

**Peralta Community College District
Board Audit and Finance Committee Meeting Minutes
September 16, 2010**

Present: Trustee Bill Withrow, Trustee Cy Gulassa, Chancellor Wise Allen, Thuy Nguyen, Debbie Budd, Connie Willis, MaryBeth Benvenuti, Joseph Bielanski Jr., Linda Sanford, and Helena Lengel.
 Guests: Joanna Bowes (KNN)
 Facilitators: Tom Henry, Ronald Gerhard, Mike Lenahan

Agenda Item and Presenter(s)	Discussion	Follow-up Action	Decisions (Shared Agreement/ Resolved or Unresolved?)
Meeting Called to Order	5:18 PM		
I. Recovery plan update Tom Henry	<p>It is a narrative document in draft form to show ACCJC as evidence that this is a participatory process and will incorporate input received from various stakeholders. The matrix and the recovery plan will be submitted to the State Chancellor’s office on September 28, 2010 and then to ACCJC on October 15, 2010.</p> <p>Narrative Plan: It is important that we include input from the colleges and include any information that is missing and make changes where necessary. We will create a link in the document to each of the colleges’ educational plans. Evidence will be shown through the minutes from different committees that members from the District and colleges were a part of the participatory process and their inputs were incorporated.</p> <p>Trustee Withrow asked how many students we currently have. Chancellor Allen responded we currently have 29,000 students. The figure is lower than expected because some students were double counted if they attend multiple colleges within Peralta. We have reduced our students to meet the 19,050 FTES target and have downsized significantly this Fall. We went from \$17 million to \$12 million in our hourly budget. We will refine it under section II of the Recovery Plan.</p> <p>Correction: The Recovery Plan should read “Review and Accepted” instead of “Adopted.”</p>		

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	<p>Recovery Matrix - Made up of 3 components: ACCJC, Audit Findings, and Grand Jury Reports. The first column states the auditing agency and its recommendation. The second column is the paraphrased corrective action that is required. We will alert the reader if they want more information to refer to in the actual report to get the full picture. The third column names the responsible and point person(s). The fourth column states the due date of the corrective action. The fifth column is the systemic source integration column to show that actions are sustainable and institutionalized.</p> <p>Suggestion from Trustee Withrow: Add a sixth column to show that the activities are integrated in everything that we do.</p>		
<p>II. Audit update</p> <p>Tom Henry</p>	<p>The 2008-2009 audit had come to a close. Vavrinek, Trine, and Day (VTD) will be at the District to conduct a bond audit. We do not have a concrete day for the Foundation audit yet. The audit for fiscal year 2009-2010 has started. So far, it is positive in regards to Federal compliance. As for the financial statement audit, we are looking to close the books by the first or second week of October. FCMAT will be at the District in early October to look at grants, cash management, facilities, and Measure A.</p> <p>Not all problems will be fixed in the next 90 days. There are structural problems. We need time to change policies, procedures, behavior, culture, attitude, etc. Over time we will be able to achieve it. A lot of corrective steps have been taken to correct errors. We centralized and standardized rules and provided supervision to enforce those rules among all four campuses. Per Chancellor Allen, we received a letter settling all the debts by the end of 2008-2009. It was stamped "Paid in Full."</p> <p>OPEB will be difficult to tackle. OPEB liability payments may impact the Districts ability to sustain and support educational programs. Every year for the next several years, the District needs to reduce expenditure by \$1 million in order to make the OPEB payments.</p> <p>Ms. Joanna Bowes from KNN was introduced by Mike Lenahan. KNN's objective is to determine what happened and why. They will try to obtain more background information. The more clarity we can</p>		

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	provide to the faculty and staff, the better it is to make decisions.		
<p>III. 2010-11 Final Budget Ronald Gerhard</p>	<p>Process of the State budget starts with the Governor in January. In May, revision and discussion is made by the State Assembly and Senate. A conference committee was put together to negotiate and reconcile the differences between Senate and Assembly. The slides shown are the current positions on the portion of the state budget that is specifically related to community colleges. The figures are in the millions.</p> <p>Cash flow: the state only paid a portion of what is due to the District. The rest were deferred. Currently amount deferred is \$13 million. The District is currently operating on reserves, income from local income, and property tax.</p> <p>2009-10 budget has been developed consistent with the strategic goals and objectives. We will have a balanced budget this year and not deficit spend like previous years. We are projecting \$63.5 million from the state from serving 18,000 to 19,000 FTES. If so, our revenue will exceed our expenditure, and we will have a surplus. That exceeds the 5% threshold recommended by the state. We have budgeted the same level of income from the prior year. If the numbers are different, we will make adjustments. The 2009-2010 actuals are tentative. In the past, we budgeted by fund and allocated cost to the program twice a year. We did not get timely information to rate the success of the program. This year, we will implement a program where the cost is attached to the program. We plan to implement it in the September payroll that shows the expenditures broken down separately. Looking at the campuses, 91-92% of the budget is dedicated to salaries and benefits.</p> <p>Trustee Withrow would like to see where we stand on the budget on a monthly basis. He would like to see a report from July to September 2010. The requirement was to have quarterly reports.</p>		

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<p>IV. District Investment Policy Mike Lenahan</p>	<p>We will rebalance the portfolio and move from a less fixed portfolio following Neuberger Berman's recommendation. As of July 31, 2010, the District has \$151 million in investments. We have \$5.8 million from last year and \$5.8 million from this year to be transferred back into the general fund. We need to determine when we can make the draw and rebalance.</p> <p>Background history of OPEB: A resolution was presented to the Board in 2005 regarding OPEB. That resolution was approved by the Board and the investment policy was passed in 2005. The last page of the 7-page document lists the investment parameters. Neuberger Berman is the successor of Lehman Brothers. The resolution also states that the document was developed by the Investment committee.</p> <p>Suggestion: We will come up with a revision to remove the Investment and Retirement Committee.</p>		
<p>V. District Healthcare Costs Ronald Gerhard</p>	<p>A chart was handed out on a five-year perspective. We have a healthcare advisor that we work with and an Actuary study. The District is evaluating and considering some changes.</p>		
<p>Adjournment:</p>	<p>8:08 PM</p>		
<p>Next meeting:</p>	<p>October 14, 2010</p>		

Minutes taken: Sui Song

Attachments: