

**Board Committee Meeting Notes  
Audit and Finance Committee  
Chancellor's Conference Room  
Meeting Date June 15, 2006**

Present: Chair Bill Withrow, Trustee William Riley, Chancellor Elihu Harris; Vice Chancellor Thomas Smith, Inspector General Gail Waiters, Chief Information Officer/Information Technology Gary Perkins, Laney Librarian Shirley Coaston, Pineapple Group Principle Mark Harris, and Recording Secretary Kashi Yamashita

Absent: Trustee Alona Clifton

Chair Withrow convened the meeting at 5:10 p.m.

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

<b>Respondent</b>	<b>Item</b>	<b>Requester/ Due Date</b>
Harris Smith	<p><b>Inspector General Gail Waiters reported:</b></p> <ul style="list-style-type: none"> <li>• Awaiting direction from the Board to begin providing Committee with quarterly status reports beginning with fall 2005 through summer 2006</li> <li>• There is a need to revisit the development of the administrative policy -- awaiting feedback from the Committee and Trustee Clifton's review to go forward with the finalization of the policy and gain clarity on the oversight role by the Audit &amp; Finance Committee for the Inspector General's reporting process'</li> <li>• Created a tracking system with file numbers for operational reviews and investigation for administrative advisement, and developed policies and procedures for the purpose of identification and discussion in public to refer to case numbers.</li> <li>• Ongoing projects are in progress such as performance with the Standards and Management Committee and preparation of a draft operating procedure with the Board and Committee's interaction on assignments and reporting.</li> <li>• Further discussion regarding Board resolution for the Inspector General (IG) so that there will be more exposure district-wide of the IG's role and to support the understanding of the urgency of matters discussed</li> <li>• Has met with three campuses regarding the Associated Student fund accounting structure and accountability -- Berkeley City College, Alameda and Laney Vice Presidents/Deans. Was unable to meet with Merritt College. The goal is to meet with Vice Presidents and Deans together to give an orientation and to discuss some issues and concerns at the colleges.</li> <li>• Colleges were interested in meeting to discuss issues related to governance, constitution and bylaws. Waiters indicated she would contact the deans with timelines, paperwork and information available</li> <li>• Three outstanding projects are 1) international program policy, 2) confidential investigations; and 3) status of new missing computer equipment</li> </ul> <p><i>Trustee Withrow offered to draft a statement on processes for accountability. Trustee Riley commented that perhaps the Chancellor may be the more appropriate channel for preparing this communication.</i></p>	Withrow Riley

<p>Harris Smith</p>	<p><b>Presentation by Mark Harris relative to the role of oversight of the investment program for the Other Post Employment Benefit (OPEB) Bond funds.</b></p> <ul style="list-style-type: none"> <li>• Board recently awarded contract to the Pineapple Group (Mark Harris) to provide independent oversight for the OPEB bond investment financing for the \$150 million and to monitor strategic allocation of the firm hired to manage the assets and advise/counsel the District to make adjustments to assure minimum yield is met and/or exceeded.</li> <li>• His role is to examine the trade structure and evaluate competitive markets to make sure the best choices are made because he had the capability to see where the markets are performing within parameters and benchmarks such as CalPERS and Los Angeles Public Employers Fund</li> <li>• Provide quarterly or semi-annual reports (as required by the Committee and the Board) and meet with asset managers to determine if stocks, other equities, bonds and other fixed income ratios are appropriate between now and the end of the year -- assess if the investments are within safe sectors and are staying within the overall allocation.</li> <li>• His firm is watching and observing trends of the markets all the time and that his goal is to work toward the best interest of the District</li> </ul>	<p>Withrow Clifton</p>
<p>Harris Smith</p>	<p><b>Measure A Facilities Bond</b> – Smith reported:</p> <ul style="list-style-type: none"> <li>• Timeline for execution of the \$390 Million is to prepare a resolution for certification at the next Board meeting establishing Bylaws and Code of Ethics for the Citizens Oversight Committee within 60 days.</li> <li>• Provide a list of committee member names who will be able to serve two-year terms. The recommendation will be that half of the members will serve a one year term and the other half for two years.</li> <li>• A meeting is scheduled for tomorrow to calculate how much money may be issued and the timeline for issuance is mid-August 2006. The estimation is \$75 Million with three (3) years to spend the funding from the bonds.</li> <li>• There is a great demand for instructional equipment, libraries, labs, and furniture that cannot be purchased with Measure E funds.</li> <li>• The District's plan is to tie the use of the funding to the Educational Plan and the Strategic and Facilities plans</li> <li>• The college Facilities Committees have been asked to put together short and long term needs which will be given to their college presidents for presentation to the District and which will fit into the District's strategic plan.</li> <li>• Forms have been developed that very specifically tie into the ballot language so that the District will be able to document and present the projects to the Oversight Committee.</li> </ul> <p><i>Chair Withrow suggested a newsletter outlining the major issues of the Facilities Bond and its performance be posted on the website at the District and the four colleges.</i></p>	<p>Withrow Riley</p>
<p>Harris Smith</p>	<p><b>External Auditor</b> – Smith reported:</p> <ul style="list-style-type: none"> <li>• Vavrinek, Trine, Day &amp; Company (VTD), increased the scope of their audit of Peralta's financials because of the PeopleSoft administrative system.</li> <li>• VTD will be at the District during the third week of July 2006 and it is anticipated the audit report will go smoothly</li> <li>• VTD will meet with the Audit and Finance Committee with comments in November 2006.</li> <li>• The state is alerted regarding the District's financials and they are not concerned.</li> </ul>	<p>Withrow Riley</p>

