

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE
OF THE BOARD OF TRUSTEES
Community College of Philadelphia
Wednesday, May 16, 2018 – 10:00 A.M.**

TO: Mr. Steve Herzog, presiding; Mr. Matthew Bergheiser, Mr. Michael Soileau, Mr. Jeremiah J. White, Jr., Dr. Donald Generals, Mr. Jacob Eapen, Dr. Judith Gay, Dr. Samuel Hirsch, Mr. Joseph Kolakowski, Mr. Gim Lim, Mr. Derrick Sawyer, Mr. James P. Spiewak, Victoria Zellers, Esq.; and Invited Guests via Teleconference, Mr. Andre Allen, Principal, Phoenix Capital Partners and Mr. Craig Stock, Foundation Board Member

AGENDA – EXECUTIVE SESSION

Labor negotiations and personnel matters were discussed.

PUBLIC SESSSION

(1) Highlights on the 2018 Bond Issue. (Information Item):

Mr. Andre Allen, Principal, Phoenix Capital Partners, who served as the College's financial advisor reported (*via* teleconference) that on May 1st, the College successfully issued \$24,155,000 Series 2018 bonds with a premium of \$2,109,092. He stated that the financing was very successful particularly in light of the additional challenges created by Moody's downgrading the College's credit rating from A2 negative to A3 stable the week before the issuance. A total of ten investors purchased the bonds including Vanguard, Allstate, and Alliance Bernstein. The bonds have an average yield of 3.25%. Mr. Eapen noted that the \$2.4 million Alliance Bernstein purchase was for their social responsibility fund. Mr. Soileau suggested we should look for more social responsibility investors for the WERC project.

Mr. Allen reported that bond investors are secured by an intercept agreement which is post-default. However, in the loan agreement, the College agreed to send debt service payments to the trustee fifteen days in advance, which provides pre-default protection to investors. This assisted in the sale of the bonds. Mr. Allen further explained that Pennsylvania Act 85 has a clause that ensures 50% of the previous year's budget will be made available to the School District if the Governor fails to pass the budget. He encouraged the trustees to lobby for Act 85 to include community colleges to enhance the marketing of future bonds.

Mr. Eapen further stated that the lead underwriter was PNC Capital Markets LLC and the co-underwriter was Wells Fargo.

(2) Enrollment Update and Planning. (Information Item):

Dr. Hirsch provided a high level overview of enrollment planning. He provided a handout and reviewed its content which consisted of enrollment and application trends for the past three years for the summer and fall semesters as well as retention data for the Fall 2015 and Fall 2016 cohorts. Enrollment is up 2% for early summer and 10% for late summer at same point in time

while fall enrollment is down slightly. Mr. White inquired as to how many students did not complete the admissions process. Dr. Generals mentioned it was a number that was not acceptable. Dr. Hirsch mentioned that a new onboarding and in-take process will be completed by October with the Banner 9 rollout. Mr. White requested that an update on the new process be an agenda item for October's meeting.

Dr. Gay provided a brief report on the marketing strategies employed for the summer and fall semesters. Guest students from other four year colleges are targeted for the summer sessions. The College will begin to use alumni to provide their "Pathway to Success" stories. New strategies will involve digital billboards and a carvetise program, as well as increased use of social media including videos with Malcolm Jenkins. She also noted that the Marketing team was working on a one-year plan as opposed to individual initiatives.

(3) 2018-19 College Budget. (Action Item):

Mr. Eapen reported that the proposed 2018-19 budget totals \$146,259,008. The recommended educational and general expenditures budget (including the Student Activities, Athletics and Commencement budget) totals \$134,256,510; the auxiliary enterprises budget totals \$456,066; and the capital budget totals \$11,546,432, of which \$10,286,432 is debt service. The budget includes a planned use of prior years' carryover funds in the amount of \$929,855. The use of \$307,017 of the Quasi-Endowment Fund is required to balance the Student Activities, Athletics and Commencement budget. He noted that the budget includes no increase in student tuition or fees and that tuition has only been raised once in the past five years. Mr. Eapen stated that the Mayor's budget included a \$1.5 million increase and this is included in the budget plan and that the Governor's budget contained no increases for community colleges. He pointed out that the maximum Pell award is increasing by \$175 to \$6,096 and that this factor should help enrollments. Student credit hours are projected to increase by 5% in each summer session and .5% in the fall and spring semesters. On the expense side, salary budgets are consistent with the proposals made to the union. Mr. Spiewak noted that there were limited adjustments to most budget lines. He explained that exceptions occurred in leased equipment and software and contracted plant services. Increases to leased equipment is necessary for replacement servers and PCs and upgrades to phone system. Additionally, \$295,000 of leased computers that had been funded with the Perkins grant is now absorbed into the College's budget. Leased software is increased for new systems budgeted for assessment, e-procurement, and the Center on Disability. He reminded committee members of the structure of the full budget document which contains more detail on revenues and expenses.

The 2018-19 College Budget is appended separately to the minutes.

Action: Mr. Bergheiser moved and Mr. Soileau seconded the motion that the Committee recommend to the full Board that the 2018-19 College be approved. The motion passed unanimously.

(4) Pharmacy Benefits Manager Contract. (Action Item):

Mr. Eapen explained that the College, with the assistance of its benefits broker, conducted an RFP process for a pharmacy benefits manager. Based upon the RFP responses, three vendors were selected as finalists – Express Scripts (current vendor), CVS Health via Core Trust, and IBC Optum. He explained that CoreTrust is a purchasing consortium of more than 1700 members that currently has a very favorable contract with CVS as a result of an RFP for pharmacy benefits manager. He also noted that IBC partnered with Optum due to certain contractual relationships between the two parties. Mr. Kolakowski briefly explained the differences between a traditional and transparent model of pricing. The staff explained that CVS offered advantages in customer service, digital applications, interactions with physicians through their software applications, and several advantageous contract terms such as quicker rebate payments and an annual market price check.

Mr. Eapen explained that CoreTrust's contract with CVS expires December 31, 2019 but CVS has guaranteed contract terms for the College through August 31, 2021. CoreTrust is in the process of issuing an RFP for the period after December 31, 2019. The College has the option of exiting the contract at December 31, 2019 or August 31, 2020. A decision will not be made until the results of the new CoreTrust RFP is known.

Action: Mr. Soileau moved and Mr. Bergheiser seconded the motion that the Committee recommend to the full Board that the College enter into a pharmacy benefits manager contract with CVS Health via CoreTrust commencing September 1, 2018 through December 2019 with two extension options (one extension option through August 31, 2019 and the second extension option through August 31, 2020). The motion passed unanimously.