

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, September 19, 2012 – 9:00 A.M.**

Present: Mr. Jeremiah White, presiding; Mr. Matthew Bergheiser, Ms. Varsopia Fernandez (*via* teleconference); Mr. Gil Wetzel, Dr. Stephen M. Curtis, Dr. Thomas R. Hawk, Mr. Gary Bixby, Mr. Todd Murphy, and Mr. James P. Spiewak

AGENDA – PUBLIC SESSION

(1) Authorize Offsetting Change Orders for Roof Opening Efforts - \$106,765 (Action Item):

Discussion: The Bonnell Building renovation project required openings to be cut through the roof of the Bonnell Building for smoke exhaust ventilation. The scope of the work included: temporary shoring, cutting of the waffle slab, removal and disposal of the concrete, formwork reinforcing steel work, concrete beam infill work and any required roof removal and roof patching. Despite the clear requirement to perform these tasks within their contract, the primary contractor responsible for this effort (Surety Mechanical) elected to not perform this work arguing that it was outside the scope of their core functions.

As a result, CCP, within its rights of the contract between CCP and Surety, identified and hired an alternate contractor, Anthony Biddle, to undertake this effort. The work has been successfully completed by Anthony Biddle. In order to stay on schedule, this work occurred in the late summer 2012 time period.

Action: Mr. Wetzel moved and Mr. Bergheiser seconded the motion that the Committee recommend to the full Board the authorization of the change order to Anthony Biddle for the amount of \$106,765, and the negative change order (back-charge) to Surety Mechanical. The motion passed unanimously.

(2) Authorize the CCP Directed Change Order #026 to Surety Mechanical for the Amount of \$66,521 (Action Item):

Discussion: Over the course of the Mint Building Ground Floor renovations, several changes were determined to be necessary to the design of the new suite of space which will support security operations. The physical space was redesigned to facilitate current staffing patterns and expanded use of technology. The space and equipment reconfiguration required modifications to the HVAC systems. The cost of the modifications is \$66,521. Funding for this change order is available within the approved project budget. The work will be performed by the on-site contractor, Surety Mechanical.

Action: Mr. Bergheiser moved and Mr. Wetzel seconded the motion that the Committee recommend to the full Board the approval of the change order to Surety Mechanical in the amount of \$66,521. The motion passed unanimously.

(3) Update on Construction Projects (Information Item):

Mr. Bixby briefly summarized progress since the last meeting of the Committee on the Main Campus construction projects. Substantial completion of the Bonnell and Mint Ground floor projects is expected to be achieved by mid-October. The Bonnell Building 17th Street entrance was put back in use for the start of the fall, 2012 term after being closed for the last year. However, portions of the Bonnell ground floor are still under construction and closed to students. Efforts are underway to complete the landscape plan for both sides of 17th Street.

Submissions for LEED certification are complete for the Northeast Regional Center and underway for the Pavilion Building. Both projects are expected to receive gold-level certification. Mr. Wetzel noted that this was an important achievement and should be given some publicity.

The Committee was also updated on the steps being taken to resolve issues associated with two contractors' performances.

(4) 2011-12 Final Budget Results (Information Item):

Dr. Hawk and Mr. Spiewak provided an overview of the College's budget results for fiscal year 2011-12. The results were favorable. The College began the year with a projected use of carry-over funds in the amount of \$2.4 million. Based upon tight budget management throughout the year, the budget year ended with a surplus of \$100,502.

Credit enrollments for the year were 2 percent lower than budgeted. The largest decrease from the budgeted level occurred in summer I 2012. Two factors impacted enrollments in summer I: (1) the new Pell regulations which resulted in some students losing eligibility to receive Pell; and (2) the elimination of the second Pell program which, in summer 2011, provided students who had used up all of their Pell funding in the fall and spring terms an opportunity to enroll with a second Pell grant for the summer.

Mr. Spiewak reviewed the areas where revenue and expense deviations were greatest from the original budgeted amounts. For the most part, the patterns were similar to those that were described to the Committee at its last review of the budget in May 2012. Both State and City funding for the year were very close to the levels assumed at the time the 2011-12 budget was prepared. Student revenues were below budget projections based upon the lower-than-budgeted student credit enrollments. The net contributions from non-credit instruction was approximately \$300,000 less than budgeted based upon lower levels of activity than originally anticipated. Tuition offset adjustments were slightly higher than anticipated due primarily to higher-than-projected enrollments in free or tuition discounted programs such as Opportunity Now, MyDegree Now, and the City Employee Training Program. Investment income was \$342,000 greater than budgeted based upon significant unit value appreciation which occurred in the College's longer-term fixed-income investment strategies. Dr. Hawk noted that the decision to place \$10 million of core cash with TIAA-CREF for investment management had proved to be a good decision. The rate of return on that portion of the portfolio outpaced the rates achieved by the Commonfund Intermediate and Multi-Strategy Bond Funds.

