



Governing Board's Finance and Audit Committee

Friday, October 23, 2020

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Ken Marcus, Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Maria Garcia

Unable to Attend:

Jesus Manzanedo, Scott Odom, Clarence Vatne

Guests:

Police Commander Michelle Nieuwenhuis; Vice Chancellor Bruce Moses; Vice President Ian Roark

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:10am, noting a quorum was met.

Action Items

2. Approval of Minutes from August 21, 2020

Chair Nuckolls asked if the Committee had any changes to the minutes. With no changes, a motion was made to approve the minutes.

Motion No. 202010-01: Approve Minutes from August 21, 2020

First: Ken Marcus

Second: Ben Tuchi

Vote: Motion passed unanimously (Nuckolls, Clinco, Marcus, Tuchi, Garcia voting in favor)

Motion Carried.

3. Public Safety Personnel Retirement System Funding Policy (David Bea, Michelle Nieuwenhuis)

College Police employees participate in the Public Safety Personnel Retirement System (PSPRS), which serves as their pension plan. PSPRS has changed requirements for participating entities, requiring an acknowledgement of any unfunded pension liability and publication to the entity's website of the strategy to fund the liability.

Employee benefits are a component of the annual budget development cycle, and a group of College staff will annually meet to discuss the PSPRS funding strategy in preparation for presentation to the Governing Board. This group, consisting of the CFO and employees from College

Police, Finance and Business Services, Human Resources, and the Employee Service Center, met and developed a recommendation. Dr. Bea had a second meeting on the topic with Chair Nuckolls and Mr. Ben Tuchi, who concurred with a funding level of 75% by fiscal year 2026 as the recommended course of action. This recommendation will require an annual allocation of about \$1.3M to the College's liability for PSPRS. The 75% target is on par with funding levels for the Arizona State Retirement System.

This is an achievable strategy should Proposition 481 pass or fail. If Prop 481 passes, the College can operationalize the allocation and fold it into the budget starting in fiscal year 2022; If Prop 481 fails, the College can issue debt to fund the liability and move the expense off the expenditure limitation.

Ms. Maria Garcia inquired about the distribution of funds after retirement, and the amount paid into the system prior to retirement. Police Commander Michelle Nieuwenhuis described the different tiers. Mr. Tuchi spoke to the national trends for retirement systems, noting the liability of local municipalities; he commended the College on its action towards addressing this issue. Mr. Ken Marcus asked about the debt approach since this will be exchanging one liability for another. Dr. Bea described the challenge of Expenditure Limitation - the College has the taxpayer-based revenues but is restricted in their expenditure, and pension liabilities are counted towards the expenditure limit. Any discussion of issuance of debt would come back through this Committee for review.

Chair Nuckolls asked if there was a recommendation to approve the funding strategy, and a motion was made:

Motion No. 202010-02: PSPRS Pension Funding Strategy

First: Ben Tuchi

Second: Maria Garcia

Vote: Motion passed unanimously (Nuckolls, Clinco, Marcus, Tuchi, Garcia voting in favor)

Motion Carried.

Reports and Feedback

4. Updated from Educational Services and Institutional Integrity (Bruce Moses)

Dr. Bruce Moses described the structure of the Educational Services and Institutional Integrity department, which includes the new Enterprise Risk Management and Compliance function. He continued with a description of the active recruitment for the Director of Enterprise Risk Management (ERM) and the vetting process that will be utilized to ensure candidates fit with the College and the philosophy of the ERM unit.

Chair Nuckolls inquired about the staffing allocated to the department, as the scope is large. Dr. Moses stated that three additional positions have been allocated at this time, and Dr. Bea anticipates that resources will be evaluated as the structure formalizes and matures. Ms. Garcia

inquired about the backgrounds of the candidates, and Chair Nuckolls asked Dr. Moses to return to the Committee once a candidate is hired.

5. Workforce Update (Ian Roark)

Dr. Ian Roark joined to discuss the work of his department in facilitating public/private partnerships and prior learning assessment. Workforce supports the mission and vision of the College and the relevance of the institution through grants, donations, contracts, and entrepreneurial and commercial activities. Partnerships have modernized and streamlined curriculum in alignment with industry standards, and Dr. Roark discussed the benefits to the economy and the workforce. He continued with an overview of Prior Learning Assessment (PLA), describing the percentage of College curriculum that is eligible and the benefit to the workforce.

Mr. Demion Clinco asked about the trends for community colleges moving forward, and if the pandemic has accelerated the need for partnerships. Dr. Roark described apprenticeships, which have ramped up recently, and how public policy will drive the market. Mr. Clinco also asked Dr. Roark to describe the challenges with public/private partnerships. Dr. Roark described the internal checks and balances through Contract Services, General Counsel, and annual audit activities. The College is recognized on a statewide and a national scale for its partnerships. Working with local chambers aggregates the needs of small businesses and allows the College to efficiently develop programming.

Mr. Tuchi asked if active employer partnerships are tied to enrollment or employment. In the future, employer engagement and outcomes will be tracked through Salesforce, a software platform that will allow the College to develop retention, persistence, and completion data. Dr. Roark noted that the State of Arizona's tracking of unemployment is different from many other states, and the College is looking to bridge the gap. Dr. Roark will bring data back to this Committee once available.

Chair Nuckolls thanked Dr. Roark for the comprehensive report. If the College does not provide these services, the for-profit world will figure out a method. As a follow-up to Mr. Tuchi's question, Chair Nuckolls asked how the data will be measured because the education period is not on a traditional semester or annual term. Dr. Roark spoke to the improvement of the Advisory Committees model, and there is now continuous communication between these committees and the Deans and program staff and faculty. As the scale increases, Workforce will grow the departments and shift the innovation to the academic department. The partnerships will be measured through these committees, collecting data on employers and wages as students are hired. This is a placeholder mechanism until the statewide data is available.

6. CFO Update (David Bea)

Dr. Bea began with an update on the revenue bonds projects, as well as the Aviation Technology Center Expansion project.

He continued with the Fall 2020 Budget Update, which was presented to the Governing Board earlier this month. There is still great uncertainty, and the College's Fall full time student

equivalents are close to the projected 15% decline. Dr. Bea provided an update on the Fall tuition rebate and free Student Success Course programs, previously discussed with this Committee. Expenditures have increased due to the costs related to COVID-19, including additional insurance coverage and test proctoring services. Sales tax has not dropped at the rates previously predicted, and the State has not initiated any special sessions to reduce the budget.

Mr. Clinco asked about the challenges with Expenditure Limitation (EL) and the potential effect on position reductions. Prop 207, if passed, will also generate revenue to the College that would be outside of Expenditure Limitation. Dr. Bea stated that vacancies are being used as a contingency, a strategy used in the past by the College to reduce expenditures. Program viability will also be important.

Mr. Clinco pointed out that Prop 481 is a function of the higher costs for offering Career & Technical Education programs, which require more funds to offer than other types of courses. Dr. Bea noted that the College is still working with the legislature to look for immediate EL relief and to increase the weighting for CTE courses in the FTSE calculation utilized for calculating the Expenditure Limit.

The budget development calendar and the final report on the use of FY20 Enrollment Revitalization Funds were provided as information items.

Information Items

7. Future Agenda Items

- a. Chancellor Update (December)
- b. Internal Audit (December)
- c. Election Update (December)
- d. Enterprise Risk Management (February)
- e. Marketing
- f. Enrollment Management

Adjournment

The meeting concluded at 10:57am.

Next Meeting:

December 11, 2020

Virtual Meeting - Zoom Webinar