



Coast Community College District Enterprise, Inc.

BOARD OF DIRECTORS REGULAR MEETING

April 8, 2015 at 12 noon

BOARD OFFICE CONFERENCE ROOM

1370 Adams Ave., Costa Mesa, CA 92626

MINUTES

I. Call to Order

The meeting was called to order at 12:02 p.m.

II. Roll Call

Present:

Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones

Absent:

Ms. Jane Hilgendorf, Mr. Richard M. Kapko and Student Trustee Alex Parkin

In Attendance:

Trustee Lorraine Prinsky, Dr. Jack Lipton, Ms. Rachel Snell, Mr. Andy Dunn, Mr. Doug Bennett, Ms. Janet Houlihan, Dr. Richard Pagel and Ms. Julie Frazier-Mathews

III. Opportunity for Public Comment

There were no requests to address the Enterprise Board.

IV. Approval of Minutes from Meeting of September 9, 2014

On a motion by Mr. Roberts, seconded by Mr. Cline, the Board of Directors voted 4-0-3 to approve the minutes of the meeting of September 9, 2014.

Members Voting Yes: Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones

Members Voting No: None

Members Absent: Ms. Hilgendorf, Mr. Kapko and Mr. Parkin

V. Report on the Annual Shareholders Meeting

Dr. Pagel reported a Shareholders Meeting was held in the fall with the Shareholders of the Enterprise - Coast Community College District Foundation and Coast Community College District, and Mr. Jim McIlwain had been appointed to serve on the Enterprise Board.

In response to a question from Dr. Lipton, Dr. Pagel clarified that the Enterprise Board takes action as far as the incumbent Directors, reporting that Ms. Hilgendorf, Mr. Roberts and Mr. Cline had agreed to participate on the Board of Directors in the future, and Mr. Kapko would also continue to participate on the Board as his term had not expired. Mr. Susumu Yokoyamo had resigned from the Board of Directors.

Mr. Cline added that Directors are elected to the Board of Directors for a two year term, with Ex Officio Directors Interim Chancellor Richard Jones and the Student Trustee. He clarified that appointment of the Board of Directors (Agenda Item VI) was not an action the Board of Directors of the Enterprise Corporation would take at this meeting, but simply information as a function from the Shareholders Meeting. Dr. Pagel added that the Shareholders took action to extend the terms of Mr. Roberts, Mr. Cline and Ms. Hilgendorf. It was agreed that the minutes of the Annual Shareholders meeting be included in the official minutes of this board meeting to reflect action taken.

VI. Appointment of Board of Directors

This item was discussed earlier in the meeting.

- a. Jane Hilgendorf (Term 2014-2016)
- b. David Cline (Term 2014-2016)
- c. Ray Roberts (Term 2014-2016)
- d. James McIlwain (September 30, 2015)

VII. Election of the Chairman of the Board of Directors and Election of the Vice Chairman of the Board of Directors

On a motion by Mr. Roberts, seconded by Mr. McIlwain, the Board of Directors voted 4-0-3 to nominate Mr. Cline as Chairman of the Board.

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| Members Voting Yes: | Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones |
| Members Voting No: | None |
| Members Absent: | Ms. Hilgendorf, Mr. Kapko and Mr. Parkin |

On a motion by Mr. McIlwain, seconded by Mr. Roberts, the Board of Directors voted 4-0-3 to nominate Ms. Hilgendorf as Vice Chairman of the Board.

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| Members Voting Yes: | Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones |
| Members Voting No: | None |
| Members Absent: | Ms. Hilgendorf, Mr. Kapko and Mr. Parkin |

VIII. Report from the External Auditors (Vicenti, Lloyd and Stutzman, LLP)

Ms. Tina Henton, Vicenti, Lloyd and Stutzman, joined the meeting by phone. She reported that the letter included was the required communication summarizing the results of the audit in narrative form, and highlighted any particularly sensitive issues. She indicated that, because of the Corporation's existence as a for-profit entity, it does have a tax liability that translates to the audit because there are required accounting disclosures and entries that go along with that tax liability and those still have a portion of estimate in them.

Dr. Pagel asked Ms. Henton to explain the tax liability for the benefit of the new board members and Chancellor. Ms. Henton explained when the Enterprise Corporation was formed, it was designated as a for-profit entity because of the swap meets' sales activity. If conducted out of the Foundation, it would have generated unrelated business income and taxed, as any type of activity that generates a profit, is conducted on a regular basis and generates unrelated business income, is not a part of the purpose of a college or non-profit Foundation. The financial statement recognized not only the amount of tax expense incurred during the year, but also what the future tax benefit or liability may be.

Ms. Henton continued with an overview of the document. Dr. Pagel added that VLS had been asked to review the tax returns from previous years, and in doing so, VLS had found areas where the Enterprise owed taxes and some where they would receive a credit. Ms. Henton reported that those previous tax returns had been prepared to be refiled and she confirmed what was in the financial statements matched what was now in the general ledger.

