



MEETING OF THE BOARD OF TRUSTEES
Thursday, September 3, 2015 – 3:00 p.m.
Isadore A. Shrager Boardroom – M2-01

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MEETING OF THE BOARD OF TRUSTEES
AGENDA
Thursday, September 3, 2015 – 3:00 p.m.
Isadore A. Shrager Boardroom, M2-1

- (1) Executive Session
- (2) Consent Agenda
 - (a) Proceedings and Minutes of Decisions and Resolutions
Meeting of June 4, 2015
 - (b) Gifts and Grants
 - (c) 2015-16 Property and Casualty Insurance Renewal Program
 - (d) Disposal of Fixed Asset Equipment
 - (e) General Contractor Construction Biology Prep Room – Northeast Regional Center
 - (f) Development Advisory Services Contract Relating for Public Private Partnerships (P3)
 - (g) Selection of Electrical Contractor for the Performance Theater
- (3) Report of the Nominating Committee for Board Officers (A)
- (4) Report of the Chair
- (5) Foundation Report
- (6) Report of the President
- (7) New Business
- (8) Next Meeting: Thursday, October 1, 2015 – 3:00 p.m.
Isadore A. Shrager Boardroom, M2-1

Future Committee Meetings:

Student Outcomes:	Thursday, September 3, 2015 1:30 p.m. – M2-34
Business Affairs:	Wednesday, September 16, 2015 9:00 a.m. – Isadore A. Shrager Boardroom, M2-1
Audit Committee:	Wednesday, September 30, 2015 9:00 a.m. – Isadore A. Shrager Boardroom, M2-1

Upcoming Events

College Closed due to World Meeting of Families	September 25-26, 2015
45 th Annual ACCT Leadership Congress	October 14-17, 2015 San Diego, CA
PA Commission for Community Colleges Southeast Regional Trustees Meeting	November 17, 2015 5:30 p.m. – 8:30 p.m. Community College of Philadelphia Klein Cube

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COMMUNITY COLLEGE OF PHILADELPHIA
Proceedings of the Meeting of the Board of Trustees
Thursday, June 4, 2015 – 3:00 p.m.

Present: Mr. Bergheiser, presiding; Ms. Biemiller, Ms. Hernández Vélez, Ms. Holland, Mr. Lassiter, Dr. Rényi, Representative Roebuck, Ms. Sparandara, Ms. Tsai, Mr. White, Dr. Generals, Ms. Bauer, Mr. Brown, Ms. DiGregorio, Mr. Eapen, Dr. Gay, Dr. Hirsch, Mr. G. Murphy, Mr. T. Murphy, and Mr. Spiewak

(1) Executive Session

The Executive Session was devoted to a discussion of budget and other College issues.

(2) Consent Agenda

Mr. Bergheiser requested approval of the Consent Agenda:

- (a) Proceedings and Minutes of Decisions and Resolutions
Meeting of May 7, 2015
- (b) Gifts and Grants
- (c) Construction Management, A.A.S. Audit
- (d) Facilities Management-Construction A.A.S. and
Facilities Management-Design A.A.S. Audit
- (e) Computer Assisted Design Technology A.A.S. and Computer Assisted
Design Technology Academic Certificate
- (f) HVAC Enhancements-Rooms BG-25 and BG-28
- (g) Architectural and Engineering Services Proposal for
Vertical Transportation in West Building
- (h) 17th Street Landscaping Contracts
- (i) Renovations to Rooms M2-35 and M2-36

Ms. Hernández Vélez moved, with Mr. Lassiter seconding, that the Board approve the Consent Agenda. The motion carried unanimously.

(3) 2015-16 Operating and Capital College Budget

Mr. White reported that the Business Affairs Committee, at its meeting of May 20, 2015, reviewed and discussed the 2015-16 Operating and Capital College Budget and was recommending its approval by the Board of Trustees.

Mr. White moved, with Ms. Holland seconding, that the Board approve the 2015-16 Operating and Capital College Budget. The motion carried unanimously.

Ms. Biemiller stated that she was very grateful for the manner in which the 2015-16 budget process was conducted. She stated that members of the Board were provided with all

related budget information prior to Board approval. Ms. Biemiller commended Dr. General, Mr. White, and staff on their excellent work in the preparation of the budget.

(3a) Legal Services for Labor Matters

Mr. Bergheiser reported that a Request for Qualifications (RFQ) was sent to five law firms that have labor relations division. The College Evaluation Committee, consisting of Trustees and administrators, was recommending the law firm of Cozen O’Conner to represent the College in labor negotiations with the College’s three employee bargaining units for successor agreements to the current contracts which expire August 31, 2016.

Mr. Lassiter moved, with Mr. White seconding, that the Board approve Cozen O’Connor to represent the College in labor negotiations. The motion carried unanimously.

(4) Report of the Chair

(4a) Nominating Committee for Board Officers

Mr. Bergheiser reported that he was appointing the following Board members to the Nominating Committee for Board Officers:

Ms. Lydia Hernández Vélez	Chair
Ms. Stella Tsai	Member
Mr. Chad Lassiter	Member

Mr. Bergheiser stated that the Nominating Committee will be seeking nominations through July 31, 2015. The Committee will report back at the September 3, 2015 meeting of the Board of Trustees.

(4b) Board of Trustees Meetings

Mr. Bergheiser reminded members of the Board that the Board will not meet during the months of July and August. The next meeting of Board of Trustees is scheduled for Thursday, September 3, 2015.

Mr. Bergheiser noted that today was the final Board meeting for Ms. Holland. On behalf of the Board of Trustees, Mr. Bergheiser thanked Ms. Holland for her contributions to Board deliberations, and grateful for her eloquence and leadership during her tenure as a member of the Board of Trustees.

Ms. Holland stated that it had been a pleasure for her to serve as a member of the Board of Trustees of Community College of Philadelphia. She stated that she enjoyed working with fellow Board members as well as College staff and faculty. Ms. Holland stated that access to higher education is very important to her, and that she will continue to be involved in education in her new capacity.

(5) Foundation Report

Mr. Murphy reported that he and the Institutional Advancement staff were closing the College's biggest private-dollar fundraising year. Members of the Board congratulated Mr. Murphy on his accomplishment.

(6) Report of the President

Dr. Generals called the Board's attention to his memorandum outlining his activities/meetings for the month of May.

(6a) Pew Report

Dr. Generals reported that he had forwarded to the Board a copy of the Pew Charitable Trust Philadelphia Research initiative report of the practices and outcomes of Community College of Philadelphia. Dr. Generals stated that overall the report was balanced. The report affirms the work and dedication of faculty and staff, and the College efforts and commitment to access and opportunity for those who would not have an opportunity for higher education. Dr. Generals stated that the College is committed to student completion and graduation and will continue efforts to implement initiatives to increase student success.

There was a brief discussion by the Board regarding the article in the *Philadelphia Inquirer* on the Pew Report which focused primarily on the negative aspects of the Report. Members of the Board urged Dr. Generals to write an opinion piece for the *Philadelphia Inquirer and Business Journal* focusing on the importance of Community College of Philadelphia to the City of Philadelphia.

(6b) American Association of Community Colleges

Dr. Generals reported that he had been appointed as a member of the American Association of Community Colleges' Commission on Global Education. The appointment term is July 1, 2015 to June 30, 2018.

(6c) Announcements

Dr. Generals reported that the College has been designated a Gold Fit-Friendly Worksite by the American Heart Association. As a Gold level award recipient, the College has fulfilled key criteria and demonstrated a strong commitment to providing a healthy workplace for employees.

(7) New Business

Dr. Rényi noted that July 1, 2015 will be a year that Dr. Generals assumed the position as president of the College. She stated that it was exciting to have Dr. Generals at the College

working with the Board of Trustees and staff, and that she looked forward to continuing to work with him and the Board of Trustees for the future of the College.

Mr. Lassiter stated that it was a pleasure to work with Dr. Generals, members of the Board of Trustees and staff of the College. He stated that he appreciated the excellent leadership and transparency that Dr. Generals had provided the past year, and looked forward to continuing to work with him and the Board of Trustees on behalf of the College.

(8) Next Meeting

The next meeting of the Board is scheduled for Thursday, September 3, 2015 at 3:00 p.m. in the Isadore A. Shrager Boardroom.

The meeting adjourned at 4:30 p.m.

COMMUNITY COLLEGE OF PHILADELPHIA
Meeting of the Board of Trustees
Thursday, June 4, 2015 – 3:00 p.m.
MINUTES OF DECISIONS AND RESOLUTIONS

Present: Mr. Bergheiser, presiding; Ms. Biemiller, Ms. Hernández Vélez, Ms. Holland, Mr. Lassiter, Dr. Rényi, Representative Roebuck, Ms. Sparandara, Ms. Tsai, Mr. White, Dr. Generals, Ms. Bauer, Mr. Brown, Ms. DiGregorio, Mr. Eapen, Dr. Gay, Dr. Hirsch, Mr. G. Murphy, Mr. T. Murphy, and Mr. Spiewak

(1) Executive Session

The Executive Session was devoted to a discussion of budget and other College issues.

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Vertical Transportation in West Building
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(3) 2015-16 Operating and Capital College Budget

The Board approved the 2015-16 Operating and Capital College Budget.

(3a) Legal Services for Labor Matters

The Board approved Cozen O'Connor to represent the College in labor negotiations.

(4) Report of the Chair

(4a) Nominating Committee for Board Officers

The following members of the Board were appointed to the Nominating Committee for Board Officers:

Ms. Lydia Hernández Vélez	Chair
Ms. Stella Tsai	Member
Mr. Chad Lassiter	Member

(4b) Board of Trustees Meetings

The Board of Trustees will not meet during the months of July and August.

The Board thanked Ms. Holland for her contributions to Board deliberations during her tenure as a member of the Board of Trustees.

(5) Foundation Report

The Institutional Advancement staff is in the process of closing the College's biggest private-dollar fundraising year.

(6) Report of the President

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(6a) Pew Report

The Board reviewed and discussed the Pew Charitable Trust Philadelphia Research initiative report of the practices and outcomes of Community College of Philadelphia.

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Mr. Lassiter stated that it was a pleasure to work with Dr. Generals, members of the Board of Trustees and staff of the College. He stated that he appreciated the excellent leadership and transparency that Dr. Generals had provided the past year, and looked forward to continuing to work with him and the Board of Trustees on behalf of the College.

(8) Next Meeting

The next meeting of the Board is scheduled for Thursday, September 3, 2015 at 3:00 p.m. in the Isadore A. Shrager Boardroom.

The meeting adjourned at 4:30 p.m.

**Community College of Philadelphia
Office of Institutional Advancement
Record of Grants and Gifts
for the September 2015 Meeting of the Board of Trustees**

Summary by Grant Type:

	Current Month	Fiscal
		Year-to-Date
Government/Public Grants		
Federal	\$1,210,053	\$1,210,053
State	\$550,684	\$550,684
Local		
Private Grants		
Corporation		
Foundation	\$6,480	\$6,480
Organization		
Other Grants		
Grant Total	\$1,767,217	\$1,767,217

GIFTS

Summary by Gift Type:

Gifts to the Foundation (\$5,000+)	Amount	Purpose
Claneil Foundation	\$30,000	Student Programs
Daniel Veloric Foundation	\$10,000	Golf Tournament Sponsorship
Hassel Foundation	\$10,000	Scholarships
Independence Blue Cross	\$15,000	Golf Tournament Sponsorship
Mid-Atlantic Regional Association (MARA)	\$26,000	Scholarships
Parx Casino	\$22,500	Scholarships
The Temple Group	\$5,000	Golf Tournament Sponsorship
Wright-Hayre Fund of the Philadelphia Foundation	\$5,000	Scholarships
Gifts In-Kind		
Paul and Janice Dunn		Motor Vehicle - 1997 Lexus (for Auto Tech)

COMMUNITY COLLEGE OF PHILADELPHIA
Office of Institutional Advancement
Monthly Summary of Grants and Gifts
for the September 2015
Meeting of the Board of Trustees

Federal Grants

The National Endowment of the Arts has funded The Big Read grant for \$11,600. The Big Read is a community program that will involve cultural institutions across the city in promoting the reading and appreciation of the works of Edgar Allen Poe during the month of October 2015.

