

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

Wednesday, July 30, 2008, 7:30 A.M.
Boardroom, B106

MINUTES

Present:

Mr. Terry Burrows (via
telephone)
Mr. Daniel Delaney (via
telephone)
Mr. Thomas Richey
Mr. Donald Schell
Mr. Mark Whitmoyer

Dr. Edna Baehre
Dr. Winnie Black
Ms. Eleanor Bosserman
Ms. Pat Conklin
Mr. Patrick Early
Mr. Thomas Fogarty
Mr. George Franklin, Jr.
Ms. Barbara Hutchinson
Mr. David Morrison
Ms. Meredith Tulli
Ms. Patricia Verdon
Mr. Ronald Young

Guests: Mr. Chris Seitz, Coldwell Banker

Minutes

The minutes of the May 28, 2008 Board of Trustees Finance Committee meeting were reviewed and approved.

Resolutions

The following resolutions were approved: 1) Purchase and installation of an external emergency mass notification system for the Harrisburg and Lancaster Campuses; 2) Purchase of Fall 2008 Noncredit Community Education tabloids for all campuses; 3) Purchase and installation of a spray booth for the Cabinetry Program at the Midtown II Center; 4) Contract for Whitaker Hall electrical upgrades; and 5) Contract for residential property demolition at the Lancaster Campus.

The resolution regarding the contract for roof replacement at the Gettysburg Campus was reviewed and approved. It was noted that only one contractor submitted a bid. Contractors are very busy with secondary schools right now, so most of them couldn't meet our schedule, Mr. Schell explained. The resolution regarding course fees was reviewed and approved. We are having a hard time hiring instructors for several of the clinical classes, so we have raised the fees to offset the increase in salaries, Mr. Young noted.

The following additional resolutions were also approved: 1) Acceptance of a circuit rider grant to provide job seeking skills at Southcentral WIB careerlinks; 2) Acceptance of American Masterpieces grant from Mid Atlantic Arts Foundation; 3) Acceptance of FIPSE grant from the United States Department of Education; 4) Gifts-In-Kind; and 5) Gifts and scholarships.

Mr. Franklin discussed the report of revenues and expenditures for May 31, 2008, including explanations of various variances. If our projections hold true, each one of the financial statements have met budget or are better than budget.

Summary of Investments

Mr. Franklin and Ms. Hutchinson discussed the summary of investments for the quarter ending June 30, 2008. We have started to provide investment dollars to the banks and financial institutions who submitted proposals. \$8MM was liquidated and went to Fulton, Centric, and Susquehanna Bank. The other \$10MM that came out of Commerce Depository Investment was transferred over for use in our operations, Ms. Hutchinson explained. We had to liquidate \$1.5MM from the plant fund to use for the Lancaster prepayment associated with the arbitration agreement. Ms. Hutchinson did go out to all nine financial institutions, but only Fulton, Centric, and Susquehanna responded.

A cash flow analysis is being prepared for Harrisburg operating and plant fund. At least \$20MM, maybe more, will be going out for the longer term. In our current investment policy, there is no ability to go out and invest in stocks, etc., like the Foundation can do, Mr. Franklin explained. If the cash flow analysis indicates that we don't need these funds for liquidity purposes, we should be realizing more than a 2% return, Mr. Burrows stated. We are at the point that we can manage investments for a longer term. Mr. Franklin will review the current investment policy to see if that's doable—if it prohibits us from doing it, then the Board will need to change the policy.

York Campus Acquisition

The Buildings and Grounds Committee suggested that the Finance Committee review the financials for the York Campus acquisition. Mr. Schell gave a brief synopsis of the happenings at York. Several weeks ago Buildings and Grounds and several other trustees visited the York area to look at the available properties, and Mr. Chris Seitz gave a tour and an overview of some of the options. After the morning tour, the direction of the Buildings and Grounds Committee was that the York Campus is in the best location right now, and if at all possible, we would like to grow from our existing location and try to control our own destiny, Mr. Schell explained further.

We have also been in long term negotiations with our landlord, Sheldon Gross, and we are at the point now that we don't believe we can push him any further, Mr. Schell explained. The Buildings and Grounds Committee felt that it would be in the best interest of the College to buy Mr. Gross out and secure a bond issue with low term interest. The only other caveat in conjunction with buying him out is that we also want to get under an option agreement with the seven acres that are adjacent to our property, which is currently owned by an excavating company who is looking to relocate. On the other side of the excavating company at the corner there is a smaller property available that we would also like to secure, Mr. Schell explained further.

From a strategic standpoint, the Buildings and Grounds Committee recommended that the current location is where the York Campus should build its base and grow from. If we are going to look at any other property or location for a satellite office, we can look at downtown York, but it isn't on our immediate horizon, Mr. Schell explained further. The immediate needs are to get additional space in the building that we are in. We are already at 2,000 students for Fall enrollment.

The feeling of the Buildings and Grounds Committee felt that this gives the College an opportunity to incrementally match the physical plant with the growth of the enrollment in a very pragmatic way by taking one step at a time. We also won't have to put a large amount of money out to build a campus somewhere else, Mr. Richey explained. This is the more conservative approach.

Initially, we offered Mr. Gross \$12.5MM for the building, but he wants \$16MM. It all boils down to his tax issues. He's willing to give us a lower purchase price as long as he can complete an installment sales contract and knock his capital gain out 20 years or give us a higher amount and cash him out now where he can cover his capital gain, Mr. Richey explained. Even though we are using his offer of \$16MM, it is

still cheaper for us over the 20 year amortization, Mr. Schell added. The Finance Committee was in agreement to move forward with this proposal; however, we need to get some kind of option on the adjacent properties first before we make an offer to Mr. Gross. Mr. Seitz will follow-up.

Mr. Franklin asked whether or not we should act on CINTAS. CINTAS is across the street, so if we can get the other two contiguous properties under control, then CINTAS isn't as important, Mr. Schell explained. We could put them under a no cost option contract for 90-120 days, but right now our contiguous properties are more advantageous to us at this time, he explained further.

Dr. Baehre suggested someone contact representative Depasquale who put the RCAP money out there for the College to use in York. He may be willing to let us use the money for the purchase. We could indicate that probably in 3-5 years we would have a downtown site, so he may be persuaded to let us use the money since the growth is there, Dr, Baehre noted.

Other Information

The revised master sponsorship agreement with the school districts is with the College's solicitor for review. Once the agreement is finalized, Dr. Baehre will send it out to the superintendent liaison group. The new sponsorship agreement is in place and the billing is at the 2007-08 enrollment and tuition level, but the school districts wanted a master agreement that better defines the relationship between the College and the school districts.