Dr. Pagel reported that VLS was also working with the Enterprise and the accountants on the campuses to look at the way accounting was operating at Golden West College and Orange Coast College to find a more combined approach and categorize like-minded expenses.

On a motion by Mr. Jones, seconded by Mr. McIlwain, the Board of Directors voted 4-0-3 to move these reports forward to the Board of Trustees.

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| Members Voting Yes: | Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones |
| Members Voting No: | None |
| Members Absent: | Ms. Hilgendorf, Mr. Kapko and Mr. Parkin |

IX. Update on Swap Meet Operations

Dr. Pagel reported that the new building for restrooms at Orange Coast College had been dropped in place last week and should be completed in 45 days. He indicated that there would not be an expense reduction for the Enterprise because these restrooms were built by the campus using campus funds, so the campus would charge the Enterprise for the use of the restrooms. Dr. Pagel added that with Measure M, Orange Coast would be launching a solar installation on the Adams parking lot that would affect some patrons using the swap meet on the weekend. It would also provide shade for some of the vendors and patrons. This would bring one megawatt of power to the campus. There would also be major construction in the Math, Business and Computing building, to be finished this summer and used beginning in the fall. He added that Orange Coast was also planning to build a new pool, gym and potentially dorms.

Ms. Houlihan reported Golden West broke ground on the new Public Safety swap meet restroom last week. It is a permanent structure so it did impact the swap meet food vendors who were relocated. That project includes the redevelopment of the main entrance off Golden West and they were also working with vendors on any issues. This project was hoped to be completed in the fall. Golden West would also be doing construction on a side access road that vendors use. Ms. Houlihan reported plans to build a Math/Science building, which would have a big impact on vendors. They have also created an entrepreneurialship in partnership with Oak View developing a business program through community education. Flyers had been posted at the swap meet advertising businesses classes at a reduced rate in both English and Spanish. She clarified that this was not being conducted by the Enterprise, but they were using the Enterprise as a marketing location.

Ms. Snell reported she had been charged to put together an audit plan for 2015-2016 and had noticed there had not been a risk assessment performed related to the Enterprise. She proposed to host a brainstorming session with Ms. Houlihan and Mr. Pagel to come up with ideas as to how Internal

Audit may be helpful to the Enterprise in the future. She would then be able to determine what was happening in those operations that Internal Audit might look at from a process perspective, such as cash handling or booth selection process.

Mr. Cline cautioned that the Enterprise needed to maintain a clear separation between their operations and the District. Dr. Lipton concurred with Mr. Cline, stating that the Enterprise Corporation rules were governed by the Master Agreement. It was suggested that this could be a future agenda item for discussion. Dr. Pagel added that this service would be an added benefit for operational purposes.

X. Review of Financial Statement as of December 31, 2014
XI. Report and Ratification of Staff Board Deliverables per Master Agreement Requirements
Section 8, 10, 11, 13, 20, 22 and 28

Dr. Pagel gave an overview of the financial statements, which had been prepared by CFO, Ms. Thompson. He reported the Enterprise's assets were \$2.3 million, with liability of also \$2.3 million. The equity the Enterprise had in Retained Earnings was \$4 million. The Enterprise paid out dividends of \$3.2 million to the two shareholders, the District and District Foundation, for a net profit of \$269,616. Dr. Pagel briefly reviewed the Statement of Revenues and Expenses. The total revenues, budgeted at \$6.1 million for annual, was at \$3.3 million. The expenses, budgeted at \$6.1 million, was at \$3 million. He added that both were on target for the budget.

Dr. Pagel responded to the Chancellor's question that the Enterprise staff included the President, Vice President, Chief Financial Officer and Secretary. These are not paid positions, but they also hire hourly positions to run the Enterprise.

On a motion by Mr. Cline, seconded by Interim Chancellor Jones, the Board of Directors voted 4-0-3 to forward the financial statements of December 31, 2014 and accompanying schedules to the District.

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| Members Voting Yes: | Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones |
| Members Voting No: | None |
| Members Absent: | Ms. Hilgendorf, Mr. Kapko and Mr. Parkin |

XII. Reports:

a) Facilities Update

This item was discussed earlier in the meeting.

b) Financial Statement Standardization and VLS Assistance

This item was discussed earlier in the meeting.

c) Manager Job Description Review

Dr. Pagel reported there had been an attempt two and a half years ago to review the job descriptions of the President, Vice President, Secretary and Chief Financial Officer, and Mr. Cline had been in conversation with Chancellor Andrew Jones and College Presidents about this issue. Mr. Cline indicated that before they could go further with the revised job descriptions they needed more information from the two Presidents.

It was requested that Agenda Items XIII-XVI be tabled until further instructions had been received.

d) Fall 2015 Fee Increase

Dr. Pagel reported they vendors had been informed that fees would be increased once the restrooms were completed. The fee should be increased in the fall, but he requested this be discussed at the June meeting to be rolled out three months in advance so the vendors were not surprised. The potential increase would be \$5.00.

