



Governing Board's Finance and Audit Committee

Friday, October 21, 2022

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Ken Marcus (Chair-Elect), David Bea (Ex-Officio), Jesus Manzanedo, Maria Garcia, Kathleen Witt, Laura Ward, Keri Hill (Recorder)

Not in Attendance:

Scott Odom (Chair), Ben Tuchi, Demion Clinco

Guests:

John Utter, RBC Global Asset Management; David Parker, Director of Enterprise Risk Management

General Matters

1. Call to Order

The conversation began at 9:07 am, with a note that the meeting would be called to order after the quorum was met. Chair-Elect Marcus called the meeting to order at 9:33am noting a quorum was met.

Action Items

2. Approval of Minutes from August 26, 2022

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

Motion No. 202210-01: Approve Minutes from August 26, 2022

First: Jesus Manzanedo

Second: Kathleen Witt

Vote: Motion passed unanimously (Marcus, Manzanedo, Garcia, Witt voting in favor)

Motion Carried.

Reports and Feedback

3. Investment Report (John Utter)

The conversation began at 9:07 am, with a note that the meeting would be called to order after the quorum was met.

Mr. Utter began his report with the 1-3 Year Portfolio and the current bond market. Given the changes to interest rates, the College is again receiving a healthy return on its investments, with a

4.31% market yield as of September 30, 2022. The Ultra Short Portfolio and its characteristics were then reviewed.

Ms. Witt joined the meeting in progress.

The report continued with an overview of the global backdrop, the actions of the Federal Reserve, and current financial conditions. A recession is increasingly likely in 2023. International inflation levels continue to be a concern, with demographics and technology serving as a headwind. Potential additional rate hikes by the Federal Reserve and the implications were discussed, with a note about the continued strength of the U.S. Dollar.

Regarding the overall outlook, Europe and China are facing a recession sooner than the U.S., and the Federal Reserve is determined to bring inflation under control. Chair-Elect Marcus inquired about the conditions related to the interest rates, given the slowdown in the housing market and the low unemployment rates. Mr. Utter stated that while mortgage rates have doubled in a short period, it will be approximately six months before the effects can be evaluated.

Mr. Manzanedo inquired about the College's strategies for navigating the market. Mr. Utter stated that short-duration, fixed-income, and high-quality investments keep risk low. Dr. Bea noted that these funds could continually be reinvested at maturity for better interest rates. Mr. Utter also stated that an investment could be sold at a loss if a better opportunity is available. An increase in investment revenues will also help the College's budget, likely at the end of the current fiscal year or the start of the next fiscal year.

With no further questions, Mr. Utter concluded his report.

4. Serving on a Public Board (Jeff Silvyn)

Mr. Silvyn began by thanking the members of this Committee for their service, stating that he recently presented this topic to the Governing Board's Enrollment and External Relations Committee. Mr. Silvyn began with a review of the Arizona Public Meeting Law, the definition of a public body, and a review of the requirements for public meetings. He continued with a review of Executive Session processes; any questions about a topic may be sent to the Office of the EVC for Finance and Administration or to the Office of General Counsel.

Mr. Silvyn continued with the definition of a meeting and reviewed it within the scope of this Committee. He provided some examples of activities that qualify under the law as a "meeting" and mechanisms to agendaize a meeting topic through College staff. He continued with examples of Executive Session meetings and their requirements, including disclosures and potential legal actions.

Another aspect in Arizona is the Public Records Law, which applies to public bodies and their committees and is subject to records preservation and requests. He continued with a review of an Arizona Court decision related to the use of personal vs. government systems.

Ms. Garcia departed the meeting, and the quorum was no longer met.

Conflict of interest is also defined in state statute, and Mr. Silvyn provided an example of when it applies. While it is not likely to apply to the work of this Committee, an email can be sent to the Office of the EVC or to General Counsel to disclose any potential concerns.

Mr. Marcus thanked Mr. Silvyn for his report, noting that it is good to have a reminder on these topics. Dr. Bea stated that the notice sent in emails from his office is related to the subject of Mr. Silvyn's report.

