



Governing Board's Finance and Audit Committee

Friday, October 25, 2019

9:00am

District Office, D225

### Meeting Minutes

#### In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Scott Odom, Marie Nemerguth, Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Adrienne Regrutto (Chair-Elect), Maria Garcia

#### Unable to Attend:

Jesus Manzanedo, Clarence Vatne

#### Guests:

Scott Cabalka, John Utter, and Bethany Jessen (RBC), Chancellor Lee Lambert, General Counsel Jeff Silvyn, Director Kurt Weirich

#### 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 August 23, 2019

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. 201910-01: Approve Minutes from August 23, 2019*

First: Demion Clinco

Second: Scott Odom

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

Motion Carried.

#### Reports and Feedback

##### 3. Investment Update (Scott Cabalka, John Utter, Bethany Jessen)

Chair Nuckolls welcomed three representatives from RBC Global Asset Management, beginning with Mr. Scott Cabalka, who will be retiring next week. Mr. John Utter and Ms. Bethany Jessen will be the primary contacts for the College in the future.

The conversation continued with a review of the portfolio, including a conversation on returns for funds that may be held in investments over the next year. There are signs of growth, including employment rates and consumer confidence, in the economy.

Mr. Ben Tuchi inquired about how the investments are allocated in relation to the maximum allocations defined by the College's investment guidelines. Mr. Cabalka explained the allocations, and Ms. Adrienne Regrutto requested a dashboard that would show the total assets in the portfolio compared with the allocations allowed by the investment guidelines. RBC will compile a report in this format to be shared with the Committee in the next week. Mr. Scott Odom inquired about the types of securities in the portfolio.

Prior to this meeting, the representatives from RBC met with Dr. David Bea, Mr. Daniel Soza, and Ms. Agnes Maina to discuss the yield curve in light of any potential economic downturn. The College has been diligently improving investments, as the returns are important from a cash management and an expenditure limitation standpoint. Mr. Cabalka stated that changes in the federal rates would have a large impact. Mr. Utter noted that liquidity should be looked at as an asset class, and there should be a balance. The College uses the state's Local Government Investment Pool and maintains reserves in alignment with Board Policy 4.07.

Mr. Cabalka stated his appreciation for the engagement of and robust conversations held by this Committee. The Committee wished him luck on his retirement.

#### **4. Chancellor Update (Lee Lambert)**

Chancellor Lee Lambert began with an anecdote about a recent conference he attended, in which he spoke to the progress made by the College. The formation of this Committee was a key component of the transformation.

Equity will continue to inform the vision of the College. Reducing work that should be automated will also better position the College to serve the workforce, and skilling, reskilling, and upskilling will be key in addressing the deficiencies among current employees. Chancellor Lambert would like to have accessible resources available on mobile devices across the community.

Federal legislation may disrupt the current model of financial aid, and it is a matter of time for changes to align financial aid with 21st Century instructional models. As an example, the College is supporting short-term Pell, as this will better serve students. Student expectations are also changing, and the College must be prepared to meet their needs. Being all things to all people is no longer feasible and will not meet the needs of students.

Tackling the changes in general education, in light of online growth, will be a challenge as the College will need to reallocate resources to meet the growth. Straighterline is an external entity providing a new model for general education. Creating an Enterprise Risk Management (ERM) unit will help the College be aware of outside competitors like Straighterline and prepare for the market

to pivot. Mr. Demion Clinco asked the Chancellor to speak to recent conversations with a potential external partner to boost essential technology skills that can be utilized across a variety of College programs.

Ms. Regrutto inquired about physical changes to the College that will support these technological advances. The College will first grow square footage and then look to repurpose excess square footage through partnerships and lease opportunities.

Chair Nuckolls asked about program viability and review, and the progress made to align with these changes. Chancellor Lambert explained the progress, in which some lower-enrolled programs have been inactivated; the next steps will be difficult but will require inactivation of programs and teach-outs and will enable reallocation of personnel and financial resources to growth areas.

Dr. Tuchi mentioned predatory practices, especially related to for-profit institutions that have the ability to hone in on specific focus areas. Chancellor Lambert spoke to the creation of targeted programs to meet student demand while remaining conscientious about student debt. Finding more opportunities for employers to pay for programs are also an option. Finally, realigning curriculum to meet a more realistic timeline, or creating cohorts of full-time students, are also strategies.

Given the need to be adaptable, responsive, and flexible, Chair Nuckolls inquired about the ability of the College to be responsive to needs. Dr. Bea noted there are strategic initiatives funds, seed funds for new designated programs, and out-of-cycle capital funds. Chair Nuckolls inquired about allocations of personnel, and Dr. Beak spoke to the HR Consultant model, which partners HR strategically with the units in creating staffing plans. Faculty utilizes an allocation model, allowing full-time equivalent positions to be repurposed for disciplines with a need for faculty. Chancellor Lambert noted the need to be proactive with recruitments and to examine full- and part-time faculty models. Professional development funds are also being redirected to provide training for a larger group rather than at the request of an individual.

Mr. Clinco inquired as to the ability to quickly develop and implement a program. Time varies, as it may be subject to curriculum process driven by the faculty in those areas. Accreditation is also a factor, as well as approval by the Department of Education. Prior Learning Assessment and Competency-Based Assessments are additional avenues for expedient program delivery.

