treasurer Frank Cusumano, Trustee
Absent:	Joseph DeSantis, Trustee (excused) Nancy Falcone, Trustee (excused)
Also present:	James Jacobs, President Elizabeth Argiri, Vice President, Business Jill M. Little, Vice President, Student Services Patricia Martz, Secretary to the President Gerri Lynn Pavone, Executive Director, Research and Planning James Sawyer, Provost/Senior Vice President, Learning Unit Casandra Ulbrich, Vice President, College Advancement and Community Relations Hunter L. Wendt, General Counsel/Executive Director, College Police Denise Williams, Vice President, Human Resources David Corba, Dean, Business and Information Technology William Simonson, Director, Administrative Services Thomas Wilk, College Police Captain

3.0 APPROVAL OF AGENDA

MOTION by DiMaria, supported by Bolanowski, to approve the agenda as presented.

Motion carried.

4.0 AUDIENCE PARTICIPATION

None

5.0 REVIEW OF AGENDA ITEMS AND MATERIAL

None

6.0 ISSUES AND UPDATES

Dr. Jacobs shared with the Board an article which appeared in C & G Newspapers about a company in Shelby Township, JVIS USA, which talks about their expansion plans. Later in the article appeared a quote by the CEO of the company which read: "Recruitment from MCC has also been a positive experience for the company because the students are highly trained and hard working." Dr. Jacobs also shared with the Board a registration report which indicates how effective the changes and procedures have been that were put in place through the CCRC project, i.e., financial aid and getting students better prepared for registration. Financial aid and applications were processed at a faster pace in 2013 compared to 2012 during the period of July 15 through September 9. He also shared information of enrollment patterns of the 28 Michigan Community Colleges which shows that Macomb is doing very well in credit hours and head count in comparison with most of the other colleges in the state.

6.1 Audit Report Review

Ms. Argiri introduced Paul Edwards, the partner on the college audit and Steve Doyle, the manager on the college audit, both from Plante Moran. Mr. Edwards provided an overview of the results of the financial statement audit recently completed for the college's June 30, 2013 fiscal year end. He explained that there were some new reporting pronouncements that the college was required to implement this year. Historically, the college and the Foundation have been consolidated and were shown in one column in the financial statements. The Governmental Accounting Standards Board (GASB) requires discrete separate presentation in the college's financial statements. Another change is that the Balance Sheet is now entitled "Statement of Net Position," but the underlying accounting supporting of that did not change. He stated that this year's audit was successful and the auditors were able to provide an unqualified opinion on the financial statements. No audit adjustments were identified during the course of the audit and there were no disagreements with management. He explained that the entire financial statement audit process is geared toward being able to provide an opinion on the financial statements, and the term "unqualified" is the highest level of assurance the auditors are allowed to give. He congratulated college management on a job well done, indicating that Macomb was the first community college that he is aware of that was able to complete the audit this early.

Mr. Edwards stated that they also conducted a federal award report audit and this year audited five federal grants, the largest being student financial aid. It is 90% completed and at this point there are no compliance findings. He anticipates that those financial statements will be presented to the Trustees at the October board meeting. He then referred to regular meeting agenda item 7.3A and stated that Mr. Doyle will review some of the key highlights of the audited financial statements for the year ended June 30, 2013.

Mr. Doyle stated that the first two pages are the opinion of the auditors. Pages 3 through 13, management's discussion and analysis, identifies key financial results for the year. The financial statements themselves are found on pages 14 through 17. Mr. Doyle referred to the statement of net position. As previously mentioned, the new presentation has two columns with the college's financial position as of June 30, 2013 and the Foundation's financial position. The total assets of the college are $344 million, a decrease of approximately $3 million from the previous fiscal year, and a decrease in liabilities of approximately $2.4 million. Total net position decreased by $600,000. There is a total of $182 million in unrestricted funds. These funds would be the residual assets in excess of the liabilities at the end of the year which management would be able to use going forward to fund the operations of the college. Management has outlined their expected uses of those funds going forward. He further explained that page 15 is the statement of revenues, expenses and change in net position, which covers the operations and activities for fiscal year ending June 30. The operating revenues of the college were relatively flat during 2013, at $55 million, predominantly made up of tuition and fees revenue. The total operating expenses decreased to $152.1 million, which is about a half million dollar decrease. On the non-operating revenues and expenses section, the college relies heavily on other governmental entities to provide funding for operations with state appropriations, property tax revenues, as well as federal Pell grants. State appropriations went up slightly and that was due to a one-time MPSERS related payment received from the state. Mr. Doyle further stated that property tax revenue has continued to decrease and the federal Pell grants decreased slightly.

Mr. Edwards noted that over the last few years there has been a trend across all institutions of a significant increase in the number of students who rely on Pell funds. This isn't unique to Macomb, but this is the first year we have seen a decline in the Pell revenue. It can be misleading the way it runs through the financial statements because it ends up being a pass-through transaction for the college. Once it is received from the federal government, some of it goes to cover the tuition for the student, but because the tuition rates are so low, the amount of the Pell award often exceeds the tuition and those payments are distributed out to the students. The question was raised as to how much of the Pell revenue goes toward tuition. He explained that there is a scholarship allowance to where the college is required to reduce its tuition revenue by the amount of Pell revenue that gets allocated to tuition. Of the $30 million, approximately $12 million is going toward tuition based on the estimates of management. Mr. Doyle stated that there is a net unrealized loss on investments during the year of approximately $8.9 million and that would be reflective of rising Treasury interest rates near the end of the year which is considered a paper loss based on management's investment policy of holding onto bonds to maturity. He pointed out that in the previous year there was approximately $8 million of revenue in excess of the expenses and in the current year it was approximately $8.3 million that revenue exceeded the expenses of the college.