The National Science Foundation has funded year two of the five-year Alliance for Minority Participation for the Greater Philadelphia Region (AMP Phase V) grant for \$23,694. The College is a subcontractor on this fifth consecutive *Louis Stokes Alliance for Minority Participation* (LSAMP) grant through Drexel University. The LSAMP program directly supports approximately 100 first-year STEM students each year through mentoring and scholarship support, and reaches over 1,000 through speakers and other broader activities.

The U.S. Department of Education (subcontracted through the School District of Philadelphia) has funded the Advanced College Experience (ACE) Summer program for GEAR UP students for \$15,000. Through this grant, up to 60 students participating in the School District of Philadelphia's GEAR UP program attended summer courses at the College in the ACE program.

The U.S. Department of Education has funded the final year of the College's five-year Predominantly Black Institutions Formula Grant for \$579,509. Grant funds will support student success initiatives, including a student success support coach and a variety of student success technology, as well as the veterans and reentry programs and developmental education.

The U.S. Department of Education has funded year one of the five-year TRIO Student Support Services (SSS) grant for \$257,087. The total award for the five-year grant is expected to be \$1,285,435. Community College of Philadelphia's SSS program goal is to serve 225 eligible students annually by providing the support services necessary for persistence and completion of postsecondary education. The focus of the project will be on increasing retention, good academic standing, graduation and/or facilitating transfer from an associate's degree-granting institution to a four-year college/university, and maintaining an institutional climate supportive of the needs of participants.

The U.S. Department of Education has funded year four of the five-year TRIO Upward Bound grant for \$293,163. The total award for the five-year grant is expected to be \$1,450,483. This is the College's fourth TRIO Upward Bound grant. The Upward Bound program will provide 66 eligible secondary students annually with the academic skills and motivation necessary for persistence and completion of secondary and postsecondary education. The College will partner with three persistently low achieving target high schools in the School District of Philadelphia: Edison-Fareira, Benjamin Franklin, and South Philadelphia.

The U.S. Department of Transportation has funded the Dwight David Eisenhower Community College Fellowship program grant for \$30,000, which will support six students in the 2015-2016 academic year. The College has a six year history in implementing an Eisenhower Fellowship Program, from which 26 students have graduated, many went on to four-year institutions to pursue further education in the transportation field or obtained a job in the transportation industry.

State Grant

The Pennsylvania Department of Human Services (formerly the Pennsylvania Department of Public Welfare) has funded the KEYS (Keystone Education Yields Success) grant for 2015-2016 for \$550,684. The College's KEYS program will provide TANF recipients, who are students at the College, with assistance to foster their academic success. KEYS offers students academic supports including developmental courses, study and life skills workshops, career exploration, tutoring, mentoring and resource development.

Foundation Grant

The Independence Blue Cross Foundation has funded the Nurses for Tomorrow Undergraduate Scholarship grant for \$6,480. Scholarships will be awarded to nursing students enrolled at the College who: 1) are enrolled in the Nursing program on a full-time basis; 2) have a GPA of 2.5 and above; and 3) are not in default on or otherwise ineligible to receive a federally guaranteed student loan. Scholarship funds will be distributed evenly among the selected recipients and disbursed through the Office of Financial Aid. Scholarship funds will offset expenses including tuition, books, uniforms, travel to clinical and an exam review course. Students also may be able to use the funds to take courses toward the BSN while at Community College of Philadelphia, enabling them to complete the next degree within one year of graduation.

Community College of Philadelphia
2015-16 Board of Trustees
Meeting Dates

October 1, 2015
November 5, 2015

February 4, 2016
April 7, 2016
May 5, 2016
June 2, 2016
September 1, 2016
October 6, 2016
November 3, 2016

Time: 3:00 P.M.

Location: Main Campus, 1700 Spring Garden St.
Mint Building
Isadore A. Shrager Boardroom, M2-1

**MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Wednesday, June 10, 2015 – 12:00 Noon**

Present: Mr. Anthony J. Simonetta, Mr. Matthew Bergheiser, Mr. Jeremiah White, Donald Generals, Ed.D., Mr. Jacob Eapen, Mr. Todd E. Murphy, Mr. James P. Spiewak, Mr. Robert Lucas, representing Grant Thornton: Mr. Brian Page & Mr. Andy Beck and representing The Meridian Group: Mr. Anthony B. Scott

AGENDA – PUBLIC SESSION

1. Approve Minutes of Audit Committee Meeting on March 24, 2015 (Action Item):

Action: Mr. Simonetta asked for a motion to recommend acceptance of the March 24, 2015 Audit Committee meeting minutes. Mr. Bergheiser made the motion. Mr. White seconded the motion. The motion passed unanimously.

2. 2014-2015 Audit Process (Information Item):

Attachment A contains the formal presentation made by Mr. Brian Page, Engagement Partner, Mr. Andy Beck, Senior Manager, from Grant Thornton and Mr. Anthony Scott from the Meridian Group. Mr. Page began his discussion by informing the Committee that he would be reviewing areas of focus, changes to the audit approach as well as new accounting pronouncements that will affect this year's 2014-2015 audit. He discussed the responsibilities of the auditors as well as the responsibilities of management as it relates to the audit. He noted that auditing standards have remained relatively the same as last year with no significant changes. Two opinions will be issued, one for the financial statements and the other on Circular OMB A-133 as it relates to a compliance audit with respect to Federal funding the College receives.

Mr. Page also discussed the required communications that Grant Thornton will present as a result of the audit. He then briefly discussed the significant audit areas as outlined in Attachment A. He described the audit methodology, audit approach, timeline, as well as management's responsibilities and those charged with governance. Grant Thornton will take a substantive approach to the financial statement audit, which means they will look at "key tests" or substantive tests. In addition, internal controls will be walked through as it relates to the College. However, as it relates to Circular OMB A-133, the compliance testing will test controls to ensure compliance with all Federal requirements.

Mr. Page stated that his team will be on campus next week to focus on planning procedures; finalizing their risk assessment and performing any interim testing the auditors feel appropriate.

Mr. Page asked Committee members if there were any other areas that the Committee would like the audit team to focus on or matters of fraud risk that they might have concerns. Committee members affirmed that they were satisfied with the proposed audit scope.

Mr. Andy Beck then walked through the timeline, areas of focus and high risk areas that the audit team will concentrate on during the audit; specifically, tuition revenue recognition, accounts receivables, state and city appropriations, state and federal contracts, investments and auxiliary income. The audit team will perform reasonableness tests on all income to ensure proper accounting. A new accounting pronouncement by the Government Accounting Standards Board (GASB) 68 will need to be implemented this year. This standard requires the College to set up a liability on the College's books for both cost sharing pension plans that some faculty and staff participate. An actuarial calculation will determine the value that the College will be required to record. These plans are not offered to new employees. However, if a faculty or staff member were enrolled at a previous employer, the College is required to continue to offer that plan. The two plans are PERS (Public Employees' Retirement System) and SERS (State Employees' Retirement System). Currently only 23 employees participate in PERS and 9 employees in SERS.

Mr. Simonetta asked how the information will be audited. Mr. Page stated that the College will rely on the information from the State. However, Grant Thornton's in-house actuaries will review the key assumptions made such as discount rate and salary information.

Mr. Page discussed the process of determining what Federal programs will be audited as part of the OMB A-133 audit. Specifically, student financial aid is always audited given its size. Other programs will be determined when Grant Thornton is on campus next week.

Mr. Simonetta then asked if there were any new significant grants in this fiscal year. Mr. Murphy affirmed that there was nothing than the normal grants with some continuing, and no pending grant similar to the \$20 million dollar TAACCCT consortium grant. Dr. General noted that the TAACCCT grant will be closing out September 30th of this year.

Mr. Page then discussed technology support for the audit. The auditors will review access to the systems as well as security controls, change management and any other controls that may impact the College's financial statements. Grant Thornton's Information Technology (IT) control review related to the College's ERP system is currently under review now and expects no significant change from last year.

Mr. White raised a question about the Burt Hill litigation related to a campus construction matter in which the College won a verdict. Mr. Page indicated that they will confirm with all College attorney's as to the status and any pending appeals.

Mr. Page then discussed several new GASB accounting pronouncements. The first was GASB 72 effective June 2015, which deals with how the College reports fair value in its financial statements. He indicated that this should not have a huge impact for the College but will require additional disclosures in the footnotes that show how they are leveled with the ability to liquidate assets. The other big change is in the OMB A-133 requirements which became effective December 26, 2014. These new requirements contain some procurement changes that the College adopted in refining its procurement policy.

Mr. Page then discussed some industry updates regarding the challenges colleges and universities are facing, such as enrollment and demographic changes. Mr. White asked how other colleges and universities are handling these challenges. Mr. Page indicated that many institutions are invoking different enrollment strategies as the College is currently undertaking. Mr. White then asked about public private partnerships. Mr. Page stated that this is the current trend in higher education; however, the College's need to review residential risk and risk management closely. He recommended that the College does its due diligence carefully and consult with Grant Thornton before the College proceeds with a project to discuss the various issues.

Dr. Generals reminded the Committee that the College is looking at many new initiatives with capital, curriculum changes, shared services and new revenue streams.

Mr. Page then discussed several different major projects that GASB is currently working on that may impact the College at a future date, which is outlined in Attachment A. There is still a potential change to the GASB 45 Post Employment Benefit Liability, which may now be shown differently on the College's Net Position in the 2016-17 year. Currently, the Post Employment Benefit Liability for the College is phased in over 30 years. This new project may require institutions with Post Retirement Benefits to recognize the entire liability all at once. There is a new proposal for how asset retirement obligations are treated where an environmental issue needs to be remediated. GASB is examining whether to estimate that cost and determine the potential exposure. The final project that GASB is working on deals with the treatment of leases. Leases may all need to be capitalized with the entire liability recorded.

Mr. Page concluded his presentation with reiterating if there were any particular areas of focus the Committee would like reviewed. Mr. White commented to look at sustainability. Mr. Page stated that he would be happy to meet with any Committee members to discuss this issue.

3. 2014-2015 Budget Update (Information Item):

Mr. Spiewak provided a handout (Attachment B) to the Committee, which was previously presented at the May 2015 Business Affairs Committee. The implications of key factors currently impacting on the budget were discussed. The originally projected use of carry-over funds for the 2014-15 year was \$1,075,299. The shortfall has been eliminated as a result of much lower-than-budgeted costs associated with the College's self-insured medical program, higher-than-budgeted lapsed salaries and other continued successful cost containment efforts. The College will be using some of the self-insurance savings to buy out some longer term leases in the amount of \$2.8 million. Mr.

Spiewak noted that there is projected to be a residual savings of approximately \$700 thousand for the year by budgets not being fully expended which will be used to pay off leases.

Mr. Eapen provided an update on the 2015-2016 Budget. He specifically noted that we are the only College in Pennsylvania that does not have an increase in tuition and fees. He explained that it is a balanced budget and will accommodate the priority initiatives desired by the Board and the President. Dr. Generals then discussed some of the initiatives that are incorporated into the budget. Mr. Eapen discussed the College's strategy in using the Bond refinancing savings to help with new capital projects. He reminded the Committee about the College's A1 Moody's rating and supplied the Committee with the report.

4. Internal Audit Plan (Information Item):

Mr. Lucas provided an update on the 2014-2016 internal audit plans. He discussed his new reporting relationship starting July 1, 2015. He will be reporting to the new Chief of Staff, Dr. Judith Gay with a dotted line to the Board. Mr. Lucas stated that he had not finalized any new reports since the last meeting. However, he described working on a number of different audits and hopes to complete two of them by June 30th. He has updated the audit universe with new areas and functions based on information from Cabinet members and other changes. New audit areas were risk rated in the Internal Audit Risk Assessment and Mr. Lucas noted that he did not recommend any changes to the current 2 year audit plan.

