



**Foothill-De Anza
Community College District**

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

**AUDIT AND FINANCE COMMITTEE MEETING
MINUTES**

DECEMBER 2, 2010

PRESENT: Betsy Bechtel, Marge Bruno, Pearl Cheng, Dexter Dawes, Lester Ezrati

OTHERS: Charles Allen, Becky Bartindale, Letha Jeanpierre, Kevin McElroy, Judy Miner, Hector Quinonez, Bernata Slater, Linda Thor

CALL TO ORDER

Audit and Finance Committee chair Pearl Cheng called the meeting to order at 5pm.

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

Approve the minutes of the September 9, 2010 minutes pending two minor corrections. M/S/C (Dawes/Ezrati).

Lester Ezrati noted that he will be moving to the United Kingdom and will miss the March and June 2011 meetings.

Consent Calendar

3. Measure E Project Reports

4. Measure C Project Reports

5. Update on Measure C Program/Project Management

6. CCFS-311 Report

3. Measure E Project Reports

Charles Allen reported that the last quarter has been productive at closing some capitalized projects. One of the biggest projects is the district administration building and data center renovation. Dexter Dawes asked about the cost and Charles Allen referred to page 13 of the hand out, noting that the 3.8 million dollars is yet to be used for construction. Marge Bruno asked about the total cost in the Measure E reports. Charles Allen explained that pages 9-13 in the report show the total cumulative cost for each college and central services.

Dexter Dawes asked about the difference between capitalized projects and closed projects. Allen explained that closed projects are where the obligations have been closed and finalized and no more additional expenses on that project will be incurred. Capitalized projects are where some issues may be lingering; it may be a dispute or a contract balance and the records show an obligation to be met. Capitalized projects allow the projects to be counted as assets for the district.

Dawes asked about any residual budget that is not expended and where it goes. Allen answered that it will go into the most pressing needs, pending approval of the board. Betsy Bechtel added that some funds have been able to be moved in the past to complete certain projects.

Item 3 was accepted as submitted. M/S/C (Bruno/Grimm)

4. Measure C Project Reports

Charles Allen discussed two projects in the “red”, with Baldwin Winery & East Cottage Renovation recently in the “red” section due to the roof collapse. The construction company has accepted responsibility for it and construction is moving forward. Extra costs were incurred due to redesign costs. The other “red” project discussed was the Refinish Exterior of Flint Center Parking Center. Charles Allen noted that progress has been made, but it is still not out of the “red” yet due to delays.

Dexter Dawes asked for clarification about the photovoltaic arrays increase in cost and if an increase in the costs would be made up from different funds. Charles Allen explained that money was borrowed from other future project funds to get the photovoltaic project started quickly in order to begin the flow of rebate money from the power company. That money would then be paid back to the funds where it came. Approval for the inter-loan program will be on the Board of Trustees agenda as an itemized list for approval.

5. Update on Measure C Program/Project Management

Charles Allen noted that 15 projects have been labeled “complete” and completed many actions on many of the others. Betsy Bechtel asked if these updates have been helpful and Charles Allen said agreed that they have been quite helpful in tracking progress.

6. CCFS-311 Report

Discussion of CCFS-311 report about expenditures and explanation of 50% law, which requires that over half of all unrestricted general fund dollars must be spent on instructional salaries and benefits, and Foothill-DeAnza is above 50%. Hector Quinonez noted that the external auditors audit the CCFS-311 report.

Discussion Items

7. Discussion of Audit Report

Kevin McElroy acknowledged the hard work of Foothill-DeAnza finance department and introduced Tina Treis from Perry-Smith, introducing the letter of responsibility, which outlined the streamlining of rules. Other items discussed included the fund balance reporting and that no significant or unusual transactions were made. Perry-Smith evaluated the reasonableness of accounting estimates in relationship to financial statements and concluded that the management’s approach was reasonable. No uncorrected misstatements were identified.

Jeff Jensen of Perry-Smith highlighted key points in the financial statement handout, including foundation accounts, management’s discussion and analysis and the actual financial numbers as of June 30, 2010.

Further discussion was requested by members on items including unfunded actuarial accrued liability (UAAL), endowment net assets of the foundation, and internal controls. In discussion of FHDA

Foundation, Dexter Dawes strongly recommended getting out of Common Fund. Kevin McElroy stated that the Foundation finance committee has recently met to discuss the funds it invests.

8. Measure C Performance Audit

Tina Treis explained the Performance Audit and Financial Statement items that were handed out to committee members. The audit verified that the expenditures were for the approved projects under Measure C. The financial statement hand out noted that a deficiency of revenues under expenditures of \$41.9 million is expected because of the issuance schedule.

9. Update for Measure C Bond Sale

Kevin McElroy introduced the calendar for financing about issuance C of Measure C.

10. Request for Proposal (RFP) for Insurance Services

Kevin McElroy introduced Marsha Kelly to discuss the process of requesting proposals for insurance coverage. The process highlighted that two submissions met the requirements set forth in the RFP. The current broker, Arthur J. Gallagher, was selected to continue as the broker for the District and will be on the agenda for ratification at the December 6, 2010 Board of Trustees meeting.

11. First Quarter End Report

Kevin McElroy introduced the first quarter end report, as of September 30, 2010, and noted that the state budget had not been passed at that point in time. Minimal information is noted in the report due to how early in the fiscal year the report is presented. It was noted that \$2.3 million is built into the budget as revenue over expenses and that \$10.2 million should be in the stability fund if all goes as planned throughout the 2010-11 fiscal year. The District has the stabilization fund in place to plan for anticipated changes in the budget, due to the current financial problems of the state.

12. Reserve Fund Report

This report will be discussed at a later meeting.

The next meeting to be held at 3pm on March 3, 2011.