

AUDIT & FINANCE COMMITTEE MEETING MINUTES JUNE 4, 2007

Present

Betsy Bechtel, Robert Grimm, Kent Peterson, Bruce Swenson, Delia Ybarra

Absent

Pat Millar

Others

Charles Allen, Tom Armstrong, Mike Brandy, Debbie Budd, Andy Dunn, Rich Hansen, Jeanine Hawk, Art Heinrich, Martha Kanter, Jim Klingensmith, Jon O'Bergh, Stephen Pond, Hector Quinonez, Bernata Slater, Tonette Torres

1. PUBLIC HEARING

No one wished to address items not on the agenda.

2. APPROVAL OF MINUTES

It was M/S/C (Ybarra Grimm) to approve the minutes of the February 5, 2007 meeting. Swenson asked about items listed for follow-up on the calendar of pending items. Brandy provided the following updates.

Revised Board Policy 9123 and Bylaws. Brandy reported that a subcommittee consisting of himself, Chancellor Kanter, Peterson and Millar had met. Notes from that meeting will be used to develop both a revised policy and bylaws to cover procedural matters. Both will be presented for discussion at the next Audit & Finance Committee meeting.

List of Fund 15 (Self-Supporting) Programs. Brandy distributed a list of these accounts and offered to provide additional information if the Committee has a particular area of interest. He explained that everything listed has a revenue source derived from some kind of fee, and clarified that these do not include the enterprise funds (i.e., the bookstores, food services and Flint Center). Swenson expressed interest in what happens to programs that continue to run negative balances from year to year and wanted to know whether expenses are closely monitored. Brandy explained that in some cases, such as community education and theater/drama, there are multiple accounts which have a positive balance collectively. Hawk added that she reviews accounts at De Anza monthly and there are no ongoing negative balances. She explained that some revenues — for example, in the case of Short Courses — are received in the following year. Brandy added that any expense over \$5,000 needs approval by a vice president. Swenson suggested it would be helpful to transfer funds into accounts having negative balances to show that the accounts are in fact balanced.

Use of Pro-Card for Meals. Bechtel asked if there is a policy that addresses meal purchases using pro-cards. Brandy responded that there is an auditable file in which the employee specifies the purpose of the meal and who was present, which the supervisor must approve monthly. The Committee members said that this practice seems to offer reasonable oversight to ensure that meal purchases are work-related and appropriate.

Is the Committee Discussing the Right Kinds of Issues? Swenson posed this question, and each of the Committee members expressed their opinion that the Audit & Finance Committee is discussing the right kinds of issues. Peterson added that he appreciates the questions raised by the two trustees who sit on the Committee.

3. MEASURE E PROJECTS UPDATE

Allen displayed photos of the Foothill Campus Center and Lower Campus Complex, which are nearing completion, and the site of the De Anza Visual and Performing Arts Center. He reviewed the Measure E Projects Report, noting the likelihood that the District will receive a claim regarding the Foothill Campus Center. He expressed confidence that the Foothill contingency is adequate to cover the claim. He reported that the construction bid for the Visual & Performing Arts Center came in essentially on target. Grimm distributed an analysis of Measure E progress, pointing out that the District Office project amount had decreased. Allen explained that funds were transferred from the District Office project to the Visual and Performing Arts Center project. Brandy further explained that the college needed the funds in order to proceed and the money will be restored to the District Office project from Measure C. There was a discussion of the catastrophic contingency reserve of \$5 million and how it may be three years until it is definitely known whether or not those funds are needed.

4. MEASURE C PROJECTS UPDATE

Allen distributed a draft report format, prepared for the Citizens' Bond Oversight Committee. Grimm asked how dollars from revenue sources other than Measure C would appear on the report, and Brandy said he would show an example of that at the next meeting. He pointed out how adjustments have been made in the report format to show overhead costs, which are embedded in each separate project. Grimm asked about interest income, and Brandy said he would need to discuss that with the auditor. Responding to a question from Bechtel, Brandy explained that "E completion" represents projects originally planned for Measure E but could not be completed and have rolled over to the Measure C list that voters approved. Bechtel suggested changing the title to "Measure E completion" as well as adding a sentence description for each project.

5. REPORT ON SALE OF MEASURE C BONDS

Brandy provided a report on the sale of the Series A and B bonds, noting that the funds in excess of \$10 million will be escrowed pending the outcome of the lawsuit. He expects that the \$10 million will be used by the end of June, after which money will need to be borrowed from the general fund until the lawsuit is resolved. If the lawsuit is appealed to the California Supreme Court, a resolution is not expected until June 2008.

6. STATUS OF MEASURE C CITIZENS' BOND OVERSIGHT COMMITTEE

Brandy reported that the Citizens' Bond Oversight Committee is scheduled to meet for a second time in two weeks. He reminded Audit & Finance Committee members that the role of the Oversight Committee is to review the expenditure of bond funds upon the completion of each project to ensure that the money was spent in accordance with the bond measure as it was approved by the voters.

7. THIRD QUARTER REPORT 2006-07

Brandy presented the Third Quarter Report, highlighting that enrollment is expected to be flat but overall the budget is in good shape. Responding to a question from Peterson, Brandy stated that utility costs have been rather stable. Responding to a question from Ybarra, Brandy explained that the state reimburses districts at a lower rate for non-credit classes, but non-credit enrollment is a small component of enrollment at Foothill and De Anza. Swenson inquired about declining job corps enrollment at De Anza, and Hawk responded that job corps currently represents 8% of the college's enrollment, adding that the college expects it to stabilize at this percentage.

8. SUMMARY OF TENTATIVE BUDGET 2007-08

Brandy distributed new revenue charts, noting that some information had been cut off in the copies that had been sent with the agenda. He reviewed the tentative budget summary, noting that the District projects no growth for next year. He reviewed increases in medical benefits costs for retirees, which were higher than expected in 2006-07. The fiscal year fund balance is projected to be \$2.2 million, but no salary increases have been factored in. He mentioned that the parking fund continues to be a concern because the state has not allowed the parking fee to be increased to keep pace with inflation during the past two decades. Other concerns include the bookstore operations, which face increasing competition, and the campus center use fee revenue stream, which is facing a challenge from the state chancellor's office. Brandy said he expects the Flint Center to break even, and clarified that there is a separate Flint Center reserve.

9. NEXT MEETING DATE

The next meeting was scheduled for Monday, August 27, 2007 at 3:00 p.m. Brandy said it would be helpful to synchronize the meeting schedule of the Citizens' Bond Oversight Committee and the Audit & Finance Committee. The meeting schedule will be discussed at the next meeting.

Quinonez distributed the audit calendar and gave a brief update. He will provide a report at the next meeting on the status of prior year findings and tentative audit findings for the current year. He reported that the annual Measure C audit as required under Proposition 39 is scheduled for September. The District's operational audits are underway, and an audit of Measure C controls is planned to begin this year.

CALENDAR OF PENDING ITEMS

Measure E Progress Report (Allen)	August 27, 2007
Measure C Progress Report (Allen)	August 27, 2007
Measure C Website	August 27, 2007
Audit Update: Tentative Audit Findings, Status of Prior-Year Findings.....	August 27, 2007
Revised Board Policy 9123, Audit & Finance Committee; Bylaws	August 27, 2007
Audit & Finance Committee Meeting Schedule.....	August 27, 2007
Thirty-Year Projection for Funding Retiree Medical Benefits Liability	Winter 2008
Financial Self-Assessment Tool for State Chancellor's Office	February 2008
Discussion of How to Use New Revenue Streams	TBA
Small and Local Business Procurement	TBA

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Approved 8/27/07