Mr. White asked who reviews the audit plan. Mr. Lucas pointed out that the annual or 2 year audit plans were reviewed and approved by the President and the Vice President for Business and Finance. Mr. White then asked if there is an area of risk or a specific problem, who would get notified; specifically, how Trustees would be made aware of the audit plan and findings. Dr. Generals stated that it would come to him and he would inform the Board.

Mr. Lucas discussed the importance of internal controls and what approach he takes as compared to the external auditors. Mr. Simonetta asked if the audit plan and the resolutions of findings were reviewed by the Board. Mr. Lucas confirmed. He stated that he developed an audit follow up matrix that he has shared in the past. He also works with management to help get the issues resolved from prior audits. Mr. Lucas noted that he does not generally go over every comment in his reports; however, key issues are discussed.

Mr. White expressed concern that very small things can turn into big things. He stated that he would like the next report to articulate with key examples of some of the issues. He does not just want to see that the issue was discovered and mitigated. Specifically, he feels that the Board needs to understand the real problem. Mr. Lucas stated that he receives information on potential issues from various sources. If he believes there exists an internal control issue he will research and consult on the matter to try to help management correct it. The issues may not always be material; but since they came to his attention the need to follow up and make sure such issues gets resolved is crucial. Mr. Lucas discussed coming up with a document for management to better understand and identify internal controls, especially when a new function or procedure is put in place. Management may not understand that process and

procedures may not be controls. Mr. Lucas plans to work with Senior Management and the Cabinet to develop a better understanding of internal controls.

Mr. Simonetta stated from the Committee's standpoint, they would like to get a summary of what is completed from the audit plan as well as a list of the findings and resolutions. He referred to Mr. White's point that some things can seem insignificant, but may turn into a huge issue which could in turn lead to a negative reflection on the College. He feels that risk is subjective and that the Committee needs to be informed.

Mr. Eapen stated that with the Fall Semester he will work with Mr. Lucas to ensure that Managers and Directors are trained as to the importance of internal controls.

EXECUTIVE SESSION

During any Audit Committee meeting; Management, The Independent Auditors or the Internal Auditor may request an Executive Session to meet privately with the Audit Committee.

TEM/lmh
Attachments

cc: Dr. Donald General, Jr.
Mr. Jacob Eapen
Mr. Robert Lucas
Mr. Jim Spiewak
Representing Grant Thornton: Mr. Brian Page
Representing Grant Thornton: Mr. Andy Beck
Representing The Meridian Group: Mr. Anthony B. Scott

ATTACHMENT A

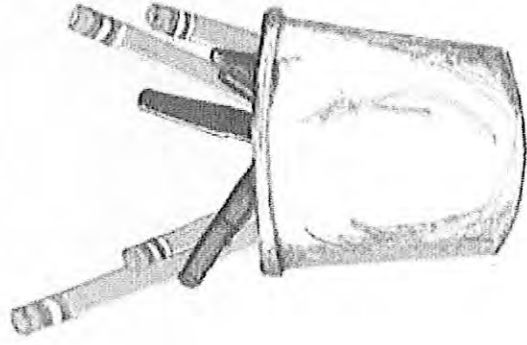
GRANT THORNTON

2014-15 AUDIT PROCESS



Discussion with the Audit Committee of
Community College of Philadelphia

June 10, 2015

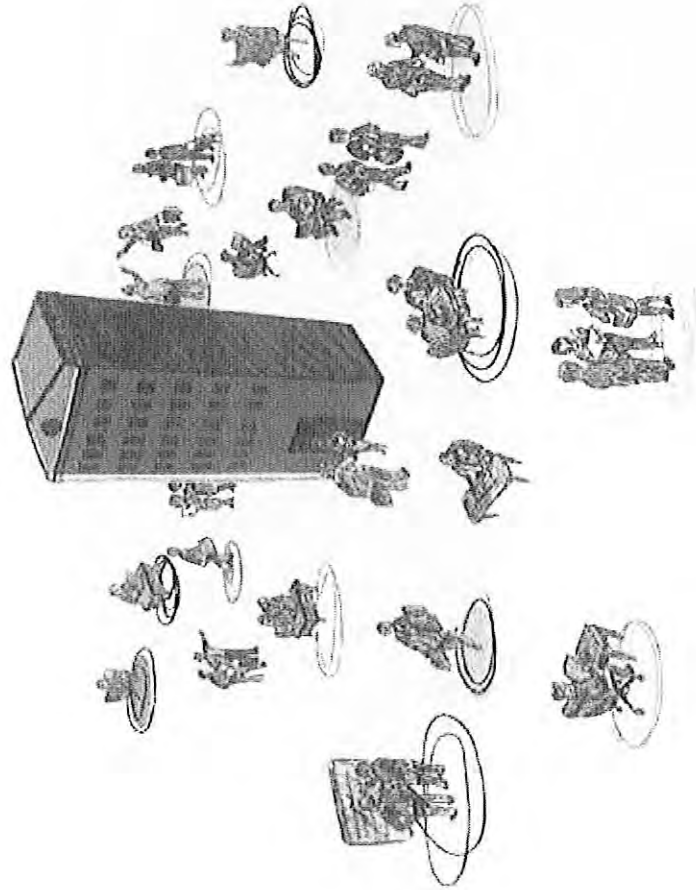


Our values are CLEARR

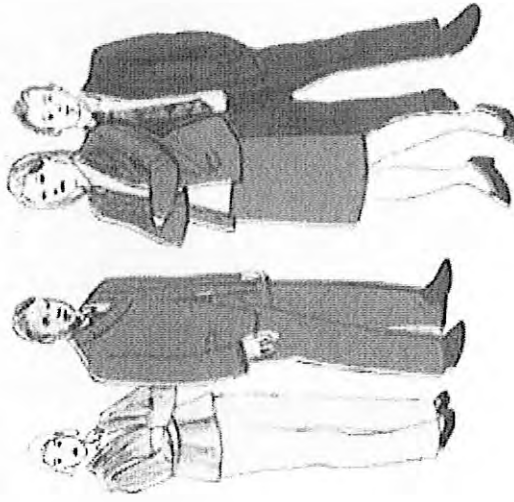
To achieve our global vision, we capitalize on our strengths by embracing the following values:

- **Unite through global Collaboration**
- **Demonstrate Leadership** in all we do
- **Promote a consistent culture of Excellence**
- **Act with Agility**
- **Ensure deep Respect** for people
- **Take Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Responsibilities



Our responsibilities

We are responsible for:

- Performing an audit of the College's financial statements as prepared by management, with your oversight, conducted under US GAAS and *Government Auditing Standards*
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information, including the Schedule of Expenditures of Federal Awards, is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating fraud involving management and abuse with regard to federal programs
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose
- Reporting material noncompliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weaknesses in internal control related to financial reporting
- Reporting material noncompliance with federal awards requirements applicable to major program(s) audited under OMB Circular A-133, as well as, significant deficiencies and/or material weaknesses in internal control over compliance.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Those charged with governance and management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

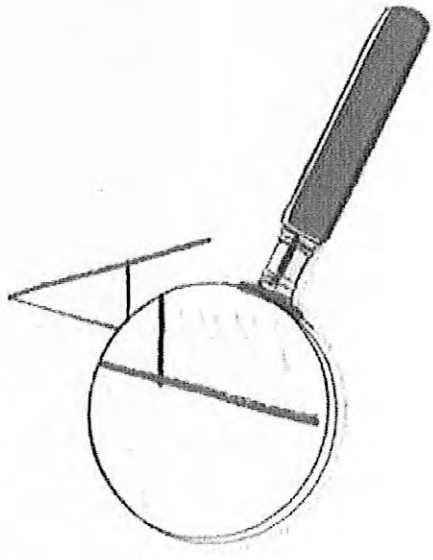
- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Organization's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud and abuse, including your views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Objectives and strategies and related business risks that may result in material misstatement
 - Matters warranting particular audit attention
 - Significant communications received from regulators
 - Matters related to the effectiveness of internal control and your related oversight responsibilities
 - Your views regarding our communications and your actions regarding previous communications

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and over compliance with federal grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, abuse, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

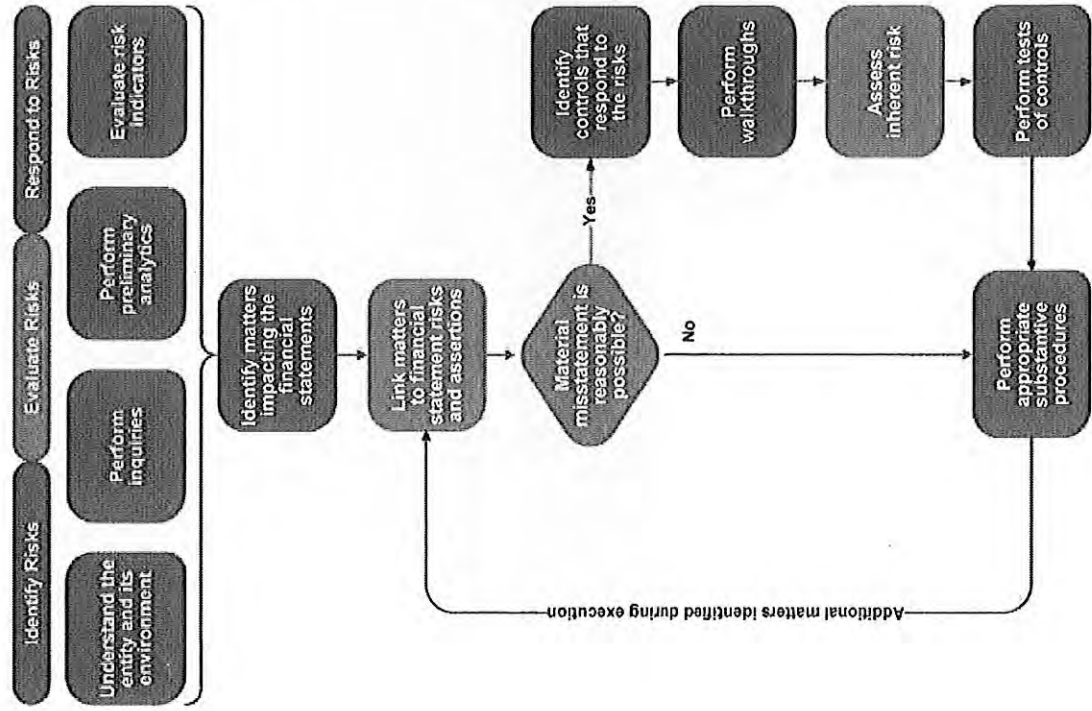
Audit scope



Horizon audit methodology

We approach our audits by:

- Understanding the institution's business processes, including the environment it operates in, and significant or unusual transactions/activities
- Using that knowledge and understanding to analyze the institution's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Audit timeline

May/June 2015	Client acceptance	<ul style="list-style-type: none"> • Client acceptance • Engagement letter • Conduct internal client service planning meeting
June 2015	Planning	<ul style="list-style-type: none"> • Meet with management to confirm expectations and discuss business risks • Discuss scope of work and timetable • Identify current-year audit issues and discuss recently issued accounting pronouncements • Initial audit committee communications
June 2015	Preliminary risk assessment procedures	<ul style="list-style-type: none"> • Develop audit plan that addresses risk areas • Update understanding of internal control environment • Coordinate planning with management and develop work calendar
June/July 2015	Interim procedures	<ul style="list-style-type: none"> • Perform walk-throughs of business processes and controls • Perform selective substantive testing on interim balances
August/September 2015	Final fieldwork and deliverables	<ul style="list-style-type: none"> • Perform final phase of audit and year-end fieldwork procedures • Meet with management to discuss results • Present results to the Audit Committee



Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- We believe that a percentage of assets is the appropriate benchmark for the institution.

Financial statement items greater than materiality are in scope. Other areas lower than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).



