



# Muskegon Community College

## **BOARD OF TRUSTEES STUDY SESSION MINUTES November 18, 2013 - 4:00 p.m.**

**Room 1100 – Lecture Hall Stevenson Center for Higher Education**

**Present:** Chair Crandall, Vice-Chair Osborn, Trustee Frye, Trustee Lester, Trustee Mullally, Trustee Oakes and Trustee Portenga

Chair Crandall called the meeting to order at 4:02 p.m.

1. Agenda

There were no changes to the agenda.

2. Minutes

- Board Study Session Minutes – October 14, 2013

There were no changes requested.

- Board Meeting Minutes – October 16, 2013

There were no changes requested.

3. Public Comments

There were no public comments given.

4. Consent Agenda (*Board Action Required - Vote*)

A. Budget/Finance

1. Finance Committee Report – *Trustee Lester*

The audit reports were presented during the Open Finance Committee Meeting by the auditors. The committee recommends the reports be accepted as presented.

2. Treasurer and Financial Reports – *Trustee Lester*

B. Personnel

1. Personnel Committee Report – *Trustee Mullally*

The committee did not meet today, as they attended the Finance Committee meeting, but they plan to meet briefly with the President following this meeting.

5. Administrative Reports

A. Academic Affairs – *Teresa Sturris*

The latest Career Tech Center publication highlights MCC faculty member David Stradal, who teaches an entrepreneurial studies program for about 70 of their students. Teresa will provide a more in-depth report for the Board highlighting MCC faculty successes.

B. Student Success Report – *Dr. John Selmon*

- a. Enrollment
- b. Student Success Completion Agenda

VP's Selmon and Sturru, Eduardo Bedoya and Aaron Hilliard attended The Kresge Foundation Student Success Institute: Men of Color in Community Colleges in San Antonio, Texas in early November. MCC data for low income students and students of color was reviewed; this group typically doesn't meet the metrics or has low metrics for persistence, retention, graduation and awarding degrees. MCC has begun to review data to determine if improvements can be made within this group. Another Kresge Conference is planned for March 2014.

C. Personnel Report – *Aaron Hilliard*

- Work continues to fill vacancies the college has agreed to fill and others will be left vacant as a cost savings measure.
- The Board questioned whether there is an issue with staffing the mailroom. Aaron reported there is an FMLA issue with a mailroom employee causing continued absences and there aren't always student workers available to deliver campus mail.

6. Business Non Operational

A. MCCA Report – *Trustee Lester*

- The auditors briefly discussed GASB 68, which eventually could greatly impact MCC's liability.
- Dr. Nesbary and Trustee Lester attended the MCCA fall meeting. Legislation is in place for counties without a community college, allowing for non-contiguous entities such as school districts or cities, to associate themselves to a vote for the residents of that constituency with community colleges. Current legislation allows only counties or jurisdictions adjacent to a community college district to associate through an election with the college district. This could allow MCC to work with the City of Holland to associate with MCC and become part of the district, or GRCC to work with Grand Haven to become part of their district. Chair Crandall indicated we need to start examining potential annexation.

B. Foundation Update – *Vice-Chair Osborn*

- The Foundation did a very widespread ask for an appeal for Board members and received an overwhelming response. Potential applications are coming through with internal, as well as community interest. The hope is to develop a way for employees and alumni to come together into the foundation before the next meeting in January. They hope to present some foundation members to this Board very soon.
- The board questioned how the selection process works. Vice Chair Osborn explained that applications are filed and the Foundation Board looks at the kinds of individuals

needed. The Foundation Board wants to work with internal individuals who are interested and have some ideas that will help to enhance the Foundation.

7. Old Business

- The University Park Golf Course year-end report was received by the Board today. This will be added to the agenda as “Old Business” for the Board meeting on Wednesday. It was noted, there is one more year left for this contract.
- Dr. Selmon highlighted a letter from the First Tee Foundation, associated with the Tiger Woods Foundation. MCC is the first in Muskegon County to get involved in this program, with about 78 kids.

