

Business Affairs Commission Meeting Minutes

February 8 and 9, 2016 at the State Board for Community and Tech Colleges in Olympia, WA

Day 1: Monday, February 8, 2016

10:00 –12:05 p.m.	BAC Academy: Alternative Capital Financing – Wayne Doty, Kurt Buttleman, Frank Ashby, Choi Halladay, Steve Ward, and agency friends (up to 2 CPE possible)
<p>Objective: Learn about financing options for colleges and foundation capital projects that do not directly rely on state appropriations</p> <p>We have not recovered from 07-09. We had over \$500M in capital now under \$300M. Don't ask for parking, student housing, bookstore, food service, athletics – leg will not fund with bonds.</p> <p><u>Ellen – State Treasurer office: They issue the bonds and COP's for the state.</u> Debt portfolio is on their website. \$20B portfolio – See handout – Lease/Purchase Program Guide. Wendy, colleague, is contact person, works with Ellen. 2 types of COPs- for equipment and real estate. Equipment does not need legislative authority but RE does. COP is pledging part of our budget and securing borrowing with asset you are purchasing (different from bonds). COP – has to be spent on capital expenditures. Min \$10K and can get very big – can get to \$100 million+. Not considered debt of the state so no constitutional limit. Efficient because different borrowings pulled together so reduces overhead costs – those costs are spread over many instead of being incurred by individual borrowers. Recently, been going to market on semi-annual basis – used to go quarterly. May be moving back to quarterly. Try to do as often as they can and as efficiently as they can. Can't go when Leg is in session – not good timing.</p> <p>Process: pg.4 financing equipment. P10 financing RE – start with notice of intent with Leg. Spend time with their attorney's – certif. of opinion. Then price COP. Market determined rate of borrowing. All info is on their website.</p> <p>Interaction with their office continues beyond approval. Money given on reimbursement basis. They need to document how it was spent and how quickly it was spent. Is asset still being used following tax-exempt criteria? They will follow up to ensure that is the case.</p> <p><u>David Clifton, Dept of Housing - they do a lot of work with foundations.</u> What is a bond? Piece of paper – anywhere from \$500K bonds up to the millions. Our non-profit backs the bond. What is backing the bond? Value of the bond is the value of the project. Housing Finance commission was given the authority to work with state's 501c3 nonprofits to help them meet their mission – thru WA state law. They do not receive state tax dollars. They are self-funding and thus charge fees but not subject to state limitations.</p> <p><u>Basic Requirements:</u> (ownership requirement) all property financed by the proceeds of a qualified 501c3 bond issue must be owned by a 501c3 organization or a state or local government throughout the term of the bonds. <u>And</u> (Use requirement) At least 95% of net proceeds of bonds must be used by the 501c3 or a state or local government unit.</p> <p>Each is an individual bond, fees charged, can capitalize interest. You decide your project, choose your lender, and negotiate terms (and rate with your lender), bonds are debt and will need to be repaid. They will work with us and lender to closing. It is our loan or note (tax-exempt). Don't chase the money. Let your project guide your needs not the money. www.wshfc.org/facilities This is a 2 – 3 month process. This might be better option due to timing (faster) and less restrictions.</p> <p><u>Unusual Leases, Dave Stolier, Attorney General's Office</u> – lease from some 3rd party financing – they are all unusual. Distinction between our authority as lessor and lessee. They are looking at</p>	

gift of state funds, loaning of state credit. Can't guarantee a certain income stream to another entity. Risk allocation. Big concerns with a foreign investor. They will try to push risk onto us. They will urge us to put risk back on them. How allocate the leasehold excise tax? Who will pay? College or investor? Should have milestones with term clauses so you can get out of it if necessary. 20 year cap if lessee – otherwise must go to legislature. Sometimes may need expertise beyond what is available at AGO. May get a special AAG. This requires a procurement process and can't just pick your favorite AAG. We have to foot the bill for the expertise. Requires advance planning.