Views of those charged with governance

Discussion points
Risks of fraud
Awareness of fraud
Awareness of related party transactions; understanding of purpose of related party transactions
Awareness of whistleblower tips or complaints
Oversight of management's risk assessment process
Views about organization's objectives and strategies and related risks of material misstatement
Awareness of any internal control matters and views about management's response
Oversight of financial reporting process
Actions taken in response to developments in law, accounting standards and corporate governance matters
Actions in response to our previous communications, if any

Areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Planned approach
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	<ul style="list-style-type: none"> • Perform reasonableness test on tuition, student aid and auxiliary income amounts. • Perform deferred revenue testing to determine proper cut-off. • Inquire of management as to the allowance methodology and penalties for lack of payment of student account. • Review management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs.
State and city appropriations	<ul style="list-style-type: none"> • Obtain detail of appropriations received from state for fiscal year. • Confirm amounts with state, agreeing to revenue recorded in general ledger. • Review receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.
GASB 68	<ul style="list-style-type: none"> • Ensure pension liabilities are recorded appropriately in accordance with GASB 68

Areas of focus, continued

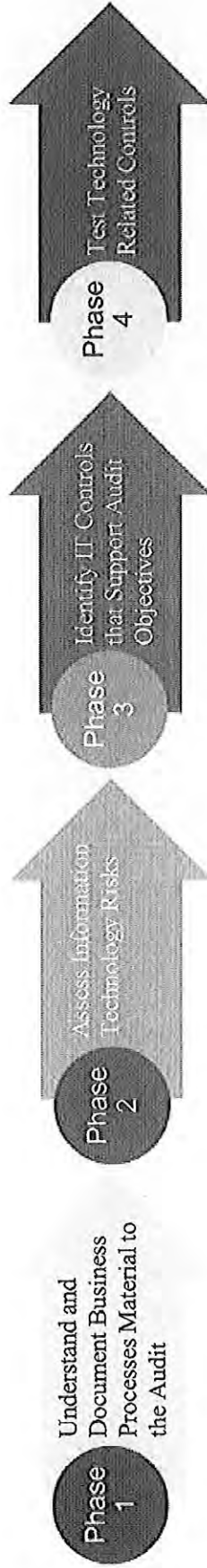
Areas of focus	Planned approach
Investments and related earnings	<ul style="list-style-type: none"> • Confirm investments with custodian and, if applicable, fund manager. • Test valuation of publicly traded investments using an independent pricing source. • Test valuation of investments that are not publicly traded by performing an independent assessment of the valuation methodology and/or testing management's process to determine fair value. • Review investments for impairment. • Test the recognition of investment earnings by recalculating and/or testing sales activities. • Test unitization of earnings to pooled endowment.
State and federal grants and contracts	<ul style="list-style-type: none"> • Review contract documents for understanding of the terms • Compare revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts • Review any deferred amounts for reasonableness • Agree any subsequent collections to year-end receivable balances • Review financial statement presentation and disclosure

Areas of focus, continued

Areas of focus	Planned approach
Compliance with OMB Circular A-133	<ul style="list-style-type: none">• Identify major program(s) and determine the compliance requirements which are direct and material.• Identify key controls over compliance and test those controls.• Select a sample of transactions subject to compliance requirements.



Technology support As part of the audit process

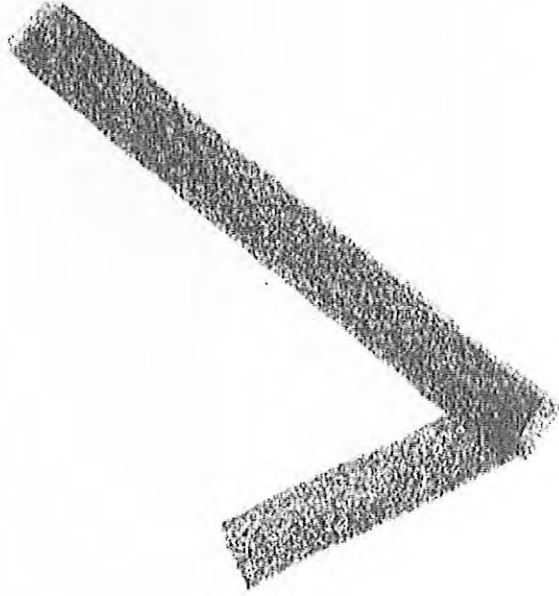


Processing transactions and producing the information needed to manage day-to-day activities is an important aspect of an institution's internal control structure. A critical component of our audit approach is to understand how information technology is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.



Other matters



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Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

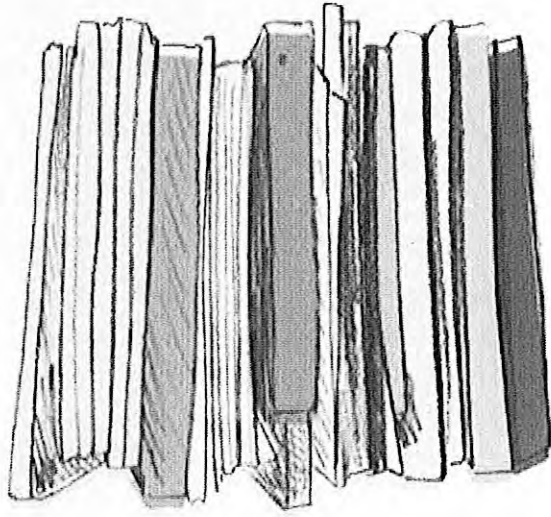
The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website (https://secure.ethicspoint.com/domain/en/report_cus.tom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a Organization's "whistleblower" obligations.

Technical updates



GASB Statement 72, *Fair Value Measurement and Application*

Summary

- Defines "fair value" as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."
- Governments are generally required to measure investments at fair value using one of three techniques
 - Market approach
 - Cost approach
 - Income approach
- Establishes a three level hierarchy of inputs to valuation techniques used to measure fair value. The guidance is very similar to existing guidance for FASB organizations.
 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.
 - Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security
- Requires disclosures to be made about fair value measurement, the level of fair value hierarchy, and valuation techniques.
- Effective for periods beginning after June 15, 2015.

Potential Impact

This will significantly impact accounting for certain investments that may have been reported at cost due to ambiguity within previous guidance. In addition, all public colleges and universities will need to revise the existing disclosures to conform to the new disclosure requirements, which are very similar to current disclosure requirements for FASB organizations. Gathering the "Leveling" information required to be disclosed could be difficult to identify and time-consuming, depending on the instruments that are within the three categories of the valuation hierarchy. Public institutions are encouraged to review disclosures of large/complex private (FASB) institutions for helpful examples.

GASB major projects

Major Project	Timing
Asset Retirement Obligations	Exposure Draft to be issued 4Q15
Economic Conditions Reporting: Financial Projections	On hold
Fiduciary Responsibilities	Preliminary views issued 4Q14 with exposure draft anticipated in 3Q15
Conceptual Framework - Recognition	On Hold – An invitation to comment was issued in 2011 with no current date for an exposure draft to be issued.
Leases	Preliminary views issued 4Q14 with exposure draft anticipated in 1Q16
Postemployment Benefit Accounting and Financial Reporting:	
- Other Postemployment Benefit Accounting and Financial Reporting- Employer	Final statement expected 3Q15
- Other Postemployment Benefit Accounting and Financial Reporting- Plan	Final statement expected 3Q15
- Pensions Not Within Statement 68 Scope	Final statement expected 3Q15

GASB major project – Asset Retirement Obligations

Summary

The objective of this project would be to improve financial reporting by developing requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills.

One major topic expected to be addressed will be what constitutes an ARO and what the term retirement should encompass in the guidance. The project will determine a general approach to recognition and measurement of an ARO, considering existing practice among governments and feedback received from preparers and auditors regarding their concerns about complexity, comparability, and the balance of costs and benefits. The project also will consider the following issues:

1. Should costs, if any, associated with AROs be capitalized? If so, how should these costs be recognized and measured?
2. What information about AROs should be disclosed in the notes to the financial statements?

Potential Impact

This proposed standard is intended to reduce diversity in practice and related inconsistency in current reporting; thereby enhancing comparability between governmental entities. It would also improve the usefulness of information for external users, including rating agencies and analysts by expanding disclosure requirements related to these obligations.

GASB major project – Leases

Summary

- The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether current operating leases meet the definitions of assets or liabilities.
- The project is considering the following issues:
 1. What types of leases are entered into by state and local governments?
 2. What specific user needs exist regarding governmental leases and what decision-useful or accountability information is needed to meet those needs?
 3. Are current accounting and financial reporting standards appropriate to meet essential user needs?
 4. Should there be a distinction between types of leases, such as operating and capital?
 5. If current standards are not considered adequate, what additional potential requirements should be considered?
- The board is currently deliberating various topics within the scope of this project such as lessee disclosures, lessor recognition and measurement and lessor disclosures. The Board issued an exposure draft 3Q 2014. Comment period will end in 1Q 2015.

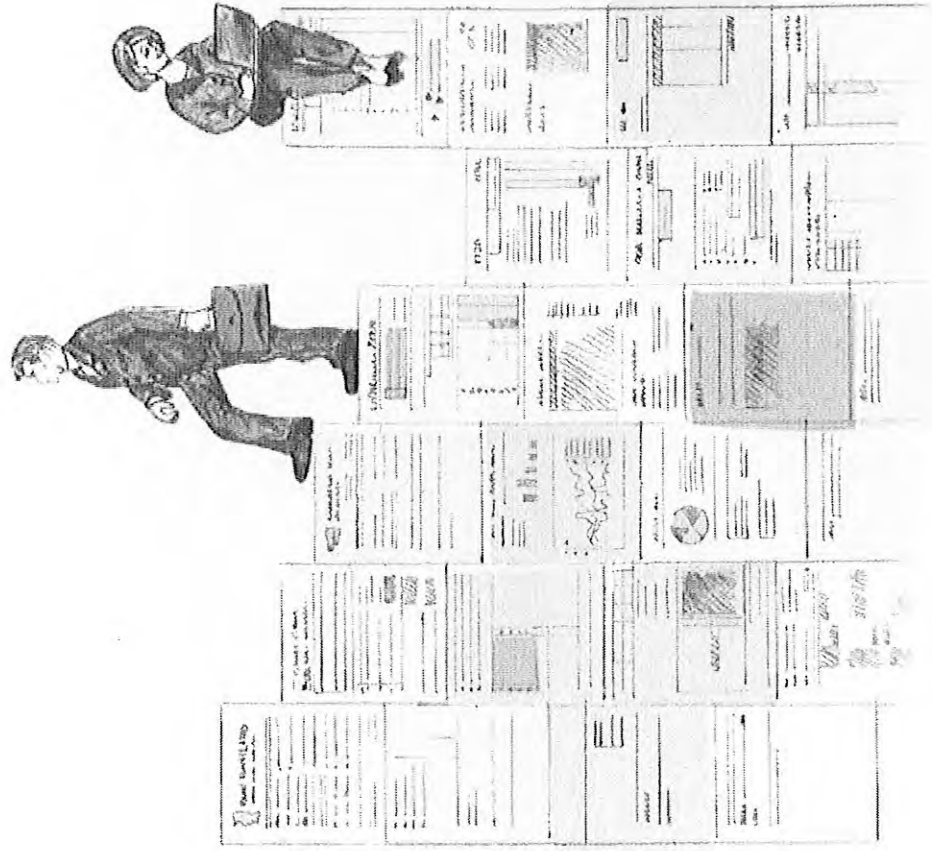
Potential Impact

Similar to the GASB Major Project addressing fair value measurements, this project reflects an effort by the GASB to align its accounting for leases with the accounting guidance proposed by the FASB and IASB as a joint project. The most significant change could be the elimination of most arrangements currently recorded as operating leases. If requirements standardized as proposed, the impact on all entities with lease arrangements could be profound. While still at least several years away, Public Colleges and Universities are encouraged to inventory all existing lease agreements, closely monitor FASB Leases project and, begin to analyze potential impact on key financial ratios, debt covenants, and credit ratings.

