

APPROVED MINUTES OF 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 Wednesday, May 15, 2019 at 6:00 p.m., in K307, of the John Lewis Student Community Center, South Campus, 14500 Twelve Mile Road, Warren, Michigan.

1.0 CALL TO ORDER

The meeting was called to order by Chairperson Lorenzo at 6:00 p.m.

2.0 ROLL CALL

Present: Katherine Lorenzo, Chairperson
Frank Cusumano, Vice Chairperson
Kristi Dean, Secretary
Roseanne DiMaria, Treasurer
Joan Flynn, Trustee
Shelley Vitale, Trustee

Absent: Vincent Viviano, Trustee

Also present: James Sawyer, President
Elizabeth Argiri, Vice President, Business
Sharon Kowal, Executive Administrative Assistant to the President
Deborah Mende, Director, President's Office
Gerri Lynn Pavone, Director, Director Budget and Grants
Jeffrey Steele, General Counsel, Office of General Counsel
William Tammone, Provost/Vice President, Learning Unit
Denise Williams, Vice President, Human Resources

3.0 APPROVAL OF AGENDA

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

Motion carried.

4.0 AUDIENCE PARTICIPATION

None.

5.0 REVIEW OF AGENDA ITEMS AND MATERIAL

Trustee Cusumano asked about the order of Agenda Items 7.3A Property Tax Analysis and Resolution and 7.3C Initial 2019-2020 General Fund Budget. The property tax resolution states, "the Board of Trustees has determined that the total taxes required for operation by the Community College District for the fiscal year commencing July 1, 2019, amount to be at least \$41,302,656." Trustee Cusumano said that it is a resolution for a levy to be determined, and because of its placement on the agenda, at that point in time, the Board of Trustees has not yet determined that amount. Addressing the issue, Ms. Argiri said we place the approval of the

property tax first because that amount has to be set as it is incorporated into the budget. The Open Hearing on the budget is next, followed by the actual budget resolution. Trustee Cusumano said perhaps we could amend the words in the tax resolution to say "will determine" or "it is anticipated to determine total taxes required." Ms. Argiri said that we are authorizing the levy that has been adjusted for the Headlee rollback. The final certification of the County taxable value has not been completed yet and that is why it states "amount to be at least." She said what we can say is, that it "has been determined" by this resolution. We have the taxable value and we have the levy so we need to determine that amount in order to incorporate it into the college budget.

Trustee Cusumano asked the opinion of General Counsel. Mr. Steele agreed with Ms. Argiri because that is the amount that was approved by the voters and it is appropriate to say, "has determined."

Dr. Sawyer's updates:

- Request closed session to discuss labor negotiations, specifically adjunct faculty negotiations.
- Thank you to Dr. William Tammone. He will be leaving Macomb to be the Chief Academic Officer and Senior Vice President, Strategy and Innovation for American Sentinel University in Colorado. Dr. Tammone has been invaluable as our Chief Academic Officer for the past two years. We thank him for all he has done for the College.
- Dr. Don Ritzenhein has agreed to return to the College to serve as interim provost. Prior to his retirement, Dr. Ritzenhein served for nine years at Macomb. He is familiar with the college and has maintained many of his Macomb connections. He was recently appointed to the Macomb Community College Foundation Board. The position of provost is too important to leave vacant so having Dr. Ritzenhein here on an interim basis will afford us the time to conduct an orderly search process for a new provost. Trustee Cusumano asked if Dr. Ritzenhein would fill that vacancy permanently or expressed any interest in doing so. Dr. Sawyer said Dr. Ritzenhein is happy to fill the position, full-time interim, for the next six months or so.
- Thank you to the board members who were able to participate in the Strategic Planning sessions. They went very well, it was good to see you engaged and he hopes you enjoyed seeing what an important part of the overall process that is. The next session is on Tuesday, June 11 at the University Center, Room 109 from 3 to 6 p.m. We will work on completing the mission and vision statements.
- Per the board's request, Dr. Sawyer sent a letter to Mr. Groesbeck sharing their decision not to hold a special session with him, but encouraging him to take advantage of the audience participation portion of the meeting if he so chooses. This afternoon, Mr. Groesbeck sent him an email expressing his disappointment with the board's decision and said that he would not be at the meeting tonight but would continue to keep this issue before the board at future meetings.