Mr. Edwards stated that the remainder of the financial statements is primarily made up of notes which cover some disclosures that the Governmental Accounting Standards Board (GASB) requires to accompany financial statements. He concluded by stating that at the end of the report is additional supplemental information showing the financial position and results of the different funds that the college has set up to effectively account for activity on a day-to-day basis. He then asked the Trustees if they had any questions.

Trustee Cusumano inquired if the driver of the approximate paper loss of $8 million was the rising interest rates. Mr. Edwards responded that the way the college is invested in government agency bonds, the market fluctuation and the value of those bonds is driven by the fluctuations in current market interest rates with the federal funds rate. The college saw a significant increase in the federal fund rates in late April and early May—and this is consistent of what they saw with all the colleges or their clients who are invested in government bonds—and on paper, took a significant loss. If these bonds are held to maturity, the losses reverse themselves over time and the college will collect its original principal.

6.2 Strategic Plan Presentation

Dr. Jacobs referred to the strategic plan presentation which was provided in advance to the Trustees for their review prior to the board meeting. He stated that this presentation is a result of individual and group discussions with college leadership, input from the Trustees at the Special Board Planning meeting in July, followed by discussions at the President's Council retreat. The strategic plan for this year has the same institutional priorities: (1) Student Success (2) Alternative Sources of Support and (3) Efficiency and Effectiveness. There will be some changes but the general priorities will remain the same. Dr. Jacobs noted that administration will continue to measure these priorities to ensure that the college's goals are being met. He further stated that in addition to the strategic plan, the college must take on certain institutional-wide initiatives that must be addressed, such as the reaccreditation process, the general operating millage renewal, and the renovation plans. The strategic plan will basically govern what the college will do for the next year and the process will then begin again next year.

Trustee Cusumano made reference to the suggestion made by Trustee DeSantis at the July Special Board Planning meeting about the concept of purchasing a charter for a four-year college in order to retain students for an additional two years rather than losing them to a four-year college. He asked Dr. Jacobs whether he had any issues with this concept. Dr. Jacobs responded that the college depends on its partnerships with four-year institutions, particularly with Wayne State, Oakland University and Walsh College, indicating that it could jeopardize those relationships. He further stated that he believes it would be counterproductive since Macomb's students want to transfer to those institutions, and that the college's mission is to facilitate that process, not put up a barrier. He further responded that the college's goal is to get the students through their first two years successfully, including helping underprepared students, and offer them transfer options. Trustee Kelly stated that the concept of a charter has come up in the past and that he was involved with the effort to bring a four-year university to Macomb County, however, he is in agreement with Dr. Jacobs that it is a different mission.

(Trustee DeSantis entered the room at 7:25 p.m.)

6.3 Michigan New Jobs Training Program

Dr. Sawyer introduced David Corba, Dean of Business and Information Technology, who is present this evening to provide an overview on the Michigan New Jobs Training Program. Dr. Sawyer stated that this concept first came up for discussion in 2010, and there is now a company interested in entering into an agreement with Macomb, specifically an opportunity with MFC Netform. Mr. Corba indicated that legislation was passed in 2008 allowing community colleges to enter into agreements with employers to provide training for new employees. A new and unique method has been established for companies to recoup training costs by way of an income tax diversion. Rather than having the tax go to the State Treasury, it would go into an account that the college would set up. The legislation allows for three methods of funding, however, the college intends to offer only two of the funding options. The first option would be as the income tax is diverted from new employees, sufficient funds would build up and then training by the college would occur. Second, some companies are anxious to get the new employees trained immediately upon hiring, so the company would pay for the training up front, and, at a future date, once the diverted income tax builds up, the college would reimburse the company 100% of their cost.

Mr. Corba reviewed an internal procedure which has been developed for entering into agreements with the companies, including obtaining information on the number of existing jobs, number of jobs to be created, number of new hires to be trained, projected wage rates for those employees, and length of time to set up the tax diversion program. He noted that the contract must be at least $50,000 in value and that the income tax diversion is not to exceed five years. Trustee Kelly inquired about the 1% fee to the Michigan Community College Association (MCCA). Dr. Corba responded that it is written in the law and the MCCA advocated on behalf of community colleges to get the legislation approved. In addition, the MCCA is providing some oversight and providing consulting assistants.

Mr. Corba concluded by stating that an analysis was done by the Anderson Economic Group, commissioned by the MCCA, and the findings were that the program has been very beneficial and has generated several new jobs. The study also found that although the state is losing some revenue by way of this diverted income tax, they are making up for that with additional jobs and economic activities. The Trustees were in agreement that this initiative would be worthwhile.

7.0 EXECUTIVE SESSION

MOTION by Bonkowski, supported by DiMaria, to move into executive session.

ROLL CALL VOTE:

Ayes: Bonkowski, DiMaria, Bolanowski, Kelly

Nays: Cusumano, DeSantis

Absent: Falcone

Mr. Wendt addressed the Chair of the Board stating that there are four affirmative votes for purposes of going into executive session, and as provided in the Open Meetings Act, four affirmative votes is sufficient for purposes of discussing strategy and negotiation sessions connected with collective bargaining as well as consulting with an attorney regarding settlement of pending litigation. Mr. Wendt indicated he would discuss the collective bargaining issue first so that Trustee Cusumano could remain for that discussion.

8.0 ADJOURNMENT

MOTION by Bonkowski, supported by Bolanowski, to adjourn the meeting.

The meeting adjourned at 7:43 p.m.

COMMUNITY COLLEGE DISTRICT OF THE COUNTY OF MACOMB
BOARD OF TRUSTEES

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Secretary