

MASSACHUSETTS BAY COMMUNITY COLLEGE BOARD OF TRUSTEES

Minutes of the January 26, 2021, Finance, Compliance, Personnel, & Audit Committee meeting – Webex Meeting – Facebook Livestream at massbay.edu

Committee members participating: Diane Schmalensee, Chair; Tom Peisch, Vice Chair; Tim Clifford; Matthew Kahn; Dune Thorne.

Staff members participating: David Podell, President; Neil Buckley, Vice President for Finance & Administration; Marcus Edward, Assistant Vice President for Finance & Administration; Lynn Hunter, Vice President for Academic Affairs and Provost; Courtney Jackson, Vice President for Institutional Effectiveness and Strategic Initiatives; Lauren Curley, Director of Procurement and Business Operations; Jeremy Solomon, Interim Director of Marketing and Institutional Communications; Deborah Georgopoulos, Executive Assistant for Finance & Administration.

Controller Steve Baccari, and Executive Director Samaria Stallings were unable to attend the meeting.

Call to Order and Approval of Prior Meeting Minutes –Committee Chair Diane Schmalensee confirmed quorum and called the meeting to order at 8:00 a.m. Ms. Schmalensee asked for the review of the prior committee meeting minutes. (Item 1).

MOTION: Trustee Dune Thorne made the motion to approve the minutes of the October 27, 2020, Committee meeting as presented. Trustee Tim Clifford seconded. Motion passed unanimously.

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

FINANCE ITEMS

- **FY2021 Budget vs. Actual Comparison Report (Item 2)**

President Podell noted that this report reflects current information. The College is doing significantly better than expected. Spring enrollment is down 14.4% in FTE and 10.4% in headcount, slightly lower than budgeted. Additionally, the state appropriation is better than anticipated. Revisions to the provisional FY2021 budget will be presented. The College will incur some large expenses this fiscal year, including weekly COVID testing for students and employees who come to the campus regularly for classes and essential work. The cost will be \$350K for the spring semester, and has been impact bargained with the unions. In addition to COVID testing, \$50K has been allocated to the textbook fund to help alleviate students' financial distress. The President advised the Committee that any spending we engage in this year is not for recurring expenses. It is hoped that COVID testing will not be necessary in the fall, although the vaccine rollout has been slow in Massachusetts. President Podell cautioned that FY2022 and FY2023 are less certain in terms of the College's finances.

Vice President Neil Buckley presented the report. The December (three-year average) budget to actual report shows a favorable variance of approximately \$289,000. The variance is due to better performance on expenses when compared to budget.

The Vice President noted that for FY2021, the College is in a very good position considering the circumstances. The revised budget that will be presented is not final and still very fluid. A final budget will be presented at the next meeting. Three phases of CARES Grant Act Funding are being or have been allocated to the College. (For simplification, they will be titled CARES I; CARES II; and CARES III).

- This fiscal year, the College received “CARES I”: \$976K for Operations, nearly \$900K for students. Most of those funds have been expended.
- In late December, nearly \$3.9M of “CARES II” was passed by the Congress: \$900K for students, \$3M for the College. The College has not received the funds or any guidelines yet, other than there will be fewer restrictions when compared to CARES I and the funding can be spent through December 31, 2021 (i.e., FY2021 and FY2022).
- The new federal administration has proposed “CARES III” which can be spent in FY2023. The specifics of this round of federal funding are unknown at this time.
- In terms of the provisional budget, we are right on target.

MOTION: Trustee Matt Kahn made the motion to accept the FY2021 Budget vs. Actual Report and recommend approval to the Full Board. Trustee Tom Peisch seconded. Motion passed unanimously

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

- **Revisions to the FY2021 Provisional Budget (Item 2a)**

Vice President Neil Buckley presented the report. The revised budget is based on a 12% decline in enrollment across the academic year, while the original board approved budget was based on a 15% decline in enrollment.

In terms of state maintenance appropriation, the predicted 10% decline did not occur. The Governor proposed and the legislature approved \$1.784M more in our state appropriation.

Notable revisions include:

- Decline in the Adjunct Faculty line due to the deliberate reduction in the class offerings for the Spring semester.
- An increase in part-time/stipends due to stipends paid to faculty for online learning training and course reductions.
- A decrease in Local Fringe payments as a result of the increase in the state appropriation.
- An increase in Administrative Expenses for COVID testing.
- A decrease in Energy Costs/Facilities Rental as a result of the College operating remotely.
- Student transportation decreased as a result of remote learning.
- Maintenance/Construction costs decreased as a result of remote learning.
- The Capital Budget increased due to the timing of additional capital projects scheduled to take advantage of the College conducting business mainly remotely.

Vice President Buckley reported that today we are projecting that we will end the year with a \$2.8M surplus. In 2013, the College’s reserve was \$1.7M. Today it is nearly \$22M. The Committee discussed the fiduciary responsibility to balance the need for reserves with the need to spend. The College recognizes that we should be respectful of the current students, but must be responsible custodians of the fund for future students. We know enrollment is projected to drop between now and 2025.

Assistant Vice President Marcus Edward noted that there are a number of community colleges who have larger reserves than MassBay does.

