

**Minutes of the
Erie County Fiscal Stability Authority Meeting
August 22, 2017**

Present: Chairman James Sampson, Vice Chairman Peter Marlette, Director Dr. Barry Weinstein, Director Craig Speers and Executive Director Kenneth Vetter

Chairman Sampson: Welcomes guests to the meeting of the Erie County Fiscal Stability Authority Board Meeting. The main focus of this meeting is the ECC budget and the four year plan. New College President Dan Hocoy is here today will be presenting on the ECC financial plan and budget. We will also be considering an RFP for ECFSA's public accountants for the next three years.

“We'll be hearing from Dr. Hocoy in a moment after we finish some administrative business.”

“All members should have minutes from our last meeting in their packet. I would entertain a motion to approve the minutes of the previous board meeting.”

Director Speers moves to approve, Director Marlette seconds and the board votes unanimously to approve the following resolution:

Resolution No. 17-21
APPROVING MINUTES FROM
THE JUNE 6, 2017 MEETING

BE IT RESOLVED that the Erie County Fiscal Stability Authority approves the minutes of its JUNE 6, 2017 meeting and affirms two resolutions numbered 17-19 and 17-20 that were approved on JUNE 6, 2017.

This resolution shall take effect immediately.

Chairman Sampson:

“Dr. Hocoy, it’s your show. I would like to indicate that Dr. Hocoy and I met yesterday to give him the protocol and the lay of the land, and what I’ve consistently heard as issues of concern both on the positive and negative side about Erie Community College. Welcome to Buffalo, you’ve come at a good time.”

President Hocoy:

“Since this is my first time, I’m going to be speaking extemporaneously. I did read the draft report regarding Erie community College and I think it’s accurate. I think one assumption that may not be valid is that enrollment will stay the same. Under my leadership I’m going to focus on 3 revenue streams – enrollment, the other being retention. The easiest way to increase tuition revenue is through retention, and to bring in additional non-tuition revenue – corporate sponsorship, naming opportunities, etc.”

“I really want to leverage my arrival for a new look at ECC. People are curious and there is a novelty factor for a short period of time – a honeymoon period. People are willing to give me the benefit of the doubt for the first few months. In this first hundred days, I do want to make an impression, to set an agenda and direction for the college that is different from the past. One of the things I feel we need to address is the image issue at ECC. I was looking for wine at Target, and there is no wine there, neither is there any at Trader Joe’s. Coming from the West Coast where you can buy wine at the gas station. In my looking around Target, because my face has been plastered around the Buffalo News and on TV, people come up to me and say I know you. Then they give me their ideas.”

“The two most common adjectives about the college are incompetence. There is too much mismanagement and inefficiency. So many people say that. Because I have a background in anthropology, I realize there are multiple truths in any community. Sometimes they conflict with one another, but when there is such a convergence, we do what’s called a triangulation of truth. When there’s such a strong saturation of the same statement, I tend to believe there is some reality to it. The other possibility, as a licensed clinical psychologist, there is a psychological concept called projection. There is some incompetence that we tend to project on others. There might be a psychological reason for ECC incompetence too.”

“We can save the county on chargebacks if we develop a reputation that will draw people from other counties and keeps our own county students. We are clearly short in revenue. The ECC leadership, in the past had done across the board cuts. Each year, they’ve done 10

or 15%. I think that's a mistake. It has to be more of a nuanced approach. For instance, if you cut marketing, you're going to inhibit your ability to grow. There are certain departments you cannot cut and expect to grow. My approach is to realign our current resources for the things that enable us to serve students first and allows us to recruit more aggressively."

"The number one tool is the website. We need to totally revamp it. It looks like it's from the 1960's. The logo is from the 1970's and we want to rebrand completely, but it has to be evidenced in reality. You can't put up a new coat of paint and expect that people will experience you differently. We had state senators at the facility talking about opioid addiction and I was embarrassed. So, we don't need to repaint the 5th floor bathroom wall, but 90% of the circulation goes through the front door. We can make that front door and where 90% of the circulation goes nice. So, it's realigning resources. Across our three campuses, I'll be focusing on where 90% of our people touch."

"I talked about retention. Retention is a great way to increase tuition income. We have a horrible retention rate. We fall below our peers and we fall below the national average. Retention is something I'm very good at. When I was at Saybrook University, we had an attrition rate of 27% in the first year. Almost a third of our students left in the first year. I implemented something called imprinting. There was a Noble Prize named Conrad Lorentz and he has 15 ducklings following him wherever he goes. If you reach those ducklings at a critical point in their lives, they will think you are their mother. Applying that principle to ECC, it means providing that nurturing in their first week. So they can bond with our faculty and staff emotionally. In that case, students are willing to ask for help because they trust you. That helps improve retention and they are willing to deal with the ups and downs. We are aligning people and resources in a different way. We have 5 unions, and 3 campuses and everyone is going in a different direction. They have their own interests."

