Present: Chair Bill Withrow, Trustee William B. Riley, Trustee Nicky González Yuen, Trustee Cy Gulassa (as an observer), Vice Chancellor Tom Smith, Assistant Vice Chancellor Yvonne Dorrough, Inspector General Gail Waiters, Faculty member Joseph Bielanski, and Recording Secretary Kashi Yamashita

Chair Withrow convened the committee meeting at 5:12 p.m. Chair Withrow moved approval of the Agenda for today's meeting and the October 20, 2005 Audit & Finance Committee Minutes, Trustee Riley seconded the motion, which passed with by full consensus.

The following chart shows action/assignments for District administration following review of various items by the Committee:

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<tr>
<th>Respondent</th>
<th>Item</th>
<th>Requester/Due Date</th>
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<tr>
<td>Harris Smith</td>
<td><strong>Item No. 3 – Consider Two-Year Extension on Contract</strong> Vice Chancellor Smith reported that the external audit firm Vavrnik, Trine, Day &amp; Company, LLC, (VTD) submitted a proposal to extend their current contract by two years; however, the proposal submitted was sent error as it was for a one-year extension. A new proposal will be available at the next Audit &amp; Finance Committee. Chair Withrow asked if there was a limitation on the length of time Peralta could utilize a particular audit firm, such as 5-6 years as an example. Vice Chancellor Smith assured the Committee that there was no set number of years that one firm had to adhere to. The VTD proposes a fee of $89,785 which reflects a cost of living add-on and that year two would be slightly more but would not exceed 3% of the agreement. Chair Withrow commented that the firm seemed very professional in its delivery of the financial report and moved acceptance of continuation of the utilization of VTD to provide external audit services. The proposal will be reviewed at the next Audit &amp; Finance committee meeting December 8, 2005, and then forwarded to the full Board of Trustees for their consideration December 13, 2005. Trustee Riley seconded the motion, which passed with Trustee Yuen's consensus.</td>
<td>Chair Withrow Trustee Yuen Trustee Riley</td>
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<td>Harris Smith</td>
<td><strong>Item No. 4 – Status Report on the External Audit</strong> – Vice Chancellor Smith reported that the Finance Department met with VTD Audit Manager Heidi White November 8th. She stated that there would be one more compliance test to conduct with Howard Perdue on the student enrollment report in a couple of weeks. Vice Chancellor Smith commented that this was a one of the smoothest and best audit processes thus far. Discussion entailed with the Auditor regarding internal controls, financial statements and a management letter. The final report will be a bound document approximately 55-60 pages. Heidi White will be available for a phone conference for the next Audit &amp; Finance Committee December 8, 2005. Additionally, there was discussion regarding the upcoming GASB 45 requirement to assure a mechanism is in place for securing unfunded liability for future years. Vice Chancellor Smith shared the medical benefits bond venture with Ms. White, in which she fully endorsed the project in concept.</td>
<td>Withrow Yuen Riley 12/8/05</td>
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<td>Harris Waiters</td>
<td><strong>Item No. 5 - Status Report from the Inspector General</strong> – Inspector General Waiters gave an oral report stating that she had been working on putting together a work plan and drafting a policy and mission statement for the position (will touch base with the General Counsel to assure legalities are in place). She has made contact with college presidents, executive staff, one business manager and campus staff, and is planning on scheduling one-on-one meetings in the near future.</td>
<td>Withrow Yuen Riley</td>
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The dedicated email address for the position is inspectorgeneral.edu and a fax line (510)
587-7867. Chair Withrow asked if she had met with the Faculty Senate yet, in which she had not.

Vice Chancellor Smith suggested an examination of other community colleges with IG positions be looked at to get an idea of how Ms. Waiters would like to have the Website modeled such as Coast Community.

Trustee Yuen asked if it were possible to set-up an email account separate from Peralta’s dedicated email address such as Yahoo. Ms. Waiters commented that there may be some legal and security considerations to think of in the event of a subpoena of documents or records and that protection of her personal computer equipment should be considered. Methods of communication that the Peralta community could feel confident in are available through fax, direct communication, and mail if the complainant or inquirer is hesitant in sending email through Peralta’s server. Ms. Waiters indicated she was open to suggestions and could discuss the matter with Thuy Thi Nguyen, General Counsel if the Committee wished her to pursue establishing a neutral off-site email account at minimal or no cost.

Chancellor Harris suggested Ms. Waiters have a drop box installed outside of her office to remedy any external fears of matters being disclosed through email or electronic transmission.