GASB major projects – Postemployment benefit accounting and financial reporting (employer & plan)

Summary	Potential Impact
<p>There are three major projects addressing various aspects of postemployment benefit accounting and financial reporting (employer & plan)</p> <p>Objectives of this project are:</p> <ol style="list-style-type: none"> 1. To improve accountability and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB. 2. To improve the usefulness of information for decisions or judgments of the various users of the general-purpose external financial reports of governmental employers and OPEB plans. <p>These projects are intended to follow the guidance related to pensions which were addressed with GASB 67 & 68 to update the guidance for OPEB. An exposure draft was issued and the comment period ended recently. The Board is currently deliberating the feedback from the exposure draft comment period for all three projects. Final statement expected to be issued Q2 2015.</p>	<p>Once issued, this standard could have a significant impact on accounting and reporting of other postemployment benefits by all governmental employers and by the trustees, administrators or sponsors of OPEBs.</p>

Regulatory updates



OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

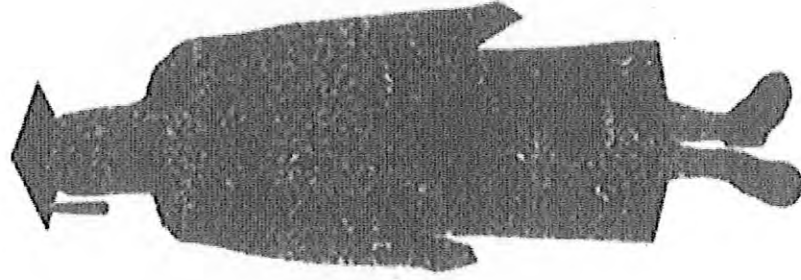
- Updated guidance is effective related to awards made after December 26, 2014
- Consolidates guidance from eight sources to one for recipients of federal awards
- As it relates to R&D and other awards common to higher education organizations, the most significant changes relate to the following areas:
 - Procurement (focused on documentation, no longer allows for geographic preferences in evaluation of bids)
 - Personnel costs (time & effort reporting, allows additional flexibility for determining allocation of effort)
 - Sub-recipient monitoring
 - Because of increase to audit requirement threshold (current- \$500k, new- \$750k), certain sub-recipients may no longer be required to obtain an audit
 - Sub-recipients no longer required to provide audit reports directly to pass through entities but rather required to submit to FAC, which will make them generally available via the web)
- New compliance requirements are subject to audit for fiscal years beginning after December 26, 2014 (for June 30 year end entities, fiscal year ending June 30, 2016)

Accounting updates

Regulatory updates

Industry updates

Industry Updates



Governance; leadership responding to changing conditions

In response to external concerns about Board engagement, boards are adopting approaches to focus on long-term issues:

- oversight of risk management and risk tolerance parameters
- monitoring strategic plans and key performance indicators
- assessing institutional ability and willingness to respond to changing conditions
- compliance, deferred maintenance and educational delivery models



AGB and United Educators found colleges and universities still lack “formal risk assessment processes.”

AGB also reinforces the boards’ responsibility to ensure that institutions focus on measuring student outcomes.

As part of the governance process, there is a **re-focus on educating board members** so they are equipped to provide effective oversight in these areas.

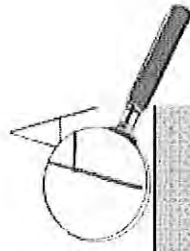
Addressing enrollment and demographic changes

Institutions cannot afford to rely exclusively on organic growth. Proactive strategies are needed to adapt to shifting student profiles and enrollment trends. Below are several data points that serve as indicators for the future:

- the number of high school graduates is decreasing nationwide through 2029; however many states have prioritized increasing the number of high school graduates who go on to college
- by 2020, white non-Hispanics will no longer be the majority in public high schools and the percentage of native-born students is also dropping
- 50% of low income high school students were college students in 2013 (33% in the 1980's)
- continued economic pressures will continue to support part time enrollment
- on-line courses and classes are growing at a faster rate than overall enrollment at higher education institutions (7.1 million students taking on-line courses in 2013)
- the US Department of Education recently projected 14% growth of enrollment in colleges and universities between 2011 and 2022, with growth greatest at the graduate level.
- strong enrollment demand from international students is an opportunity for revenue growth and diversification; market-leading universities attract the largest number of international students.
- significantly elevated application volume and sector-wide declining yield rates complicate budgeting and financial aid

Increasing student outcomes and achievement

Policy makers and educational leaders are shifting their attention to measuring *outcomes*.



To analyze retention trends institutions are:

- developing databases to track non-returning students
- developing freshmen and sophomore survey tools to identify students at risk for non-completion
- transforming remediation programs with just-in-time instructional support, aligning math and science courses to the programs of study
- matching curriculum to "real world" needs as well as traditional educational values

To improve on-time graduation rates institutions are:

- establishing structured pathways from meta majors to specific majors/minors
- increasing credit loads to 15 to ensure on-time graduation
- increasing hybrid on-line curriculum and blended courses
- creating real-time tracking of milestones for student and on-line interventions to keep student on track

To improve post graduation success institutions are:

- realigning student advising, career counseling, internships, externships and faculty development
- analyzing silo behavior between support service functions and increasing faculty engagement

Increased focus on the "value" of an education

- The case for a college education paying off economically is supported by a good deal of evidence.
- Financial returns of a college education, though measurable, are not sufficient to prove whether its "worth it."
- The gradual public shift away from "Is college worth it?" to "How do I pick the best college for the return on my investment" will continue to keep the pressure on universities to substantiate academic quality and cost effectiveness
- A rebound in household net worth indicates an improved ability to pay for college
- The traditional intangible values of a college education need to be complemented by hard evidence of employability and institutions should expect to provide the facts that answer the questions about worthiness and effectiveness

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Emerging technology tools to improve academic innovation, data analytics and operating results

- colleges are increasingly using data analytics to predict whether students and prospective students will be academically successful
- data mining and analytics are becoming more prevalent in monitoring student learning and progress, procurement operations, fundraising operations and admissions
- the Campus Computing Project reports that a small but significant (and growing) number of campuses are contracting with third-party providers for various services (recruitment, curricular development, student services) to help develop or expand their online programs.
- more colleges are creating affiliated entities to offer online education such as those already offered by Harvard and MIT.
- information is increasingly accessible, says *The Chronicle of Higher Education*, with libraries as we know them becoming obsolete.

Government funding; uncertainty continues with shifts in funding

Widespread cuts in state funding is not anticipated in the next few years since most states are funding public higher education at levels below 2008

- 35 states moving forward with some version of performance-based funding for public universities;
- combined state funding for higher education grew in FY 2014; the reliance on government operating support dipped to new lows in FY 2013 with median funding at less than 25% of university operating revenues (30% in FY 2009)
- the pace of increases in state funding for the next 1-2 years expected to be slow; funding on a per-student basis has declined despite recent increases in state appropriations.
- net tuition per-student eclipsed state appropriations per-student in 2011 and has continued to grow at a rate greater than state appropriations per-student

Shifts in federal funding for education reflect concerns about access, affordability, achievement, economic growth

Federal funding for research rebounded in 2014 to 2012 levels but projected to be flat beyond 2015 which represents a decline on an inflation adjusted basis



Boards intensify their focus on being financially sustainable

In a recent AGB governance survey of trustees, it was reported that **fiscal sustainability** is *the* most important area to be addressed.

- The Hechinger Report states, "Nearly 40 percent of public and 45 percent of private institutions expect their enrollments will decline in fall 2015".

The National Association of College and University Business Officers (NACUBO) foresees increasing tuition discounts at four-year private colleges.

- almost all business officers (89%) are focused more on enrollment management today than they did five years ago
- public universities will be more challenged than privates to grow operating revenue, with both tuition and state funding revenue growth hindered

As the economy continues to improve, more institutions will work to better position themselves for long-term financial sustainability and quality academic performance.

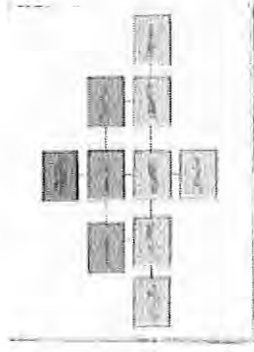
- NACUBO reports endowment returns are moving sharply upward.
- fundraising grew another 5.2% in FY14 on top of the highest fundraising year in 2013.



Enterprise risk management is a necessity to safeguard reputation, validate strategy and sustain financial viability

A survey by AGB and United Educators found colleges and universities are increasingly making oversight of institutional risk a priority, but the institutions' confidence that they are following good practices has decreased.

- ERM programs are relatively immature in most organizations
- compliance must be addressed, particularly around sexual assaults
- failures in compliance reporting, public safety, cyber security, ethics, and decision-making have tested the crisis management plans of many universities
- continued IRS scrutiny, Congressional and White House proposals place annual reporting in the spotlight
- doing business abroad continues to challenge business and internal control systems due to changing world politics and economic policies
- strategic plans are being implemented with specific and quantifiable measurements, data dashboards and scorecards to better identify risks to achieving goals and objectives



Grant Thornton's Client Service Cycle

Grant Thornton's Client Service Cycle is our model for delivering high quality, personalized service. Our commitment to this recurring process helps us ascertain that you receive the full benefits of working with us, year after year.

- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton to a friend or colleague?



This communication is intended solely for the information and use of management and the Audit Committee of Community College of Philadelphia and is not intended to be and should not be used by anyone other than these specified parties.



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ATTACHMENT B

2014-15 BUDGET UPDATE

**Community College of Philadelphia
Operating Budget Projections
Fiscal Year 2014-2015**

	<u>Original Budget</u>	<u>Current Project as of May 20, 2015</u>	<u>Change</u>
<u>REVENUES</u>			
Student Tuition and Fees	\$76,692,948	\$76,033,978	(\$658,970)
Commonwealth of Pennsylvania	28,226,906	28,941,805	414,899
City of Philadelphia	21,197,544	20,936,911	(260,634)
Other Income	<u>1,867,400</u>	<u>1,663,720</u>	<u>(203,680)</u>
TOTAL REVENUES	\$127,984,798	\$127,276,414	(\$708,384)
<u>EXPENSES</u>			
Salaries, Net of Lapsed Funds	\$73,584,960	\$72,812,728	(\$772,232)
Fringe Benefits	34,499,400	31,393,400	(3,106,000)
Other Expenses	20,775,737	22,839,497	2,063,760
Student Financial Aid	<u>200,000</u>	<u>200,000</u>	<u>0</u>
TOTAL EXPENSES	\$129,060,097	\$127,245,625	(\$1,814,472)
OPERATING BUDGET STATUS	<u>(\$1,075,299)</u>	<u>\$30,788</u>	<u>\$1,106,087</u>

**A COMBINED MEETING OF THE BUSINESS AFFAIRS
AND EXECUTIVE COMMITTEES OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, June 17, 2015 – 9:00 A.M.**

TO: Mr. Jeremiah J. White, Jr., presiding; Ms. Suzanne Biemiller *via* teleconference; Ms. Stacy Holland *via* teleconference; Representative James R. Roebuck, Jr. *via* teleconference; Stella Tsai, Esq. *via* teleconference; Dr. Donald Generals, Mr. Jacob Eapen and Mr. Todd Murphy

AGENDA – PUBLIC SESSION

(1) 2015-16 Property and Casualty Insurance Renewal Program (Action Item):

Introduction

Staff outlined that the College insurance program is reviewed annually prior to the July 1 renewal. During the renewal strategy meeting held on February 13, 2015, it was decided that Willis (the College's current Broker) would approach the incumbent carriers and a few select insurers with higher education experience with the intent of securing identical (or better) coverages at premiums close to expiring. This strategy was effective as the workers compensation premium will be \$53,926 less than expiring, a 16% decrease and all property and casualty lines combined is increasing by \$6,578, a 1.2% increase. The total insurance premium for FY 2015-16 is \$847,910, and for FY 2014-15 was \$894,878 which is a reduction of \$46,968 or 5.2%.

