



Governing Board's Finance and Audit Committee

Friday, December 11, 2020

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

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

Unable to Attend:

Scott Odom, Clarence Vatne, Daniel Soza (Ex-Officio)

Guests:

John Utter, RBC; Chancellor Lee Lambert; Internal Auditor Jose Saldamando; General Counsel Jeff Silvyn

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:03am, noting a quorum was met.

Action Items

2. Approval of Minutes from October 23, 2020

Chair Nuckolls asked if the Committee had any changes to the minutes. With one non-substantive change, a motion was made to approve the minutes.

Motion No. 202012-01: Approve Minutes from October 23, 2020

First: Ken Marcus

Second: Maria Garcia

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

Motion Carried.

3. Revisions to Committee Charter (Tracy Nuckolls)

Chair Nuckolls introduced the purpose for revising the Charter, which is to clarify the terms for Committee members. Since the work of this Committee happens during the Fiscal Year, but terms could begin at any time, the new language provided by General Counsel Jeff Silvyn clarifies the membership period.

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

Motion No. 202012-02: Approve Revisions to Committee Charter

First: Ken Marcus

Second: Ben Tuchi

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

Motion Carried.

The revised charter will be presented to the Governing Board for review and approval at their January 11, 2021 meeting.

4. Nomination of Chair-Elect (Tracy Nuckolls)

With the departure of Ms. Adrienne Regrutto from the Committee a few months ago, there is a need to select a Chair-Elect. Chair Nuckolls met with Mr. Scott Odom, who is willing to serve in the role. Mr. Ken Marcus concurred, as Mr. Odom has tenure on this Committee.

Chair Nuckolls asked if there was a recommendation to approve Mr. Odom as the Chair-Elect, and a motion was made:

Motion No. 202012-03: Approve Scott Odom as Chair-Elect

First: Ken Marcus

Second: Ben Tuchi

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

Motion Carried.

As a note, Chair Nuckolls' term on this Committee will conclude this Summer. Additional vacancies will also occur for the seats filled by Mr. Clarence Vatne and Mr. Jesus Manzanedo, and there are two seats currently vacant on this Committee. Each member plays a particular role due to their background and expertise, and there is a need to begin filling vacancies and planning for departures.

Reports and Feedback

5. Investment Update (John Utter)

Mr. John Utter from RBC Global Asset Management joined to provide an update on the College's investment portfolio. Overall performance has improved since the first quarter of this year, and there have been minor changes overall in the 1-3 Year Portfolio. He discussed the yield, moving into the College's Ultra Short Portfolio.

The market outlook provides a view of the U.S. COVID-19 Recovery - retail is up, while production and restaurants are down. The federal response through the U.S. fiscal stimulus was strong, and there is a likelihood for additional stimulus dollars. Mr. Utter continued with an overview of the credit market environment, describing the liquidity trends of larger corporations and low global interest rates.

COVID-19 will lead to continued uncertainty in global growth, but the vaccine provides an outlook toward steady recovery and reopening. Mr. Nuckolls asked if there are sectors the portfolio is avoiding, as communications, utilities, and banks are the current focus. There are challenges for retail businesses not already actively shipping goods to their consumers, as well as for real estate since many entities are reevaluating their space needs. Dr. David Bea inquired about residential real estate, which Mr. Utter stated has a sharp contrast between a strong market and the potential for evictions nationwide. Mr. Utter departed the meeting.

Mr. Tuchi asked about the future position of the College, as so many higher education institutions are facing unprecedented enrollment drops and may go out of business. Dr. Bea noted that the Governing Board will be having a discussion on this at their January meeting, and Ms. Maria Garcia asked this Committee to discuss the budget capacity provided by Proposition 481 in light of enrollment recovery and the construction of new, physical facilities while PimaOnline is growing.

6. Chancellor Update (Lee Lambert)

Chancellor Lee Lambert joined and thanked this Committee for their work and contributions to the College. He provided additional information on enrollment trends both nationally and statewide. PCC enrollment for Spring 2021 is currently low, and the College faces competition by mega universities. The College is currently re-evaluating the Educational and Facilities Master Plans, and enrollment is a consideration; the Centers of Excellence concept has been affirmed to be a strong draw for PCC in the future and a way to differentiate from other institutions.

