

**San Jacinto College District Board Workshop  
December 3, 2018  
District Administration Building, Suite 201**

**MINUTES**

	<b>Board Workshop Attendees:</b>	<b>Board Members:</b> Erica Davis Rouse, Marie Flickinger, Dan Mims, John Moon, Jr., Keith Sinor, Dr. Ruede Wheeler, Larry Wilson (Absent) <b>Chancellor:</b> Brenda Hellyer <b>Other:</b> Anita Dewease, Bill Dickerson, Elissa Posway (Doeren Mayhew), Mandi Reiland, Teri Zamora
	<b>Agenda Item:</b>	<b>Discussion/Information</b>
<b>I.</b>	<b>Call the Meeting to Order</b>	Board Chair, Marie Flickinger, called the workshop to order at 5:01 p.m.
<b>II.</b>	<b>Roll Call of Board Members</b>	Marie Flickinger, Erica Davis Rouse, Dan Mims, John Moon, Jr., Keith Sinor, Dr. Ruede Wheeler  Larry Wilson (absent)
<b>III.</b>	<b>Discuss Effect of GASB 68 and GASB 75 on Annual Financial Report</b>	Note: This item was listed as number IV on the posted agenda but was reviewed prior to the audit during the workshop.  Elissa Posway, Bill Dickerson, and Anita Dewease were present for this item.  Teri Zamora explained that GASB (Governmental Accounting Standards Board) 68 and GASB 75 were previously discussed with the Board in August 2018, and this is an update on the impacts to unrestricted net position. She stated that GASB 68 was implemented August 31, 2015 and recorded the College's share of TRS (Texas Retirement System) Unfunded Pension Liability. She explained that GASB 75 was implemented August 31, 2018 and recorded the College's share of future costs related primarily to the cost of health insurance provided for retirees. She explained that most community colleges in Texas expected to have negative Unrestricted Net Position following implementation of GASB 75. After implementation of GASB 68 and GASB 75, Unrestricted

		<p>Net Position ceases to be a good measure of financial health for governmental institutions.</p> <p>Teri reviewed the College's net position after implementation of GASB 68 and 75. The unrestricted net position as of August 2018 is negative \$65,639,845. She also reviewed the unrestricted net position without GASB 68 and 75 effects. She showed that by adding back the effects of GASB 68 and 75 the unrestricted net position is \$71,026,583.</p> <p>Marie Flickinger recalled that the State required this change, and they were not intending to collect the liability. Teri clarified that this GASB change is a nationwide implementation and not done by the State. It is unlikely that the College would ever pay out this liability amount.</p> <p>Dr. Ruede Wheeler asked where the College stands on healthcare. Teri explained that the College already pays our portion of healthcare for retirees each year. Brenda Hellyer added that the State covers 50 percent and the College covers 50 percent. Teri stated that while the College has had to pay each year's amount annually, now we have to record the retiree benefits liability for each retiree for the rest of their lives.</p> <p>Dan Mims asked how the investment returns are addressed. Teri said they have been factoring investment returns into the calculations. Brenda explained there are financial measures calculated by the Texas Higher Education Coordinating Board. They will be eliminating these liabilities and GASB impact for the financial measures. If not, almost all the community colleges would look like they are in the negative.</p> <p>Marie asked if this will affect our bond ratings. Teri stated that she asked this specifically of Moody's a few years ago and they said it would not affect the ratings. Teri asked if Elissa Posway has any additional comments. Elissa agreed that Teri covered the item well, and the presentation includes the summary of the effects of GASB, and this is required under governmental accounting standards.</p>
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		<p>Elissa explained that the GASB changes shifted the reporting of pension (GASB 68) and Other Post-Employment Benefits (OPEB) (GASB 75) liabilities from the notes of the CAFR onto the College’s balance sheet. The rating agencies were already evaluating the pension and OPEB liabilities prior to the implementation of GASB 68 and GASB 75. The implementation of these accounting changes does not materially change the rating agencies’ views of the credit quality of issuers now that the liabilities are on the balance sheet.</p> <p>Teri stated that the new GASB reporting standard changes do not affect or change the reality of these liabilities, but they merely provide a different means of reporting it.</p>
<p><b>IV.</b></p>	<p><b>Review 2017-2018 Comprehensive Annual Financial Report</b></p>	<p>Elissa Posway, Bill Dickerson, and Anita Dewease were present for this item.</p> <p>Elissa Posway with Doeren Mayhew reviewed the audit results report for year ended August 31, 2018 and gave an overview of the audit approach, process, and findings.</p> <p>Elissa stated that with respect to the audit, Doeren Mayhew was required to report on the following items:</p> <ul style="list-style-type: none"> <li>• Auditor’s Responsibilities under Generally Accepted Government Auditing Standards – <ul style="list-style-type: none"> <li>○ Financial Statements – Unmodified Report</li> <li>○ Internal Control over Financial Reporting – No significant deficiencies or material weaknesses</li> <li>○ Major Program Compliance Report – Unmodified Report</li> </ul> </li> <li>• Significant Accounting Policies – The College adopted GASB Statements No. 75 during fiscal year 2018, which resulted in a restatement of the September 1, 2017 opening net position balance of approximately \$106 million for the cumulative effect of this change in accounting principle. The College adopted GASB Statements No. 81, 82, 85, and 86 during fiscal year 2018, all of which had no significant impact on the financial statements.</li> <li>• Management’s Judgements and Accounting Estimates – Estimates were reviewed and within an acceptable range</li> <li>• Significant Audit Adjustments – No significant adjustments</li> <li>• Major disagreements with management – None</li> </ul>

