

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, November 19, 2014 – 9:00 A.M.**

TO: Business Affairs Committee of the Board of Trustees
FROM: James P. Spiewak
DATE: November 14, 2014
SUBJECT: Committee Meeting

A meeting of the Business Affairs Committee of the Board of Trustees will be held on **Wednesday, November 19, 2014 at 9:00 A.M.** in the College's **Isadore A. Shrager Boardroom, M2-1**. For those of you who are using the conference bridge, the following is the dial-in information: **Dial-in Number: 1-888-675-6779; Participant Passcode: 2050590 followed by the "#" symbol.**

AGENDA – PUBLIC SESSION

(1) Elevator/Escalator RFP (Action Item):

The College issued an RFP for maintenance and repair services for the College's escalators and elevators on August 5, 2014. The College has three (3) sets of escalators in the West Building and 28 elevators. Five vendors attended the pre-bid meeting and three vendors submitted proposals. One vendor was eliminated based upon price. College staff met with representatives of the two lowest bid firms to discuss their proposals in detail. Gold Elevator (the incumbent) submitted the lowest cost at \$216,000 for year one, \$234,000 for year two and \$240,000 for year three. The cost proposal from Kone, Inc. was \$274,200 in year one, \$282,384 in year two and \$299,856 in year three. Kone, Inc. also offered an alternative pricing proposal and proposed to furnish services under a US Communities contract specification. US Communities is a purchasing consortium to which the College belongs. This costing proposal would have a preventative maintenance schedule that is based on maintenance in accordance with machine type and usage with a monthly fee. The College would be responsible for paying for any replacement parts. Staff have explored and made reference calls on this type of contract with references furnished by Kone, Inc. In most cases, it was extremely difficult to engage the reference in a discussion of their experiences with this type of contract. Eventually, staff was able to speak with a local reference that employs this contract. After speaking with the reference, staff concluded that while a contract of this type has potential for savings it does not fit well with institutions that have aging equipment. The potential exposure to costly repairs is too great. In fiscal year 2013-14 the college expended \$286,000 for maintenance efforts between both companies,

Gold Elevator and Kone Inc., which provided partial maintenance on four of their Eco-Mod traction elevators.

With the decision to eliminate consideration of the alternative proposal from Kone, Inc., the assessment came down to the full maintenance proposals of the bidders. The low bidder, Gold Elevator, has committed to implementation of a software based service call and preventative maintenance program at no additional cost to the contract. The lack of electronic documentation and staff access to maintenance and repair records has been a source of frustration with the incumbent over the years. Kone reports that they have an established electronic record keeping system that documents all service call requests and related activities.

Staff recommend awarding the escalator and elevator maintenance contract to Gold Elevator for a three-year period at annual costs of \$216,000 for year one, \$234,000 for year two and \$240,000 for year three with the possibility of two one-year extensions.

(2) Inducement Resolution for Potential Bond Financing for the Biology Lab Renewal Project and for the Renewal or Replacement of the Three Sets of Escalators in the West Building (Action Item):

Attachment A contains a recommended Inducement Resolution for Board adoption which will preserve the College's right to utilize bond or loan financing for the capital costs associated with renewing and updating biology labs and prep rooms for a project amount of \$5,900,000 and for the renewal or replacement of the three sets of escalators in the West Building at a project amount of \$2,400,000. The Department of Education will provide 50% funding of the debt service associated with the biology lab project with the remaining 50% funded from the City appropriation. The resolution will permit capital costs incurred by the College during the initial stages of the projects to be included in the bond or loan financing.

A similar delegation of authority has been made in prior capital projects requiring bond or loan financing to facilitate access to favorable financial market conditions and help ensure that construction time schedules are met. College bond counsel has always recommended that the resolution amount be higher than estimated costs at the time it is adopted in case of any unforeseen capital costs. The amount of actual financing undertaken by the College will be recommended to the Board for its approval later in the fiscal year.