<p>Harris Smith</p>	<p><b>Enrollment Update</b> – Tom Smith reported:</p> <ul style="list-style-type: none"> <li>• The District will not go below Growth and it is projected to make full growth</li> <li>• Summer school is 10% below its enrollment of the previous year which seems to be occurring with all four colleges across the board</li> <li>• The District has marketing plans and is engaged in aggressive outreach</li> <li>• There is a problem with retention which is down by 18%</li> </ul> <p><i>Trustee Withrow asked if the District had anyone analyzing the situation – Smith stated that Associate Vice Chancellor Howard Perdue does an analysis and surveys are being done.</i></p> <ul style="list-style-type: none"> <li>• Smith indicated that the State trend may be catching up with the District’s state and that summer may be the harbinger of what is to come. Of over 18,000, if enrollment is tanked and the District pulls back some spending, it may reach stability for the 2007-08 year with spare money and allow the District to get back to base plus growth.</li> <li>• With Enrollment and the status of the classified hourly agreement, this may cost the District some FTES and it may not be able to offer the same level of services which may disrupt student services.</li> <li>• College of Alameda showed some excitement about adding 18% more sections; however, they are down the most.</li> <li>• It is hopeful that Intercession and summer school will produce positive attendance reports for the District</li> </ul>	<p>Withrow Riley</p>
<p>Harris Smith</p>	<p><b>District Financial Status</b> – Smith reported:</p> <ul style="list-style-type: none"> <li>• The District hired a technical expert from Oracle for one week and who did patches in the PeopleSoft administrative system which allowed Finance to get a trial balance to go through and audit salary compared to budget. It appears the District is okay with 87% of budget realizing we are not spending or it is uncontrolled.</li> <li>• Two additional functional experts were hired; one fulltime in Human Resources who is rearranging screens to drill down into the system. It is not fixed and there are still problems getting in the balance sheet. There is a technical consultant from Alberta, Canada who is providing positive ideas for manual processing in accounts payable and purchasing. In a report discussed last night, a flaw was revealed in the way Payroll was designed for prorata set-up to go backwards – Financial Services is in the process of fixing this problem.</li> <li>• There is a discovery that we may be misusing the system as we have been using an overriding feature in PeopleSoft that should have been balanced to the general ledger. As a result, we are out of balance.</li> <li>• Finance is working on the adopted budget which is one of the most difficult due to the new system.</li> <li>• Berkeley City College is slated for grand opening and this will mean a \$1.2 million from rent allocated back into the budget.</li> <li>• Rules and procedures are being developed for the Other Post Employment Benefit Bond proceeds to pay for retirement benefits every year.</li> <li>• At the state level, equalization will be beneficial and the District will receive more funding which will go into base</li> <li>• Cost of Living Allowance will be 5.92%</li> <li>• Matriculation got augmented, budget increased, and COLA applies to categoricals (normally they do not)</li> <li>• CalWorks will be augmented substantially</li> <li>• The overall budget is 13% higher than last year</li> <li>• According to SB361, California Community Colleges tuition fees will be reduced to \$20 (down from \$26)</li> </ul>	

The next meeting is scheduled for September 14, 2006. The meeting adjourned 6:25 p.m.