
AUDIT AND BUDGET COMMITTEE MINUTES

Coast Community College District
Special Meeting of the Audit and Budget Committee
February 22, 2022
Zoom Conference Meeting

1. Call to Order

The meeting was called to order at 2:00 p.m.

2. Roll Call

Trustees Present: Trustee Jim Moreno and Trustee Mary Hornbuckle
Trustees Absent: None

In Attendance – Dr. John Weispfenning, Chancellor; Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology; Dr. Marco Baeza, Vice Chancellor, Human Resources; Tim McGrath, President GWC; Rachel Snell, District Director of Internal Audit; Paul Wisner, GWC Director of Business Services; Daniela Thompson, Executive Director Fiscal Affairs; Tanya Tran, District Budget Manager; Rachel Kubik, OCC Director of Business Services; Erik Fallis, District Director, Public Affairs & Marketing; Janet Houlihan, Vice President, Administrative Services, GWC; Derek Bui, Director Business Services, Coastline; Julie Clevenger, Director Chancellor's Office Operations and Projects; Christine Nguyen, Vice President, Administrative Services, Coastline; Dr. Rich Pagel, OCC Vice President Administrative Services; Dana Swart, District Controller; Van Tran, Accounting Analyst; Roy Sahachaisere, Student Trustee; Carly Shelby, Associate, Townsend Public Affairs; Mary Grady Administrative Assistant, Board of Trustees; Jane Burton, Manager/Board Secretary

3. Opportunity for Public Comment

There were no requests to address the Audit and Budget Committee during Public Comment.

4. Authorization under Brown Act, Government Code § 54953(e), for Conducting Meetings Remotely Due to the COVID-19 Emergency Because Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees

On a motion by Trustee Moreno, seconded by Trustee Hornbuckle, the Committee voted to approve and continuance of conducting Committee meetings telephonically.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno
No: None
Absent: None

5. Selection of Chair and Vice Chair of the Audit and Budget Committee

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to appoint Trustee Moreno as the Chair and Trustee Hornbuckle as the Vice Chair of the Audit and Budget Committee for the next year.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno
No: None
Absent: None

6. Approval of Minutes: Meeting of November 9, 2021

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the Special Meeting of November 9, 2021.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno
No: None
Absent: None

7. Review, Discuss, and Possible Action Regarding Internal Audit Quarterly Update

Ms. Rachel Snell gave a brief quarterly update for the Committee.

Attachments included with Ms. Snell's reports for Committee review, included a copy of "Back to Basics: Ethics & Conflicts of Interest Training" recently provided to the District Foundation Board members.

The Projects in Progress Report was discussed. The Swap Meet Survey was scheduled to be sent out to vendors and employees no later than April or May 2022. Ms. Snell mentioned the district research staff was a great help with the project.

Also discussed was the Coastline Hope Scholars/Rising Tide Programs project, which was completed. A review was done on processes and ways to protect students from the potential of identity theft.

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the extension of the external appointment of Rachel Snell as President, Institute Internal Auditors (IIA) Orange County Chapter.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno
No: None
Absent: None

8. Review, Discuss and Possible Action Regarding State Legislature Budget Issues

Ms. Carly Shelby from Townsend Public Affairs provided an update for the Committee on the State Budget.

The Governor released his budget framework proposal on January 10, 2022. It included \$286 billion in total spending and also assumed a \$45.7 billion operating surplus of which roughly \$20 billion would be available for discretionary use. The figures were likely to change as information and revenue details emerged.

Budget sub-committees from both the Assembly and Senate met to discuss higher education finance provisions included within the budget proposals. Four major themes emerged from the meetings that concerned community colleges; enrollment trends, modifications to the student-centered funding formula, faculty benefit programs and student housing.

For declining enrollment there was a focus on whether this was due to temporary factors such as the pandemic or whether it was tied to more lasting factors, and legislators were waiting for enrollment data prior to moving forward on the issue of the student-centered funding formula. It was felt there would be modifications to ongoing Prop 98 allocations. Other considerations impacting possible modifications included a Hold Harmless extension into fiscal year 2024-2025 and a need for stable funding sources that would not adversely affect students.

Regarding the faculty benefits program fund, legislatures were well aware of the compensation related costs pressures for the year 2022. The Administration had planned to buy down a significant portion of unfunded pension liability related to education funding and we would need to see if the Governor modified the budget to include these funds.

As for student housing, the LAO representatives noted applications for higher education student housing grant programs last year had greatly exceeded the available funds. There was general support for increasing funds for housing development for the community colleges in this area.

The Committee discussed possible ways to increase enrollment numbers. Ideas included lowering tuition fees and text book costs. Chancellor Weispfenning noted that one of the main expenses for students was the cost of textbooks and living expenses, and Trustee Hornbuckle commented that, although many students did not pay for tuition, there were many who did not qualify under the Promise programs, who could benefit from assistance.