8. New Business

A. Auditor’s Report – *Brickley DeLong* - Appendix A – B

There was concern about setting up the depreciation, which Beth Dick explained is on schedule. During this transition year, MCC went from sending it out for completion to completing it in house. It was done in Excel, as Finance hasn’t had time to implement the fixed asset module, but by June it will be transitioned to the current financial software.

B. Government/Municipal/Public Funds Banking Resolution

This is required to add Teresa Sturru as an authorized signer to the bank account (CD).

C. Resolution Authorizing Issuance of Bonds – *Chair Crandall*

Christopher Iamarino of Thrun Law Firm, MCC’s bond counsel, summarized the Resolution.

- George K. Baum and Company is designated to serve as the colleges’ underwriter.
- Currently the college has qualified status, which is achieved every year. The current qualified status covers an issuance in 2013 and expires approximately February 15, 2014. Any future series issued in 2014 would be subject to a new qualified status.
- Bonds may be issued as either serial (a single maturity each year) or term (years are grouped together and sold as a single block).
- Maturities occur May 1 each year; interest begins being payable November 1, 2014, and then May and November of each year thereafter. This could be adjusted during the sale time.
- The paying agent receives money raised through the tax levy for the college and transfers it to the bondholder. Bond principal is paid at maturity and interest is paid semi-annually. Huntington and US Bank were the lowest bids; because the college already has a relationship with Huntington, they were chosen as the paying agent.
- The Chairperson and Secretary of the Board are charged with the responsibility of providing bonds in conformity with the resolution; the Treasurer is charged with the duty of delivering them to the underwriter.
- Greg Bricker of George K. Baum and Company explained how the bond payments will work. The first payment on this series of bonds will occur November 1, 2014; the first tax collection cycle for the new millage will be December 1, 2014; proceeds received will be deposited into the newly established checking account in February-March of

2015. An interest payment of \$325k on the new bond issue will be due in November 2014, but the checking account won't have had any cash deposits at that date. Establishment of the millage rate applied on the December 1, 2014 tax collection cycle will reimburse the college for the November 14<sup>th</sup> payment made from other college funds. The first dollars collected from the February 2015 tax payment will reimburse the college for funds advanced November 1, 2014. The millage collection will also provide for interest payments due May 1, 2015, and November 1, 2015. Eventually this will cycle out with funds available from the cash flows.

- Chris Iamarino stated the college sets the millage rate with the assistance of a financial advisor, delinquencies will be taken into account with an adjustment for historical delinquencies included in that calculation, so collections should not be an issue. To qualify as tax-exempt, the first series of bonds is expected to be issued for \$10M.
- Greg Bricker outlined the remaining steps moving forward with approval of the resolution on Wednesday: 1) Within 1-2 days a packet will be submitted to Standard & Poor's (S&P) for a rating presentation on this series of bonds; 2) A conference call with S&P next week, with the idea a rating could be released early the week of December 4<sup>th</sup> and then immediately initiate marketing of the bonds and setting the interest rate, so we may enter into a bond purchase agreement sometime mid-week December 4<sup>th</sup>; 3) Thrun prepares certificates for board officers to sign and renders the legal opinion to accompany the sale of bonds. Provided the college maintains its qualified status through the Department of Treasury, filing with the Treasury doesn't occur until post-closing; 5) An action item will be presented at the December 18, 2013, board meeting to ratify the terms of the bond purchase agreement executed two weeks prior; subject to that action, a bond closing is expected on December 19, 2013, with a wire transfer from George K. Baum's account to the college's account. The calendar is dependent upon the rating agencies meeting the calendar mapped out and providing a rating early the week of December 4<sup>th</sup>. Without the rating bonds cannot be sold, complicating the schedule.
- Chris Iamarino explained bond insurance provides protection for bond purchasers; if the college does not timely pay a principal and/or interest payment, the insurance company fronts the money to the bondholder and then the insurance company has the right to require the college to levy a levy sufficient for them to get repaid. Bond insurance is only purchased if there is demonstrable proof that it will result in a cost-savings (interest costs are less than the cost of the bond insurance policy), so it may or may not be used. The decision would lie with the college's financial advisor, with input from George K. Baum and Company, but the financial advisor is the final arbiter.

