

AUDIT & FINANCE COMMITTEE MEETING MINUTES APRIL 4, 2005

Present

Paul Fong, Robert Grimm, Kent Peterson, Hal Plotkin (chair), Delia Ybarra

Absent

Pat Millar

Others

Mike Brandy, Claudette Brero-Gow, Rich Hansen, Alan Harvey, Jeanine Hawk, Martha Kanter, Jim Klingensmith, Jon O'Bergh, Hector Quinonez, John Schulze, Bernata Slater, Arnold Teten, Tonette Torres

1. PUBLIC HEARING

There were no members of the public who wished to address the Committee regarding items not on the agenda.

2. APPROVAL OF MINUTES

The minutes of the February 7, 2005 meeting were approved.

3. MEASURE E CONSTRUCTION PROJECTS UPDATE

Schulze provided an overview of Measure E construction projects, reporting that many large projects are still in the design phase; the next two years will be especially active. Grimm asked which Foothill projects had been eliminated due to the higher than expected bids on the large-scale projects recently approved. Harvey enumerated the eliminated projects, which include the upper campus service yard, library and theater renovation, Forum building renovation, Biology Lab building, Language Arts classrooms, new landscaping and various small improvements. He noted, however, that cosmetic repairs such as painting and carpeting would be performed on a number of projects, including classrooms, in lieu of more extensive renovations. Schulze added that an analysis of unmet renovation and construction needs would be prepared and should be ready by summer.

Klingensmith and Teten reported on campus projects. Peterson asked about the higher costs for the De Anza A-Quad and PE-Quad projects. Brero-Gow responded that extensive challenges had been discovered once some renovations actually commenced, such as the need to replace the PE-Quad roof instead of simply patching it. She explained that budget transfers from contingency funds or savings from other projects will cover the overage. Grimm distributed a Measure E Project Report, noting that his analysis shows fairly healthy control overall. Brandy reported that the annual review of construction overhead costs is underway and a report will be given at the next meeting. He also discussed how litigation management is critical at this point in the cycle of construction as there will be fewer projects to eliminate if additional funds

beyond contingency funds are needed. Plotkin complimented staff on the tour of construction projects that was given to committee members prior to the meeting.

4. BUDGET UPDATE

Brandy reviewed the Second Quarter Report, pointing out the major factors affecting revenues and expenses: a deficit factor applied retroactively by the state; the fact that growth did not materialize (although current outreach efforts may pay off for the next fiscal year); a decline in non-resident enrollment; and continued strong productivity despite enrollment losses. Regarding projections for 2005-06, he discussed an increase in Kaiser health benefits costs, plans regarding the unfunded retiree medical benefits liability, and restructuring of the bookstores operation. He explained that the District was considering “what-if” scenarios to work through possible budget cutbacks. Responding to a questions from Grimm, he explained that umbrella coverage for the self-insured medical benefits plan is being explored.

5. UPDATE ON CONTRACT WITH ARMANINO MCKENNA FOR INTERNAL AUDIT PROJECTS

Brandy and Quinonez reviewed plans for this firm to perform special audit projects, which will include an examination of cash-handling areas — a rather involved project that will need to be split over several years — and an examination of Measure E overhead costs, a project which will be completed first and is expected by the end of June.

6. UPDATE ON FINANCING RFPs FOR PHOTOVOLTAIC/CO-GENERATION PROJECT
7. SHORT-TERM CAPITAL FINANCING PROJECTS/PENDING DEBT FINANCING

Brandy reviewed financing plans for several projects which include photovoltaics and co-generation plants, construction of the campus centers, the De Anza bookstore share of construction costs for the new student and community services building, and a new point-of-sale system and fixtures for the De Anza bookstore. He also noted that a third bond issuance is expected in the fall. Grimm asked several questions about the terms for the financing of the projects. Plotkin asked about the appropriate level of debt. Brandy replied that the District is far under the legal limit; nonetheless, an important consideration is the reliability of the source for repayment, and Brandy believes the sources that have been identified will provide reliable sources for repayment.

8. NEXT MEETING

The next meeting was scheduled for June 20 at 3:30 p.m.

CALENDAR OF PENDING ITEMS

Measure E Progress Report (Schulze).....	June 20, 2005
Measure E Overhead Costs Analysis (Brandy)	June 20, 2005
Tentative Budget (Brandy)	June 20, 2005
Cash Procedures Operational Review (Phase 1).....	Summer 2005