Overall, revenues were approximately \$1.7 million less than originally budgeted due primarily to the lower tuition and fee revenues.

In order to control expenditures for the year, as the small drop in enrollments became apparent administrative and classified position freezes were put in place at mid-year. As a result, salary expenditures for full-time administrative, classified and confidential employees were \$340,000 less than budgeted. Because of the need to meet ratio requirements in the faculty contract, full-time faculty salaries were slightly higher than originally budgeted. Part-time salaries in all categories were moderately lower than originally budgeted. Early retirement incentive payments were \$242,000 lower than budgeted since a lower-than-anticipated number of employees elected to take advantage of the retirement incentive in 2011-12. Fringe benefit costs were \$1.9 million less than originally budgeted. The largest factors contributing to this were lower-than-actuarial estimates for the College's self-insured medical plan and a significant drop in the unused vacation expense accrual. Compared to prior years, fewer employees kept their vacation banks at the maximum allowed.

Facility expenditures were \$588,000 less than budgeted. This was due primarily to significant savings which occurred in both electricity and natural gas. These savings reflect the major green initiatives that the College has undertaken as part of the recent construction projects, as well as the warm winter which resulted in reduced natural gas costs. In other expense areas, the budget containment strategies in place throughout the year resulted in significant savings from the levels originally budgeted across a wide range of cost center budgets and expense categories. Overall, expenditures were \$4.7 million less than originally budgeted.

(5) Significant Changes – 2012 Financial Statements (Information Item):

The 2012 Financial Statements are scheduled to be presented to the Board's Audit Committee on September 25, 2012. Staff presented a summary of the key changes in assets, liabilities and net assets which will be reported in the 2011-12 Financial Statements, and explained the factors that resulted in the larger year-to-year changes in the College's financial accounts. Attachment A contains the handout used by staff in making the presentation. Reasons for changes in accounts are provided in the attachment.

The largest changes are: an increase in the College's capital assets of \$12.5 million due to the completion of the construction on the Main Campus; a decrease in the College's long-term debt from \$97.0 million to \$90.2 million as a result of 2011-12 debt payments; and an increase in the "Other Post-Employment Benefit" accrual in the amount of \$7.6 million. The post-retirement benefit accrual was discussed in detail at the June 2012 Business Affairs Committee meeting. It reflects an actuarial estimate of the dollars required to fund the post-retirement healthcare benefit for current employees and future retirees. This reporting requirement has been in place for four years. As of June 30, 2012, there is an accrued liability on the College's financial statements in the amount of \$30.2 million. As a result of the requirement to record this \$7.6 million expense, the College's net asset decreased by \$2.76 million. Prior to the impact of the accrual, the College's net assets increased by \$4.85 million.

The 2011-12 Financial Statements will be included in the October 4, 2012 Board meeting materials and are an integral part of these minutes.

(6) Next Meeting Date

The next regularly scheduled meeting of the Committee will occur on Wednesday, October 24, 2012 at 9:00 A.M.

TRH/lm
Attachments
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ATTACHMENT A

**COMMUNITY COLLEGE OF PHILADELPHIA
STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012
KEY VARIANCES IN GENERAL LEDGER ACCOUNTS**

Community College of Philadelphia
Statement of Net Assets for the Year Ended June 30, 2012
Key Variances in General Ledger Accounts

	6/30/2012	6/30/2011	Variance	
ASSETS:				
Cash and cash Equivalents	11,562,871	13,671,678	(2,108,807)	
Short Term Investments	12,253,159	9,116,339	3,136,820	
				2011 Funds were temporarily withdrawn from the Intermediate fund due to timing of receipt of State and City Appropriations.
Sub-Total	23,816,030	22,788,017	1,028,013	
Long Term Investments	15,782,209	15,080,777	701,432	Unit value increase from TIAA-CREF & Bond Fund Investments.
Capital Assets	179,484,523	166,988,454	12,496,069	Pavilion Construction Completion.
Accounts Receivable				
Tuition and Fee Receivable	4,692,876	4,314,942	377,934	Reflects tuition increase.
Grants Receivable	6,441	135,275	(128,834)	Decrease in Grants receivable. 9 Grants versus 6 in 2012.
Other Receivable	1,530,606	1,705,870	(175,264)	Decrease in vendor receivables. Barnes & Noble, Park It, American Federation of Teachers & Bond reimbursements.
Receivable from Foundation	191,938	157,978	33,960	
Sub-Total	6,421,861	6,314,065	107,796	
Allowance for Doubtful Accounts	(2,441,993)	(1,826,279)	(615,714)	
Total	3,979,868	4,487,786	(507,918)	
Receivable from Government Agencies				
State Grants and Special Projects	341,683	348,232	(6,549)	
PHEAA Grants	6,209	1,441	4,768	
City of Philadelphia - School Dist.	423,235	678,295	(255,060)	Reduction in Receivable from the Philadelphia School district (Gateway & Parent University)
Federal Financial Aid	226,064	33,491	192,573	Increase in receivable from Financial Aid Programs. (SEOG, Direct Loan, Work Study & Job Corp.)
Federal Grants and Special Projects	1,611,329	969,932	641,397	Increase in receivable from Federal Grants. Mainly due to timing of draw down from the TAACCCT Grant.
Total	2,608,520	2,031,391	577,129	

