

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, October 21, 2014 in Room 109 of the Professional Development Center, University Center, Center Campus, 44575 Garfield Road, Clinton Township, Michigan.

1.0 CALL TO ORDER

The meeting was called to order by Chairperson Kelly at 6:34 p.m. Trustee Bonkowski was appointed Acting Secretary.

2.0 ROLL CALL

Present: James F. Kelly, Chairperson  
Christine Bonkowski, Vice Chairperson  
Roseanne DiMaria, Treasurer  
Frank Cusumano, Trustee  
Joseph DeSantis, Trustee  
Nancy Falcone, Trustee

Absent: Connie Bolanowski, Secretary (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  
Roberta Remias, Director of Finance and Investments

3.0 APPROVAL OF AGENDA

MOTION by Falcone, supported by DiMaria, 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 provided updates on the following:

- The fall semester enrollment numbers are very stable with only a 1% decline, while K12 school districts in Macomb County have a decline of over 7%
- Monies from the strategic fund will be used to develop an Academic Literacy Center which will be a learning support resource to serve all Macomb students and faculty in the areas of writing, reading, ESL and digital literacy which will be part of the student success initiative
- A copy of the 2014 Report to the Community and a video of the 60<sup>th</sup> anniversary of the college ceremony and celebration was distributed to the Trustees

Trustee Cusumano inquired whether the decline in the K12 student population will impact the college's enrollment and what the projections are for a loss of revenue stream. Dr. Jacobs responded that throughout Michigan, the K12 population has declined by over 100,000 students as the population has decreased. He noted that Macomb County has grown in population, but the school districts are still showing a loss. He further responded that the college's enrollment is based more on economic factors, but in the long run the decline will most likely affect the college. Dr. Jacobs further stated that the college has instituted significant enrollment and marketing plans and that retention rates have increased. In addition, the budget projections were based on a 3% decline in enrollment, but the college has experienced a less than 1% decline in enrollment.

Trustee Cusumano stated that his research shows that the average time for a Macomb student to complete their two-year degree is 6.9 years. Dr. Jacobs responded that data from the college's institutional research department and National Clearinghouse data indicates otherwise, with an average time of approximately 3.5 years. Trustee Cusumano directed a question to Ms. Argiri regarding a discussion at a previous board meeting about figures on degree completion time. Ms. Argiri stated that it was her recollection there was a discussion at a previous board meeting as to whether the number of credit hours a student takes has an impact on enrollment as it relates to the tuition rate. She indicated that the college's institutional research department was asked to do a study on whether the number of credit hours Macomb students take per semester is price sensitive. She noted that for a number of years the college's institutional research department historically projected that on average Macomb students take approximately nine credit hours per semester regardless of tuition rates. In addition, in the fall and winter semesters Macomb students takes an average of 17 to 18 credit hours, and with 62 credits needed for degree completion, Ms. Argiri stated that the completion time would be close to the number Dr. Jacobs stated of 3.5 years. Trustee Cusumano suggested that it may be helpful to give students some type of incentive to take extra classes. Trustee Kelly responded that he believes it is more important to focus on student success and persistence.

### 6.1 Overview of Audit Results

Ms. Remias began the discussion reviewing highlights from the 2013/2014 financial report and stated that the college's financial position is very strong. Assets increased \$12 million dollars for a total of \$356 million dollars as of June 30, 2014. The liabilities remained approximately the same in the amount of \$25.5 million. There are two remaining payments on the bond issue so by May of 2016 the college will have repaid the entire amount of the bond. The college's net position increased \$12 million dollars in 2013/2014 as a result of excess revenues over expenditures and the primary reason for that is because the market value of the college portfolio increased in 2014. In 2013 interest rates increased at the end of the year which resulted in an unrealized loss in investments. In 2014 those interest rates stabilized and the college had an unrealized gain of \$1.7 million. She noted that they plan to hold all investments to maturity. In 2013/2014 the economic conditions of the state improved and property tax revenue which had declined 5.6% in the year 2012/2013 only declined 1% in 2013/2014. Property taxes have leveled off.

In addition to that, the state has appropriated additional funding to help the college pay for the unfunded pension liability so state aid increased in 2013/2014. As a result of the improving economy, enrollment and Pell grants have stabilized. Ms. Remias further stated that next fiscal year GASB 68 goes into effect, and that pronouncement will require the college to book the unfunded liability on our pension plan. That number is estimated to be \$152 million. Several of the construction and renovation projects will be completed in 2015 and 2016, one of which is South Campus C building. That project is approximately \$8.5 million dollars and state capital outlay will fund half that amount.