How EB5 investments may affect contracts, Derek Edwards, AAG – see handout (outline). One way people can get a green card, buy their way in via investment. Investor must invest \$1M in urban or \$500M in rural area. Can have multiple investors. They need to be actively involved in the transaction – should have company here in US. Two-year window period. Each investor has to create 10 fulltime jobs. Must convince ICE that they are creating these permanent jobs – not just during construction. They must take the risk of losing the money in order to get the visa (ie – give money to build dormitory). Colleges should probably hire a special AAG to assist with the project. Reauthorized through Sept? 2016.

Partnering with your foundation, Steve Ward, Centralia College – Began capital project support in the mid 90s. Three capital campaigns, property purchases for master plan expansion, considering offsite buildings for expansion.

Rural college in urban setting. In the middle of residential setting. Small parcels – hard to expand. Got permission from Board to buy parcels within a defined area so didn't have to get approval for each one. They were at 17 acres when he first got there now at almost 50 acres. Prior, the foundation would purchase and hold property until DES can complete the purchase (willing seller, DES can take up to 12 months, allows college to act quickly without waiting for DES). How make it work without 2 transactions? Have college buy lower end properties and raze the building. But have foundation buy those that were well constructed and better maintained. Converted them to offices, student housing, programs. Foundation receives FMV rental, annual contracts. College or state will pay appraised value (eventually). Helps diversify the foundation portfolio. Secured property supports master plan and capital requests – can help with future capital requests. Need to have master plan figured out and have strategic plan.

Condominium purchase, South Seattle, Frank Ashby – New Holly Community – affordable housing for a range of incomes in Rainier Valley. A Seattle Housing Authority Redevelopment project. South was a partner – had been teaching English in the area for a long time. Put a neighborhood campus in the middle of the housing project to provide essential community services. Library branch, learning center, classrooms, child care, etc. There is an association. Seattle housing authority and College are owners (75/25 interest). Hold regular board meetings. Pay Annual Owners Dues to support operations and reserves based on ownership share of space. Responsible for major repairs that reserves might not cover. Tips: Be clear about the purpose/need for space, Do you want to buy instead of lease?, Do you want to buy a “condo” and manage others?

Property Management Agreements, Pierce, Choi Halladay –

Eldercare facility went on market, seemed like a good fit for housing.

Needs: college access to a housing facility, development of that facility outside state process, shared risk with foundation

Development lease, COP, straight lease, but did not go with any of these

Foundation bought facility and did renovations. College entered into management agreement with Foundation. College is property manager. They will do marketing, fill rooms with

students, and collect rent on behalf of foundation (remit net of operating costs). Guaranteeing a minimum transfer payment to Foundation. Agreement with College enabled Foundation to get financing from bank. Asset remains with Foundation. No UBI tax since aligned with mission of college. PMA must clearly delineate the split of effort between college and foundation. Took about 3 months – was a quick process.

New Market and Historic Tax Credit Financing, Pacific Tower – Tax credits, Kurt B, Seattle District – Ultimately a dept of commerce project. Was really a foundation project. Building was deteriorating. Frank Chopp thought it would be a great opportunity for college. Congress got \$20M but need was about \$58M. More appropriation, grants, private contributions, etc made of up the difference. \$17M in tax credits (Historic \$10M and New Market \$7.7M tax credits). Three year timeline and still not completed. Some college programs are in there. Approx. \$2M in legal fees. 2 of the 5 college floors are occupied.

Need: low income area, or historic project, base funding for either, willing partners with available tax credit allocation, other willing partners such as foundation, legal expertise.

12:05 – 12:20 p.m.	Break/Transition Time
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12:20– 12:50 p.m.	Lunch
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BAC adjourned into break for lunch and informal networking.

12:50 – 12:55 p.m.	Welcome and Introductions – Linda Schoonmaker
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Chair Linda Schoonmaker offered welcoming remarks and introductions were shared.

12:55– 1:00 p.m.	Evidenced-Based Best Practices – Bruce Riveland (Handout)
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3 BAC reps – Bruce R, Dawn V and Terence H
 WACTC requested money from Leg to support student achievement. Thus formed group – evidence-based best practices. In July 2015, the group developed Master List of evidence-based practices from ATD colleges and a call to system. In September 2015, the group evaluated the Master List and developed a framework referred to as the CTC Trail of Evidence. This framework organized the recommended practices into four themes along the student success continuum.

