

HACC, CENTRAL PENNSYLVANIA'S COMMUNITY COLLEGE
Board of Trustees Meeting
June 3, 2014

Trustees Present

Frank A. Conte
Daniel P. Delaney (phone)
Randy E. Eckels (phone)
Deep C. Gupta
Sally S. Klein
Loren H. Kroh
William M. Murray
Charles R. Peguese
Robert J. Phillips
Nailah I. Rogers (phone)
Timothy L. Sandoe
Vicki R. Shannon (phone)
Toni H. Sharp
Ty D. Strohl (phone)
Peter C. Wambach
Mark A. Whitmoyer

Excused

Hector R. Ortiz
Thomas B. Richey
Jeffrey A. Shaffer

Cabinet

Dr. John J. "Ski" Sygielski
Dr. Linnie S. Carter
Dr. Cynthia A. Doherty
Dr. Robert Steinmetz
Aimee Brough
Sheila Ciotti
John Eberly
Shannon Harvey
Robert Messner
Lois Schaffer
Jean Treuthart
Michael Walsh
Amy Withrow

Guests

David Keller, Solicitor
James Grandon
Dr. Marjorie Mattis
Tara Kreider

Roll Call and Recognition of Visitors: Mr. Sandoe called the meeting to order at the York Campus at 12:01 p.m. and noted that a quorum was present. Dr. Ski introduced visitor Tara Kreider, a graduate student at Drexel University who attended the meeting to observe the work of a college governing board.

Approval of Consent Agenda:

Moved: Frank A. Conte
Seconded: Mark A. Whitmoyer
Motion carried

Discussion and Action on Any Committee Report Items Removed From Consent Agenda: None

Board Education Topic: "Credit Suisse Update," William L. Lane III, Vice President, Credit Suisse Securities (USA) LLC. Dr. Ski introduced Mr. Lane, who summarized the status of a pending settlement with United States federal authorities over the company's guilty plea in Federal District Court in Virginia to one count of conspiracy to aid and abet tax avoidance by American holders of Swiss bank accounts. Mr. Lane said the proposed settlement, which was expected to include payment of a \$2.2 billion fine to US regulators, stemmed from activities last conducted more than five years earlier by a Credit Suisse banking unit in Switzerland. When the matter came to light, the company ended the practices and had since taken steps to strengthen its internal compliance and control systems, Mr. Lane said. He noted the bank was working closely with regulators and expressed his confidence that Credit Suisse would continue to maintain its banking license in the United States and that the matter would have no effect on its ability to continue in its contractual relationship as an investment advisor to the HACC Foundation.

Mr. Lane had been asked to present to the Board in response to concerns raised in the Finance

Committee meeting by Mr. Whitmoyer about the HACC Foundation doing business with the bank. Mr. Whitmoyer quoted from the U.S. Attorney General's statements regarding the criminal charges against Credit Suisse. These included, in part, that it was "an extensive and wide-ranging conspiracy to hide taxes," that "the bank went to elaborate lengths to shield itself . . . from accountability for their criminal actions" and "they failed to take even the most basic steps to ensure compliance with tax laws." Mr. Whitmoyer noted that the AG also said that this conspiracy spanned decades, and hundreds of Credit Suisse employees, including at the manager level, "conspired to help tax cheats dodge US Taxes." Mr. Whitmoyer then moved that the Board direct the HACC Foundation to sever its relationship with Credit Suisse as financial advisor, seconded by Mr. Wambach. A lengthy discussion followed.

Mr. Sandoe asked Mr. Lane whether Credit Suisse had disclosed the matter when submitting its proposal to the HACC Foundation. Mr. Lane said the proposal had disclosed "ongoing litigation" related to a "legacy offshore banking business," but at that time, some nine months earlier in the investigation, it was not possible to provide additional details. Mr. Whitmoyer said he believed the bank's activities in its handling of the Swiss accounts had been at odds with the College's mission to help students and communities by "bringing resources together to help people who need a step up."

In response to a question from Mr. Whitmoyer, Mr. Lane confirmed that Credit Suisse currently advised many colleges and universities among its more than 800 institutional clients in the United States. The bank had not lost clients as a result of the criminal charge, he said, and the federal authorities would not be restricting its ability to continue advising those clients. Dr. Murray noted that tax evasion was not illegal in Switzerland, where the accounts that were the subject of the criminal case had been maintained, and that the bank had not violated Swiss laws. The violators, he said, were the American account holders who had failed to disclose their assets to the Internal Revenue Service. Considering the steps Credit Suisse had taken since, Dr. Murray said he did not see a reason to distrust the bank's integrity. Mr. Lane noted that after the violation was discovered, all but about 10 percent of the account holders had declared and paid taxes on their assets.

Mr. Sandoe said he hoped Credit Suisse would learn from the experience and that he was confident of its management of the Foundation's funds. He said the bank's ability to continue operating and its clients' ability to continue their relationship represented the virtue of "forgiveness" on which American business operates.

Mr. Conte suggested that the College consider waiting a year or two to decide whether to engage a different vendor. Before awarding the three-year contract to Credit Suisse, the Foundation had last changed financial advisors three years earlier, Mr. Eberly said. The trustees agreed that further investigation was warranted. Noting that several trustees had expressed a desire to have more time to consider the matter, Mr. Whitmoyer withdrew the motion to terminate the contract. Mr. Lane agreed to keep the trustees informed, while the Administration looked into the matter further, of the court's disposition of the proposed settlement. He said the judge was expected to rule in two to five months. At Mr. Sandoe's request, Mr. Eberly said he would provide an update to the trustees at the October meeting or, if information was available sooner, at the Board's next meeting, in August. Mr. Whitmoyer thanked the trustees for their willingness to continue consideration of an important ethical matter.