Ms. Remias introduced the auditors from Plante Moran, Paul Edwards, partner, and Steve Doyle, manager. Mr. Edwards stated Mr. Doyle will be reviewing the audit process and deliverables that are contained in the board packet materials. Mr. Doyle referred to the deliverables contained in the board packet which include the college's audited financial statements, the foundation's audited financial statements, the audit of the federal awards (also known as the federal A133 audit), and the two letters from the auditors to the Board of Trustees and the Foundation Board. He stated that from a financial reporting perspective it was a straightforward year. The college's financial statements, balance sheets and statement of activities stayed consistent from one year to the other. The college did not adopt any new accounting standards this year and there were no significant new disclosures.

Mr. Doyle stated that next year GASB 68 will have a significant impact. In regard to the foundation there was one new accounting pronouncement that was adopted during the year related to donated services. He stated that in the federal awards audit they performed an audit of three major programs – student financial aid, vocational education and the National Science Foundation CAAT grant. In the current year, the college expended \$42.3 million dollars of federal funds, \$39.5 million dollars of which relates to the student financial aid program. He stated that they are pleased to report that in the college and foundation reports, Plante Moran

provided an unqualified opinion, a clean audit opinion, the highest level of assurance the auditors are able to provide over the financial statements. In addition, there were no significant findings or significant internal control deficiencies or material weaknesses as a result of Plante Moran's audit. Mr. Doyle referred to the back of the college audit letter which includes legislative updates and accounting pronouncements that are coming up in the next year.

Mr. Edwards stated that this was a very successful audit and throughout all the testing in the general purpose statements and testing in the student financial aid and other grant areas there were no findings. He noted that especially to have no findings in the student financial aid area is unusual. He credited Ms. Argiri and Ms. Remias and their team for all their efforts so that they were able to conduct the audit process in a smooth and efficient manner. He noted that the college's reports were completed earlier than any school in the state that he is aware of.

Trustee Cusumano stated that there has been an issue that has come to his attention on investments in two entities, Freddie Mac and Fannie Mae. He referred to a statutory mandate that the college only invest in bonds, bills or notes of the United States or an agency or instrumentalities of the United States. He further stated that there was a case in the Federal District Court in Nevada that ruled that they are Government Sponsored Entities (GSE) and not agencies or government instrumentalities. Trustee Cusumano stated that he would like an opinion about that issue from the auditors whether this would affect the audit report. Trustee Kelly stated that it is important to note that Mr. Edwards and Mr. Doyle have been retained as auditors and should not offer a legal opinion, but could comment in terms of accounting.

Mr. Edwards stated that from an accounting perspective if there was an investment that was in violation of the Investment Act, the government accounting standards require it to be disclosed. He stated that is the extent of their requirement under the financial reporting standards. The footnote would have to disclose that it is in violation. Trustee Kelly inquired if there is any such footnote in their audit. Mr. Edwards responded that it does not say it is in violation, and it is the auditors understanding through their involvement with community colleges that those were covered in the Investment Act. He further stated that if there was a legal opinion or legal interpretation that indicated otherwise, they would be required to disclose it in future audits if the college was in violation based on a legal opinion. There were no other questions regarding the audit.

## 6.2 Construction and Renovation Policy

Dr. Jacobs referred to a discussion at the August information session regarding the construction and renovation policy at which time there was a consensus that it was necessary to make changes to clarify and to simplify the policy. The proposed revisions to the policy are being presented this evening for the first reading. Ms. Argiri stated that the revisions, based upon the discussion at the August board meeting, basically require contractors and subcontractors to comply with Michigan prevailing wage law on all projects managed by an external construction manager. She noted that administration took the opportunity to streamline the policy as well. Trustee Cusumano inquired as to how many years the current policy has been in place and if the reason for the revisions was only to simplify and streamline the bidding process. Ms. Argiri responded that those are the only

reasons for the revisions and that the current policy was drafted in 1997. She further stated that what prevailing wage will allow the college to do is bid contracts and have workers be paid comparable wages which provides for more harmonious relations on the job site. This initially became an issue with South Campus renovation projects when some of the workers were disputing whether the college was required to pay prevailing wage on all ongoing construction work. Dr. Jacobs added that because the college is facing years of renovation at South Campus and some buildings at Center Campus, it makes sense to simplify the policy. He further stated that state law does mandate that monies which come from capital outlay do pay prevailing wage.