Recommendations (themes):

- Connection/entry (first year experience)
- Progress (Integrated/accelerated instruction)
- Completion (coaches)
- Advising (continuous during all three themes above)

There are 4 – 5 best practices within each group above

Implementing guided pathways – grant money is available (Dawn V) reach out to your instruction folks to get more info.

This type of info be used as support for future budget requests to Leg (per Nick L)

Presidents will be getting this info soon.

1:00 – 1:20 p.m.	Enrollment Counting Workgroup – See Handout
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3 BAC reps – Shirley B, Holly W and Frank A.; reps from other groups as well
 One outcome – SBCTC will be verifying at colleges
 More important with the new allocation model – WACTC requested as part of new model – ensure consistency
 The EC Workgroup has been meeting since Spring 2015. The timeframe is: April – May 2016:
 Final recommendations to WACTC, June 2016 – Final recommendations to SBCTC

Principles: consistent and equitable, understandable and straightforward, address multiple modes of instruction, consider external regulatory requirements, reflect mission areas and funding mechanisms, enrollments are verifiable and audited on regular basis

Recommendations: (1) policies divided into: fund source, definitions for credits (how are credits assigned to courses –see page 4 of handout), and student counts; (2) Terms are defined and used consistently; (3) special rules for basic skills are eliminated

Fund Source: clarify criteria for determining funding status of classes and students; include in SBCTC policy manual; require state funded classes to have syllabi on file; possible change in Statute (long term unemployed, residents 60+ yrs, state and educational employees)

Credit Definitions: Federal and regional accreditation definitions; Assume 3 hours of student effort per week per credit; Change categories: theory, guided practice, field-based experience; Combine work-based learning with field based experience; Add Instructional Modalities: Online, Hybrid, flipped classroom, competency based

Student Counts: Clarified definitions and updated credits vs enrollment language.

Remaining work: EC for ungraded courses; Common courses with diff credit values across system; assoc degrees with high credit requirements; recomm for enrollment audit process

Ask us to share within our colleges and provide feedback – council meeting on 2/22 – need feedback before then. Will be discussed on day 2 of BAC.

International? How factor in? Current International policy to go into effect next fall will not change. These recommendations don't affect International.

1:20 – 1:55 p.m.

Allocation Model Learning Year – See Handout

Workgroup membership: Kurt B., Davina F, Mary Alice G, Choi H, Nate L, Chad S, Bill T, Dawn V, and Nick L.

Members looked at - Unintended consequences, min operating allocation, the way we request resources from the legislature, stop/loss methodology, any additional funding to go towards stop/loss.

Next WACTC meeting at end of February – recommendations to go to them then. First page (executive summary) will be voted on at tomorrow's meeting.

Risk #1 - What happens if increase SAI beyond 5 %? Recomm is to NOT go beyond 5% for now until have more time to evaluate.

Risk #2 – earmarked enrollments – if overenrolled, gets counted towards your base but if under, no punitive action. Thus, would colleges not want to take additional FTE in worker retraining.

Risk #3 – appearance of conflicts between districts. Model creates a tension among the districts but weren't able to identify any that truly existed (based on data).

Recommendations

1. SAI – keep at 5%
2. No direct relationship should be established between the MOA and the level of SAI funding.
3. System requests for new Appropriations - No change should be made in the method for developing budget requests from the system for M&O, leases and assessments.
4. New Compensation Items: Colas, pension rate changes, etc - The model should be used to distribute appropriation changes related to employee compensation.
5. New M&O, leases, and assessments – appropriations provided for these items should follow the recommended four-year safe harbor concept.
6. New Approps, highly focused, broadly distributed (ie high demand aerospace) – Should always have safe harbor for 4 years. After that would roll into base.
7. New Approps, narrow focus, specific investment – hold in safe harbor ongoing with an annual review (would be done by WACTC OBC – typically) of their status. When does narrow become broad? When impacts at least 50% of colleges? Was not discussed by group.
8. Stop/Loss method of application and relief – use method as recommended by WACTC – 4 year stop loss/gain. Will be a rolling 3 year average moving forward.