		<ul style="list-style-type: none"> <li>• Material errors, fraud, and illegal acts – None</li> <li>• Required material written communications will be completed after the Board approval of the audit based on the engagement letter dated June 8, 2018 <ul style="list-style-type: none"> <li>○ Audit reports – to be issued within the next four days</li> <li>○ Management representation letter – to be obtained prior to issuance of audit reports</li> </ul> </li> </ul> <p>Elissa explained that an audit performed in accordance with the Uniform Guidance and the State of Texas Single Audit Circular requires tests of the College’s compliance with requirements of major Federal and State of Texas programs, including consideration of related internal controls. No findings were noted as a result of audit procedures performed, and unmodified reports will be issued for the Federal and State major programs.</p> <p>Bill Dickerson stated that the TRS and ERS numbers are from 2017 and there is a little bit of a lag because we have to use their latest audited numbers. Elissa stated this is allowed under the accounting standards.</p> <p>There were no questions regarding the audit results.</p> <p>Teri reviewed the comprehensive annual financial report (CAFR). She reviewed a summary statement of net position with and without the GASB 68/75 effects. The College is up approximately \$10 million in current assets. She reviewed the statement of revenues, expenses, and changes in net position. She stated that salaries and benefits are approximately 59 percent of expenses.</p> <p>Erica Davis Rouse asked for clarification on significant change in net position from College operations. Teri responded that at the end of 2017 the College had expenses in excess of revenues of \$2.5 million due largely to the write-off of the North Campus Library. Brenda added that this included operating expense items and depreciation. Teri reviewed program expenses by function (all non-capital funds) which shows more detail on expenses.</p> <p>Teri reviewed the statement of cash flow. These numbers are a typical reflection of cash flow when an institution is</p>
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		<p>going through a building program. Brenda clarified that this statement contains unrestricted and restricted amounts.</p> <p>Teri explained that this year the College had to add the San Jacinto College Foundation as a component unit. Several GASB Statements govern when to include foundations as component units in an entity’s annual financial reports. This year the Foundation represents significantly more than five percent of the net position of the College, so it needed to be included. Resources of the Foundation are used for the direct benefit of the College which is another criteria for determining if the Foundation should be included in the College CAFR.</p> <p>John Moon, Jr. asked if the GASB change pushed the Foundation into the 5 percent range. Teri responded that it was already close to 5 percent but now we are close to 17 percent due to the changes of GASB.</p> <p>Marie asked if an audit would reveal a problem with financial aid. Elissa explained that a sampling process is used to test the Department of Education processes and payments. Sampling is not perfect, but for most programs a large sample is used for the audit process.</p> <p>Brenda explained that an action item is on the agenda for this Board meeting. The Board members asked for a final CAFR be sent to them electronically.</p> <p>Bill Dickerson, Anita Dewease, and Elissa Posway left the meeting after the audit and CAFR review.</p>
<p><b>V.</b></p>	<p><b>Review Plan for Upcoming Issuance of General Obligation Bonds</b></p>	<p>Teri reviewed the debt transaction and authorized bonds. She explained that the voters approved the \$425 million in general obligation bonds in November 2015. In March 2016, \$150 million were issued. The plan is to issue another \$150 million in February 2019. This would leave a remaining \$125 million of authorized but unissued general obligation bonds to be issued at a later date. The timing is based on projections of project spending.</p> <p>Teri explained that since the College will be in the market, there are approximately \$12.3 million in callable General Obligation Bonds that will be refinanced. It is anticipated</p>

