



**Foothill-De Anza
Community College District**

12345 El Monte Road, Los Altos Hills, CA 94022 650-949-6200

**AUDIT AND FINANCE COMMITTEE MEETING
DRAFT MINUTES**

May 31, 2012

PRESENT: Betsy Bechtel (chairperson), Laura Casas Frier, Marge Bruno, Dexter Dawes, Jim Sandstrom, Joel Spolin

OTHERS: Charles Allen, Letha Jeanpierre, Kevin McElroy, Margaret Michaelis, Hector Quinonez, Bernata Slater, Linda Thor

CALL TO ORDER

Chair Betsy Bechtel called the meeting to order at 3pm.

1. Public Hearing

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

2. Approval of Minutes

Approved the minutes of the March 1, 2012 meeting, pending correction of error on #11 in the audit report, replacing "Perry Smith, LLC" with "Vavrinek, Trine, Day, & Co."
M/S/C (Spolin/Sandstrom)

Consent Calendar

3. Measure E Projects Report

4. Measure C Projects Report

5. CERBT OPEB Transfer

Items 3 through 5 were accepted as submitted M/S/C (Spolin/Sandstrom).

Committee Business

6. Audit Process Overview

Kevin McElroy reviewed the audit calendar with the committee and made one correction, updating the calendar to reflect September 13, 2012 as the next meeting date. He also confirmed the final meeting of the calendar year to be November 29, 2012. Kevin McElroy stated he anticipates a smoother audit than last year, having adjusted to the newly selected firm of Vavrinek, Trine, Day & Co. (VTD).

7. Measure E, GO Bond Refunding Sale

Kevin McElroy stated that the previous Board of Trustees meeting on May 7th 2012 included a full presentation from John Sheldon from Morgan Stanley, who presented information on the closing of the Series C refunding. He acknowledged Vice Chancellor Kevin McElroy, Budget Director Bernata Slater and Controller Hector Quinonez who worked hard to make the refunding happen.

The refunding process closed on May 3rd, 2012 with an “AAA” bond rating from Moody’s, the highest possible for a municipality, and an “AA” from Standard and Poor’s. The District was able to refinance approximately \$78 million in outstanding Measure E bonds at a very favorable rate of 3.07%. Although having no impact on the District’s budget, the refunding will save taxpayers approximately \$13.1 million through 2030.

8. Third Quarter End Report

Kevin McElroy thanked Bernata Slater and her team for the exceptional work on the quarterly report. He gave some highlights of the report, such as:

- The loss of approximately 400 FTES in the 2nd quarter has not been recaptured, reducing revenue by \$4.4 million.
- Both colleges are actively pursuing avenues to recapture lost FTES. It is anticipated that Foothill’s first-time early summer session will restore some of the lost FTES.
- The deficit factor for the 3rd quarter remains the same as in the 2nd quarter and reflects the loss of student fee income.
- The statewide workload reduction has resulted in some districts transitioning to basic aid status, resulting in more funds being available for distribution to non-basic aid districts. Foothill-De Anza’s deficit factor would be lowered by 1%, equating to approximately \$1 million to \$1.5 million in “extra” dollars.
- Governor’s budget is projected about \$116 million redirected RDA funding through the community college system budget. Unknown at this point is whether or not that will materialize or whether those funds will be backfilled.
- Ending balance is projected at \$27 million

Questions from the committee began from Dexter Dawes and Betsy Bechtel, who asked about efforts to restore student populations, and if other districts were in the same spot. Bernata Slater answered that most other districts in the state were not in as good of shape as Foothill-De Anza, and having a stability fund has helped save positions and sections of classes.

Kevin McElroy stated that the Chancellor's office in the state has refocused on these items: increasing transfer rates, career, technical and basic skills, and reducing lifelong learning and personal enrichment.

Further discussion took place about the change in repeatability regulations, which has had an impact on the district. Foothill's new early summer session is attracting new students, which will hopefully translate into those students continuing in the fall quarter.

9. Update on 2012-13 Budget

Kevin McElroy explained the budget presented is planning for the worst-case scenario, which means the tax package going to the voters in November fails. This would create a \$17.1 million structural deficit. The tax package with the most support is the one that is implemented, and there are two on the ballot. Governor Brown's tax package would be beneficial to the district, whereas Molly Munger's tax package passing would result in the worst-case scenario needing to be implemented.

Kevin McElroy went on to discuss the ongoing situation with the redevelopment agency backfill situation, which could result in money being taken out of California's Community College budget and impact Foothill-De Anza's budget negatively. The Redevelopment Agency (RDA) money might not materialize, because there are obligation bonds that are required to be paid off. Any money coming to community colleges may be diverted to pay off those bonds. The number of money coming to the district has already declined from \$10.6 million to \$6.6 million, and that number may go down.

Cancelling classes would be the first drastic measure to take if the worst-case scenario budget needs to be implemented, taking effect in Winter 2013.

Meeting was adjourned at 4:43pm.

Next meeting to be held at 3pm on September 13, 2012.



**Foothill-De Anza
Community College District**

12345 El Monte Road, Los Altos Hills, CA 94022 650-949-6200

**AUDIT AND FINANCE BUDGET WORKSHOP
DRAFT MINUTES**

August 9, 2012

PRESENT: Betsy Bechtel (chairperson), Laura Casas Frier, Marge Bruno, Dexter Dawes, Jim Sandstrom, Joel Spolin

OTHERS: Linda Thor, Kevin McElroy, Bernata Slater

CALL TO ORDER

Chair Betsy Bechtel called the meeting to order at 3pm.

1. Budget Discussion

Bernata Slater and Kevin McElroy introduced the pieces of the budget as building blocks, which would combine to form the complete budget presented to the Board. This study session is held to review parts of the budget and shed light on the budget building process.

The projected total FTES was 28,765 and the actual certified with the state in July 2012 was 29,455. This uptick in FTES came from period 2 (P2), where the extra revenue came in. Kevin McElroy stated that the presidents of the colleges did a good job at increasing enrollment. The \$3.2 million in additional revenue for 2011-12 is ongoing for 2012-13.

The increase in revenue is also attributed to the savings of expenses, specifically from the savings expected from changes in health benefits. The savings are reflected back to fund 600.

The budget has a general fund summary, which lays out the best-case and worst-case scenarios for the district in 2012-13. The best-case scenario puts the district at a structural deficit of \$5.7 million, where the worst-case scenario sees the district have a deficit of \$11.9 million. Bernata Slater reiterated that these numbers are always subject to change.

Bernata Slater went on to explain why the \$38 million carryover from the ending balance of 2011-12 is not really carryover funding. The \$38 million can be broken down as follows:

Restricted:

- \$10 million, District's budgeted 5% reserves

Designated:

- \$13.6 million for colleges and central services carryover (B Budget)

- \$1.0 million for encumbrances and reservations carryover

- \$2.0 million for district wide carryover

- \$3.0 million for 2013-14 stability fund

- \$2.0 million for enrollment stimulus/restoration

-\$6.5 million net 2013/14 stability fund

The deficit in projected budget includes the \$3.6 million cuts in personnel as of 6/30/12. Further discussion took place about a TRAN note (tax revenue anticipated note), in case of emergency funding being needed.

The committee thanked the staff for their time in preparing to meet before the budget went to the full Board.

Chair Betsy Bechtel adjourned the meeting at 3:53pm

Next meeting scheduled for September 13, 2012