1:55 – 2:25 p.m.	Ad Hoc Discussion – BAC Charge – Chart of Accounts (COA)
<p>Chart of Accounts – we need to develop a standardized chart of accounts for a system as a whole. We should be able to pull reports consistently to respond to Legislature. PS has class field – nacubo codes is standard. Our challenge – how to define the department chartfield? We need to decide on reporting hierarchy, budget authority and programs. We are all organized really differently. Operationally this would affect all the colleges if we made changes down to this level. Draft of memo – inherently problematic, won’t get you what you want. Think in terms of functional areas: Instruction, Student Services, Auxilliary, Administration, Executive. The BAR/BAC task force are working on a report to WACTC. More to come.</p>	
2:25 – 2:50 p.m.	Break/Transition Time
2:50 – 4:15 p.m.	Committee Meetings
<p>Committees on Information Technology, Operating Budget, Security & Safety, Operations and Capital met.</p>	
4:15 – 5:00 p.m.	Executive Committee Meeting
<p>Executive Committee met prior to the BAC dinner.</p>	

Day 2: Tuesday, February 9, 2016

7:30 – 8:00 a.m.	Breakfast
8:00 – 8:05 a.m.	<p>Call to Order and Introductions – Linda Schoonmaker</p> <p>Approval of Minutes and Treasurer’s Report – Melinda Merrell</p>

<p>The BAC business meeting was called to order. December 2015 meeting minutes were presented and unanimously approved. The BAC treasurer's report of \$9,198.23 was shared and accepted by the membership.</p>	
8:05 – 8:20 a.m.	Enrollment Counting Workgroup Recommendations – No vote taken
<p>What are we voting on? Take back to colleges to review and get feedback to Shirley, Frank or Holly. Get to them before 2/22. What does census date mean? Syllabi – where will that happen, where recorded? Institution will be responsible for keeping Syllabi. Big piece is to have an audit. SBCTC has a new position – enrollment policy associate – will report to John G. Role will be to do audits and make sure enrollment policies are clear and understandable. Work on improving communication. Look at data, see where problems are and work on cleaning them up.</p> <p>Syllabi info –already in policy. “By the census date” added for emphasis (per Denise G). This is one of the few changes that might be controversial on campuses.</p> <p>Credits – from 5 categories to 3 – she thought there would be more questions from our group. Concern - changing credits may change FTE counts. Denise suggests we look closely at this. Is it going to change the credit value for existing courses? Instruction will need to evaluate and they are doing this through their commission. Workgroup meets two more times. To WACTC in April or May and final decision by WACTC in June. Still time to review/discuss on your campus.</p>	
8:20 – 8:25 a.m.	Allocation Model Recommendations
<p>Sentiment from BAC was that the work group did a great job. Bill T moved to support the recommendation and Bob W seconded. Recommendation passed.</p>	
8:25 – 9:00 a.m.	State Board Report – Denise Graham
<p>Denise introduced Arlen Harris, new Leg Director. He gave us background info on his positive experience with ctc's (BC and GRC) and then his work history. Handout – Leg Agenda. Lynn Peterson – her departure was bad form and sets a negative stage going forward for the session. There is a 2 vote majority for the Dems in the house but things more difficult in Senate. McCleary not going well – will punt until next session. Any new money? There is a \$43.8M ask in supplemental budget. We are asking for \$11M in cola, \$2M in tuition backfill, Opp Grants, Mesa, Faculty union increments, advising. Priority is top two items - \$11M for cola and \$2M in tuition backfill. Presidents have been supportive and talking with legislature. He doesn't anticipate any cuts to the system. There are two gender neutral bill that oppose one another so likely won't go anywhere. Corrections Education - offering Assoc degrees in prisons – moving forward. HB 2329 – goal of student achievement council wants to have all adults educated within next 7 years. How much cost? Need to know how many are out there. Leg is punting on this bill because will cost \$250K or more. HB 2769 – Bachelor degree pilot program for up to 5 colleges. Expected to move out of house approp. Study will be done on these once set up. Leg wants to monitor how it's going. HB 2656 - Zero-based budget reviews will not happen. HB 2820 – College Promise Program. Phased-in approach, after all Fin Aid exhausted, then the promise would be given. Would have a hefty price tag. This is the start of an ongoing relationship that will likely go on for many years.</p>	

