

HARRISBURG AREA COMMUNITY COLLEGE

Finance Committee – Board of Trustees

Wednesday, September 30, 2009, 12 PM – Blocker Hall, Room 106

SUMMARY

Present:

Committee Members:

Mr. Terry Burrows
Mr. Frank Conte
Mr. Dan Delaney (via telephone)
Mr. Tom Richey
Mr. Mark Whitmoyer (via telephone)

Guests:

Ms. Jamie Doyle, PFM
Mr. Sudhir Kondisetty, RSM McGladrey, Inc.
Mr. Marc Kurowski, K&W Engineers/Consultants
Ms. Lisa Myers, Boyer & Ritter
Mr. Doug Rohrbaugh, Crabtree, Rohrbaugh & Associates
Mr. Jeff Shyk, K&W Engineers/Consultants
Mr. Jeff Straub, Crabtree, Rohrbaugh & Associates
Mr. Matthew Wildasin, Boyer & Ritter

HACC Staff:

Dr. Edna V. Baehre
Dr. Winnie Black
Ms. Eleanor Bosserman
Ms. Pat Conklin
Ms. Kathy Doherty
Mr. Patrick Early
Mr. John Eberly
Mr. Thomas Fogarty
Mr. George A. Franklin, Jr.
Ms. Barbara Hutchinson
Dr. Kathleen Kramer
Mr. Andrew Morrow
Mr. Jerry Ozog
Mr. Tom Powers
Ms. Gretchen Ramsey
Ms. Nancy Rockey
Mr. Stuart Savin (via telephone)
Ms. Meredith Tulli
Ms. Pat Verdon
Mr. Ron Young
Mr. Mark Zimmerman

Mr. Burrows called the meeting to order at 12:00pm. The Committee discussed the following:

Presentation:

Representatives from RSM McGladrey and Boyer & Ritter discussed the internal audit report on network external penetration testing, which was distributed to the Committee. There were 69 findings. Of that, 7 were rated high, 40 medium, and 22 low. As of September 22nd, all but 4 findings have been remediated. A follow-up will be done to confirm that all issues have been remediated. Mr. Burrows felt that this was a good first report. If there are significant risks not addressed in the future, the Trustees should be informed, he noted.

Discussion Items

Bond Financing for Projects in Calendar Years 2009 and 2010: There is a new program available to the College that provides bank qualified bond issuances. Ms. Jamie Doyle from PFM updated the Committee on the bond financing projects. Long term fixed municipal interest rates have been steadily declining over the past five weeks, so it's a good time to think about bond financing. A stimulus package was passed that allows the College to issue bank qualified bonds in 2009 and 2010. There is a limit of \$30MM per year. Since the College issued \$17,390,000 in May 2009 to refund an outstanding bank loan, the College can only issue \$12,610,000 bank qualified bonds this year as long as settlement is by December 31, 2009. In 2010, the College will be able to issue another \$30MM, if needed. If the State budget impasse would continue and we would need it, we would look to do it at a taxable rate so that it doesn't use up the \$30MM. We would want to use the \$30MM on long term financing rather than short term financing. According to Standard & Poors (S&P), the College's debt burden is measured by comparing the maximum annual debt service to annual operating expenses. S&P thresholds are that if the

ratio is 10%, its considered to be excessive debt burden; and if 7 %, its considered moderately high. Ms. Doyle discussed this with S&P yesterday and they reiterated that they look at growth, but the fact that the state pays 50% of debt service is a huge mitigating factor since it shows up on the income statement, so they look at that as well. Mr. Burrows was concerned about the College's debt burden and suggested waiting for revised leverage ratios before issuing additional bonds, but the overall Committee felt that it was an opportune time to issue bonds with the current bank support and historical low rates. A debt principal pay down schedule for the next 10 years will be distributed to the Committee as well as revised leverage ratios prior to the Board meeting next Tuesday.

The updated cash flow estimate for FY 2009 was reviewed by the Committee.

John J. Shumaker Public Safety Center Master Plan and Business Plan: Ms. Nancy Rockey and Ms. Cindy Reiner presented the John J. Shumaker Public Safety Center master plan and business plan to the Committee. Ms. Reiner reviewed the highlights of the business plan. Representatives from Crabtree, Rohrbaugh & Associates discussed the master plan in detail and distributed the entire project to the Trustees for review. They focused on four different areas: safety, capacity, technology, and revenue. The master plan is a four phase project that will span a 15-20 year period. The total cost of the project is approximately \$50MM; however, we are only looking at Phase I. The total cost for Phase I, Option B is \$14.3MM. Ms. Gretchen Ramsey discussed fundraising for the project. They anticipate raising \$4MM for Phase I. They already have a \$1.7MM endowment in the Foundation, but they are trying not to touch the funds; however, any operating expenses that may go over can be taken from this endowment. The fundraising efforts will target government agencies, foundation, corporate partners, and PSC partners. As mentioned at the Buildings & Grounds Committee, several Committee members felt that the pedestrian walkway/bridge from the Evans Gym to the Public Safety Center should be included in Phase I rather than delaying the walkway until a later phase. They felt that the walkway would tie everything together. The Committee reiterated that they would like to see the principal pay down schedule for the next 10 years. If the leverage ratio drops in the next few years, the Committee would feel more comfortable taking on more debt.