Partnerships, such as the one between the College and Pearson, provide students outside of Pima County with the opportunity to take classes online. It is important to note that this does not reduce opportunities for local students, and revenues from online will optimally support face-to-face education.

Ms. Maria Garcia inquired about the move to 12-month faculty and the costs associated with the change. This is currently a formative conversation, and the expenditures will likely be offset by

increased enrollment and expenditure limitation (EL) capacity. Changes to EL are in discussion with the legislature. Chancellor Lambert noted the significance of legislators recognizing the need for EL relief, especially related to the College as opposed to the way the College was viewed by external constituents.

#### **5. Budget Forecast - Preliminary Model (David Bea)**

Dr. Bea introduced the materials shared with the Executive Leadership Team earlier this week, which include a set of parameters in the base budget related to the budget forecast. Some strategies discussed include utilizing Prop 301 funds, which are outside of EL, to fund workforce operations, as well as employing 13-month revolving debt structures for life-cycle replacement and deferred maintenance. Chair Nuckolls encouraged a review of revenue bond covenants related to any additional debt.

Traditional college-age cohorts are shrinking, and the College will need to make a big shift to address this factor as well as the items noted earlier by the Chancellor. Seeking additional revenues, including investment and contract revenues, will help. To address Ms. Garcia's earlier concern about funding 12-month faculty models, there are large inefficiencies in the classroom model related to scheduling and the need to finalize the pathways, which will ultimately lead to guaranteed scheduling.

Developing a pool for the outcomes of the classification and compensation study, as well as a future option for merit-based pay, are in process. The base budget is set to include no tuition increase, no raises, and a potential change to benefits contributions, as well as expenses estimated over the EL for FY21.

In looking at personnel resources, the College will be developing a better mechanism to demonstrate how personnel are allocated across the different programs rather by employee type. This will better demonstrate the positions related to those directly working with students.

Dr. Bea will be bringing BP 4.07, Cash Reserves, to this Committee at the December meeting to discuss revisions to the policy to better utilize reserves for strategic reinvestment back into the College. Dr. Tuchi inquired about the possibility of doing all of these things without a tuition increase, which would then lead to other conversations related to personnel or number of locations.

The Provost is leading a task force to look at educational materials and the potential for Open Educational Resources to reduce the overall cost of attendance. In the past, Student Government representatives have noted their understanding of minimal tuition increases; the students have highlighted the more difficult prospects of paying for textbooks.

Increasing marketing funds to continue the efforts from FY20 is a priority of the Board, as is finding more scholarship opportunities. Ms. Garcia noted the recent improvements in marketing.

## **6. Internal Audit Update (Jeff Silvyn, Kurt Weirich)**

Chair Nuckolls introduced the Internal Audit Update, and Mr. Kurt Weirich presented a draft dashboard on which he would like the Committee to provide feedback. Dr. Tuchi inquired as to how the level of risk is assessed, and Mr. Silvyn noted that the dashboard would be clarified to provide more detail about the type of risk and the scale. Ms. Marie Nemerguth suggested collapsing the completion status, and Ms. Regrutto also suggested adding a column to show the initial date, as well as the actual estimated target date. Mr. Weirich will bring an updated dashboard with a comprehensive list of audits.

Mr. Silvyn noted the Board's interest in a Study Session in February, and he would appreciate this Committee's feedback on the presentation's content. Mr. Silvyn will meet with a subset of this group to discuss this topic, and the conversation will be shared at the December meeting of this Committee.

## **7. Discuss Vacant Seat on the Finance and Audit Committee (Tracy Nuckolls)**

Dr. Tuchi previously provided a suggested name, and Ms. Regrutto suggests someone from the assurance side of risk. An individual with a community background may also be an asset, and there was a suggestion to identify backup individuals in case there are any additional changes in the membership of this Committee. Expectations for the time commitment are also important. The Chair will reach out to an individual to determine their interest.

## **8. CFO Update (David Bea)**

The notion of a bond oversight committee was discussed. The purview of this Committee aligns with some aspects of oversight, but there may be a need to create a separate group to look more toward the public relations aspect of the bonds. Mr. Clinco noted the work of the County's bond oversight committee. Its members champion the efforts of the County through the achievements of the bonds.

Chair Nuckolls noted the importance of the word oversight, as this Committee serves that purpose; Mr. Clinco suggested Bond Advisory Committee and updating the website to describe the role of the Finance and Audit Committee in bond oversight. The County also uses their committee to review the projects, which is a management decision at the College. Mr. Clinco suggested reviewing the results of polling the community, as well as the potential timeline and the potential for other entities to go out for a vote, prior to creating a Bond Advisory Committee.

## **Information Items**

### **9. Future Agenda Items**

- a. Financial Aid Update
- b. Competency-Based Education
- c. Athletics
- d. Marketing
- e. Enrollment Management
- f. Student Payments Demo (December)
- g. Revisions to BP 4.07, Cash Reserves (December)

- h. Vote on New Committee Member (December)
- i. Notice of Transaction Review (December)
- j. Audit and Legal Update (December)
- k. Program Review Update

### **Adjournment**

The meeting concluded at 11:43am.

Next Meeting:

December 13, 2019

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