

AUDIT & FINANCE COMMITTEE MEETING MINUTES AUGUST 28, 2006

Present

Kent Peterson, Hal Plotkin, Bruce Swenson, Delia Ybarra

Absent

Robert Grimm, Pat Millar

Others

Betsy Bechtel, Mike Brandy, Claudette Brero-Gow, Tom Brewer, Debbie Budd, Jeanine Hawk, Martha Kanter, Geoffrey Kischuk, Jim Klingensmith, Jon O'Bergh, Hector Quinonez, John Schulze, Bernata Slater, Tonette Torres

1. PUBLIC HEARING

There were no individuals who wished to address items not on the agenda.

2. APPROVAL OF MINUTES

It was M/S/C (Swenson/Peterson) to approve the minutes of the June 5, 2006 meeting.

Brandy requested that Item 8 be advanced on the agenda. Plotkin asked Committee members if they were agreeable to the request, and hearing their consent, he advanced Item 8.

8. OPERATIONAL AUDIT ON CASH FLOW AND PRO-CARD

Tom Brewer of VTD reviewed the results of the operational audit of cash handling at Foothill Admissions & Records, part of an on-going process to study cash handling throughout the District. Brewer characterized the cash handling operation of the department as excellent, noting that checks and balances are in place and functioning well despite the lack of written procedures. He recommended a few changes to improve minor control weaknesses.

Swenson requested that Quinonez, who will be responsible for implementing the recommendations, to report back to the Audit & Finance Committee. Swenson also asked how the issue was selected to audit. Brandy explained that he and Quinonez selected several topics and made those recommendations to the Audit & Finance Committee; he added that additional topics would be suggested at the Audit & Finance Committee's February meeting, and encouraged Committee members to also suggest topics. Plotkin expressed interest in textbook purchases but was uncertain if it warranted an audit.

Brandy explained that the pro-card operational audit was not yet completed, but he expected to present that at the February meeting.

3. MEASURE E CONSTRUCTION PROJECTS UPDATE

Schulze reported that remedial work on the De Anza Science Center is proceeding well and ahead of schedule; completion is anticipated by the start of Fall Quarter. He reviewed a proposed budget transfer for the Foothill Lower Campus Complex that was on the Board agenda for action later that evening. He described how the Foothill Lower Campus Complex and Campus Center projects are being watched closely to ensure that funds are budgeted to accommodate foreseeable issues as well as unforeseeable issues that may arise. Peterson asked about a budget transfer involving Fire Alarm Panels, and Brero-Gow responded that scheduled maintenance projects are regularly rescheduled to accommodate the demands of the construction schedule. Brandy distributed a report showing the revenue breakdown for each project and explained that the Measure E expense report will henceforth be reported quarterly and displayed in a manner that more clearly links to the District budget.

Brandy requested that Item 7 be advanced on the agenda. Plotkin asked Committee members if they were agreeable to the request, and hearing their consent, he advanced Item 7.

7. ACTUARY REPORT ON UNFUNDED RETIREE MEDICAL BENEFITS LIABILITY

Geoffrey Kischuk of Total Compensation Systems reviewed the actuarial report. He noted that he is working on another report requested by the Faculty Association and other employee groups that will show the cost of extending health benefits to all retirees regardless of their hire date. Brandy discussed the Joint Powers Agency trust and its operation, stressing that any dollars invested by the District remain the property of the District. Bechtel asked about future increases in life expectancy. Kischuk explained how he uses age set-back to account for improved life expectancy over the most recent mortality tables. Ybarra noted that the legislature is considering a universal health care bill and suggested looking into that legislation to see how it affects Foothill-De Anza.

Plotkin said the report appears to be a best-case scenario that meets the needs of GASB, but he wondered what might be the District's real financial exposure. Brandy suggested running actuarial projections annually, at least in the near-term, to more closely track and respond to any changes. Lastly, Bechtel asked for information about the number of current employees hired before 1997 who have lifetime health benefits.

4. MEASURE C UPDATE

Brandy provided an update. He reported that a final dollar amount for the Series A bonds has not yet been determined. He distributed a financing timetable and noted the many tasks underway to get the infrastructure in place. The District hopes to be able to issue bonds on October 12.

5. UPDATE ON MEASURE C CITIZENS' BOND OVERSIGHT COMMITTEE

Brandy explained that the Committee must be convened within 60 days of the Board's certification of the election, which the Board was expected to act on later in the evening. He reported that the Board had approved the bylaws, and that trustees Bechtel and Casas Frier would review applications following the September 29 deadline. Audit & Finance Committee members were encouraged to recommend names of possible applicants. Brandy clarified that

the Audit & Finance Committee will continue to meet and will also review Measure C projects since the two committees serve different functions.

6. REVIEW OF PROPOSED “ADOPTED BUDGET” FOR 2006-07

Brandy reported that the budget is structurally balanced. The District will need to determine how to allocate the projected \$10 million in one-time funds from the ending balance. Swenson asked about the process to be used for deciding those allocations, and Brandy said recommendations will be brought to the Board, hopefully by November. Swenson and Plotkin expressed support for putting additional dollars toward the unfunded retiree medical benefits liability and restoring B budgets, as well as a “layoff prevention fund” to provide a cushion against layoffs that might occur in future years.

9. STATUS OF DISTRICT AUDIT

Quinonez distributed management responses to the audit findings and recommendations from the audit of fiscal year 2005-06, noting that most had been implemented or are scheduled to be implemented.

10. NEXT MEETING

The next regular meeting was scheduled for November 6, 2006 at 3:30 p.m. Brandy noted that there may be a need to hold a special meeting to discuss the Measure C financing plan toward the end of September.

CALENDAR OF PENDING ITEMS

Measure E Progress Report (Schulze).....	November 6, 2006
Pro-Card Activity Operational Audit (Brandy)	February 2007
Discussion of How to Use New Revenue Streams	TBA
Revised Board Policy 9123, Audit & Finance Committee.....	TBA
Board Policy 3153, Audit.....	TBA
Small and Local Business Procurement	TBA

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 Approved 11/6/06