

**ROANOKE HIGHER EDUCATION AUTHORITY
BOARD OF TRUSTEES
Wednesday, December 2, 2015 at 12 p.m.
Roanoke Higher Education Center**

RHEA Board's Members present:

John Edwards, Carol Fleming, Charles Price, Robert Archer, Patricia White-Boyd, Dane McBride, Catharine O'Connell, Penelope Kyle, Tanya Ridpath, Annette Lewis, Susan Short, Jennifer Pittman, Peter Blake, Charles Poindexter, Christopher Head, Lorraine Lange

Others present: Tom McKeon, Sue Gregory, Patrick Hilt, Michele Faircloth, Carla James, Ethan Cook of Foti, Flynn, Lowen & Company

The meeting of the Roanoke Higher Education Authority Board of Trustees was called to order at 12:30 p.m. The presence of quorum was confirmed.

Dr. Lange noted the minutes from the last RHEA Board of Trustees meeting on June 3, 2015. Dr. Short moved to receive the minutes; Mr. Price seconded the motion, and the motion carried by unanimous vote.

RHEA's FY 2015 Financial Audit

Ethan Cook of Foti, Flynn, Lowen & Co. presented the firm's audit of the Authority's FY 2015 financial records. Mr. Cook reported that, in the auditors' unqualified opinion, the Authority's financial statements fairly represent its financial position. The auditors' unqualified or clean opinion is its highest level of assurance. The audit disclosed no instances of noncompliance with laws, regulations, etc. that are required to be reported under Government Auditing Standards, nor were any matters involving internal control over financial reporting and its operation noted. He stated that the financial condition was healthy. Mr. Cook stated that the audit was a true audit similar to what you would experience for a corporate company since the records were complete requiring no adjusting entries. Mr. Cook also discussed the implementation of Governmental Accounting Standards Board (GASB) #68, *Accounting and Financial Reporting for Pensions*, and noted that required disclosures were made in the audit footnotes. Mr. Cook reviewed the highlights of the (MD&A) prepared by Sue Gregory, Director of Finance and Administration and the Finance staff. He noted that the MD&A was prepared by RHEA staff as required by GASB standards with it being a required part of the published audit report. He encouraged board members to read the MD&A for additional information regarding the Authority's finances especially since it was written in layman terms. He noted that the required annual audit committee letter was disseminated and discussed as required by audit standards to committee members. Delegate Head moved to receive the audit; Ms. White-Boyd seconded the motion, and the motion carried by unanimous vote.

RHEA's FY 2016 Financial Report

Sue Gregory reviewed highlights of her detailed written report on the Authority's financial statements as of September 2015 (incorporated herein). The Authority is in a strong financial position with current cash reserves and ownership of capital assets that is mostly free of debt with the exception of the key building system upgrades financed through the Virginia Master Equipment Leasing Program. However, the Authority's operations remain vulnerable to the impact of any decreases in state funding of the Authority or any of its tenant partners, the loss of current tenants and any unforeseen circumstances that would need additional funding. She also noted that the reserve funds are currently slated for the website redesign and to possibly cover the capital outlay project for the expansion of the

Claude Moore Education Complex until the funds from the bonds are recovered. Ms. Gregory also provided an overview of the results for FY 2015 and other highlights related to the Authority's FY 2016 financial activity.

Overview of GASB 68 Accounting and Financial Reporting

Ms. Gregory reviewed the GASB #68, *Accounting and Financial Reporting for Pensions* and noted that the Virginia Retirement System hired an actuarial firm to prepare a valuation of costs and obligations associated with the Commonwealth of Virginia's pension in accordance with GASB #68. The valuation was audited by the Auditor of Public Accounts (APA). She stated that the governing board for the Authority elected to pay 100% of the employer certified rate instead of an alternative lesser percentage as due diligence in ensuring that pension benefits are properly funded. A written overview of GASB #68 as well as RHEA's audited actuarial valuation obtained from VRS was disturbed (incorporated herein).