Attachment B contains an analysis of the College's existing and proposed debt service for the current year with projections for fiscal years 2016 and 2017. The attachment also shows the projected debt payments made from city appropriations as a percentage of total operating revenues for fiscal years 2015 through 2017. This calculation is one of the key financial performance indicators that the Board has asked staff to track.

(3) Civitas Learning (Action Item):

The Civitas Learning platform brings together College data with advanced predictive analytics and engaging applications to allow the College to evaluate in real time the effectiveness of investments and the efficacy of interventions, allowing for better decisions. The platform integrates new data and data sources with current systems, continually improving predictive insights. Use of the Civitas Learning platform will allow for the analysis of key institutional metrics including course success, persistence and graduation; viewing of historical results and predictions of future performance, as well as the most powerful predictors of student success and risk; provide insights across institutional data sets including Banner, Canvas, and Hobson's CRM; and identify opportunities for interventions for both the overall student population and for key segments.

Terms of Agreement: Three-year agreement with an annual subscription fee of \$115,000. There is a one-time platform installation fee of \$27,500.

Staff recommend that the College enter into a *Master Services Agreement* with Civitas Learning, Inc. for a three year period in the amount of \$345,000 with an initial implementation fee of \$27,500 to be paid in the first year.

(4) Next Meeting Date

The next meeting of the Committee is scheduled for Wednesday, January 21, 2015 at 9:00 A.M. in the Isadore A. Shrager Boardroom, M2-1.

AGENDA – EXECUTIVE SESSION

(1) Update on Lease Negotiations

Staff will review the significant issues considered during lease negotiations that led to the decision to recommend a five-year extension of the currently leased space on the 7th floor of 1500 Spring Garden Street.

(2) Update on Litigation

Staff will provide an update on litigation involving the College.

JPS/lm

Attachments

c: Mr. Matthew Bergheiser
Dr. Donald Generals, Jr.
Dr. Samuel Hirsch
Mr. Harry Moore
Mr. Todd Murphy
Mr. Anthony Simonetta
Jill Garfinkle Weitz, Esq.

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ATTACHMENT A

**INDUCEMENT RESOLUTION FOR POTENTIAL BOND
FINANCING FOR THE BIOLOGY LAB RENEWAL PROJECT
AND FOR THE RENEWAL OR REPLACEMENT OF THE THREE
SETS OF ESCALATORS IN THE WEST BUILDING**

REIMBURSEMENT RESOLUTION

THE COMMUNITY COLLEGE OF PHILADELPHIA

WHEREAS, Philadelphia Community College (the "College") is undertaking certain capital projects, including renovating the College's biology labs and replacing certain escalators located in the College's West Building (the "Project"); and

WHEREAS, the College intends to request an appropriate governmental authority to issue revenue bonds to finance the Project (the "Bonds"), in an amount not to exceed \$10,000,000; and

WHEREAS, the College has incurred, and will in the future incur, expenses related to the Project prior to the issuance of the Bonds (the "Original Expenditures"), with the expectation that the College will be reimbursed for such Original Expenditures with proceeds of the Bonds; and

WHEREAS, the Internet Revenue Service (the "IRS") has issued Treasury Regulation 1.150-2 (the "Regulation"), which sets forth rules regarding the use of tax-exempt bond proceeds in reimbursing original expenditures; and

WHEREAS, the Regulation requires that a borrower declare an intent to reimburse itself for original expenditures with bond proceeds and that such reimbursement occur within eighteen (18) months after the later of (A) when the original expenditure is paid or (B) the date the project is placed in service, meaning when a facility is operating at its intended level, but in no event more than three (3) years after the original expenditure is paid.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the College hereby authorizes the College to borrow up to \$10,000,000 by the issuance of the Bonds by an appropriate governmental authority to pay for the costs of the Project; and

FURTHER RESOLVED, that the College may apply its general funds to pay the Original Expenditures pending the issuance of the Bonds, with the expectation that amounts so advanced will be reimbursed from the proceeds thereof; and

FURTHER RESOLVED, that these Resolutions shall be deemed to be a declaration of official intent, as contemplated by the Regulation.