Some higher education finance hearings would be coming up in the next few weeks, and Ms. Shelby indicated that TPA would be happy to make public comment on behalf of the District.

Trustee Moreno expressed encouragement for Coast District and Townsend Public Affairs to work on ideas to improve student enrollment numbers and continue discussions at a later date.

9. Review, Discuss and Possible Action Regarding Budget Outlook Development 2022-23

Dr. Andrew Dunn provided a PowerPoint presentation and discussions regarding the Budget Outlook Development 2022-23.

The final re-calculations for year ending June 30, 2021 were still pending at this time. The P1 report was expected by February 24, 2022 with a final recalc most likely to be received the same day.

Highlights from the presentation included the following:

- The Coast unrestricted general fund balance went up last year (15.15%), as did all of the comparable districts.
- The total liability for retiree health was \$118,532,355 June 30, 2021. There was \$101,416,729 in an irrevocable Trust; with Coast being 86% funded.
- The Districtwide 50% law trend was at 51.22%. Federal relief dollars backfilled lost revenue and took pressure off of the non-instructional expenses in the general fund. The SRP also contributed to this.
- CalPERS 2021-22 was 22.91% with the expected projection for 2022-23 at 25.40%
- CalSTRS 2021-22 was 16.92% with the expected projection for 2022-23 at 19.10%.
- A potential point of advocacy would be to extend the Governor's proposed pension relief down to the local level, otherwise we could be looking at an additional \$3 million of additional expense for the year beginning July 1.
- Status of FY 2020-21 Audit - unmodified opinion with no findings, the best possible outcome.
- An Interim external audit presentation to the Audit and Budget Committee would be in May 2022, followed by another presentation to the Audit Budget Committee and the full Board of Trustees in November.
- Other audits: California Franchise Tax Board April 2016-June 2019 - No Findings, No further Action required. Cal STRS Audit FY 2021-22 Sick Leave, completed, waiting on final report.

Unrestricted General Fund Budget Projections

- COLA FY 2021-22 5.07% with the Governor proposing 5.33% for FY 2022-23.
- Excess Revenue/Deficit Spending FY 2020-21 excess of expenditures \$8,234,637. This was expected to continue for the next several years. In 2025-26 we anticipate deficit spending in the amount of approximately \$6 million.
- Reserve amount for FY 2020-21 was 15.43%, with a projection of approximately 18% this year, dropping to approximately 16% in 2025-26 as deficit spending re-emerges. (best practices per Government Finance Officers' Association GFOA is a reserve amount of two months operating revenue). Coast's Administrative Procedure calls for 10% reserves. Dr. Dunn noted he felt the District had several solid years based on these projections to give time to carefully consider aligning the employee population with a smaller student population. Trustee Moreno added that this aligned with the Board goals for the year.
- Multi-Year Projection Unrestricted General Fund FY 2020-21 89.89% actuals.
- FTES for FY 2021-22; 22,746, down from 30,292 in 2016-17.
- Hold Harmless was extended to end in 2024-25.
- Proposition 51 provided funding for 18 continuing projects FY 2022-23. It was hoped that an earmark would get the GWC Fine Arts Renovation included.
- FY 2022-23 Scheduled Maintenance/Instructional Equipment Block Grant could bring \$10+ million additional for Coast, with a second wave of funding for student housing and \$100 million for technology modernization and sensitive data protection.

Trustee Moreno stressed the importance of reducing student-based costs and increasing student enrollments at the forefront of conversations with our legislative representatives for the betterment of our community college system.

In an effort to formalize and put forth direction from the Audit and Budget Committee to the Legislative Affairs Committee and all of the other financial committees and legislative groups within the District, Trustee Moreno made a motion that a resolution be presented to the full Board of Trustees to support the reduction of student-based costs and increase enrollment. He requested the Chancellor draft the resolution with the appropriate language. The motion was seconded by Trustee Hornbuckle.

Motion carried with the following vote:

Aye:	Trustee Hornbuckle and Trustee Moreno
No:	None
Absent:	None

10. Future Meeting Date

The next meeting was scheduled for Tuesday, May 24, 2022 at 2:00 p.m.

An additional meeting was scheduled for Tuesday, November 8, 2022 at 2:00 p.m. for the external auditors to present the draft audit report presentation to the Committee.

11. Future Agenda Items

- (a) Update from the Chancellor on the proposed Resolution to reduce student-based costs and increase student enrollments.
- (b) Internal Quarterly Audit Update
- (c) State Budget Update
- (d) Townsend Public Affairs, if there is new information to bring to the Committee

12. Adjourn

Trustee Moreno moved to adjourn the Committee meeting, Trustee Hornbuckle seconded the motion.

Motion carried with the following vote:

Aye:	Trustee Hornbuckle and Trustee Moreno
No:	None
Absent:	None

The meeting was adjourned at 2:58 p.m.



Jane Burton
Secretary of the Board