

## AUDIT & FINANCE COMMITTEE MEETING MINUTES MARCH 17, 2003

### Present

*Robert Grimm, Sandy Hay, Andrea Leiderman, Pat Millar, Kent Peterson*

### Absent

*Delia Ybarra*

### Others

*John Assunto, Kathy Blackwood, Mike Brandy, Lois Callahan, Bob Clifford, Will Coursey, Jane Enright, Jennifer Farnham, Alan Harvey, Scott Heffner, Jim Klingensmith, Hector Quinonez, John Schulze, Tonnette Torres*

### 1. PUBLIC HEARING

There was not anyone who wished to address the Committee on items not on the agenda.

### 2. APPROVAL OF MINUTES

It was M/S/C (Grimm/Millar) to approve the minutes of the January 27, 2003 meeting as drafted.

### 3. MEASURE E PROJECTS REPORT

John Schulze addressed the rate of progress for Measure E projects. He reported that the last major project at De Anza is estimated to start on target no later than 2005; if sufficient funds remain after the completion of that project, the college may decide to proceed with construction of the Performance Hall. Foothill has fallen behind its goal for 2005 due to the Monta Vista earthquake fault. The state may fund up to \$28 million in seismic-related costs for various projects, some of which is dependent on the passage of Proposition 53 in March 2004. Pursuit of this state funding has necessitated a shift in the timing of projects. If Proposition 53 does not pass, the college will need to decide what projects can and cannot be built.

John Assunto and Jennifer Farnham distributed Budget/Cost Report forecasts for 2004 and 2005 for De Anza, Foothill and the District, projected as of March in each year. Schulze verified that the contingencies are maintained at 5% of overall revenues including earned interest.

Kent Peterson asked about the negative amount under "Budget Remaining" for the De Anza Child Development Center in the De Anza Report for January 2003. Farnham explained that the number will be considerably less once a claim is settled, but any overage will be covered out of the project contingency. Sandy Hay informed the Committee that the District is working assiduously with the legislature to restore funding for child care that was removed in the governor's proposed budget and has necessitated the planned closure of child care.

Schulze reported that very few construction project claims have been filed. He noted that the District is involved in projecting the cost of staffing to maintain new buildings and costs for building equipment. Bob Grimm distributed an analysis of Measure E Progress.

**4. RESPONSES TO 2001-02 AUDIT FINDINGS**

Will Coursey reported that the District is moving along quite well in implementing all of the recommendations from the audit findings. Kent Peterson asked about the District Internal Controls related to hiring. Lois Callahan reported that she met with the external auditor and legal counsel, and the Board will soon be asked to adopt a resolution authorizing the deans to sign offers of employment using an electronic signature.

**5. BUDGET UPDATE AND SECOND QUARTER REPORT**

Mike Brandy reviewed the Second Quarter Report, focusing on the unprecedented 5% mid-year budget reduction (equaling about \$5 million) due to the state budget crisis. He reviewed the District’s strategy for the budget reduction. He noted that the governor wants to remove \$1.3 million in scheduled maintenance funding, which is part of Measure E projects but should not have a significant impact. The District projects a \$20 million deficit for 2003-04. Since the legislature has not increased the maximum charge allowed for parking in many years, the parking fund is experiencing some difficulties, but a refinancing of the 1993 Certificates of Participation will result in some savings. The Bookstore and Flint Center operations are expected to break even despite the impact of the poor economy.

Pat Millar asked about cuts in categorical programs. Brandy reviewed the governor’s proposed drastic reductions in EOPS and Special Education. He also noted that the state predicts that the 2003-04 budget may not be ready until as late as Fall, which creates enormous difficulties for the District in attempting to put together a budget. Millar asked about the Public Employee Retirement System (PERS) rate increase. Brandy explained that the rate is set by the PERS Board and the District is required to fund it. Kathy Blackwood alerted that the Committee that the State Controller’s Office is auditing mandated cost claims and collective bargaining claims. Results of the audit will be reported back to the Committee.

**6. NEXT MEETING**

The next meeting was scheduled for May 19, 2003 at 4:30 p.m.

***CALENDAR OF PENDING ITEMS***

Measure E Projects Report (*Weber*).....May 19, 2003

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Approved 5/19/03