- In line with the discussion from last meeting, Trustee Cusumano has two issues that he would like to discuss with the board, not for resolution tonight, but to assess if additional trustees are interested. If the interest is there, administration would analyze and investigate the issue or request in further detail.

- Audience Participation

Trustee Cusumano said that in most public body meetings of the Open Meetings Act, Audience Participation is before the deliberative process and the vote to take place on action items. He is suggesting an amendment of the policy, to move Audience Participation from Agenda Item 9 to Agenda Item 8. This change would allow participation from the audience to inform the board of the public's perception of the issue and inform the board factually, of whatever information the public may consider relevant to the issues that are going to be decided. It is also expansive enough that he is going to keep the portion of the policy that says members of the public can talk about anything related to the college during that time-period. He is submitting the suggestion for their review and comment.

Trustee Flynn agreed that audience participation should be at the beginning of the meeting. She added that there should be a longer time limit for a person to speak and that everyone who wants to speak has the opportunity.

Trustee Cusumano added that there is an Office of Attorney General (OAG) opinion that says to limit audience participation to the extent that it would eliminate any potential persons from making public comment, would be a violation of the Open Meetings Act. He does not think it is a practical matter to have the time limitation included in the policy. It can only mislead or misguide the board chair to believe that someone would be denied to participate in public comment by a time limit. According to the OAG, everyone who wants to speak should have the opportunity to do so. He asked General Counsel to confirm or refute that opinion. Mr. Steele said in the 1970's Attorney General Kelley wrote an opinion expressing that a time limit, if it was enforced as to limit someone's ability to participate, could be a violation of the Open Meetings Act. However, it did not foreclose the possibility of the 20 minutes expiring with the ability to come back at a different session or meeting. Mr. Steele does not see the Attorney General opinion as precedential, so it is not necessarily the law. It can be considered an informed opinion.

Trustee Dean asked if there has ever been a time when the 20-minute limit was reached. Trustee Lorenzo said no. Trustee Dean asked what would be the problem of increasing it to 30 minutes. Trustee Lorenzo asked if Trustee Cusumano wanted the time limit to be open-ended. Trustee Cusumano responded that he is trying to make policy changes to instruct future boards and chairs of public bodies that this issue exists. If eleven students came in to discuss an issue and that board did not allow that eleventh person to speak because 20 minutes had elapsed he thinks it would needlessly expose the college to litigation.

Trustee Lorenzo asked Mr. Steele if the Opinion says we must hold Audience Participation to 20 minutes or is that a guideline. Mr. Steele said the trustees could amend the Audience Participation rules to allow people to continue speaking even if the 20 minutes had expired. The trustees also have the right to make a decision to allow a person who

has reached their two-minute limit to continue. The board can amend the rules for that specific purpose to allow the speech to continue. On the other side, if there were no time limit, a future board, under Roberts Rules, could vote to stop Audience Participation after a certain period, whether they were in violation of the Open Meetings Act would depend on the circumstance.

Trustee Cusumano said his proposal is to extend the time limit from two minutes to three minutes. He thinks that is a reasonable amount of time for people to speak on their issues. Dr. Sawyer said there is an apparent interest in investigating this issue further. We will formalize Mr. Steele's thoughts and put this on a future agenda to discuss more thoroughly. The process we will follow with these type of issues is to discuss in detail first and secondly add it to the next month's agenda for a first reading. Trustee Cusumano asked General Counsel to incorporate into the policy the structure of the inquiry – for example: A) Time period, B) Order on the agenda, and C) Issues discussed.

- The Investment Policy

Trustee Cusumano said the return on our investment portfolio is approximately 2.5 percent. It has come to his attention that the Foundation's investment portfolio is yielding a higher percent. The Foundation has a more liberal, less conservative investment policy than the college. Given the size of the college's asset, which is \$200,000,000, a one percent increase in the return would bring in an additional \$2,000,000 in revenue. That additional revenue could be austere used for purposes of defraying or limiting increases of tuition to students. It would also build the portfolio itself at a more rapid rate.

