

**HARRISBURG AREA COMMUNITY COLLEGE
BOARD OF TRUSTEES FINANCE COMMITTEE**

Wednesday, January 30, 2008 – 7:30 A.M.
Boardroom, B106

MINUTES

Present:

Mr. Terry Burrows
Mr. Daniel Delaney
Mr. Donald Schell
Senator Patricia Vance
Mr. Mark Whitmoyer

Dr. Edna Baehre
Dr. Winnie Black
Ms. Eleanor Bosserman
Mr. Thomas Fogarty
Mr. George Franklin, Jr.
Ms. Barbara Hutchinson
Mr. David Morrison
Ms. Nancy Rockey
Ms. Meredith Tulli
Mr. Ronald Young

Guests:

Mr. Randy Moyer, Esq., Barley, Snyder,
Senft & Cohen, LLC
Mr. Brian Sanker, Public Financial
Management (PFM)
Mr. George Werner, Esq., Barley, Snyder,
Senft & Cohen, LLC

Lancaster Campus Refinancing

Mr. Randy Moyer and Mr. George Werner explained the proposed refinancing of the Lancaster Campus debt to the committee. With this refinancing, the College will have the exact same amortization schedule and payments. The refinancing would be with GE Capital (GE). They are very reputable and have a great rating, Mr. Moyer explained. The new schedule saves the College money, and it retires the debt service two years earlier because of the great rate. Also, it will be a fixed rate for two years rather than a variable rate. The reason two years was selected was because we suspect arbitration will be over by then and that would be when we should be able to purchase the building, Mr. Moyer explained further. If you locked in longer, then you would actually have to buy your way out of the rate swap, which would cost money, he added. The refinancing will also eliminate the lease addendum. Mr. Schell questioned whether it was possible to lock the rate with a float down provision should the rates drop lower. Mr. Moyer will check into this and report back.

The College will have out of pocket costs; however, they will be tacked on to the bonds so they would just get paid off whenever the College purchases the building, Mr. Moyer explained. The refinancing has no impact on the pending litigation between the College and Pitney Road. If we decide not to pursue refinancing, then Bank of America could declare default at any time because we have not proceeded on the schedule that they set forth and we agreed to with respect to arbitration, Mr. Werner explained. Bank of America has been extremely quiet over the last month. They are waiting to see what happens with this refinancing, he explained further.

The documents have been reviewed by Mr. Redcay's attorney, and there is an acceptance letter that would be sent from the College to Mr. Redcay for his signature. While we don't have Mr. Redcay's signature yet, he is ready to sign and is comfortable with the conditions as they are stated in the letter, Mr. Moyer added. The lenders are not aware of this letter, but Mr. Werner felt that there was nothing in the letter that would prevent GE from moving forward with the refinancing. GE is looking at the stream of lease payments from the College, Mr. Moyer explained, which are always on time. Mr. Moyer will include the letter in the closing binder as an index. Mr. Flaherty did give GE a copy of the lease agreement, but not the addendum, which was the source of Bank of America stating that they have rights against the College, Mr. Werner noted.

The refinancing was approved by the committee; however, committee members would prefer to have Mr. Redcay's signature on the letter prior to the vote at the full Board meeting. As far as arbitration, Mr. Werner felt it would be over by the end of 2008.

Indemnification Policy 271

Several months ago Mr. Werner was asked to review the College's indemnification policy. He did some research which resulted in the revised policy. The purpose of the policy is for the protection of the individuals that serve the College or who provide services to the College. All of the issues identified are aimed at removing ambiguities to the policy and extending the indemnification protection to the individuals. The College's current policy doesn't cover the deductible for current officers or directors. In the new proposed policy, the deductible would be paid by the College in most cases, unless the individual wasn't acting in good faith or not acting in the best interest of the College. This policy was approved.

Investment Policy

Mr. Brian Sanker from PFM briefly discussed the investment policy with the committee. PFM worked with College staff to put together an investment policy. This was also reviewed by the College's solicitor. This policy is a standard investment policy used at other institutions. Mr. Burrows suggested several changes, and the committee agreed. Mr. Franklin will incorporate all changes and submit to the Board of Trustees along with a resolution for approval. This is only applicable for the College, not the Foundation. Mr. Burrows suggested that the Finance Committee receive, on a quarterly basis, a regular report of the College's investments for review. The committee agreed.

Minutes

The minutes of the November 28, 2007 meeting were reviewed and approved.

Resolutions

The resolution regarding the Contract for College and Major Gifts Campaign Marketing and Public Relations Services was reviewed. Senator Vance asked for clarification on the matrix on how Pavone was chosen. An internal review committee was chosen to review all proposals and presentations. They were rated individually, and it was clear that Pavone had the best presentation and offered the best services based on qualifications of their team, prior experience, size and location of firm, quality of presentation, and experience with elected officials. This was a proposal, so it can be subjective, Mr. Franklin noted. It's a public relations' campaign for the next two years that ties in with the major gift campaign. The premise is to heighten the knowledge and awareness of the College and its efforts, Dr. Baehre explained. We don't have the experience or staffing in-house to provide marketing for the entire College, she noted. Our Public Relations Office markets programs and deals with publications. This resolution was approved.

All remaining resolutions were reviewed and approved.

Financial Reports

Mr. Franklin reviewed the financial reports for November and December. The reason why there was a negative variance associated with wages and a positive variance associated with fringes was due to the actual medical increase, which was only 3%, Ms. Hutchinson explained. As of January, we had budgeted for 12%, so there was a savings, she explained further. On the wage side, a number of things added to that variance, such as the classification and compensation project and the addition of nine new faculty positions in Virtual Campus, Mr. Franklin explained. We also did a reality check with the adjuncts, and we had to increase our adjunct budget, he explained further.

REMI Report

Mr. Fogarty gave a brief update on the REMI report that was included in the agenda. The REMI Company, now Riverview Group, has provided us with maintenance services and repairs of various equipment types. They contract for time and material services with companies nationwide, which reduces risk to the College. So far, we've had a \$9,000 reduction in costs, Mr. Fogarty explained.