General Liability

The College's general liability coverage has been with United Educators (UE) for the past fourteen years. Willis has opined that UE has the best General Liability (GL) policy form available in the higher education market offering the most comprehensive coverage. United Educators offered a renewal premium of \$167,838 which is \$6,896 or 4.3% higher than the expiring rate with no change to the deductibles (\$25,000 each occurrence; \$100,000 annual aggregate). The College was again granted a 4% premium rate credit based upon certain risk management initiatives that were undertaken during the year. Furthermore, the College is entitled to a dividend of \$12,083 from United Educators if at least one coverage line (GL or Umbrella) is renewed. This, in effect, makes the net cost to the College for fiscal year 2015-16 equal to \$155,755. United Educators is organized as a reciprocal risk retention group – owned by its members like CCP; this would be the third consecutive year that the College will have received a dividend. The 5-year aggregate dividend to the College totals \$77,196.

Umbrella

The College's umbrella liability coverage (\$25 million for any one loss) has also been with United Educators for fourteen years. UE's policy form offers the most comprehensive coverage in the higher education market for umbrella/excess coverage according to Willis. United Educators offered a renewal rate of \$87,314 which is \$2,775 or 3.3% higher than the previous year's premium. This policy also sits on top of the \$1 million coverage for student medical malpractice

insurance. It also provides excess general liability, automobile liability, employers' liability and foreign liability insurance. As with the general liability policy, the College was granted a 4 percent premium reduction based upon certain risk management initiatives that were undertaken during the year.

Workers' Compensation

The College's workers' compensation coverage has been with Highmark for the past two years. They offered a renewal premium with an increase of 7.7% over the expiring premium. Amerihealth, an Independence Blue Cross subsidiary, offered a rate of \$282,838 which is \$53,926 (16%) lower than the expiring premium. MEMIC, a monolithic insurance carrier based in Main that only writes workers compensation policies, offered a rate of \$283,286. The Human Resources Office and the College's Safety Committee continue to review all work-related claims and offer recommendations and training efforts where needed. The College's Safety Committee again received re-certification from the PA Department of Labor; this automatically makes the College eligible for a 5 percent reduction in premium.

Property

Affiliated FM quoted a rate of \$166,580 or \$4,678 (2.7%) lower than the expiring premium. The College will have a blanket limit of \$356,822,000 with a deductible of \$25,000. This policy also provides \$7 million of business interruption insurance.

Educator Legal Liability

The ELL policy provides management liability protection (\$15 million limit with a \$75,000 retention) for the College's Board of Trustees and the Foundation's Board of Trustees, employment practices liability, employed lawyers liability and professional liability for faculty and staff. AIG, the incumbent carrier, provided a quote of \$85,697 that is the same as the expiring premium.

Automobile

The incumbent carrier, Philadelphia Insurance Co., offered a renewal rate of \$22,074 which is \$779 higher than the prior year. The automobile policy covers employees driving College owned, rented or hired vehicles as well as providing collision and comprehensive coverage for the College's vehicles.

Student Medical Malpractice

CNA offered a quote of \$8,545 that is \$689 higher than the expiring premium. The College again received rate reductions for being a long-term client (4+ years) and for having no claims during the most recent four-year period. The number of students participating in clinical settings affects the cost of this insurance. This policy provides \$1 million in coverage to the College and to students and faculty related to their activities in a clinical setting.

Crime

Travelers, the incumbent carrier, offered a renewal rate of \$5,024 that is \$24 above the expiring rate. Travelers offered this rate based upon their opinion that the College had strong existing internal control features to prevent employee theft. This policy provides the College with protection against 1st party (employee) theft and 3rd party theft and fraud for a limit of \$4 million.

International Liability

This policy provides foreign-based general liability, automobile liability, and workers compensation coverage as well as travel, medical and security assistance services for faculty and staff traveling abroad. This policy also includes kidnap and extortion coverage. The annual cost for this three year policy from Navigators is \$3,111.

Security and Privacy (Cyber Insurance)

The College first secured this line of coverage for the 2011-2012 fiscal year. This insurance offers protection to the College if there were data security breaches or compromises of student and/or employee "private" information (as determined by federal and state jurisdiction). The carrier will provide forensic and legal assistance from a panel of experts to help determine the extent of the breach and the steps required to comply with applicable laws, include the following: notification to persons who must be notified under applicable law; offer 12 months of 3-bureau credit monitoring to affected individuals; identify theft-related fraud resolution services for individuals enrolled in credit monitoring who become victims of identity theft; and extend coverage for theft, loss or unauthorized disclosure of information held by business associates as defined by HIPPA. First party benefits include protection for data recovery and business interruption, extortion threats and regulatory defense and penalties. The policy also protects the College against 3rd party legal action for damages arising from the alleged breach (including defense costs). The renewal quote received from AIG, is \$17,325, the same as the expiring premium. The College received a quote of \$16,735 from ACE. Both company's policies do not contain an exclusion related to portable devices and data that is not encrypted. The method in which coverage is applied varies: AIG will cover up to 250,000 affected persons for credit monitoring and identity restoration services regardless of the cost; ACE will cover an unlimited number of affected persons for credit monitoring and identity restoration services up to \$500,000. AIG has a sublimit of \$250,000 for forensic investigation and other services while ACE has no sublimit. Both policies are for \$1 million.

Broker Fee

The annual fee for 2015-16 is \$50,000, the same as last year, which represents the fourth year amount as outlined in Willis' proposal to the College's RFP issued in 2012.

Recommendation

College staff, after carefully considering the available options internally and with its broker representatives, recommends that the College procure insurance as detailed below.

<u>Coverage</u>	<u>Carrier</u>	<u>Expiring (2014-15) Premium</u>	<u>Renewal (2015-16) Premium</u>
General Liability (\$1M)	United Educators	\$160,942	\$167,838
Umbrella (\$25M)	United Educators	84,539	87,314
Workers' Compensation	Amerihealth	336,764	282,838
Property	Affiliated FM	171,258	166,580
Educators Legal Liability (\$15M)	AIG	85,698	85,698
Automobile	Phila. Insurance Co.	21,295	22,074
Student Medical Professional Liability (\$1M)	CNA	7,856	8,545
Crime (\$4M)	Travelers	5,000	5,024
International Liability	Navigators	2,851	3,324
Security & Privacy (\$1M)	AIG	17,325	17,325
Travel Accident		1,350	1,350
TOTAL INSURANCE PREMIUMS		\$894,878	\$847,910
Broker Fee	Willis	\$ 50,000	\$ 50,000

Action: Ms. Tsai moved and Ms. Biemiller seconded the motion that the Business Affairs and Executive Committees of the Board of Trustees approve the 2015-16 insurance program with a total cost, including broker fee, of \$897,910. The motion passed unanimously.

(2) Disposal of Fixed Asset Equipment – Total \$591,965 (Action Item):

Discussion: Staff presented the following is a list of fixed asset equipment that has been disposed of and fully depreciated. Such equipment has no asset value. The various department heads and the disposal committee have met and approved their disposal. According to College Policy & Procedures Memorandum No. 205 (Disposal of College Property), the College is required to have the President and Board approve the final disposal of items with purchase prices in excess of \$25,000.

Org Name	Purchase Price	Item Description	Purchase Date
Transportation Technologies Mgmt.	25,352.00	DIAGNOSTIC ANALYZER W/FRONT END 14 WHEEL ALIGNMENT	10/1/1993
Cardio-Respiratory	50,373.00	4400 HORIZON CPFT NICO STRESS METABOLUS 763290 BOARD PWB	6/1/1987
Multimedia Services	43,078.00	VIDEO DATA SYSTEM PLAY-BACK SUB SYSTEM THAT INCLUDES 12	7/1/1995
Multimedia Services	53,626.00	COLOR MONITOR (EDITING- SYSTEM) PAID BY SPSBA	5/1/1990
Multimedia Services	53,626.00	COLOR MONITOR (EDITING - SYSTEM) PAID BY SPSBA	5/1/1990
Multimedia Services	53,627.00	VIDEO-RECORDER (EDITING SYSTEM) PAID BY SPSBA	5/1/1990
Student Academic Computing Center	31,845.00	COMWEB TECHNOLOGY VIDEO DIST. SYSTEM	10/6/1996
Office of Information Tech Services	29,044.00	TRAIN PRINTER & CONTR OL 42F	10/1/1985
Office of Information Tech Services	45,140.00	VOICE/RESPONSE SYS CPU-16 LINES	8/1/1989
Telecommunications	32,450.00	EQUIPMENT FOR 1600 CALLOWHILL:1 SINGLE CABNET OPTION 11	7/1/1997
Telecommunications	43,898.00	IPE W/BASE CAP POWER CONDITIONER 1EA DTR CARD 1UNIVE	11/17/1998
Cardio-Respiratory	37,936.00	MEBABOLOC MEAS.CART PAID BY SPSBA	1/1/1992
Chemistry	26,051.00	SPECTROMETER NUCLEAR MAGNETIC RESONANCE	6/1/1984
Chemistry	65,919.00	SPECTROPHOTMETER SYSTEM	7/1/1993
	591,965.00		

Action: Ms. Tsai moved and Ms. Biemiller seconded the motion that the Business Affairs and Executive Committees of the Board of Trustees approve the disposal of fixed asset items totaling \$591,965. The motion passed unanimously.

(3) General Contractor Construction Biology Prep Room – Northeast Regional Center (Action Item):

Discussion: Staff mentioned that the College is in process of renovating the Biology facilities at the Main Campus, Northeast and West Regional Centers. The renovation efforts at the Main Campus and West Regional Center involve laboratory, prep and classroom spaces and are to be bid together. The original intent for the Northeast Regional Center was limited to renovating the shared (Biology and Chemistry) prep room. However, through collaboration with the Biology Department, faculty, staff and Regional Center Director, it was determined that the existing shared prep room was inadequate to meet the growing needs of the program. A scope of work was defined wherein space issues and planned growth could be addressed. As a result, the prep room became a project suitable to be addressed independent of the other larger efforts. This resulting scope became largely focused on efforts of general trades contracting with very little required support (insufficient efforts for individual bidding) from mechanical, electrical and plumbing trades.

The College posted and requested bid responses from a number of General Contractors through the Pennsylvania Electronic Document & Bid Management Program (PennBid) identified as CCP RFP#9893. In addition to the contractors already registered within the PennBid system, the College contacted several contractors and minority contractors to participate. Despite these efforts, only two bidders (both previous contractors for the College) attended the mandatory pre-bid meeting and both submitted responses.

The original defined renovation construction budget for the Northeast Regional Center was **\$350,550**. The bids received for the redefined scope are as follows:

Bid Respondent	Trade / Note	Amount
Bittenbender Construction, LP	General Construction / WBE	\$245,295.00
TE Construction Services, LLC	General Construction	\$247,000.00

Action: Ms. Tsai moved and Ms. Biemiller seconded the motion that the Business Affairs and Executive Committees of the Board of Trustees approve awarding of this contract to the low bidder, Bittenbender Construction, LP in the amount of \$245,295. The motion passed unanimously.

(4) Development Advisory Services Relating for Public Private Partnerships (P3) (Action Item):

Discussion: The President and the Vice President for Business and Finance is recommending to the Business Affairs and Executive Committees of the Board of Trustees the approval of the Development Advisory Services contract for Public Private Partnership (P3) projects with JTC Cube Concepts, LLC; whose Principal is James R. Tucker. The extensive experience of James R. Tucker with P3 projects in the higher education space and in the Philadelphia market makes him uniquely qualified to provide the Development Advisory Services to the College. The Development Advisory Services contract shall include the assessment of location and demand; target developers and prepare RFP; response review, presentations, and developer recommendations; and selection and negotiations. The contract shall be task-oriented and payment should be completed based on the conclusion of each task. The total fees shall not exceed \$45,000 and a 0.5% of the project fee paid by the developer for ground lease. If the consulting services are not task-oriented, then the hourly fee shall be \$300. Attachment A contains the proposal, and Attachment B includes an article on Public Private Partnerships by Jim Tucker in the Philadelphia market.