Ms. Garcia is concerned about tuition and fees, as Pell may not always cover the costs of education and students have to make difficult decisions to balance their personal expenses. Chancellor Lambert noted that Arizona lacks some of the student support structures provided by other states, and the College is seeking new funding sources to provide resources to create state-of-the-art facilities. He also noted the College has a large number of campus and physical locations when compared to similar institutions. The Centers will allow the College to train incumbent workers, providing additional enrollment.

Chair Nuckolls inquired about scholarships, and the College is creating robust internal programs. Mr. Tuchi inquired about leasing additional space. The College has partnerships with other educational institutions, but Chancellor Lambert stated it may be time to model Arizona State University and seek corporate partnerships. Dr. Bea noted that it may also be time to reduce outside leased space and fold those functions back into the campuses. As the new facilities come on board, old spaces may be leased or sold. The campus designation also allows the College to apply for grant programs at multiple locations within the District.

Chancellor Lambert concluded with a statement about the financial health of PCC, which minimized the impact of the COVID-19 pandemic. Chair Nuckolls thanked Chancellor Lambert for his update.

7. Internal Audit Update (Jose Saldamando, Jeff Silvyn)

Mr. Jose Saldamando introduced the first topic, the Center for International Education and Global Engagement (CIEGE) Audit Report. He described the scope of the audit and the testing methods, continuing with the Executive Summary of Findings. Mr. Saldamando outlined the remediation plans and the timelines by which management will complete them. Ms. Garcia asked about utilization of existing systems to manage contracts and renewal dates; Mr. Silvyn noted that a recommendation from this audit is for the CIEGE department to engage with Contract Services to ensure all agreements are being managed by this system.

Chair Nuckolls asked about any adverse challenges related to the student and the health insurance coverage. Mr. Manzanedo stated that there was a lack of oversight from the department management, and Mr. Saldamando said that was a component of the remediation discussion with management. Mr. Demion Clinco commended the clear drafting of this report and the remediation associated, and Mr. Nuckolls concurred, noting its use as a management tool.

Mr. Jeff Silvyn noted that the audit was initiated after an employee raised a concern. Further, the CIEGE department was moved under Dr. Bruce Moses, Vice Chancellor for Educational Services and Institutional Integrity, who completed a top-to-bottom compliance review. Mr. Clinco asked about timelines for completion of remediation, and Mr. Saldamando described how he will follow up with CIEGE; his next quarterly report will provide an update on the status of these findings.

As a general note, Mr. Nuckolls acknowledged the challenges when moving from a paper-based to an electronic contract management system.

Highlights from the Quarterly Report include the current Clery Act Compliance audit, as well as continued work with the Security and Access Control Work Group. Mr. Saldamando met with a representative at CliftonLarsonAllen to develop a proposal for the upcoming Purchasing Audit, which was requested by the Governing Board. He continued with an update on the number of findings still unresolved, noting that management has been actively working to close open issues. There is still follow up needed by the Information Technology (IT) Department as change management processes are being documented to close findings from the Auditor General. Future topics will include contracts and purchasing, Human Resources, Payroll, and IT.

Chair Nuckolls asked about closing Health Insurance Portability and Accountability Act items, a topic on which this Committee has previously been briefed. Mr. Saldamando will prepare an update for the February 2021 meeting.

8. CFO Update (David Bea)

Dr. Bea began with an update on expenditures from the Revenue Bonds, stating that 85% of the expenditures will be committed within the three-year deadline.

Related to the election, Proposition 481 passed with approximately 70% approval, which was a show of significant support for the College by the voters of Pima County. An update was provided to the Governing Board at their Study Session on December 7, 2020, and Dr. Bea shared information on Expenditure Limitation over the last ten fiscal years and the strategies utilized by the College to reduce expenses.

Dr. Bea continued with proposed revisions to two Board Policies, BP 4.01 - Institutional Budget and Financial Controls, and BP 4.07 - Financial Stability. The revisions will provide further authority at the Governing Board level to establish reserves and investments, and language was added to define the College's long-term liabilities, such as the revenue bond covenants and more recent conversations related to the development of a funding policy for the Public Safety Personnel Retirement System.

Information Items

9. Future Agenda Items

- a. Office of the Arizona Auditor General (February)
- b. Internal Audit (February)
- c. Enterprise Risk Management (February)
- d. FY20 Comprehensive Annual Financial Report Presentation (February)
- e. Enrollment and Prop 481 (April)
- f. Marketing
- g. Enrollment Management

Adjournment

The meeting concluded at 11:02am.

Next Meeting:

February 19, 2021

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