"The one principle of students first unites us all. Every decision we make should be based on the experience or the interest of the student. So faculty who may prefer to teach between 10 and 3, we have working adults, they're working 9 to 5, that's not going to work for our students. Our students need classes on the weekends, evenings and online. And the technology of online classes saves money. At Saybrook that helped to reduce attrition from 27% to 8%

was to have a Facebook page for advisement. Students could ask each other questions in addition to asking their advisor. You don't need an advisor for every student. They don't need to have a face-to-face meeting. Students help one another. And Facebook is totally free. Some marvelous things are happening on the West Coast and I am looking to bring that technology here. It only took Uber 7 years to come here."

"I want people to be passionate about what they are doing. We are going to be asking people if they really want to do this. If they don't really want to do this, we don't want you doing this. A lot of people are waiting for their 30 years. At 30 years, you get 60% of your highest salary towards your retirement. I'd rather have someone who is passionate for 1 hour a day than someone counting time for 8 hours. You can create a greater impact with the same resources."

"The other main part of image is students. They want to go to a reputable school. Employer's opinions of the school makes a difference to us. It's also important to us in terms of sponsors. Including county and state. I had to petition the county legislature for \$2.4 million for our new ERP in my first week. It's access to the college's own reserves, our own money. There was a huge caucus debate. The people from Ellucian (the software firm) were petitioned there, the product we want to move away from to try to keep us from moving to another provider. In a free enterprise democracy, the product speaks for itself. You don't have to bring a representative to speak on behalf of a flawed product. I had to debate legislators as to the merits of that \$2.4 million. We're in the black in 4 years and gain \$4 million over 10 years, though there is a current dip into our reserves. It's going to cost us more if we don't do anything. Joe Lorigo said all you need is a new alternator, why buy a new car. My response was that we already bought the alternator, changes the transmission and a new motor and now the wheels are falling off. We need a new car to get to work. It's that time. We don't have the legislature's confidence. We made some calls after caucus and Kevin Hardwick said the other 10 legislators don't believe ECC is managing public funds properly. It's been made clear to me the county will not give us our share because of perceived incompetence. Part of it is the impression. We have to evidence a new ECC."

"I reduced my cabinet by 4 positions, saving \$600,000. There was a fiscal problem for athletics and we used that money to take care of it. We have to be relevant, we have an agreement with Solar City,

where we have an agreement to train our students to build solar panels. We become the college in the region that does innovation, Partnerships are another source of revenue. As we change our reputation, people will support us. They will give us more money. When your team wins, people sign checks. When you lose, they won't. Right now, our nanotech building is unnamed. People will give us \$25 million for those rights."

"I don't believe enrollment will remain flat. I will personally go to every high school and tapping into my staff and faculty to maintain a relationship with that facility. There is outreach. Right now, with our foundation, it costs us more to run it than it brings in. In closing I want to say the best way of increasing tuition is through retention. Keep the students you have."

Chairman Sampson: "Any questions for Dr. Hocoy?"

Director Speers: "Annually the administration at ECC comes before us and gives us their rundown and budget preview and one of the questions I've had over the years is why has ECC not had a dormitory arrangement for students? In my estimation that was a flaw in the ECC plan, putting us on an uneven playing field with other college campuses. Others have made arrangements to do that."

Dr. Hocoy: "We've tried several times and come pretty close to having an agreement with a developer. We need to private public partnerships with developers. If they don't have confidence enrollment is growing, they won't do anything. They want a continuous stream of tenants. I can see us with a 25 year partnership with a developer to provide students as our enrollment grows. It's a win win. For the students, the developer and the college. That's a priority in terms of non-tuition revenues. We can privatize our parking lots too. We can monetize our physical assets better."

Mr. Marlette: "First of all, this is very impressive, your optimism and your program. There has been a lot of discussion over the three campuses at ECC and can you comment on the retention rates by campus."

Dr. Hocoy: "In an ideal world, would have three campuses. Our mandate as a community college is access. To have access for students in those communities. Closing any one campus would restrict access. There is also a political reality. I talked to the Hamburg Supervisor and he said he will not allow the campus to be closed. I can make a three campus system in the black in terms of finances. ECC is a pivot institution, where if students are not in school with us, they may be in other, less desirable endeavors. There are slight differences in

retention among campuses. It is more program specific. They are commensurate with one another, meaning they are within 5 percentage points of one another.”

Director Weinstein: “I am very excited about ECC from what I’ve heard today. Very excited about you coming here and looking forward to the changes you’ve proposed.”

Chairman Sampson: “In the interview process, there were questions proposed about Erie Community College and Niagara Community College and Genesee, as well. Ideas have been floated about merging or doing partnerships. Can you address that?”

Dr. Hocoy: “I am only going to work within my purview. That decision is beyond me. I can create partnerships with Niagara once they get a new president. We can have complementary programs instead of competition. In the question of merging, it’s more a question of whether SUNY needs 64 community colleges in New York State? We see from the underfunding from the state, it would be political suicide for Governor Cuomo to close one. By giving each of those 64 insufficient money, you create a situation of survival of the fittest. Colleges will die on the vine if they can’t make it. He doesn’t have to be the bad guy. How do we deal with a diminishing high school [pool of students? The idea of merging is beyond my pay grade and the overall question of SUNY. They are not taking a position on this.”