Trustee Cusumano said it has come up repeatedly regarding our constitutional autonomy. In the Community College Act, the Michigan Legislature has put limitations on what we can invest. His memo puts forth that we comply with the requirements of the statute for certain items such as our investment policy. Although he would argue that our investment policy is stand-alone. The board that passed that policy was within their prevue to keep the limitations consistent with what the Michigan legislature had prescribed or they could have adopted a more liberal policy. He does not think the Foundation's investment policy is reckless or not prudent. He would suggest the board look at the current investment policy in order to maximize revenue from our investment because we are looking for alternative revenue streams and this is an existing asset that he believes is not being fully utilized by the college. Because of the size of the asset, he thinks a potential exists to increase the yield on that asset for purposes of defraying the costs and expenses that continue to increase while we are in the midst of declining headcount and fiscal year equated students, which is affecting our overall revenue streams.

Trustee Cusumano said he is coming before the board to see if there is any interest in exploring whether we should break from the investment limitation set forth in the Community College Act and explore potentially more lucrative investment options in the equity market. He also wants to indicate that he is diligently working to find alternative revenue streams.

Trustee Cusumano said he is open to the trustees' comments and invites Legal Counsel and the VP of Business to remark on whether or not this is doable or reasonable. He said his position is that when the board obtained those monies they became fully and completely constitutionally autonomous in how the board handled them.

Trustee Lorenzo thanked him for all his hard work and said he makes some extremely valid points; she is just not sure that in this era of incredible scrutiny on public funds that anyone would take up this cause because it would require a bill to be passed as it was last time. The Foundation can make high-risk investments, we cannot. Trustee Cusumano said we are constitutionally autonomous; a locally elected board controls everything in this college. That means when it comes to tuition waivers, for example, we are technically in violation of the statute because the Kowalski case held that once the money is appropriated by the Legislature they have no business telling us what to do with it. He takes issue with characterizing what he is proposing to be high-risk investments. He is not talking about high-risk investments; he is talking about something that would be prudent, bringing back a slightly higher yield than our current return. He thinks the investments should be consistent with the Foundation's; he does not think they are investing in high risk investments. Trustee Lorenzo said but they are a moderate risk; large and small cap stocks. Ms. Argiri said they have invested in 14 different managed funds. The investment allocation provides for diversity allocation with a target allocation of 60 percent equity, 40 percent bonds. Right now, the college portfolio, given the Community College Act, does not offer any equity type funds. Trustee Cusumano said, again, because the Legislature passed a statute that extensively restricts our ability to do something. However, when it came to tuition waivers, our setting of tuition, the Michigan Court of Appeals ruled that we are constitutionally autonomous and it is up to us to decide. He knows it is unorthodox but he would suggest that we look at all of our options. He leaves it for the board's consideration with the anticipation the administration will formulate an investment policy that is designed to bring in a greater yield than what the current portfolio does.

Trustee Flynn asked if that is not what we do now. Dr. Sawyer said no, the current interpretation is that the Community College Act restricts the types of investments we can make and we are complying with the Community College Act. Dr. Sawyer continued saying that Trustee Cusumano is saying maybe we do not need to because we are supposed to be autonomous.

Trustee Lorenzo asked if it would have to be a bill to change it. Dr. Sawyer said no, we would need to get legal opinions and see where we stand. We would need to make an in-depth investigation before we could make a recommendation.

Trustee Cusumano asked if everyone understood the issue. Trustee Flynn asked why he wants to change how we invest money, you do not think we are making enough interest? Trustee Cusumano said yes, the yield on our investment is only 2.5 percent, if we could get 3 or 3.5 percent that would give us an additional \$2 million more in revenue coming in to be reserved in the portfolio and reinvested or used for operations. This is a significant asset and he does not believe it is being utilized fully. Dr. Sawyer said that is debatable because we are autonomous but the Community College Act also specifies these investment instruments and therein lies the gray area.

Trustee Cusumano said he puts himself out there because he is in search of a better way to try to move forward and advance the college's mission.

Trustee Vitale said she did not think anything could be decided until we are clear what our boundaries are. Then we want an investment policy that is legal, prudent and keeps our asset as secure as possible.

Trustee Cusumano said there are two issues, conceptually whether we are within our rights to invest in more lucrative investment options outside of the limitations within the Community College Act and then the next is should we?

Trustee Cusumano said the constitutional autonomy issue is out there. He continued that we should consider it another aspect of our duties as trustees to make sure that this institution is returning the maximum investment for the taxpayers of the District of Macomb Community College – irrespective of what the legislature may have said or done and which may or may not be enforceable against us. We could conceivably seek declaratory judgment and find out with a court order whether Cusumano's interpretation is correct or if the Michigan Legislature's power has been exceeded.