With regard to the Development Advisory Services contract, Mr. White asked about the dollar amount the Board is authorizing College administration to spend. Mr. Eapen replied that the Development Advisory Services proposal is broken down into three phases:

Phase 1 – Assessment of Location and Demand, Target Developers, Prepare RFP	\$14,500
Phase 2 – Response Review, Presentations, and Developer Recommendations	\$15,000
Phase 3 – Selection and Negotiations	\$15,000 and .5% of project fee paid by developer with ground lease

Mr. Eapen reemphasized that if any services are requested outside of the scope, then the hourly fee will be \$300. Mr. White asked what is the market going rate or industry standard for a consultant to receive for negotiating the ground lease. Mr. Eapen replied that this question needs researching, and that he would get back to the Business Affairs Committee Chair. Mr. White asked if College administration looked into any other consulting services to present proposals to the College. Mr. Eapen stated that Mr. Bergheiser introduced Mr. James R. Tucker for Development Advisory Services; and that after a careful and thoughtful review of the qualifications and experience of Mr. Tucker including Mr. Tucker's leadership on higher education development projects in Philadelphia especially in the West Philadelphia region, College administration felt it was not necessary to further explore other consulting firms.

Action: Ms. Holland moved and Ms. Biemiller seconded the motion that the Business Affairs and Executive Committees of the Board of Trustees approve the Development Advisory Services contract, as outlined in Attachment A, for Public Private Partnership (P3) projects with JTC Cube Concepts, LLC, whose Principal is James R. Tucker. The motion passed unanimously.

(5) Next Meeting Date for the Business Affairs Committee:

The next regularly scheduled meeting of the Committee is scheduled for Wednesday, September 23, 2015 at 9:00 A.M. in the Isadore A. Shrager Boardroom, M2-1.

JE/lm
Attachments
BAC\0615MINUTES.DOC

ATTACHMENT A

**DEVELOPMENT ADVISORY SERVICES PROPOSAL
PUBLIC PRIVATE PARTNERSHIP (P3) PROJECTS WITH
JTC CUBE CONCEPTS, LLC
PRINCIPAL IS JAMES R. TUCKER**

Community College of Philadelphia Residential Development

Development Advisory Services

Phase 1 - Assessment of Location and Demand, Target Developers, and Prepare RFP

\$14,500

Working with Jacob Eapen, CCP's general counsel, and select outside professional services*, the activities for Phase 1 will focus on two major areas. The first major area is gathering the information necessary to assess housing demand, value and suitability of sites to prioritize and select the first site for development. Key goals are to understand the sites and assemble information needed to prepare an initial development concept for the site to initiate preliminary discussions with potential developers to generate interest. The second major area is assembling the RFP and developing a prequalified bidders list (targeting 10 developers). This requires meeting with developers to gather information on similar projects, assessing financing capabilities, while also continuing to generate interest in the project. The RFP developed will include required developer response materials to summarize the proposal and facilitate "apples to apples" comparisons. Activities for this phase include:

1. Review three sites, prioritize, and make final site selection
2. Zoning Review and Identifying Potential Variances
3. Environmental Concerns*
4. Ownership Issues
5. Highest and Best Use/Appraisal* (Establish Target Ground Rent Values)
6. Survey Student Population for Need
7. Determine Capacities for Housing and Retail
8. Meetings with 10 potential Developers to Generate Interest
9. Developer Submittal Form/RFP
10. Developer Matrix Summarizing Proposal
11. General Terms and Conditions for the Ground Lease

Phase 2 -Response Review, Presentations, and Developer Recommendations

\$15,000

Phase two will review responses and prepare a summary matrix of all proposals. Follow-up questions will be sent to developers as needed to clarify responses. Developers will be invited to provide 30 minute presentations, with an additional 15 minutes for questions and discussions. Presentations will identify key issues and differentiators between proposals while also providing comments on market feasibility. Finalists will be selected, given additional direction, and invited for a second presentation that will include best and final offers.

Phase 3 - Selection and Negotiations *\$15,000 and .5% of project fee paid by developer with ground lease*

Phase three begins with selecting and prioritizing two finalists for negotiations. The top ranked developer will advance working together Community College of Philadelphia's advisors and legal representation to a negotiated a Letter of Understanding (LOU) that will frame the transaction along with key business and lease terms. Once the LOU is signed the Developer will receive an exclusive 180 day period to continue to negotiate with Community College of Philadelphia's advisors and legal representation and sign an agreement to enter a ground lease that will include a fully negotiated ground lease with a development appendix and an operating appendix. Ground lease will be signed once certain approvals are received to move forward with construction.

CCP can agree to implement all phases of the engagement or implement the advisory services on a phase by phase basis by authorizing the approval in writing. In the phase by phase option, once a phase is engaged payment will be expected even if work in the phase stops. Any services requested outside of the scope the student housing project will be on a \$300 per hour fee basis.

_____ Date: _____

James R. Tucker

JTC Cube Concepts, LLC

_____ Date: _____

Dr. Donald Generals

President, Community College of Philadelphia

*Services provided by outside professionals not within the scope of the Development Advisory services including but not limited to external legal counsel, appraisers, engineering, design, and other similar types of professional services.

ATTACHMENT B

**ARTICLE ON POWER PARTNERSHIPS
BY JAMES R. TUCKER, JOSEPH CAMPBELL, & IRENE TSIKITAS LIN**



POWER PARTNERSHIPS

Through third-party development, Drexel University has energized the campus with housing, retail, and dining facilities. All this while maintaining a stable balance sheet and minimizing credit impact.

By James R. Tucker, Joseph Campbell, and Irene Tsikitas Lin

The modern urban university must offer state-of-the-art facilities for instruction and research, as well as high-quality student housing, dining, and amenities, to recruit and retain the best students and faculty. For Drexel University, Philadelphia, those requirements were particularly challenging. Ranked the fifth fastest-growing private, nonprofit, research institution by *The Chronicle of Higher Education* in 2013, Drexel had experienced a 28 percent increase in enrollment from 2007 to 2014, and a corresponding 44 percent increase in campus square

footage to meet the growing demand for instructional, research, housing, dining, and recreation space.

One reason for the significant growth—and expectations for even more—was the university's plan to enhance the overall student experience, and to reflect its shift from a commuter to a residential university. To that end, Drexel implemented the Two-Year Residency Program that required freshmen to live in on-campus university housing and sophomores to live in university, university-affiliated, or university-approved housing close to the core of campus.

In addition to fostering a more robust campus experience for students, this program was intended to address community concerns about the number of students moving farther out into the surrounding neighborhoods. In anticipation of the program's implementation in 2013, the university sought solutions for increasing and improving the available student housing stock closer to the central campus.

Faced with the need to expand facilities for both academics/research and housing/amenities, university leaders made it a strategic priority to focus institutional investments on academic excellence, including the upgrading of academic and research facilities. With academically oriented projects receiving top priority in the capital budget, the university needed to look elsewhere for funding to support the expansion of facilities to accommodate the university's enrollment growth, increasing residential population, and the modern student's expectations for high-quality campus amenities.

Maximizing the Financial Benefits of Third-Party Development

The benefits of forging creative third-party development partnerships extend well beyond enhancing an institution's ability to focus on academic projects. When private developers appropriately structure transactions to build housing, retail, and other amenities on university land, the developments can be positioned to have no credit impacts. Important factors to consider in structuring transactions to neutralize credit impacts include:

- Location.
- Guarantees and support agreements.
- Noncompete clauses.
- Control of rental rates.
- First-fill requirements.

And by retaining the ownership of the land being developed, universities can collect ground rents from the third-party developer. Drexel University is already realizing the benefits of these types of deals. Through partnerships with private developers that will yield approximately 1.07 million square feet of new construction on its West Philadelphia campus, Drexel expects to receive a total of more than \$250 million in ground rents over the life of the contract terms, while adding new, high-quality amenities to the campus landscape with no impact on the university's credit rating.



Chestnut Square, a 361,000-square-foot student housing and retail complex, was the first of three third-party development partnerships between Drexel University and American Campus Communities.

Fortunately, in today's financial landscape, universities need not rely solely on their own capital to fund such modernization projects. There are many ways that institutions can—and should—extend their own capital by leveraging alternative funding sources, including third-party developers, donor dollars, tax credits, and government programs.

At Drexel, we've had tremendous success during the past four years, forging partnerships with third-party developers to improve and grow residential housing and related amenities, while using a combination of university capital, donor gifts, and government sources to invest in academic and research facilities.

The university entered into these partnerships as part of an effort to accomplish four primary goals: (1) modernizing today's campus with the types of amenities today's students demand, (2) focusing institutional investment on construction and improvement of state-of-the-art facilities for instruction and research, (3) keeping new construction projects credit-rating neutral, and (4) generating revenue in the form of ground rent payments.

Following are several illustrative examples from our experience in utilizing "other people's money" to transform the campus landscape.

Space for Students, Supplies, and Socialization

Drexel University's relationship with American Campus Communities (ACC) began in 2011, when the university embarked on ground lease negotiations with the Austin-based student housing REIT (real estate investment trust). The initial project—to develop an 861-bed student housing and retail complex on an underutilized, narrow footprint between the sidewalk and an existing student center and academic building—was the first of three multiuse projects.

Chestnut Square. For the first project, Drexel acquired city street setback rights to build on the 51-foot deep site. The \$100 million project opened in September 2013, with a 19-story apartment tower, and

two eight-story buildings with townhomes and dynamic street-level retail, including a coffee shop, a pizza and wine bar, a Japanese restaurant, a Shake Shack, a frozen yogurt shop, a credit union, and an artist supply store.

The project also included a \$1.5 million campus bookstore renovation that Barnes & Noble funded, which involved relocating the bookstore entrance to increase foot traffic. The Chestnut Square development, the first of its kind at Drexel University, added 361,000 square feet of high-quality student housing and retail to campus, at no cost to the university, in exchange for the annual ground rents that ACC will pay over the life of the contract term.

The type of financing used guides the term lengths for public-private partnership (P3) projects like this one. Debt financing tends to have shorter term lengths than equity financing. At Drexel, we are using equity as a key component of financing P3 projects. These types of contracts typically have 40- to 50-year base terms, with options that can stretch out to 70 years. American Campus manages and operates the facility under a ground lease with Drexel, and at the end of the term, ownership of the building reverts back to Drexel. There are no first-fill or occupancy requirements built into this agreement.

The Summit at University City. The Chestnut Square development laid the groundwork for a second large-scale third-party student housing project, The Summit at University City. This facility is strategically located in Drexel's primary student housing corridor. Through a competitive process, Drexel again selected ACC as the developer for a 580,000-square-foot complex with 1,316 student housing beds, 18,000 square feet of retail (11 locations), and a 21,000-square-foot student dining facility.

Opening in September 2015 and valued at \$170 million, The Summit represents the largest such project in Drexel and ACC history. While similar to Chestnut Square in that it involves a ground lease, with the ownership of the building reverting back to Drexel at the end of the term, this negotiation was



This rendering from Drexel's Campus Master Plan gives a glimpse of the university's plans to partner with a master developer to transform a 10-acre parcel of land adjacent to its campus and Philadelphia's 30th Street Station into a dynamic mixed-use Innovation Neighborhood.



In 2013, ACC conveyed to Drexel the land, air, and subsurface rights to the strategically located University Crossings property, with the option to transfer the building to Drexel's ownership at any time of the university's choosing.

more complex due to the construction and operation of a new dining center component. The agreement included the university entering into a \$9.3 million prepaid lease for the dining facility, funded with capital negotiated as part of the university's campus dining contract. The new campus dining facility will add much-needed capacity to accommodate recent growth in Drexel's residential student population and food service sales, which increased from \$11.8 million in FY07 to \$29.1 million in FY14.