Director Speers: “I taught as an adjunct for ECC in the last decade and one of the problems I saw was the facilities themselves, especially the north and south campuses. These classroom buildings are right up to snuff for 1955, they’re depressing. They are a mess. If I’m a perspective high school senior I’m definitely going to be looking elsewhere. At the south campus, it’s a confusing maze. It’s not even approachable. It’s like some kind of eastern European architecture. How are we going to improve that and how are we going to improve campus landscaping?”

Dr. Hocoy: “Three ways. Realigning our priorities toward the tough points I alluded to earlier. Things like uniform signage across the 3 campuses so people don’t get lost on their first day. Secondly, in terms of public private partnerships I’m thinking the city campus front door that is rusty and not a good representation of the school. We get that replaced by a local construction company, who gets to put their sign on the door. We could do that with landscapers too.

When the students graduate, they'll think of the companies that had signage at ECC.”

Chairman Sampson: Entertains a motion to accept the 2017-18 ECC budget and associated financial plan.

Motion: Director Marlette

Second: Director Speers

Unanimously approved

Resolution No. 17-22

COMMENTING ON THE 2017-18 ERIE COMMUNITY COLLEGE BUDGET

WHEREAS, Chapter 182 of the New York Laws of 2005 created the Erie County Fiscal Stability Authority (“ECFSA”) to serve as a corporate governmental agency and instrumentality of the State of New York, and as a public benefit corporation to “oversee [Erie] County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required step toward fiscal stability;” and

WHEREAS, section 3951 of the New York Public Authorities Law (“Public Authorities Law”) defines a “covered organization” as “any governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the County;” and

WHEREAS, the ECFSA Board of Directors (“Board”) and staff have reviewed the 2017-18 Erie Community College (“ECC”) budget document, which was adopted by the ECC Board of Trustees and subsequently approved by the Erie County Legislature; and

WHEREAS, the ECFSA Board and staff have identified a number of financial risk items for the college:

- A high reliance on tuition revenues
- Decreased enrollment
- Lowered retention rates
- Continued use of fund balance for current and future operations;

NOW, THEREFORE, BE IT RESOLVED that the ECFSA does view the 2017-18 budget as in balance and achievable. However, due to a number of factors delineated above, the out-years of the financial plan may not be readily achievable.

This resolution shall take effect immediately.

Chairman Sampson: “Thanks to Dr. Hocoy for his commitment and enthusiasm. In June the ECFSA sent out a request for proposals for public accountants to perform its annual financial audit. We received four proposals and staff have put together an analysis of those submissions, which you all have received. I’d ask Mr. Vetter to briefly summarize the analysis and recommendation.”

Mr. Vetter: “We received proposals from the EFPR Group, Freed Maxick Lumsden McCormick and Padilla and Company. We provided all of you with the report. The staff is recommending continuation with Freed Maxick for a number of reasons. They are the lowest cost, \$3,000 less than the next highest bidder. They’ve done a good job for us and they are a reputable firm. Their upcoming fees are less than they’ve been charging us in the past. It seemed to be a no-brainer in recommending them for continuation for the next 3 years.”

Motion: Director Weinstein

Second: Director Speers

Unanimously approved

Resolution No. 17-23

APPROVING ENGAGEMENT OF AUDITING SERVICE

WHEREAS, The Erie County Fiscal Stability Authority (“ECFSA”) was created by Chapter 182 of the Laws of 2005, as amended, to be a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation to “oversee the County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability”; and

WHEREAS, the ECFSA issued Requests for Proposals (RFPs) in June 2017 for Auditor to conduct an independent audit of the financial position of the ECFSA and the related statements of activities in conformity with Generally Accepted Accounting Principles as required by Chapter 182 of the Laws of 2005 for the fiscal years of 2017, 2018 and 2019 and

WHEREAS, the firm of Freed Maxick, certified public accountants and an approved vendor for statewide auditing and accounting services by the New York State Office of General Services, responded to such RFP and reconfirmed its proposal to provide audit services to the ECFSA by letter.

THEREFORE, BE IT RESOLVED that the ECFSA approves the selection of the firm of Freed, Maxick as a provider of such audit services to the ECFSA for the 2017, 2018 and 2019 fiscal years.

This resolution shall take effect immediately.

Chairman Sampson: “Before we adjourn I wanted to indicate we will be closing on the ECMC borrowing for the emergency room and refinancing on September 13th, so it’s gone through all of the vetting at the NYS Comptrollers and all the discussions have gone on. Looks like we’re going to close and they’ll be breaking ground soon after.”

Mr. Vetter: “Pre-pricing occurs today and the bonds will be sold tomorrow.”

Chairman Sampson: “May I have a motion to adjourn? Motion by Director Weinstein. Second by Director Speers. The Board votes unanimously to adjourn.”

Respectfully submitted,

James Sampson, Chairman

August 22, 2017