D. Approval of Clark Construction Company for the Contract to Provide Construction Manager Services for the Muskegon Community College Science Center Addition and Remodeling Project

- A committee of Dr. Nesbary, Dr. Selmon, Dr. Crandall, Teresa Sturris, 2 architects, Amy James and Gerald Nyland reviewed 12 proposals and chose the top 4 proposals. Dr. Selmon added that at the end of the process the committee looked at the best value for MCC for pricing, qualifications, relationship with universities and community colleges, work on Capital Outlay, and local participation. The choice was unanimous for Clark Construction Company.

- Robert Malone, Vice President of Higher Education for Clark Construction, conveyed Clark currently has over \$150M in work with the state of Michigan for colleges and universities in Capital Outlay programs. Over the last 5 years, Clark has done 12 science projects, making them first in that area of work. Clark understands the local participation component is one of the most important and offers a contractor outreach program. Clark is a very small part of the total project, around 5%, with the other 95% put back into the community and local economy.
  - Dr. Selmon reported Port City was \$329k; Clifford Buck was \$358k; Clark Construction (depending on the schedule selected) was \$318 to \$411k; and Owens Ames and Kimball was \$468.8k.
  - The Board confirmed all bidders met the specifications and requested a copy of the breakdown justifying the choice (bidders, prices, and differential of bids) and questioned how Clark was selected, stating the college has always gone with the lowest bidder. Dr. Selmon responded it was partially the presentation; but also the amount of work with universities and community colleges in particular; their work with the capital outlay process and their method and intention to have local participation with a sub-contractor awareness night; they also presented better than anyone else, with 8 people unanimously choosing Clark as their first choice.
  - Dr. Crandall added that Port City is a two-person organization with concern about if something were to happen to one principal then it's down to one person, a concern for this particular project with very specific deadlines for the Capital Outlay component. The next was \$29k above base and they weren't very well prepared in their presentation, giving the impression this was an afterthought. As Clark pointed out, there are potential cost savings by cutting three months out of the schedule, and this group had no schedule at all. Owens is the parent company of the former Muskegon Construction Company. They were \$139k over the low bid and he didn't personally see any significant advantage for the extra cost. What impressed him about Clark besides the presentation was with capital funding there is a very complex approval process every step of the way, and Clark has done this. Their office is next door to where decisions are made in Lansing and they will be doing all of the reporting, taking a huge amount of work off our plates and adding a significant amount of expertise. The committee believes MCC will have a smoother process of state approval on a more rapid construction schedule, ultimately saving money.
  - Dr. Nesbary agreed with everything Dr. Crandall said and stated knowledge of the state capital outlay process is critical and Clark is on a first name basis with those in Lansing who are part of the capital outlay process. The local participation issue was also very important and no one else raised the issue.

E. FY2013-2014 Budget Amendment

- This amendment is proposed for a couple reasons: 1) Because MCC is preparing to issue bonds. Even though the board approved an all funds budget, there are some agencies, such as bond rating agencies, that request a general funds budget. Adjustments are needed to reflect some transfers out of the general fund into the debt fund to cover principal payments, as well as to cover capital related expenses. The all funds budget did not include these transfer items because they net out to zero, but for