Trustee Cusumano asked if prior to 1997 the policy of the college was to pay prevailing wage on capital outlay pursuant to state law. Mr. Wendt responded that it was also for major additions or new construction of a building. Ms. Argiri further clarified that any future projects managed by external construction managers will pay prevailing wage. Also, any projects in which college employees manage projects or any projects the college manages because it is proprietary work, i.e., the fire alarm system upgrade, the college manages that contract. Trustee DeSantis inquired if there are any maintenance projects managed under Barton Malow. Ms. Argiri stated they just provide construction management services. Trustee DeSantis asked if prevailing wage would add about 10% to the cost. Ms. Argiri responded that at the August information session, she discussed how she arrived at an estimate of what it will cost the college which was estimated to be approximately \$600,000 over two years. She also noted that this change does not impact the college's contract with Barton Malow or the architects because those fees are flat fees, not based on a percentage. Trustee Cusumano inquired as to what the increase would be in prevailing wage under the new policy, less whatever the college would manage internally. Ms. Argiri responded that the college internally manages approximately \$1.5 - \$2 million of work each year which is an estimate based on history. Of the 2014 to 2016 renovation authorization that the Board approved, \$2 million of the work the college would internally manage using plant operations staff or hiring the services of other vendors of approximately \$10 million per year. The \$2 million managed internally would not require prevailing wage. Mr. Wendt stated that the college engages the lowest bidder on projects managed internally and does not ask if they are paid union or prevailing wages. The college does not require those successful bidders to pay prevailing wage. Ms. Argiri stated that the bidding process will not change. In addition, 70% of the time union contractors have been the successful low bid. For CM managed projects the bid documents will require the successful bidder to pay prevailing wage. In the bid documents in which the college will manage a project, it will not say that. That is the distinction.

Trustee DeSantis directed a question to Mike Stobak, Vice President of Barton Malow as to whether he knows of any educational entity in this state that has 100% prevailing wage. Mr. Stobak responded that any district that has a bond issue is all prevailing wage because that is required by law. In addition, there have been in the past districts that have voted to go prevailing wage with their work. He further stated that the majority of the districts that Barton Malow works with are prevailing wage.

### 6.3 Residency Policy

Dr. Jacobs stated that the proposed revisions to the residence policy are again to clarify and simplify the policy to state that if a student lives in the county or owns property in the county that student would pay in-district rates. Trustee Cusumano inquired if administration had ever considered making tuition across the board the same to draw more students in from neighboring counties. Dr. Jacobs stated that since the property tax is only paid by residents of Macomb

County, it would be unfair to the residents in the county by reducing the cost of tuition to those outside of the county. Trustee Cusumano inquired about the percentage of out-of-district students currently attending Macomb. Dr. Jacobs responded that it is a small but growing percentage. Ms. Argiri stated that the percentage of out-of-district students is 14% based on headcount. Dr. Jacobs stated that we may want to pursue in the future a discussion on the topic of differentiation of tuition.

#### 6.4 PA 152 – Health Care Recommendation

Ms. Williams stated that Public Act 152 is presented to the Board annually to decide what portion of the employees' health care the college will pay. One option is for the college to pay 20% and the employee would pay 80% of the premium, or the hard cap option, which is what administration is recommending for the upcoming year. She stated that she is continuing to work with the Health Care Coalition to ensure that the college's health care plans remain affordable for the college employees based on the hard cap option.

#### 6.5 SEMCOG Membership

Dr. Jacobs stated that Kathy Vosburg, Chairperson for the Southeast Michigan Council of Governments (SEMCOG), contacted him recently. She believes it is important that Macomb Community College help play a role in the county in discussions regarding public transportation. Dr. Jacobs stated that SEMCOG is the organization that is responsible for the Regional Transportation Authority which governs the transportation plans that will be made for the Detroit Metropolitan area. Dr. Jacobs further stated that an increasing number of Macomb's students are using public transportation. The college will receive a discounted rate and the annual membership fee is \$5,301. Membership requires that an elected official be designated to serve as a representative as well as an alternate designate. He distributed a letter from Kathy Vosburg encouraging the college to consider membership.

#### 7.0 EXECUTIVE SESSION

MOTION by Cusumano to move into executive session for purposes of attorney/client discussion. Due to lack of support, the motion failed.

#### 8.0 ADJOURNMENT

MOTION by Falcone, supported by DiMaria, to adjourn the meeting.

The meeting adjourned at 7:30 p.m.

COMMUNITY COLLEGE DISTRICT OF THE COUNTY OF MACOMB  
BOARD OF TRUSTEES

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Acting Secretary