Supplemental capital budget – COPs on parking garage ok if not funded by students. Capital ask is \$82M, bond capacity is \$89M so not a solution. Leg -Don't like having buildings on backs of students. Leaves 6 projects on the design list. Go down list – 2, 3, 4 fund as able. Do first two with COPs against building fee funds. Bldg fee primarily used to fund minor works. Currently have 4 projects funded by bldg. fees backed by COPs. Bldg fee will go up – tied to CPI. (like last year) Revenue forecast comes out next week.

Guided pathways – Denise will be sending out timeline info about that grant.

Parking – most of CIS from Bellevue has moved down here and so parking has been an issue. Thank you to group for working with them to deal with the issue and for our patience.

9:00 – 10:15 a.m. | Committee, Workgroup, and Liaison Reports

Operating Budget – Lisa Hjaltalin and Nick Lutes

Tuition policy - WACTC OBC has been discussing tuition and how we compare to 4-year universities. As 4 year's drop we need to stay competitive. But our costs continue to rise due to inflation, etc. We need to have some growth in our revenue stream. We need to think about our connection to the 4-years, whatever happens to them ripples down and would impact us. They don't think about ctc's when they make policy changes. Also, tuition levels and economies of scale – if too low makes it difficult for some to serve communities. Share any concerns we have with Nick. Nick has a graph showing gap between us and them.

2016 supplemental budget – Gov's budget – not much in it for us. Last revenue adjustment comes next week with forecast. We should start to get budget releases. Nick will communicate via email each step of the way.

Information Technology – Suzie Benson

Mike Scroggins and Dennis Colgan attended the IT committee meeting. Likely formation of security council under ITC. Info to go to WACTC. Training – visited Tacoma and went through all the business processes. School and SBCTC not on same page mostly regarding training. Need more supporting documents/training guides. SBCTC hired a new person to facilitate training (Andy Duckworth). Training doc will be emailed out via Suzie.

How will new go live be decided? Was Aug 24th but now unrealistic date. They have targets but many things still need to be worked out. It takes 8 -9 months for completion. New estimate end Oct – early Nov 2016.

Status of FLC's – moving forward on some key things – GL is a big thing. SBCTC is working closely with Spokane and Tacoma. Ongoing process. Aiming to have GL done by next Friday.

Outstanding tickets – they have gone through 7,000 tickets! Currently there are 405 open tickets. Approx. 4 – 8 critical or urgent tickets at any given time.

Criteria for wave 1 go live – will get list via email

Chart of accounts – initiative moving forward.

Other waves may be moved out further if needed.

Mike was asked how the SBCTC is going to support Legacy during this transition. Legacy will continue to be supported through wave 3. Don't have folks to work on Cobal but can hire someone to support Legacy as needed.

Safety & Security – Shirley Bean (for Kevin McKay)

Joe Holliday joined from SBCTC. Talked about SB 5518. SBCTC is required to submit a status report as to which colleges have MOUs with local authorities. A brief survey will be sent out. Leg encourages us to have MOUs with local authorities (for those with no sworn officers).

Other requirement - SBCTC must do general climate survey around sexual violence on our campuses. SBCTC must make recommendations for collaborations... Trying to determine appropriate audience for this survey. BAC academy – will be in Bellingham. Training will be overview of FEMA guide for developing high quality EM plans. FEMA provides free training on this guide. Four hour training. Do we want to extend our training from two to four hours? REMS is acronym for group to provide training. Choi mentioned that there are local folks who could do the training. BTC can offer ITV/webex for those who can't attend in person. Group would like specific objectives regarding the training. We would like to get any available certifications if available. Chris looking into certifications. Follow up to be done via email – BAC exec to make final decision.