MOTION: Trustee Tom Peisch made the motion to accept the revisions to the FY2021 Provisional Budget and recommend approval to the Full Board for consideration at their next meeting. Trustee Dune Thorne seconded. Motion passed unanimously

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

- **Enrollment Comparison Report (Item 3)**

Vice President Neil Buckley presented the report which shows Massachusetts Community College credits sold by fiscal year over five years (2015, 2017, 2020). MassBay shows a 22% decline over the past 5 years, slightly better than the 23% average. President Podell reminded the Committee that EY Parthenon was brought in to look at the financial viability of all public colleges, including state universities. It is notable that some of the schools are very small in size to begin with yet require the same level of support.

- **Student Accounts Receivable and Cash Report (Item 4)**

Vice President Neil Buckley presented the report as of December 31, 2020 (Item 4).

The College is doing very well collecting student accounts. The report shows receivables are down by 7% over last year at this time. EY Parthenon has predicted students will be late deciders. The cash position as of December 31, 2020, is over \$2.3M more than it was a year ago.

- **Cash Position by Month (Item 5)**

Vice President Neil Buckley presented the report as of December 31, 2020 (Item 5).

The Vice President noted that students are paying their bills at the last possible minute and registering later. The graph indicates that from October to November of every year we typically have a decline. The decline is happening later this year.

A discussion ensued regarding cash and how and if we should be investing some of the reserve. The College has an investment policy but has not implemented it. The topic will be added to the next Committee Agenda to allow for a more robust discussion. It was noted that Putnam Investments were brought in to discuss investments, and selection of an investment firm could be included in the discussion.

- **Contracts Report (Item 6)**

Vice President Neil Buckley presented the report.

The new elevator and the HVAC rooftop unit replacement will be funded by the state and will be completed in 2021. Two marketing contracts are with vendors we have used previously and are within the budget. The final contract is for the COVID testing which had been previously discussed and is in the revised budget.

- **Reconciliation of Board Reports to Audited Financial Statements (Item 7)**

Vice President Buckley provided a reconciliation report to the Committee. Assistant Vice President Marcus Edward clarified the differences between the monthly reports and the financial statements.

- The largest difference on the expense side was in fringe benefits that are covered by the state Scholarships and Fellowships (student refunds) and grant expenses also contribute to the variance. Depreciation is recorded in financials and not budget to actual reports. The largest difference on the

revenue side is grant revenue. Scholarship allowance (student aid net of student refunds) and fringe benefits that are covered by the state also contribute to the variance.

- **Preliminary Review of Purchasing Guidelines (Item 8)**

President Podell noted that these guidelines were approved not that long ago, however Trustee training recommends periodical review.

Director of Procurement and Business Operations Lauren Cooney reported that goal of the Procurement Policy is to present the very complex topic of public procurement in a straightforward and easy to understand format. The Procurement Policy covers such topics as Local Fund Guidelines, College Credit Card Policy and Procedures, and Employees vs. Independent Contractors Policy. Additionally, it addresses surplus property and how to properly dispose of equipment, state contracts, quotes, and the bidding processes. The Procurement Team monitors purchases and ensures policies and procedures are followed, oversees supplies and centralized purchases, and maintains strict ethical conduct.

Tom Peisch suggested that this topic be added to the Board Agenda as part of the Finance Committee's Report where it would be noted that the Committee considered and talked about it and are satisfied with it.

- **Preliminary Review of Ratio Analysis (Item 9)**

Vice President Buckley presented the Ratio Analysis provided by the College's auditors, O'Connor & Drew, who audit all 15 community colleges in Massachusetts, as well as seven of the nine state universities. The institutions are not identified in the document, but Principal Dave DiIulis will be invited to a future meeting to report on the ratios and identify the other institutions. MassBay is identified as number 15 in the charts.

The analysis is based on four ratios used by the US Department of Education: Primary Reserve, Viability Ratio, Net Operating Revenues, and Return on Net Position. The Composite Ratio measures the combination of the previous four ratios into a single score. Notably, MassBay Community College scored number 1 on the Composite Score which includes GASB 68 and 75 (with pension liability and post retirement added in). This is the toughest ratio as it is a combination of the four other ratios.

Vice President Buckley reported that at the joint meeting of the Community and State College CFOs, EY Parthenon identified 4 community colleges and 4 state colleges at risk based on liquidity. MassBay is not one of them.

COMPLIANCE ITEMS

- Vice President Jackson presented the report for information. The Compliance Committee has continued to meet to identify an inventory of risks. Thirteen reporting requirements have been submitted on time. Trustee Peisch noted that this reflects a dramatic improvement in compliance.

PERSONNEL ITEMS

- **Personnel Actions Report (Item 7)**
President Podell presented the report for informational purposes.
- **Recruitment Report (Item 8)**
President Podell presented the report for informational purposes.
The College is recruiting for the following positions: Director of Financial Aid, Dean of Automotive Technology, Biology faculty.

President Podell reported that the search for Massachusetts Association of Community Colleges (MACC) Executive Director is being conducted out of MassBay. President Podell is chairing the search committee which includes four other college presidents.

ADJOURNMENT

MOTION: Trustee Tim Clifford moved to adjourn the meeting, seconded by Trustee Tom Peisch.

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

Chair Schmalensee adjourned the meeting at 9:36 a.m.

Board of Trustees Meeting scheduled February 2, 2021.

Finance, Compliance, Personnel & Audit Committee Meeting scheduled February 23, 2021.

Diane H Schmalensee 5/26/21
Diane Schmalensee Date
Committee Chair
Board of Trustees

 6/17/2021

David Podell Date
President
Massachusetts Bay Community College