Trustee Lorenzo asked Mr. Steele's opinion. Mr. Steele said he is reluctant to give legal advice on a matter like this in public session so he is limited on what he will say. He appreciates Mr. Cusumano's efforts. He is searching for ways to try to increase revenue for the college. He also agrees with his statement that there are two issues here 1) can we do it and 2) should we do it. He is not going to address the issue, if we should do it, because he is not the financial person for the college. The basic legal framework that he sees right now and is willing to talk about in open session is that the Community College Act provides governance, it sets up the board, gives the board certain powers, and contains a provision that requires us to invest in the types of assets that we are currently investing. It is a more cautious approach, these are more bond oriented investments, no equities; we are not in the stock market. At this time, we comply with the Community College Act and it requires us to invest in the way we are currently investing.

Mr. Steele said could we make an argument that the board is constitutionally autonomous and therefore not bound by the Community College Act - that is something he would rather say and discuss in closed session. There is a phrase in the Michigan Constitution that gives boards, such as yourselves, constitutional autonomy. In the 1970's there was a Michigan Court of Appeals case involving Macomb Community College that said this board had constitutional autonomy to set its own tuition. Whether that is subject to a broader interpretation or whether a current court would agree that we are constitutionally autonomous enough to break away from the Community College Act he does not know. That is something we would have to challenge and have a determination.

Mr. Steele said the other thing he does not know, and this may be more of a political question, is what would happen if we decided that we did not want to be bound by, or at least break from certain portions of, the Community College Act. Does the Legislature start to look at us and fund us differently because we say we are not restricted by their laws? He would have to study and do more analysis on whether we could succeed in challenging the Community College Act.

Trustee Vitale said there must be some sort of parameters within the Community College Act that give us some leeway to invest our assets in some higher yield instruments. Ms. Argiri said the Community College Act and the college's investment policy provide the ability to have different investment options but they do not include equities in the stock market. One of the options is commercial paper. The college has not recently invested in commercial paper, but we are looking at doing so. However, anytime you take on greater yield you take on greater risk. To venture into commercial paper requires a level of due diligence that we are not staffed to take on right now. We are finalizing a request for proposal (RFP) to seek the services of an investment advisor to help us begin those efforts by managing the overall portfolio and adding commercial paper as a component of it to ultimately increase the investment returns of the college. To answer your question, there are different options available to the college - municipal bonds, government instrumentalities, and U.S. Treasury. We look at those carefully; we look at the yield and the risk. We look at the concentration too; we do not want to have all the investments in one entity/one bank.

Trustee Cusumano asked Ms. Argiri after the investment manager is on board, it is contemplated that there would be equities or commercial paper outside of the Community College Act being explored. Ms. Argiri said no, at this time college policy is written to be consistent with the Community College Act. The addition of the investment advisor would be to look at commercial paper and help manage the overall portfolio. Right now, our portfolio does not have any commercial paper. The Community College Act and the college policy allows for commercial paper and we have been advised independently that now may be the time to change that, the economy is good, the yields are better on commercial paper but it is with individual companies.

Trustee Cusumano said the Community College Act allows the college to invest in commercial paper. Ms. Argiri said yes it does. Mr. Steele read from the Community College Act "Commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC and also commercial paper of corporations rated prime by at least one of the standard rating services." Trustee Cusumano said this is in the Community College Act, so our policy is currently more restrictive. Ms. Argiri stated that our college policy allows for commercial paper. Trustee Cusumano said but we have not invested in it. Ms. Argiri said we have not because through the Great Recession we stayed away from commercial paper and we were getting a higher yield on the government agency bonds. Now the economy is improved and we are able to get a better return on commercial paper; letters of credit may be secured and ratings are higher for individual corporations. Trustee Cusumano said in all the time he has been here there has never been any commercial paper. Ms. Argiri said we have not invested in commercial paper in years, due to risk and return. Trustee Cusumano asked if she knew the last time it was part of the portfolio. Ms. Argiri said probably 2002.

Trustee Cusumano said is it a fair statement that our current policy is identical to the statute when it comes to what instruments we can invest. Ms. Argiri said if it is not identical, it is about 98 percent the same. The policy does not specifically say that it is meant to comply with the Community College Act but the language itself was intended to do so.