ATTACHMENT B

**AN ANALYSIS OF THE COLLEGE'S EXISTING AND PROPOSED
DEBT SERVICE FOR THE CURRENT YEAR WITH PROJECTIONS
FOR FISCAL YEARS 2016 AND 2017**

**PROJECTED DEBT PAYMENTS MADE FROM CITY
APPROPRIATIONS AS A PERCENTAGE OF TOTAL OPERATING
REVENUES FOR FISCAL YEARS 2015 THROUGH 2017**

		Fiscal Year 2014-15			Financial Planning FY 15-16			Financial Planning FY 16-17		
		Approved Budget	Revised	Change	Initial for FY 15-16	Revised for FY15-16	Change	Initial for FY 16-17	Revised for FY16-17	Change
Debt Service										
NWRC & Main Campus Projects and Center for Business & Industry Building	2007 Bond - Refinancing of 1998 & 2001 Bond	2,888,106	2,888,106	0	2,890,356	2,890,356	0	2,892,356	2,892,356	0
Roofing and Brick Work	2006 Loan	375,775	375,775	0	375,363	375,363	0	189,163	189,163	0
Northeast Regional Center Expansion and Main Campus Expansion & Renovations	2008 Bond	5,784,900	5,784,900	0	5,781,850	5,781,850	0	5,782,690	5,782,690	0
Northwest Regional Center Chiller, West Building Elevators & Mint Masonry Renewal	2010 Loan	290,402	290,402	0	0	0	0	0	0	0
West Philadelphia Regional Center Expansion & Outfitting	2011 Loan	216,899	216,899	0	216,899	216,899	0	108,449	108,449	0
Chemistry Lab Renovations	2013 SPSBA Loan	377,242	377,242	0	377,242	377,242	0	377,242	377,242	0
West Building Renovations	2013 PNC Note	325,551	325,551	0	325,551	325,551	0	325,551	325,551	0
Fit-out of 1500 Spring Garden										
Street Lease	(1) 5-year Loan	77,042		(77,042)	154,084	0	(154,084)	154,084	0	(154,084)
Renovations to Biology Labs	(2) 10-year Loan	378,468	356,487	(21,981)	756,936	712,973	(43,963)	756,936	712,973	(43,963)
West Building Escalators	(3) 10-year Loan		145,012	145,012	0	290,023	290,023	0	290,023	290,023
Total Debt Service		10,714,385	10,760,373	45,988	10,878,281	10,970,257	91,976	10,586,472	10,678,448	91,976

(1) College anticipates fit-out cost related to new space at 1500 Spring Garden Street - **No longer under consideration.**

(2) Should the College receive PDE approval and funding for the renovation of Biology Labs, one debt service payment during FY 2014-15 will be necessary during fiscal year 2014-15, funded 50% each by the State (\$189,234) and City (\$189,234). **Project lower interest rate.**

(3) Contemplated replacement/overhaul of West Building escalators. **NEW.**

% of Rev

Total Debt Payments Made Using City Dollars as a Percentage of Unrestricted Operating Revenue					
			Total Debt Payments Made from City Appropriations		Percent of Total Operating Revenues
	2004-05		\$3,378,206		3.56%
	2005-06		\$3,378,259		3.46%
	2006-07		\$3,469,762		3.37%
	2007-08		\$3,848,690		3.57%
	2008-09		\$6,819,821		6.25%
	2009-10		\$6,183,563		5.20%
	2010-11		\$6,471,559		5.32%
	2011-12		\$6,576,665		5.49%
	2012-13		\$6,822,960		5.64%
	2013-14		\$6,785,455		5.43%
	2014-15 *		\$5,768,640		4.52%
	2015-16 *		\$5,800,354		4.50%
	2016-17 *		\$5,601,258		4.24%
	* Estimated				