

AUDIT & FINANCE COMMITTEE MEETING MINUTES FEBRUARY 5, 2001

Present

Robert Grimm, Sandy Hay, Mary Mason, Pat Millar, Kent Peterson, Delia Ybarra

Absent

none

Others

John Assunto/Gilbane, Mike Brandy, Leo Chavez, Will Coursey, Jennifer Farnham/Gilbane, Alan Harvey, Martha Kanter, Jim Keller, Jon O'Bergh, Hector Quinonez, John Schulze, Angel Sierra, Martin Varela

1. APPROVAL OF MINUTES

The November 6, 2000 minutes were approved as drafted.

2. MEASURE E PROJECTS UPDATE

Representatives from Gilbane Company distributed projects summary and schedule sheets and responded to questions. Total cost for all projects is \$274 million, which consists of \$248 million Measure E bonds, Scheduled Maintenance funds, capital outlay funds and donations. The term "Total Float" was explained as the difference measured in days between a project's targeted completion date and expected completion date as projects grow either behind or ahead of schedule. It was also explained that projects with zero budgets are listed because they were mentioned during the bond campaign, but it is uncertain whether they will be funded.

Bob Grimm requested the inclusion of revenue information and a date of reference for "Cost to Date." Kent Peterson asked about the bidding climate and was told that it is slowing down, which bodes well. At Mary Mason's request, any exception reports provided to the Major Capital Construction Review Committee will also be sent to the Audit & Finance Committee. Jim Keller mentioned that the bond underwriters are suggesting that the district refinance the first bond to take advantage of lower interest rates, which would reduce the tax rate for taxpayers and facilitate the issuance of the subsequent bonds.

3. AUDIT PROGRESS REPORT

Will Coursey distributed a status report on the implementation of audit recommendations. He explained that "To Be Implemented" means implementation should be completed by this year's audit.

Discussion focused on the bookstores, both of which are being managed through the De Anza administrative structure. Coursey explained that the audit's significant adjustment was a \$300,000 "at cost" write-off for the combined bookstores due to a discrepancy

between physical inventory and book inventory. The Committee and district administrators acknowledged that this figure is a high percentage of the bookstores' \$10 million "selling price" inventory. The problem is that the bookstores lack a sufficient system to determine whether the discrepancy is due to shoplifting, fraud, incorrect merchandise pricing, or other causes. Pat Millar wanted to know how security is being addressed and was told that the district is looking at expanding the system. Delia Ybarra asked about the target deadline and was told May 2001. Mike Brandy added that the bookstores are transitioning to a "skew code" method for inventory control, which is more accurate but more expensive since it requires more staffing. Nonetheless, all parties are on board with implementing the recommended solution, good progress is being made, but it does take time because of the complexity.

4. CALIFORNIA HISTORY CENTER AUDIT

Will Coursey noted the Center's clean audit report with no exceptions. He explained that the audit was being shared with the Committee and Board of Trustees to comply with the new GASB 34 accounting standards. Mary Mason asked if the Board will need to act on the audit in addition to the History Center Foundation Board. Coursey was uncertain but offered to find out.

Martha Kanter questioned whether the staffing cost was too low, and Martin Varela explained that the executive director's time is allocated partly to the Center and partly to the Social Sciences Division. Kanter said it would be helpful if this was explicitly stated in future audit reports.

5. GOVERNOR'S BUDGET

Jim Keller reviewed the governor's budget proposal, noting significant omissions such as no new dollars for Partnership for Excellence. Mary Mason added that the picture looks bleak according to what she has heard in statewide meetings. Some looming concerns in the district's budget are a drop in resident enrollment (also being experienced by other local schools), rising health benefits costs, and rising energy costs.

6. NEXT MEETING

The next meeting was set for Monday, April 2 at 4:00 p.m.

CALENDAR OF PENDING ITEMS

Measure E Update	April 2, 2001
2 nd Quarter Report.....	April 2, 2001

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Approved 4/2/01