There was brief discussion regarding the PeopleSoft administrative system and Chair Withrow and Trustee Yuen inquired as to when a preliminary report would be available for the Board. Ms. Waiters indicated that the report could be available sometime during mid-January 2006. Trustee Yuen asked if the report would come directly to the Audit & Finance Committee or straight to the Board’s closed session. Ms. Waiters indicated that if there were confidentiality matters contained in any reporting that the proper platform for discussion would be in closed session; however, matters that were not conflictive would be sent to the Audit & Finance Committee for initial review.

There was discussion regarding establishing a statute of limitation for matters for investigation. Ms. Waiters stated items older than 2-3 years may be too old to pursue. Chair Withrow commented on the content of draft materials Ms. Waiters submitted entitled “FAQ = Frequently Asked Questions” Item 13 and suggested changing the wording from “conducting investigations that occurred within one year” to conduct investigation on an issue or event that occurred...” He indicated that if a timeline is put on an issue, there must have been some action that triggered the event or circumstance.

Ms. Waiters indicated that so far, she has been welcomed by the Peralta community and she felt comfortable in her role as Inspector General.

**Item No. 7 - Status Report on the Medical Benefits Bond Funding** – Vice Chancellor Smith reported the following:

- The judge signed-off on the default judgment November 7, 2005 and that there is a 30-day appeal period to allow the public to state concerns if they question technical matters contained in the judgment such as proper notice in newspapers and if the notice was improperly filed.
- Chancellor Harris, Chair Withrow, and Vice Chancellor Smith would be going to New York next week to give a presentation to bond insurers and Standard & Poors (rating agency)
- On Tuesday, November 15, 2005, membership of the Medical Benefits group that spanned all constituency groups would be meeting with the actuarial firm (Bartel & Associates) to review a status report on the data the actuarial firm has been “scrubbing” to obtain an accurate report.
- Meetings have occurred on a regular basis with Bond Counsel and Lehman Brothers and there was an investment meeting scheduled for Monday, November 14, 2005 to view financing options. The District opted for $150 million bond at a 7% discounted rate to cover projected growth per year for educational costs.
- Chancellor Harris assured the committee that the bond language has been very
specifically written to cover unfunded liability only and for no other purposes.

- Vice Chancellor Smith indicated that a full presentation would be given at a Special Board meeting Saturday, December 3, 2005 on the medical bonds and that action for the resolution would be taken at the December 13, 2005 meeting.

Trustee Yuen asked if there was language in the bond structure that would entail special reporting, for example, on a quarterly basis. Vice Chancellor Smith indicated that there would be a reporting structure but probably not on that frequent a basis.

Chair Withrow requested administration plan for a full press release with local television stations and that the release should be beyond Peralta’s reporting network.

| Smith Dorrough | **Item No. 8 – Review Criteria for Eligibility for Lifetime Healthcare Coverage** – Vice Chancellor Smith reported that some Peralta employees, after retiring at the age of 50 and working 10 years (PERS), and faculty 5 years at the age of 55 (STRS), are eligible to receive lifetime medical benefits upon retirement from Peralta. He stated that there was a problem with the structure in that if someone retires from Peralta with the full benefit in place, and then work at another school district as an example, they may be fully covered for medical from Peralta. The District is currently looking into the language of the collective bargaining agreements and ERISSA.

After lengthy discussion, Chancellor Harris posed a question to the Committee asking if Peralta employees could receive health benefits in perpetuity after meeting the criteria of retirement at age 50 and 55, and meeting the service requirements in their respective categories, take their health care benefits with them wherever they go and work at other organizations.

Chancellor Harris and Assistant Vice Chancellor Dorrough spoke briefly on the matter and indicated that there were past practice issues and there is also contract language that makes the determination unclear. Chancellor Harris suggested that Peralta consider the question, if you meet the criteria of retirement from Peralta as stated, should one also meet the rules of retirement governed by STRS and PERS simultaneously in order to get lifetime health benefits.

Vice Chancellor Smith suggested that General Counsel take a look at this issue and a report be given to the Committee at a later date. Chancellor Harris also recommended a matrix be formed by Financial Services before getting a determination from General Counsel, of Peralta employees over the past 30 years showing the ten year vesting for classified and five years vesting for faculty as it relates to eligibility for lifetime health benefits (matrix should be completed sometime during January 2006). |

| Nguyen Smith Dorrough | Early 2006 |
| Smith Dorrough | Withrow Yuen Riley |

The next meeting is scheduled for Thursday, December 8, 2005, 5:00 p.m. The meeting adjourned at 7:00 p.m.