Operations – Jennifer Howard and John Ginther

Operations work plan – new allocation model implications to the schools - How do we move work to the people, move people to the work and how do we create synergies? Outcomes to identify synergies (collaborations) among colleges and then a white paper to Presidents with suggestions.

Fin Aid distribution – those not on higher one are exploring other options – how do a homegrown distribution of Fin Aid (similar to PR)? Use PR model to distribute Fin Aid (ACH). ACH not for all students though but would likely cover 95% and then come up with cards distribution later. Those interested – BC, Wenatchee Valley, Everett, if interested, reach out to Ray. ctcLink – everyone will need ACH agreement with your bank.

BAR report – Jennifer S – sufficient band width for reporting through ctclink. Megamations demonstration was encouraging. STO – gave training on COP accounting. 1098-T training, rules are changing next year. Instead of lifetime learning credit. Requiring 1098-T for any tax credit. We may need to get SSNs from continuing ed students to make them eligible.

Fin Stmt – they are looking into other resources available to assist with Fin stmt preparation.

John G – he sent his report electronically. David B resigned. Standardized chart of accounts. Fin Stmt status report. Findings, exit items list – go over with staff to address any potential issues for your college.

Question was asked if the SBCTC notifies the SAO when the College financial statement data is completed. No, since the colleges still have work to do once they get the data from the SBCTC, each College needs to contact the SAO to set up the audit.

Capital – Steve Ward and Wayne Doty

Looked at minor works progress (chart). Chart does not communicate well all the activities that are happening. Goal – 100% spent by end of biennium. Percent spent so far does not tell full story about the true progress. The Leg/Presidents get the impression that we are not spending our money. SBCTC would like to collect four dates, design start, end; construction start, end. Survey will go out

and Wayne will put together an improved summary for Presidents. Add note column to indicate confidence that the project will follow the timeline.

Survey to schools to find out costs of PRRs for 17-19 biennium.

DAHP – Dept of Arch and Historic Preservation ex order 0505, every competitive process must take into account archaeology and historic preservation of the state.

19-21 wide open selection – DAHP – do a single survey for the system to ease workload for DAHP and to save us money. We might need to hire a consultant (apprx \$20K) cost for entire system. Compare the survey responses above to see if more cost effective to hire someone for entire system. Can do archeological of entire campus but can be tricky with an old building (> 50 years). Limit scope of historical to 40 years and older. How long is the letter good for though? May be better to do on a case by case basis. Can we get approval for a period of time say 10 or 20 years? Wayne will get a cost on a scope of work and bring back to us.

Regarding minor program requests that are due 3/1. They were supposed to give us info in early Jan so they are a month late. So we don't have the info we need to get our info in on time. New deadline is April 1st. By end of week, we will have info from Wayne and extended deadline to April 1st.

10:15 – 10:25
a.m.

WACTC Report – Dr. Terry Leas, BBCC, Liaison to BAC

ctcLink – ITC sent letter of recommendations to the Presidents requesting to delay the go live date of wave 1 until issues are resolved. They thought this approach was too linear. Instead they decided to delay go live date to Nov (vs Aug). We have to get the state's CIO approval for the date extension. Presidents do share the same concern and don't want the issues to continue into other waves.

Critical issues committee had one meeting to discuss expanding Bachelor degrees. Question is how does this fit with our mission and funding. The committee will bring their findings to WACT at July retreat. Focus had been more political than anything because bachelor of applied science students have not been able to get into master's programs.

Major capital project selection task force. Initial round of scoring completed. Meeting today to try to complete scoring. 9 schools submitted PRRs. Hope to release results Feb 19th.

Enrollment, 2% international students – where do things stand? Went through OBC but no one remembers specifics.

10:25 – 10:45
a.m.

Break

10:45 – 11:45
a.m.

BAC Executive Session

BAC convened into executive session.

11:45 a.m.

Meeting Adjournment

BAC meeting adjourned.