Lebanon Campus First Floor Renovation Business Plan: Dr. Kathy Kramer and Ms. Pat Verdon presented the Lebanon Campus first floor renovation business plan. Dr. Kramer reviewed the highlights of the business plan. They are trying to increase security and provide accessibility. Renovations would include adding a security station in the lobby to provide an increased security presence; enhance the student affairs area to be more in line with the Welcome Center model that will be used at all campuses; increase accessibility according to ADA standards; relocating the bookstore to the multi-purpose room which would free up space to offer a classroom for a trades program; and expand the student area with accessibility from the second floor. The total cost of the project is \$3.15MM; however, the bond issue would be for \$2.74MM with the difference being funded from auxiliary services' existing fund balance. The financials were put together with no state funding anticipated for the first five years.

Proposed Changes to Purchasing Policy and Administrative Procedures: Mr. Franklin was asked to review the purchasing policy and administrative procedures. We do have processes in place, and to make an exception to that when we have a good process in place concerns me, Mr. Franklin stated. We need to develop a similar document to that of the sole source document that deals with independent contractors. Mr. Franklin is very comfortable with the financial and administrative controls as far as signing financial contracts, etc. There are also external and internal audits as a cross check.

Action Items

The Committee recommended that the following resolutions go to the Board for approval: Please note that resolutions involving construction, renovations and custodial services were also reviewed by the Buildings and Grounds Committee on September 28, 2009 and were also recommended to go to the Board for approval.

- **2009 Series A Bond Issuance** in the amount of \$12,610,000 to fund renovation of the first floor of the Lebanon Campus and related furniture, fixtures, and equipment; the

Harrisburg Campus, Campus Square Building leasehold improvements and furniture, fixtures, and equipment; miscellaneous capital projects and infrastructure renovations and improvements at the Harrisburg Campus Wildwood site; and to pay issuance costs in connection with the bonds.

- **Annual Contract for the Printing and Processing of Credit Tabloids for the Gettysburg and York Campuses** with Envision for the low bid of \$53,001.00.
- **Contract for Repair and Resurfacing Drives and Parking Lots at the Gettysburg Campus** with Kimbob, Inc. for the low bid of \$398,861.55. This may be tabled prior to the Board meeting depending on whether Kimbob can commit to this project within a certain timeframe.
- **Annual Contract for the Printing and Processing of Mailers and Postcards for the Harrisburg, Lancaster, and Lebanon Campuses** with Envision for the low bid of \$60,144.00.
- **Single Prime Contract/Fit Out for Leasehold Improvements at the Campus Square Building** with McCoy Brothers, Inc. for the low bid of \$849,000.00.
- **Purchase and Installation of Furniture at the York Campus** with Douron, Inc. for the low bid of \$240,305.77.
- **Course Fees** for the Fall 2010 term.
- **Lease of College Desktop Computers, Monitors, and Laptops** with Dell Financial Services, LLC for the total payout of \$1,350,903.07.
- **Contract for Professional Design Services for Repairs to the Swimming Pool at the Evans Physical Education Center at the Harrisburg Campus** with Johnson, Mirmiran & Thompson for \$62,000.00.
- **Two (2) Year Contract for Duplicating Services at All HACC Campuses** with Higher Information Group for the low bid of \$0.0179 per copy. This may be tabled prior to the Board meeting.
- **Acceptance of the Public Safety Master Plan and Authorization to Implement Phase I, Option B, of the Master Plan** as prepared by the Crabtree, Rohrbaugh and Associates master plan team.
- **Two-hundred and twenty scholarships** for our students were accepted.
- **Report of Revenues and Expenditures for June 30, 2009, July 31, 2009, and August 31, 2009** were reviewed.

Executive Session: There may be possible litigation with the Carlisle School District regarding their revoking certificates of residency of their residents after issuance. Our attorney is working with their attorney and hopefully this will be resolved without going to litigation. The Committee also reviewed the acquisition of the Feerrar Property in Lancaster. The Committee decided to complete a title search and offer the seller \$580,000 for the property.