Trustee Lorenzo said it looks like we have two avenues we could pursue. One is do we want to prove autonomy or adherence to the Community College Act. The other avenue is to simply adhere to the Community College Act but look at commercial paper investments and see if that makes sense for us. Ms. Argiri said we were planning to go in that direction, unless the board wants us to hold off until the other option is evaluated.

Trustee Dean asked if commercial paper investments would only be after the investment advisor is on board. Ms. Argiri said to be fiscally responsible she thinks that is best. Trustee Cusumano asked what the anticipated cost for the investment advisor is. Ms. Argiri said we will put up an RFP and solicit bids, but they usually charge basis points based on the overall investment portfolio, and she does not know where those bids will come in. Trustee Lorenzo said we would have to start paying fees too. Ms. Argiri said the idea would be to get a greater rate of return to cover the fees; otherwise, we would not do it.

Trustee Cusumano asked if we had an investment manager in 2002 when our portfolio contained commercial paper. Ms. Argiri said we did not, but our investment portfolio may not have been as significant back then. At that point in time, our investment portfolio was primarily CD's, governmental agency bonds and a few pieces of commercial paper, we were not heavily invested in commercial paper.

Trustee Cusumano said it is a fair statement that, at least from your perspective, evolving the investment guidelines and policies is worth looking into and advancing forward from a business standpoint given the size of the asset. Ms. Argiri said that with any greater risk you are likely to get a better rate of return that can be on the upside and that can also be on the downside. She thinks the intent of the Act was to provide a reasonable level of return but to be very prudent and fiscally responsible and not risk the loss of public and state funds. When we enter into an equity type of investment, there is certainly risk of loss. However, you are right, the investments we are in are less risky and have a lesser rate of return and in some respects we are leaving money on the table so to speak. But what we can do is assure our communities and our public that the funds will still be there at the end of the day. She said she understands that Trustee Cusumano is not advocating that we invest in high risk types.

Trustee Cusumano said the issue all comes down to the decision making of the board and its purview as the authority. Is it true the ultimate safety net would just to be invested in all CD's at whatever rate they are yielding? Ms. Argiri said right. Trustee Cusumano said we have incurred some risk that is not the most safest investment. Ms. Argiri said yes you could say that we are restricted by the level of dollars we can invest with any financial institution. Yes, our option could be to go with CD's and have a much lower rate of return. We have opted not to do that, we have a few CD's but we have opted to move into the municipal bonds, which have a good rate of return and are backed by the state or school.

Trustee Cusumano asked if we would be going into closed session tonight or at a future meeting to discuss the legal aspect of it. Do we need a written opinion? Mr. Steele said that is up to the board. He said the three options on the table are: 1) status quo, 2) look into the viability of a challenge to the Community College Act where we insert our constitutional autonomy and see where that can get us and 3) stay within the Community College Act and look at the viability of commercial paper as a way to increase our current returns.

Trustee Vitale asked if the investment advisor would be helpful in any other capacity or just for the commercial paper. Ms. Argiri said the advisor would help with the entire portfolio.

The board decided to table the discussion, to allow Mr. Steele time to conduct a thorough analysis on the subject and discuss in closed session at the June, 2019 meeting.

- May 6 – Lansing – MI Reconnect/Opportunity Meeting: Met with the Governor’s staff on Michigan Reconnect/Opportunity, which is also known as free tuition. There is a lot of work to do before the programs come to fruition. He is not sure what the process looks like going forward or whether he will continue to be involved. Chris Hammond from Mid-Michigan and he were the only two community college presidents that were part of the meeting. The MCCA really needs to be involved in this discussion but we will offer our input as needed.
- State Budget: The Governor’s original proposed budget for community colleges was an increase of 3 percent with a 3.2 percent tuition restraint. The House Appropriations committee recommended a 1 percent increase and a 3.2 percent tuition restraint. The Senate proposed 1.5 percent with no tuition restraint. It is hard to predict what our appropriation will be. Therefore, in the initial 2020 fiscal year budget, State Aid revenues will remain unchanged. The State has to approve a budget by October. During the mid-year budget review process, the actual state appropriations will be reflected.
- MCC Foundation: In response to Trustee Cusumano’s question about the Foundation being registered with the State of Michigan to raise funds – the Foundation’s Charitable Solicitation Registration is current and runs through January 31, 2020.
- Enrollment: For spring/summer, credit hours are up 5.2 percent and headcount is up 1.2 percent. The forecast was for a 3 percent decline. We had a soft launch of the Payment Plan this spring and we had over 500 students take advantage of it. We cannot say that is the sole reason for the increase in enrollment, but we can say it is a major contributor. Students have paid \$91,233 and owe \$416,487. The full roll out of the Payment Plan will be in the fall term.
- Trustee Orientation and Financial Review: Held orientation on May 2 and financial review on May 14 for Shelley Vitale. Both went very well and we appreciate her taking the time for those important meetings.
- Property Update: Talks continue with the MISD and HFH on the property at Healthier Way and Commons Drive. There is an agreement between the two for joint use of the property. The appraisal on the original property is complete. The ISD has asked for additional property that we do not use and we see it prudent to package it with the original property. We are waiting on the actual square footage of the additional property. We will use the appraisal as a base price per square foot. We will calculate the additional space and determine the price.