5. Enterprise Risk Management (ERM) and Compliance Report, October 2022 (David Parker)

Mr. Parker introduced his report with a note on staffing changes and summer availability, which has impacted progress. The evaluation of ERM platforms has led to a realization that the concepts in development for the College can be tweaked to fit these solutions better. Three potential platforms would work for ERM at the College.

A recent stakeholder meeting provided several insights, as summarized in the report. Alignment with the College's integrated planning framework is critical, as is evaluating upside risks. Additionally, the risk appetite statement works well for large projects, and a simplified model would help with daily activities.

Mr. Parker continued with the operational/insurance risk update. Cyber insurance remains a challenge, despite the great work done by the College, given the insurer's specific criteria lists which change annually.

Title IX compliance oversight is being established within the Compliance and Ethics programs. Mr. Parker will serve on the Steering Committee to develop the College's assurance argument for the Higher Learning Commission.

With no further questions, Mr. Parker concluded his report.

6. CFO Update (David Bea)

a. Revenue Bonds

The inception-to-date report for the revenue bonds was provided as information. The College held a ribbon-cutting ceremony yesterday at the expanded Aviation Technology Center.

b. Classification and Compensation Study Update

An update was recently provided to the Governing Board in September on the classification and compensation structure status. Dr. Bea noted the challenges with this implementation and the opportunities for additional communications. The College created an Appeals Process, and the Classification and Compensation department reviews them. Many appeals were related to

years of experience and job descriptions/titles. To date, a total of 350 appeals have been received, with approximately half of them resolved. The initial implementation has helped with salary compression for staff, who were clustered at step 1, and faculty, who were clustered at step 6 on the scales.

Ms. Ward joined the meeting in progress, which reinstated the quorum.

The College is working through challenges with the employee groups, and all employees received a minimum increase of at least \$2,000 over the prior year. The market-based structures will enable the College to attract and retain talented employees.

c. Three-Year Budget Plan for Fiscal Years 2024-2026

The ongoing commitment to the new classification and compensation program is the most significant component of the plan. Calculations for the annual obligations, including increases with gained years of experience, will be completed after the College concludes the Appeals Process. On the revenue side, the College has additional property tax capacity that will be discussed with the Board, Prop 207 (Smart and Safe Arizona) funds, and investment revenues (as discussed earlier). The plan will also focus on reallocating resources and reviewing the total number of employees given the enrollment.

On a related note, with Daniel Soza's retirement and the departure of Agnes Maina, the College will be recruiting an Assistant Vice Chancellor for Finance and exploring a realignment to consolidate accounting and budgeting functions.

d. Higher Learning Commission (HLC) Update

The Higher Learning Commission's focused visit in March led to a recently completed outcome by the accreditor. A Pima-All email was sent, and it will be forwarded to this Committee. Dr. Bea spoke about the process and the time needed for the HLC to issue a statement.

e. Moody's Issuer Comment

A copy of a recent Issuer Comment completed by Moody's was provided as information. While not a formal ratings action, it does restate the College's strong credit rating and reinforces the College's efforts to adapt to the changing educational environment. Ms. Witt asked for the College's ratings and how they impact interest rates, and the historical context of the College's ratings was also discussed. Dr. Bea will bring back additional information about the College's ratings and the context with other higher education institutions.

f. Certificate of Excellence in Financial Reporting Awarded by the Government Finance Officers Association

Presented for information, the College has received this award for 31 consecutive years. It is another indicator of the College's commitment to financial reporting and transparency of information.

Mr. Marcus congratulated the College on this achievement.

Information Items

7. Future Agenda Items

- a. Marketing and Enrollment
- b. Workforce Update
- c. Adult Education
- d. Office of Dispute Resolution
- e. Space Usage
- f. College Credit Ratings (February)
- g. Annual Comprehensive Financial Report (February)

Adjournment

The meeting adjourned at 10:37am.

Next Meeting:

December 9, 2022

Virtual Meeting - Zoom Webinar