FY 2016-2018 Budget Decision Packages

Dr. McKeon reviewed the budget decision packages submitted to the Commonwealth which included a package to increase student recruitment, retention and degree completion (\$685,000), a package to maintain quality, effectiveness and scope of operations (\$357,000) and a package to open and operate the newly expanded culinary arts training facility (\$86,000). He noted that after submitting the packages it was discovered that the Commonwealth has not funded new building operating expenses since the Kaine Administration. Dr. McKeon discussed the capital outlay requests for the Claude Moore Education Complex expansion project, noting that the original cost estimate was too low and therefore another capital outlay request was necessary. He also noted that an additional \$750,000 has been requested for additional mechanical and kitchen equipment which brings the total of the project to approximately \$6 million. Dr. McKeon reported that the Center and Radford University are working to secure funding for the renovation and expansion of the Clinical Simulation Lab. He stated that Radford University would staff and lease the Lab and the expansion would allow outside organizations to use it. It was stated that member organizations should include the Center in requests to the Commonwealth for increases in funding. Dr. McKeon discussed the supporting documentation which noted appropriations of other Higher Education Center and noted that we are awaiting publication of the Governor's Budget in mid-December to see if our requests are included.

Report on Business Model Committee Meeting

Dr. McKeon presented a new model with inclusion of a revenue stream from online courses, but noted that it was decided that due to complications in tracking online students that this element of the proposal would not work as presented. He highlighted the main points of the proposal including a minimum annual fee of \$15,000 per year which would include an office and small classroom, converting the current year to year leasing model to five year increments, seeking out new programs with hands-on elements, encouraging the use of the facility for corporate trainings and bringing additional training organizations in for short-term, non-degree programs. Board members stated that certain criteria would need to be discussed regarding five year leases and Dr. McKeon suggested meeting with each member to discuss the proposed new model. A question was posed about unintended consequences of the new minimum fee and Dr. McKeon noted that most member organizations are near or over the minimum fee but they would be discussing that issue as well. The Board recommended further analysis of the elements with a final proposal disseminated one month prior to the June Board Meeting.

Weapons Policy

Patrick Hilt reviewed the draft Weapons Policy which was a result of a multi-year effort with member organizations' policies being reviewed as well. He stated that the policy will give an outline for dealing with individuals that are carrying a weapon at the Roanoke Higher Education Center and Claude Moore Education Complex. Mr. Hilt noted that legally registered firearms would still be allowed at the Center and that guards are currently not allowed to pat down/disarm individuals. A question was posed about armed security guards and it was explained that currently Center guards are unarmed. He noted that the policy would allow for better enforcement and if an individual did not comply, the City police would be called and the issue would become trespassing. A statement was made concerning the Governor's new weapons policy for State buildings. Mr. Archer moved to adopt the policy as stated until the Governor's policy is available; Dr. Lange seconded the motion, and the motion carried by majority vote with one objection.

Progress on CMEC Expansion

Mr. Hilt presented renderings of the project design, explaining that the design phase was 50% completed, and explained that once the budget is finalized the project could begin construction this summer. Mr. Hilt explained that most of the construction will occur on the new addition with some minor changes to improve the acoustics of the existing auditorium and reconfigure existing office areas. He discussed the renderings of the three new kitchens, the front of the building design and the courtyard/loading dock area. It was also reported that the expansion would allow VWCC to double their enrollment and that the community organizations will likely have access to the auditorium at no cost on Friday evenings and Saturdays on a space available basis. Mr. Hilt stated that groundbreaking may occur in Summer 2016.

Nominate Members to the RHEC Foundation, Inc. Board of Directors

Dr. McKeon reported that the RHEC Foundation, Inc. Board would like to expand the Board membership to enable it to function more fully as a fund raising foundation. He stated that once the Bylaws are rewritten, the Board would increase in members and move to three year terms with one reappointment. In order to facilitate this change in the year ahead it was recommended that the current membership be nominated for reelection. Dr. Kyle moved to elect the slate of current members; Ms. White-Boyd seconded the motion. The slate was elected as presented.

Other Business

Dr. McKeon presented the 15th anniversary mugs to the Board.

Dr. McKeon announced that he would be out of office for two to six weeks for back surgery beginning December 10, 2015.

There being no further business, the meeting was adjourned at 2:00 p.m.

Respectfully submitted,

Michele L. Faircloth
Secretary