Our plan is to have a recommendation at the June board meeting. The appraisal is under way for the Wayne State building on Hall Road. We have received the blueprints for the building and the inspection is in process. There is no update on the 15 Mile and Hayes property.

- Non-Bargaining Union (NBU) Contracts: The annual contracts for the NBU's are on the agenda. Two specific changes:

Nicole McKee is moving to an NBU position. She is currently in the STA union. Her role in the President's Office and her involvement with confidential matters relating to the college requires her to be NBU.

Mike Simmons is filling the open position of Executive Director of Facilities and Operations. As Executive Director, Mr. Simmons will work as part of the Business Office, take on more of the responsibilities in running the facilities, and relieve Ms. Argiri of some duties. At this time, Mr. Simmons' current position will remain vacant.

Ms. Williams added that Ms. McKee's NBU position is an administrator's position and not a STA NBU position. Trustee Cusumano asked if the union agreed with the position of the college that it is a confidential position. Ms. Williams said she contacted the MCAAP union on both of those positions. The Executive Director position was already approved as an NBU and she contacted them regarding Ms. McKee's move to NBU.

Trustee Cusumano asked if the language in the contracts is the same as previous years. Also, how is the benefit package determined for these contracts? Dr. Sawyer said the contracts are unchanged as far as terms. The wages reflect what the Board agreed to for the administrators' contract. The NBU contracts are patterned after the administrators' contract. Trustee Cusumano asked if a board member were inclined to request copies of the contract would the administration provide them. Dr. Sawyer said yes.

- July Board Meeting – The July Board Meeting is occasionally cancelled. It is the prerogative of the board based on the agenda. The July Board meeting is on July 17. The MCCA Summer Conference is July 23 through the 26th. Please take into consideration the possibility of cancelling the meetings. We can make the decision in June.
- South Campus Tour – June 4, 2019 - 4 to 7 p.m. Tour will be similar to the center campus tour, we will not be able to see the whole campus but we will see some of the highlights.

Any questions?

Trustee Cusumano said he recalls that we recently purchased a high-volume copy machine. Mr. Howard Reinhold, Manager of Print Services, said yes three years ago and it is located at south campus. Trustee Cusumano asked if that unit is used for the same production that the new ones will be used for. Mr. Reinhold said these machines are two generations newer. We are keeping the one we purchased three years ago and replacing two other older machines. Trustee Cusumano asked if the work is done at south campus only. Nothing at center campus? Mr. Reinhold said center campus is only black and white and these are for color.

6.0 ISSUE AND UPDATES

1. Auditors

Ms. Argiri said the contract with our current auditors, Rehmann, is in its final year. Prior to Rehmann, Plante & Moran had served as the college's auditors for about 35 years. When we bid out audit services in 2016, Rehmann was selected. Their proposal saved the college about \$64,000 over three years. Ms. Argiri said Rehmann has 14 Michigan community college clients and by comparison, Plante & Moran has nine.

Ms. Argiri stated that the Audit Committee recently met with the auditors to kick-off the interim audit, which starts June 3 and the year-end fieldwork that begins August 22. After discussion, the Audit Committee, which is comprised of the president, chairperson and treasurer of the board, as well as herself and Kathi Poindexter, Director of Finance Investments, met to discuss the auditor contract and our satisfaction with Rehmann. The Audit Committee recommends extending the contract with Rehmann for another three years versus bidding it out. Rehmann provided a proposal and it includes an annual increase in fees of about 2.2 percent. The Audit Committee felt that is reasonable and less than the rate of inflation. Rehmann's proposed fees would still be \$50,000 less than Plante & Moran's proposal from 2016.