a general funds budget, this information must be included; 2) To reflect additional revenue from the state for the MPSERS rate stabilization payment (reflected as an addition in state aid revenue and an additional fringe benefits expense), which MCC turns around and pays back to MPSERS, making it a true pass-through; 3) To reflect a change in format, a reclassification of how tuition waivers are shown, coinciding with how the audit report is formatted. The waivers now show in the financial report/audit report as a reduction in tuition and fee revenues, not an expense. This budget amendment reflects moving \$331,645 out of tuition and fees and a corresponding reduction in the scholarship line item, which is where tuition waivers appear in the budget as it stands today, so reducing revenues and reducing expenses, with a net effect of zero. 4) The board had adopted a strategy to pay off the remaining 2003 bonds early, saving interest expense now and in the future. This budget amendment reverses that strategy; the bonds could potentially be paid off early at a later date, adding back some interest expense that would have been foregone if it were paid off early. Those savings would be achieved in other ways; this is listed as reducing additional contractual services in the amendment. The end result is still a balanced budget, but adjusts various line items throughout the actual budget approved in June.

F. Request for Sole Source Purchase of Torchmate Powermax 105 Plasma CNC Cutting System

Teresa Sturru reported this is needed for welding and is funded as part of MCC's Perkins Grant. Care needs to be taken so what's purchased will work with existing software on the CNC machines and new welders recently purchased.

G. 2014 Board Meeting Calendar

9. Board of Trustees Policy Manual Updates – *Chair Crandall*

10. Announcements

A. President's Report – *President Nesbary*

- Dr. Nesbary thanked the Board of Trustees for their work related to the recent election success and going back to the Master and Strategic Plans in 2008 and 2009.
- Chair Crandall thanked administration, faculty, students, and the great campaign committee led by Bill Loxterman and Ryan Bennett, the Cheese Lady, and people in the community.

B. Departmental Updates – *President Nesbary*

- Dr. Selmon noted the Veteran's Day event keeps growing and getting better each year and thanked Trustee Frye and all those involved in planning this successful event.

C. Board Comments

- Dr. Crandall and Dr. Nesbary had a very constructive meeting with Representative Collene Lamonte, who is putting together some legislation enhancing state support for the STEM programs. They are looking at MCC playing a key role as a pilot institution, to move forward with this new STEM program. MCC may be increasing its partnership with the state on STEM education, which fits nicely with the new science center.

- Rep. Lamonte also mentioned the port development, which is moving ahead rapidly. It may be moving forward in Muskegon in the next 2-3 years and MCC needs to begin thinking about what role it could play for meeting training needs.
- A resolution was passed last month, making an offer on the Masonic Temple as a downtown MCC location. Unbeknownst to us, there was another offer from an individual that was accepted. Per conversations with this individual, the facility is still available to MCC. Timing is crucial; if MCC moves in early, we would pay what he has into it. If MCC took possession a year from now the building would be appraised and donated to MCC for the tax write off. MCC's timing on where we're going and how this is developing is critical.
- The need for an industrial training facility is around 45,000 sq. ft. and it was recently learned the Masonic Temple is only 24,000 sq. ft. If it's not large enough to meet downtown campus needs, then other options will need to be explored. Decisions need to be made about what will be downtown, with options for potential locations explored over the next 2-3 months. This is something the Board will need to address, so a location may be secured by spring. Discussions are also occurring with interested business partners in town about what kind of facility they would like to see.
- Dr. Nesbary confirmed that an administrative committee dealing specifically with the downtown campus is being formed; VP Sturges added it should be set by December 1<sup>st</sup>. A health education facility committee is also forming and Dr. Nesbary has a small group who will be visiting existing facilities around the state, gaining ideas of what potential exists for our new facility.
- Chair Crandall stated there will be a lot of decision-making in the next 3-4 months on how to move forward with the project. The \$10M bond issue will be launched and 85% must be spent within a 3-year period. A lot of these projects need to begin developing, to make sure we're able to meet that commitment.

With no further business, the meeting was adjourned at 5:26 p.m.

Minutes submitted by Secretary, Nancy Frye.

/csd