		<p>that over the remaining life of the refunding bonds a net present value of savings is \$797,000 or 6.5 percent.</p> <p>Marie said she urges us to have our underwriters negotiate for the best rates.</p> <p>Teri explained that we do negotiate with professionals involved in the transaction this is what we plan to do.</p> <p>Teri reviewed the underwriters that were previously approved by the Board. From the pool, Teri is recommending Morgan Stanley as the senior firm. One of the main reasons for this choice is for continuity related to the lead staff member. The independent municipal advisor is PFM. The bond counsel is Hunton Andrews Kurth LLP with Tom Sage as the primary. The disclosure counsel will be Bracewell LLP with Holland and Knight LLP as the lead.</p> <p>Teri reviewed the proposed timeline.</p> <p>Brenda asked if any of the firms are going to have students watch the process.</p> <p>Teri said she discussed this with PFM, but they will not on this one. We will have them observe on the next transaction in approximately 18-24 months.</p> <p>There were no additional questions regarding the bond sale.</p>
<p><b>VI.</b></p>	<p><b>Discussion of Proposal for Bachelor of Science in Nursing (BSN) Degree</b></p>	<p>Laurel Williamson, Van Wigginton, Alexander Okwonna, and Rhonda Bell were present for this item.</p> <p>Brenda introduced the presenters and explained that an action item recommending approval of the Bachelor of Science in Nursing (BSN) degree is on the agenda for approval at this Board meeting.</p> <p>Alexander Okwonna explained the amount of internal and external stakeholder collaboration that went into this process. He reviewed the history of the nursing programs at the College. He explained that this proposal aligns with the student success, P-16, and workforce and economic development strategic goals of the College.</p> <p>Rhonda Bell explained the importance and demand for this BSN program in the community.</p>

		<p>Alexander expressed that the best way to look at this expansion is that we are building on our own successes.</p> <p>Rhonda reviewed the number of degrees earned in each program which demonstrates our strong current nursing program.</p> <p>Brenda asked what our numbers for this academic year graduation rates will be.</p> <p>Rhonda answered that the numbers will be between 114-150.</p> <p>Erica asked if we see a market for students that are getting undergraduates degrees in nursing from four-year schools. Rhonda replied that we would be competing with those programs.</p> <p>Erica asked what the cost savings would be for students who earn the BSN at San Jac versus at a four-year institution.</p> <p>Brenda and Rhonda explained that it would save approximately \$15,000.</p> <p>Brenda explained that when she met with leadership of local healthcare leaders they anticipated over 1,900 RN's will need to be up skilled to BSN. Our model will really be targeted towards those that are already in the workforce with an associate degree in nursing (ADN) that need to earn the BSN.</p> <p>John pointed out that we may be competing, but the universities do not have the capacity to enroll all of those students that are needing a BSN.</p> <p>Rhonda expanded on our marketing edge. Our student base prefers a more personalized educational experience, located close to work and/or home.</p> <p>Marie asked for clarification of the decrease in enrollment. She said she does not think it could be just from Harvey, because the area around the South campus was affected significantly and their numbers still increased.</p> <p>Van Wigginton clarified that there were changes in cohort and curriculum, and that they changed the graduation cohorts.</p>
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		There were no additional questions on this item.
<b>VII.</b>	<b>Update on 86<sup>th</sup> Legislative Session</b>	Brenda explained that there are several items that are in progress. She attended a meeting of the Texas Association of Community Colleges (TACC) legislative committee recently. There are proposed bills on free college but those have not come with any fiscal notes. TACC still has student success point funding, dual credit, and workforce as priorities.
<b>VIII.</b>	<b>Review of Board Election Calendar</b>	Teri Zamora reviewed the 2019 election pre-activities and important dates. She stated that position 3 and 4 are up for election in 2019. The current incumbents are Marie Flickinger and Larry Wilson, respectively.
<b>IX.</b>	<b>Highlight Association of Community College Trustees (ACCT) Leadership Congress</b>	<p>Brenda asked if attendees of the conference had any comments that they would like to cover in addition to Larry Wilson’s comments at the November Board meeting.</p> <p>Keith explained that he sat in a few sessions on college promise programs. He provided a summary of those sessions.</p> <p>Brenda explained that we are reviewing the Dallas College Promise model. Also, we are a part of Good Reason Houston. We are reviewing these to explore options for college promise models.</p> <p>John attended a Cisco and IBM presentation. He summarized that they are going to start recruiting at community colleges. Brenda added that at San Jacinto College, Continuing and Professional Development has developed a grant with IBM and we will know soon if we receive it.</p>
<b>X.</b>	<b>Report on Transatlantic Operations Program Trip</b>	Brenda explained that a recap was provided at the Dow luncheon. Dow is modeling after this same program that she visited.
<b>XI.</b>	<b>Review of Calendar</b>	Brenda reviewed the calendar with the Board.

<b>XII.</b>	<b>General Discussion of Meeting Items</b>	<p>Brenda asked if there were any items from the meeting agenda that the members would like to review.</p> <p>Erica asked about the policy on college mail. Brenda explained that this policy had not been updated since the early 1990's.</p> <p>Teri clarified that this is to ensure that tax payer dollars are being used to pay staff for college mail and not personal mail.</p>
<b>XIII.</b>	<b>Adjournment</b>	Workshop adjourned at 6:56 p.m.