Ms. Argiri said that the College has been satisfied with the services provided by Rehmann. Audit services are for the board to decide and required by the Community College Act. She would not recommend changing auditors every three years, because you are not going to get the best audit. The first year is transition, the second year continues to be a learning curve between administration and the auditors and the third year, is when you are going to get the best audit. In addition, Rehmann has the most experience out of all of the firms here in Michigan, with 14 Michigan community college clients. The board can be assured that when they are auditing Macomb they are using all of the experience they have gained with the 13 other Michigan community colleges. Plante & Moran has nine community college clients and the remaining six colleges are smaller and use local firms from their area.

Ms. Argiri provided a review of the seven bids received for the 2016 RFP.

- Four bids, including Plante & Moran proposed fewer hours than Rehmann
- The firm that proposed 45 hours more than Rehmann, over three years, and located in Kalamazoo, had a bid \$74,000 higher.
- The only bid that was lower than Rehmann's proposed 265 fewer hours over three years and only had one community college client.

For these reasons, the Audit Committee is recommending to the full board that the contract with Rehmann be extended for three years and to accept their proposal. It is a decision of the entire body if you agree with our recommendation or if you want to put it out for bid. We are making our recommendation now because the board's bylaws require approval of the auditor at the October board meeting.

Trustee Flynn asked where Rehmann is located. Ms. Argiri responded that Rehmann has offices located throughout Michigan, but they primarily service us out of the Troy office.

Tonight, Dr. Sawyer said we are looking for a consensus from the board that you are in agreement with our recommendation and will approve Rehmann at the October board meeting. If the board is not comfortable we would need to start preparing an RFP and selecting an auditor for recommendation to the board in October. Trustee Vitale said she would hope that we could move forward with Rehmann. Trustee Dean said if we bid it out now we would have startup costs and the learning curve yet again. She said she would prefer to look again after this three-year extension.

There was no objection.

2. FY 2019-20 General Fund Initial Budget

Gerri Pavone, Director of Budget and Grants, gave an overview of the FY 2019-20 General Fund Initial Budget.

Overall, the budget process went very well. The budget includes revenues of approximately \$140.3 million with expenditures of approximately \$140 million. This results in revenues exceeding expenditures by approximately \$260,000.

There is an increase in revenue overall of about \$1.3 million. Due to all of the uncertainty, we have not included an increase in State Aid. We will factor in any increase during the revised budget process that takes place in the fall.

Tuition and Fees has an overall decrease of about \$74,000. This takes into account the 2 percent tuition increase the board approved last month, offset by a projected 3 percent enrollment decline.

We are projecting an increase in Property Taxes of about \$1.5 million. This is based on a tentative 5 percent increase in property taxes provided to us by the Macomb County Equalization Department. We are subject to the Headlee Rollback this year, which anytime property taxes increase greater than the rate of inflation we are subject to that rollback. Right now, our rollback is .9926, which reduces the college property millage by .01089 to a millage rate of 1.4532.

There is a decrease in Other revenues of about \$75,000. This is primarily due to decreased ticket sales at the Macomb Center. A \$75,000 decrease that we are projecting based on decreased facility rentals and food service activity because of K building going offline for renovation. This is offset a little by increases at the Sports and Expo Center and indirect recovery costs of about \$15,000.

Expenditures increased by about \$1.6 million and this is primarily due to increases in wages and benefits. Total wages increased by approximately \$713,000 and this is due to contractual wage increases. Fringe Benefits increased by \$793,000 and this is primarily due to an increase in the employer contribution rate of .26 percent.

7.0 Closed Session

MOTION by Dean supported by Cusumano to move into Closed Session for the purposes of discussing labor negotiations.

ROLL CALL VOTE:

Ayes: Dean, Cusumano, DiMaria, Flynn, Vitale, Lorenzo

Nays:

Absent: Viviano

RECESS

The meeting recessed at 7:20 p.m.

RECONVENE

The meeting reconvened at 7:47 p.m.


8.0 ADJOURNMENT

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

Motion carried.

The meeting adjourned at 7:47 p.m.

COMMUNITY COLLEGE DISTRICT OF THE COUNTY OF MACOMB BOARD OF TRUSTEES


Secretary