On a motion by Mr. Roberts, seconded by Mr. McIlwain, the Board of Directors voted 4-0-3 to table Items 13, 14, 15 and 16.

Members Voting Yes: Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones

Members Voting No: None

Members Absent: Ms. Hilgendorf, Mr. Kapko and Mr. Parkin

XIII. Discussion and Action Regarding the Scope of Duties of the Enterprise Corporate Officers

XIV. Recess to Closed Session

XV. Reconvene to Open Session

XVI. Report of Action in Closed Session

XVII. Future Agenda Items

Dr. Lipton recommended a future Closed Session agenda item to include potential litigation against the corporation (the mango peel incident). Additionally, he suggested the renewal of the terms of the Master Agreement should be added to a future agenda. Dr. Pagel indicated he would also be filing the state report for the Enterprise Corporation on line.

a. Dates for Enterprise Meetings

July 14, 2015, October 13, 2015 and January 12, 2016 were recommended for future Enterprise Meetings.

On a motion by Dr. Jones and seconded by Mr. Roberts, the Board of Directors voted 4-0-3 to approve these dates.

Members Voting Yes: Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones

Members Voting No: None

Members Absent: Ms. Hilgendorf, Mr. Kapko and Mr. Parkin

XVIII. Adjourn

On a motion by Mr. McIlwain and seconded by Mr. Roberts, the Board voted 4-0-3 to adjourn at 1:16 p.m.

Members Voting Yes: Mr. David Cline, Mr. Jim McIlwain, Mr. Raymond Roberts and Interim Chancellor Richard Jones

Members Voting No: None

Members Absent: Ms. Hilgendorf, Mr. Kapko and Mr. Parkin

Julie Kaye Mathews

Secretary of the Enterprise

CCCDE

Coast Community College District Enterprise, Inc.

REGULAR MEETING

SHAREHOLDERS ANNUAL MEETING

November 12, 2014 at 9:00 a.m.

BOARD OFFICE CONFERENCE ROOM

1370 Adams Avenue, Costa Mesa, CA 92626

MINUTES

I. Call to Order

The meeting was called to order at 9:00 a.m.

II. Roll Call

Representatives Present:

Mr. Ed Fawcett and Dr. Sidney Stokes on behalf of the Coast Community College District Foundation, and Trustee Grant on behalf of the Coast Community College District

Representatives Absent: None

In Attendance:

Ms. Janet Houlihan, Dr. Rich Pagel, Ms. Daniela Thompson, Ms. Julie Frazier-Mathews, Ms. Jane Hilgendorf, Mr. Rick Kapko

III. Opportunity for Public Comment

There were no requests to address the Shareholders of the Enterprise Corporation during Public Comment.

IV. Approval of Minutes

On a motion by Mr. Fawcett, seconded by Dr. Stokes, the Shareholders of the Enterprise Corporation approved the Minutes of the Annual Shareholders Meeting of September 10, 2013.

Representatives Voting Yes: Mr. Fawcett, Dr. Stokes and Trustee Grant
Representatives Voting No: None

V. Annual Report

Dr. Pagel, Ms. Houlihan, and Ms. Thompson gave an update on the operations, financials, and annual external audit. Ms. Houlihan provided Golden West's update on the community service swap meet and restroom facilities with construction starting in January 2015. Dr. Pagel reported that construction regarding Orange Coast's swap meet would take place over the next two years. Ms. Thompson reported a year-end \$40,000 net profit for the operations, indicating that they continued to be stable with a less than 1% decrease in income. Overall, the cash balance through June 30, 2014 was \$2 million for the Enterprise. Ms. Thompson added that the auditors were in the final stages of the audit report.

VI. Discussion, Nomination, and Appointment of Directors to the Coast Community College District Enterprise Corporation for Fiscal Years 2014-2016

The Shareholders reviewed the *Terms of Office*, outlining which terms of office had expired and needed to be filled.

On a motion by Dr. Stokes, seconded by Mr. Fawcett, the Shareholders of the Enterprise Corporation reappointed Mr. David Cline, Ms. Jane Hilgendorf, and Mr. Ray Roberts to serve as Directors to the Enterprise Corporation ending on August 22, 2016.

Representatives Voting Yes: Mr. Fawcett, Dr. Stokes and Trustee Grant
Representatives Voting No: None

On a motion by Trustee Grant, seconded by Dr. Stokes, Mr. Jim McIlwain was appointed to serve as Director to the Enterprise Corporation until September 30, 2015, filling the vacancy caused by the resignation of Mr. Susumu Yokoyama.

Representatives Voting Yes: Mr. Fawcett, Dr. Stokes and Trustee Grant
Representatives Voting No: None

VII. Adjournment

There being no further business to discuss, it was moved by Dr. Stokes and seconded by Trustee Grant to adjourn the meeting at 9:16 a.m.

Representatives Voting Yes: Mr. Fawcett, Dr. Stokes and Trustee Grant
Representatives Voting No: None