University Crossings. In a separate transaction tied to The Summit ground

lease, Drexel gained control of a strategic piece of land that had been considered the "hole in the doughnut" of Drexel's campus, because it was surrounded by university-owned property, including a 10-acre parcel slated for future development as the Drexel Innovation Neighborhood.

We were able to structure a transaction in which ACC would convey to Drexel in 2013 the land, air, and subsurface rights to the existing 1,016-bed University Crossings property, with the option to transfer the building (with an estimated value of \$68.5 million) to Drexel's ownership at any time of the university's choosing. The conveyance also included

Keys to P3 Success

To realize the potential benefits of partnering on large-scale space commitments, institutions must be strategic, analytical, and innovative in their approach to choosing development partners and structuring deals. From lessons learned in negotiating third-party development deals at Drexel, here are four keys to success:

- **Embrace transformational leadership.** Create extraordinary outcomes by strategically aligning funds, resources, and people to work toward a common purpose and goal. Start with a bold vision and big ideas, and then provide the leadership to produce the best results for the institution's core mission.
- **Build relationships.** Results are linked to relationships, and those relationships must be built on trust, not conflict. Create and build productive networks of people with diverse perspectives, who are willing to collaborate across boundaries (both internal and external) to innovate.
- **Keep an open mind.** It is absolutely essential to go into the process with an open mind. No project will turn out exactly the way you thought it would in the beginning—and that's usually a good thing. Be open to innovative approaches, even those that challenge your preconceived notions, and try to view obstacles as opportunities. A great example at Drexel is the Chestnut Square project, which took a small, shallow strip of land in front of two existing buildings and transformed the streetscape with a residential high-rise tower and mid-rise townhomes, along with more than 25,000 square feet of dynamic, new retail space.
- **Maintain the integrity of the process.** Maintaining the integrity of the process—from procurement to analysis to due diligence—yields the best results. Don't cut corners or sidestep thorny issues. Remain attuned to the details (especially any potential risks), conduct careful analysis, understand patterns and trends, and use facts to back up your vision. Armed with data and facts, you will be able to enter into negotiations with confidence and dismantle any myths that threaten to impede progress.

ACC's agreement to invest \$30 million in improvements to the historic building, which houses student apartments and administrative/office space. Prior to the conveyance, and as part of the negotiations for the Chestnut Square development, the university secured the rights to install, on the north and south facades of the building's penthouse, large, backlit "Drexel University" signage with 16-foot-tall letters, a valuable branding opportunity on one of the tallest buildings on campus that has visibility across the city and adjacent transit corridors.

Meetings Space and Mixed-Use Development

In addition to building additional student housing, dining, and retail space, we identified other facilities needs that we fulfilled through third-party partnerships.

The Study at University City. Drexel identified an ideal location for a full-service boutique hotel, with meeting space, retail, and other amenities to serve our community, as well as neighboring institutions.

Currently, visitors to the university must stay at hotels affiliated with the University of Pennsylvania or located in downtown Philadelphia, across the Schuylkill River from Drexel's campus. The planned hotel is expected to attract meetings, group room bookings, and social events; provide a convenient place for visitors and guests of the university to stay; and allow faculty to host conferences on campus covering special topics, such as their work on autism research.

Through a competitive process, Drexel selected Hospitality 3 LLC, a New Haven, Conn., and Manhattan-based hotel and real estate development company, to

develop the project through a ground lease agreement with Drexel at the company's sole cost. As with the ACC developments, the building will revert to Drexel ownership at the end of the term.

Child care mixed-use development: monetizing an underutilized site. A survey of our faculty and professional staff revealed a significant demand for high-quality child care on campus.

An underutilized 0.68-acre site seemed the ideal location for a child-care facility, so we initiated a request for proposal process to seek developer proposals for a mixed-use development on the site that would also include market-rate housing to help make the child-care component economically feasible. That process yielded a proposal for a child-care center, of approximate capacity of 160, to be operated by Hildebrandt Learning Centers, in a 159,000-square-foot, 16-story building. The facility would also house approximately 164 market-rate apartments geared towards young professionals, faculty, university employees, graduate students, and the community at large.

The development includes a for-sale stacked townhome component, featuring 12 two-bedroom townhouses eligible for the university's Employee Home Purchase Assistance Program. The university is currently engaging in negotiations with Radnor Property Group to develop the approximately \$55 million project at the company's sole cost under a ground lease with Drexel. As part of the transaction, the university will also receive one for-sale townhome unit to be used for housing visiting faculty, new faculty, and employees, as well as for hosting small gatherings.

University City High School site—a joint venture purchase for future development.

In 2013, a unique opportunity arose for Drexel to bid for the purchase of a large parcel of land (14 acres) from the school district of Philadelphia. The parcel was attractive for its adjacency to the west end of campus and the Lancaster Avenue retail corridor, which is part of Drexel's

efforts to spur economic development in West Philadelphia.

The university wished to control the site and its future development rather than risk it staying vacant for a long time or being developed for an undesirable use. Since purchasing the site would require substantial up-front capital, the university partnered with Wexford Science & Technology, developer of the University City Science Center, to form a joint venture to acquire the site and manage its development. Under the joint venture agreement formed in early 2014, Drexel owns the land and leases two-thirds of it to Wexford under a ground lease. Wexford and Drexel will develop their respective portions. The existing site includes three buildings: a high school, an elementary school, and a preschool.

We finalized the purchase of the site in June 2014, and abatement and demolition of the properties have commenced. Once the site is cleared, there is potential for approximately 2.7 million square feet and \$1 billion of development, which is expected to include lab/office, residential, and university space, as well as a potential K-8 school to serve the community. Ultimately, the university's goals in partnering with Wexford and acquiring the site are to reinvigorate a vacant property with mission-driven development that is a natural extension of the Drexel and Science Center campuses and help to stabilize the neighboring communities by providing economic development and improved public education options.

Innovation Neighborhood

When President John Fry was appointed Drexel's 14th president in 2010, part of his vision for the university was to transform underutilized properties surrounding Philadelphia's 30th Street Station into an "Innovation Neighborhood" that would serve as an attractive and exciting front door to Drexel's University City Campus, as well as a hub for research, technology transfer, and economic development. To that end, Drexel has assembled a large, 10-acre parcel of land with two components—the 528,000-square-foot former



Drexel's third-party development strategy for campus amenities allows the university to focus institutional investment on state-of-the-art facilities for instruction and research, such as the award-winning Constantine N. Papadakis Integrated Sciences Building.

Philadelphia Bulletin Building on a 6.5-acre site acquired in 1993 and a 3.5-acre parking lot purchased in 2011.

The parcel, dubbed the "Superblock," includes all the land from 30th Street to 32nd Street and JFK Boulevard to Market Street, which is strategically located directly adjacent to Philadelphia's 30th Street Station and can accommodate about 5 million square feet of total development, at a cost of approximately \$2 billion. The site is located between

Philadelphia's thriving Center City and the intellectual ecosystem of University City (home to Drexel, the University of Pennsylvania, University of the Sciences, and the University City Science Center).

In the first step toward attracting third-party partners to help develop the site, Drexel achieved Pennsylvania Keystone Opportunity Zone status for the majority of the land in December 2012, which means eligibility for important tax incentives for office, retail, and hospitality

Drexel's Success With Third-Party Developments

Project	Type	Developer	Size (in sq ft)	Estimated value (in millions)
Chestnut Square	New construction: student housing, retail	American Campus Communities	360,000	\$100.7
The Summit at University Crossings	New construction: student housing, dining, retail	American Campus Communities	580,000	\$170.0
University Crossings	Conveyance: student housing	American Campus Communities	450,000	\$68.5
The Study at University City	Hotel	Hospitality 3/ The Study hotels	145,000	Undisclosed+
Child care Mixed-Use Development	New construction: mixed-use with child care, apartments, townhomes	Radnor Property Group (currently in negotiations)	175,400	\$55.0
University City High School Site	Property acquisition and future mixed-use development	Drexel-Wexford Science & Technology Joint Venture	2,700,000	\$1,000.0
Innovation Neighborhood	New construction: mixed use	Currently in negotiations with potential developer	5,000,000	\$2,500.0
TOTAL			9,410,400	\$3,894.2+

SOURCE: Drexel University Division of Administrative and Business Services

uses. Pennsylvania's program reduces the state and local tax burden associated with parcels of developable land. Drexel has used the designation program to package sites more attractively for third-party developers. The process for obtaining KOZ status involves submitting applications to the City of Philadelphia Commerce Department that are then analyzed, based on the economic development benefits the project is expected to generate for the city and state, such as potential jobs created and taxes generated. Applications the city viewed favorably are submitted in rank order to the state, which ultimately selects the projects for KOZ designation.

Drexel's vision is to partner with a master developer to transform the parcels into a revolutionary new learn/live/work neighborhood located between one of the nation's great urban academic centers and the transit hub at the heart of the Northeast Corridor. The Innovation Neighborhood will house technology partnerships, industrial joint ventures, interdisciplinary academic and research

programs, business incubators, and more. A mix of offices and laboratories, classroom space, and residential and retail property will create a dense, mixed-use neighborhood. Through a competitive process, Drexel is anticipating selecting a master developer this summer.

Enhancing Drexel's Ability to Direct Capital to Core Academic Mission

With third-party developers investing hundreds of millions of dollars in high-quality housing, retail, and amenities on Drexel's campus, the university has been able to focus and expand capital spending on projects that more directly advance its core academic mission. For example, during the past four years, Drexel has invested in major new academic construction projects, such as the Constantine N. Papadakis Integrated Sciences Building for the life sciences, the Gerri C. LeBow Hall for the LeBow College of Business, and the URBN Center for the Westphal College of Media Arts & Design, as well as major

renovations of existing buildings for the psychology department and the School of Public Health.

Even when investing university dollars, Drexel is continuously exploring opportunities to creatively maximize those investments through government programs and donor pledges.

■ **Donor projects.** Drexel has succeeded in attracting donor dollars to further enhance its academic mission for such projects as expanding the Stephen and Sandra Sheller 11th Street Family Health Services Center (\$2.5 million pledge in 2014); modernizing the Thomas R. Kline School of Law (\$50 million pledge in 2014); upgrading neighborhood initiatives, such as the renovation of the Dornsife Center for Neighborhood Partnerships (\$10 million pledge in 2012); enhancing student life by establishing the Raymond G. Perelman Center for Jewish Life (\$6 million pledge in 2014); and expanding athletics and recreation facilities (\$1.5 million pledge in 2014).

■ **State grants.** Pennsylvania's Redevelopment Assistance Capital

Program (RACP) allows entities to apply for the state's limited available capital funding through matching grants for projects that "display significant potential for improving economic growth and the creation of jobs." Drexel has succeeded in securing RACP grants for the Papadakis Integrated Sciences Building (\$10 million RACP/\$69 million total budget) and Gerri C. LeBow Hall (\$9.5 million RACP/\$92 million total budget).

■ **Tax credits.** Drexel has succeeded in leveraging tax credit opportunities to enhance funding for two major donor-driven projects. The Dornsife Center for Neighborhood Partnerships received a total of \$3.8 million in historic and new market tax credits towards its \$14.2 million renovation budget, and the Sheller 11th Street Family Health Services Center received \$2.8 million in new market tax credits towards its \$9.9 million budget.

To advance their core academic missions, universities must prioritize large capital investments in infrastructure and facilities, which means projects supporting academics and research will—and should—often take precedence over the development of non-core amenities. But in today's competitive higher education market, institutions cannot ignore students' demands for high-quality amenities such as housing, dining, and retail.

Shifting the burden and risk of developing these amenities to third-party developers that can, in many cases, deliver projects faster and more efficiently allows universities to maximize their own internal resources for strategic, academic priorities—creating a win-win for the institution, the developer and, ultimately, the student. Partnering with third-party developers to develop underutilized sites also

allows institutions to, in the words of Drexel University Senior Vice President Jim Tucker, "unlock the value of their land and real estate holdings to advance the university's mission."



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