Staff Presentation: "Early College Initiative: City of York School District," Jean M. Treuthart, Vice President, York Campus and Dr. Marjorie A. Mattis, Campus Dean of Academic Affairs. Ms. Treuthart introduced Dr. Mattis and thanked the trustees for visiting the York Campus for their meeting. She presented an overview of a new model for high school partnerships that the College had undertaken at the request of the School District of the City of York to help high school students prepare for college-level work. Ms. Treuthart described several significant challenges that the school district faced: A poverty rate of 36 percent, compared with the 9 percent poverty rate of the

county as a whole, a large minority population and the district's ranking, in recent years, in the 491-494 range among the state's 500 school districts. The district had been under "corrective action" for several years and was now in "financial recovery" and faced with three potential options:

- 1) Disband and allow the three surrounding school districts to absorb York's students;
- 2) Try to work out of recovery on its own;
- 3) Adopt an all-charter model as the New Orleans school district had done in creating the first all-charter district in the United States. Although York had not yet made a decision, the all-charter option appeared likely, Ms. Treuthart said; however, its success was not assured.

During the past five years, HACC's enrollment of students from the city's school district had continued to grow. Among all districts sending students to the York Campus, the students from York City had the greatest developmental needs, with 92 percent needing developmental reading courses, compared with 45 percent for the rest of the campus's student population, 82 percent needing developmental writing courses, compared with 43 percent of the campus student body, and 100 percent needing developmental math, compared with 93 percent of the campus student body.

All 149 of the district's seniors were enrolled in the new Early College Initiative. The program was not expected to make them college-ready, Dr. Mattis said; its goal was to make them more college-ready than they would have been otherwise, which was reflected in testing outcomes at the end of the program. The district provided HACC with its own location in a dedicated "HACC Hallway," and the College had outfitted the space to reflect a collegiate rather than high school atmosphere. In addition to classes in developmental English and math, HACC also provided several Foundational Studies courses in history and college success from the College in the High School program. Library instruction and tutoring were available, as well as placement testing, career counseling, advising and presentations on college admissions and financial aid, all provided through HACC's Student Services Office. Recognition programs including a HACC Student of the Month, special recognition at graduation and awarding of Certificates of Accomplishment helped to bolster student commitment to their classes.

Ms. Sharp and Dr. Ski congratulated Dr. Mattis and her team. Dr. Ski said the College hoped that as a result of Dr. Mattis's recent presentation at a conference of US educators, the Early College Initiative would become a national model.

Recommendations/Reports From The President: Dr. Ski recognized two Cabinet members who would soon be departing from their interim roles and returning to their regular assignments, Sheila Ciotti, interim vice president of the Harrisburg Campus, and Lois Schaffer, interim vice president of the Lancaster and Lebanon campuses. He thanked both for their service and presented each with a bouquet of flowers.

Dr. Ski also introduced the following three resolutions for the trustees' consideration:

Res. 51.98 – Amended and Restated Bylaws of the Harrisburg Area Community College Foundation

Mr. Grandon, chair of the HACC Foundation, provided a brief overview of the revisions in the bylaws, chief of which were the inclusion of liability coverage for Foundation directors and a more concise and updated committee structure. After brief discussion, the trustees tabled the resolution to allow them to review a revised document that would show the specific changes being recommended for their approval. Dr. Ski said the trustees would receive a version showing "tracked changes" in advance of the August meeting.

Res. 51.99 – Nomination of Members to HACC Foundation Board of Directors

Res. 51.100 – Nomination of New Member to HACC Foundation Board of Directors

Moved: Peter C. Wambach
Seconded: Charles R. Peguese
Motion carried

Both resolutions passed in a single motion, with the provision that the end dates of the terms be corrected to read June 30, 2017.

Recommendations/Reports From The Chair: Mr. Sandoe introduced the following resolution:

Res. 51.101 – Election of Officers of the Board of Trustees

Moved: Sally S. Klein
Seconded: Charles R. Peguese
Motion carried

Mr. Sandoe also reported that state funding for community colleges in the coming year was expected to plateau and that the structure of HACC's funding would continue to change. As a result, he said, the Board would need to become more proactive than reactive. He announced the appointment of Mr. Wambach as chair of the Board Legislative Committee, and said he looked forward to Mr. Wambach "leveraging his credibility" as a retired legislator. Mr. Sandoe also appointed to the committee Ms. Klein, Mr. Peguese, Mr. Phillips and Ms. Shannon. Mr. Wambach asked Mr. Gupta and Ms. Sharp to also serve as committee members, and said he looked forward to strengthening the College's relationship with the Pennsylvania Commission for Community Colleges. Mr. Peguese, who noted that he currently served on the Board of Directors of the Commission, said the Commission had recently reorganized under new, strong leadership, which would help in advocacy efforts.

Mr. Sandoe also announced the appointment of Ms. Klein, Ms. Sharp, Mr. Wambach and Mr. Whitmoyer as additional members of the Board Buildings and Grounds Committee. In other matters, Mr. Sandoe:

- Inquired about plans for the College's upcoming annual Legislative Breakfast. Mr. Walsh replied that 16 legislators indicated they would attend.
- Thanked the trustees for speaking their minds and asking challenging questions, which he said strengthens the College
- Congratulated Mr. Conte for being selected by the Central Penn Business Journal as a finalist for its annual Financial Executive of the Year award.

Recommendations/Reports From The Board of Trustees: None

Adjournment: At 1:50 p.m., having no further business, the Board adjourned.