Community College of Philadelphia

Statement of Net Assets for the Year Ended June 30, 2012

Key Variances in General Ledger Accounts

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	
<u>LIABILITIES:</u>				
<u>Accounts payable & Accrued Liabilities</u>				
Vendors and Others	6,163,431	6,809,869	(646,438)	Accounts payable accruals decreased. Less dollars owed to vendors at June 30th.
Accrued Salaries	2,876,364	3,044,490	(168,126)	Payroll accrual decreased from prior year. More payroll was expensed in 2012 which decreased the Salary Accrual. Mainly due to timing of the last pay date in the fiscal year.
Accrued Benefits	2,198,328	1,950,202	248,126	Increased Employee Benefit Claims.
Compensated Absences	3,174,843	3,245,381	(70,538)	Value of Accrued Vacation Time. Leave time usage increased.
Retirement Incentive Payments	566,178	643,994	(77,816)	Fewer college retirees due incentive payments.
Payroll Withholding Taxes	118,315	-	118,315	Payroll taxes accrued on June 30th for part-time employees.
Accrued Interest Expense	373,253	404,207	(30,954)	Debt Service Interest Expense decreased.
Total	15,470,712	16,098,143	(627,431)	
<u>Payable to Government Agencies</u>				
Commonwealth of Pennsylvania (Due to the State)	79,599	80,891	(1,292)	Due to State for excess lease payments.
State Grants and Special Projects		-	-	
PHEAA Grants	2,338,993	731,722	1,607,271	Fewer PHEAA dollars were awarded than anticipated.
Perkins Loans	-	29,675	(29,675)	All Loans assigned to Department of Education as of June 30th.
Federal Perkins Loans	-	267,075	(267,075)	All Loans assigned to Department of Education as of June 30th.
Federal Financial Aid	131	2,167	(2,036)	Prior year Pell adjustment.
Total	2,418,723	1,111,530	1,307,193	
Capital Lease Obligation	7,179,616	5,679,277	1,500,339	Increase in this years Capital Leases due to upgraded CISCO Equipment.
Long Term Debt	90,220,973	97,023,020	(6,802,047)	Reduction of Long Term Debt.
Other Post-Employment Benefits GASB 45	30,225,327	22,614,325	7,611,002	Actuarial Calculation Completed Every 2 yrs. Post Retirement Benefit Expense for 2012.

Community College of Philadelphia
Statement of Net Assets for the Year Ended June 30, 2012
Key Variances in General Ledger Accounts

	6/30/2012	6/30/2011	<u>Variance</u>	
<u>Fund Balances</u>				
Unrestricted	100,502	7,609,166	(7,508,664)	Decrease due to GASB 45 expense and \$500K excess surplus moved to the Plant Fund for future landscape expenses.
Quasi Endowment	1,914,234	1,743,728	170,506	Revenue greater than Student Activity Expenditures for the year.
<u>Plant Fund:</u>				
Net Invested in Capital Assets	86,330,902	80,136,789	6,194,113	Increase due to the Main campus Pavilion Construction and Capital Leases.
Restricted Net Assets	1,364,726	730,624	634,102	Increase due to 2/3 City Garage Proceeds transferred to the Plant Fund for garage renovations. \$500K excess surplus moved to the Plant Fund for future landscape expenses.
				Note: Restricted Net Assets includes Remaining Proceeds of 1809 Spring Garden Street.
				Remaining Proceeds from the 2007 Refinancing of the 98 & 01 Bonds.
				Accumulated Interest earned on Bond proceeds.
Unrestricted	<u>(6,567,991)</u>	<u>(4,317,168)</u>	<u>(2,250,823)</u>	Purchase of 430-440 N. 15th Street (\$5.8 million purchase) and unfunded depreciation operational expense.
Sub-Total	81,127,637	76,550,245	4,577,392	
Total Net Assets	83,142,373	85,903,139	(2,760,766)	Net change for the Fiscal Year which Includes GASB 45.