



Governing Board's Finance and Audit Committee

Thursday, June 24, 2021

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Scott Odom, Jesus Manzanedo, Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Maria Garcia, Keri Hill (Recorder)

Not in Attendance:

Ken Marcus, Clarence Vatne

Guests:

John Utter, RBC Global Asset Management; Jeff Silvyn, General Counsel; Jose Saldamando, Internal Auditor

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:07am, noting a quorum was met.

Action Items

2. Approval of Minutes from April 9, 2021 Regular Meeting; April 9, 2021 Executive Session Summary; May 27, 2021 Executive Session Summary, and May 27, 2021 Regular Meeting

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. 202106-01: Approve Minutes from April 9, 2021 Regular Meeting; April 9, 2021 Executive Session Summary; May 27, 2021 Executive Session Summary, and May 27, 2021 Regular Meeting

First: Demion Clinco

Second: Scott Odom

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

Motion Carried.

Reports and Feedback

3. Investment Update (John Utter)

Mr. Utter began with the portfolio performance, moving into a discussion of the short-term and ultra-short portfolios. Chair Nuckolls inquired as to the portfolio allocations versus those in the investment guidelines, and Mr. Utter provided an overview of the allocations.

The conversation moved to the Federal Reserve (“the Fed”) and the actions to maintain an accommodative stance to support recovery. Although the goal of the Fed is to keep interest rates low, it is not a sustainable practice. Mr. Utter provided an example of previous market behavior and discussed whether this may predict future rate hikes.

Economic activity is expected to rebound strongly in 2021. Related to inflation, the Consumer Price Index is running high; the Fed seeks long-term inflation at two percent, but in the last few months it has been five to six percent. Of the recent inflation, 60% is attributed to five areas: used cars, rental cars, lodging, airfare, and food away from home (non-grocery store food). Inflation is not seen as a long-term threat. For example, lumber was steadily increasing until a peak five weeks ago, and the price has since decreased by 40 percent. The yield curve is steep, and long-term technology and demographics will reign in inflation.

Dr. David Bea stated that supply chain issues, especially related to technology with the pressure to increase digitization and building and construction materials, as well as labor issues with the return to work, make the inflation issue a concern for the College. Mr. Utter clarified that inflation is a concern, and stabilization may take a couple of years.

Mr. Scott Odom inquired about allocations in the short- and long-term portfolios. Mr. Utter discussed the balance between short- and long-term needs and the impact on the allocations.

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

Mr. Jose Saldamando began with a general overview of activities in the Office of the Internal Auditor. The office has developed a newsletter, expanded its professional network, and is working with Strategy, Analytics and Research to develop tools.

Ms. Maria Garcia joined the meeting in progress.

Related to the recent Clery Act Compliance Report, Mr. Saldamando answered a question raised by Ms. Garcia about the age of the data utilized. Mr. Saldamando explained that this was related to the extended date for the reporting of the data as a result of the pandemic, and as a result, the data tested was from 2018. He continued with the findings and the remediation plan that is in place. Chair Nuckolls inquired about the collaboration between the College and law enforcement related to reporting, and Mr. Jeff Silvyn provided additional information about that relationship.

Mr. Saldamando continued with an overview of current audits. The College is co-sourcing the Purchasing Audit with CliftonLarsonAllen (CLA), and the report should be completed within the next few months.

There are seven internal audit items currently open. The Information Technology (IT) change management issue with the Arizona Auditor General has officially been closed. Chair Nuckolls commended Mr. Saldamando on his work to close out so many long-standing issues, and Mr. Saldamando attributed the success to communication with the various departments.

Mr. Saldamando provided an introduction to the PCC Risk Assessment and the Audit Plan Report. The areas identified for significant risk include Human Resources, IT, Enrollment Management, Governance, and Facilities Management. He noted that these categories are influenced by the perceptions of those surveyed and interviewed, and additional work will be required to identify the scope and the methodology to provide meaningful audit reports.

Mr. Saldamando described the stakeholders engaged in developing this report, as well as the common areas of concern across the other community colleges. He also shared the time management plan for his role, which was developed with input from Mr. Jesus Manzanedo, as well as the draft audit plan for 2021-2022.

Chair Nuckolls stated that the nuance required to interpret perception is important when developing the risk management plan, and he asked if there was a motion to approve the 2021 PCC Risk Assessment and Audit Plan Report:

Motion No. 202106-02: Approve the 2021 PCC Risk Assessment and Audit Plan Report

First: Demion Clinco

Second: Scott Odom

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

Motion Carried.

5. CFO Update (David Bea)

Dr. Bea began with a report on the revenue bond expenditures and the status of construction projects.

Ms. Agnes Maina stated that the College recently met with its financial advisor, Stifel, to discuss compliance. A consultant is being engaged to review the CUSIPs and compliance related to arbitrage; an initial discussion indicated the College is likely in compliance, and the first report will be prepared in the Fall. Related to the requirement for an 85% commitment of revenue bonds proceeds within the first three years after issuance, the College is within compliance.

The Fiscal Year 2022 (FY22) budget was adopted earlier this month, and the Governing Board set a levy neutral property tax rate. The capital budget reflects the large number of ongoing capital projects, as well as the influx of federal Higher Education Emergency Relief Funds (HEERF). Quarterly reports on the capital budget will be provided to this Committee and to the Governing Board. Supply chain issues will likely impact the actual expenditure of capital funds.

The FY22 budget includes increased compensation, as well as the Day of Relief concept to address employee strain as a result of the pandemic. Proposition 481 and HEERF provide a bridge into FY22 and stabilize the College. The College is advocating for the State to increase the allocation of STEM funds.

Mr. Demion Clinco inquired about overages for construction projects and the strategies to mitigate them without impacting the programmatic side of the College. Dr. Bea said that overages are as much as 10%; value engineering has been utilized, and there is potential to move other projects to next year to maintain the integrity of the vision.

Chair Nuckolls asked about the large increase in Grants, Contracts, and Financial Aid for Fiscal Year 2021 to Fiscal Year 2022. This was largely due to HEERF, as well as capacity for a proposal that was submitted to the State but has not yet been funded.

6. 2021-2022 Meeting Schedule (Tracy Nuckolls)

The proposed schedule for Fiscal Year 2021-2022 was provided to the Committee. Any questions or comments can be sent to the Office of Finance and Administration, and flexibility with Zoom attendance will continue after on-site meetings recommence.

7. Committee Membership (Tracy Nuckolls)

Three members, Chair Nuckolls, Mr. Manzanedo, and Mr. Vatne, have terms expiring. Members of this Committee were asked to submit any nominations.

Information Items

8. Future Agenda Items

- a. Workforce Update
- b. Marketing

Adjournment

The meeting adjourned at 10:34am.

Next Meeting:

August 26, 2021

Virtual Meeting - Zoom Webinar