



Governing Board's Finance and Audit Committee

Friday, August 21, 2020

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Tracy Nuckolls (Chair), David Bea (Ex-Officio), Demion Clinco, Scott Odom, Ken Marcus, Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Jesus Manzanedo, Clarence Vatne, Maria Garcia

Unable to Attend:

Adrienne Regrutto

Guests:

John Utter, RBC; Vice Chancellor Nic Richmond; General Counsel Jeff Silvyn; Assistant Vice Chancellor Raj Murthy; Executive Director Denise Morrison

General Matters

1. Call to Order

Chair Tracy Nuckolls called the meeting to order at 9:04am, noting a quorum was met.

Action Items

2. Approval of Minutes from June 19, 2020

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. 202008-01: Approve Minutes from June 19, 2020

First: Ken Marcus

Second: Maria Garcia

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

Motion Carried.

Reports and Feedback

3. Investment Update (John Utter, RBC)

Mr. Clarence Vatne and Mr. Ben Tuchi joined the meeting in progress.

Mr. John Utter from RBC Global Asset Management began with an update on the market conditions since the rapid changes in March and April. He described the current yields and moved into the Ultra Short Portfolio. As far as the market overview, the Gross Domestic Product is anticipated to

fall at least 6%, which is lower than previous estimates of an 8% decrease because of COVID-19, and he described the actions taken by the federal government and the impact on the bond market.

To date, the combined total of federal stimulus as a result of COVID-19 is \$2.14 trillion compared with 2008-2009 stimulus packages totaling \$1.64 trillion. Chair Nuckolls inquired about the likelihood of inflation due to the amount of money being printed as part of the most recent stimulus. Mr. Utter feels the federal government will see inflation as a positive sign.

Unemployment reported through June 2020 was 11.1%, but it is likely closer to 14%, and uncertainty remains high. Recovery will be uneven and gradual based on three factors: incremental re-opening, limited demand, and limited supply. Mr. Utter continued with an update on the credit market environment, reviewing the current state and the strategies for positioning. He concluded with the overall outlook for 2020 and the resulting effects on the College's investment portfolio.

Mr. Scott Odom asked about the expectation for long-term rates and yield curves versus the allocation of College investments. Mr. Utter indicated the strategies utilized to determine these allocations within the various sectors.

4. Enrollment Trends (Nic Richmond)

Dr. Nic Richmond, the College's Chief Strategist, joined to provide an update on enrollment trends since the College shifted operations as a result of COVID-19. Local data and national trends were used to anticipate Fall enrollment. Dr. Richmond then discussed the College's Fall enrollment in comparison to prior years. For Pima, headcount, enrollment, and Full Time Student Equivalents (FTSE) are down. [NOTE: headcount is each registered student counted once; enrollment is duplicated, so if a student is taking three classes, they are counted three times.]

Online headcount and enrollment are both up, continuing a trend seen in the last five years. Enrollment is down in areas where on-site activities are essential to the learning environment, and there is a slight increase in enrollment for Business and Information Technology.

Demographic data also demonstrate that some populations have seen a more dramatic decrease in enrollment, providing the College an opportunity to design strategies to better support these populations. While overall headcount is down about 15%, there is a decline of approximately 31% in new-to-higher education students.

Mr. Ben Tuchi inquired about the difference in enrollment between male and female students, and Dr. Richmond will work with her team to analyze the data. Mr. Tuchi also asked about trends in Financial Aid, and Dr. Richmond will collect that information and provide an update to this Committee. Ms. Maria Garcia asked about how the data will inform enrollment planning; Dr. Richmond described a collaborative group working on this topic, as well as the work of the Enrollment Management department.

Dr. David Bea described two recent initiatives approved by the Governing Board: 1.) to offer tuition-free Student Success (STU) courses, and 2.) to offer a \$100 rebate to students who persist through mid-November in three or more credits. Dr. Richmond noted the persistence and retention data associated with STU classes. Additionally, the College is proactively calling students who, in the past, would have been dropped for non-payment. Late-start classes may provide an opportunity to recover some enrollment.

Mr. Jesus Manzanedo asked how PCC compares with the other Arizona community colleges; the enrollment across the state is down similarly to national trends, ranging from 10%-30%. Chair Nuckolls asked about declines in hands-on technical programs, and Dr. Richmond stated there is an approximately 10% decrease.

5. Enterprise Risk Management Update (David Bea, Jeff Silvyn)

Mr. Jeff Silvyn described a change in the College's administrative structure, with Dr. Bruce Moses moving into the role of Vice Chancellor for Educational Services and Institutional Integrity. He will maintain his current reporting departments and will fold in the Enterprise Risk Management (ERM) function to better align compliance and the analysis of risk. The Director of ERM is currently posted for recruitment, and Dr. Moses will be invited to the October meeting of this Committee.

6. Internal Audit Update (Jeff Silvyn)

Mr. Silvyn continued with an update on Internal Audit, provided on behalf of Internal Auditor Jose Saldamando, who was not able to attend today's meeting. Mr. Silvyn noted significant progress in completing additional audits, and the majority should be closed out within this calendar year. The completion of these audits coincides with the timeframe in which the Office of the Auditor General is conducting their review in advance of the issuance of the Single Audit.

7. Information Technology and HIPAA (Raj Murthy, Denise Morrison)

Ms. Denise Morrison, Executive Director of the Employee Service Center (ESC), and her team are working with the Information Technology (IT) department to define clear processes related to the Health Insurance Portability and Accountability Act (HIPAA). She described the security of HIPAA information and the technology controls implemented to ensure past employees have zero access to these systems. They are working with both the Internal Auditor and the Office of the Auditor General to ensure procedures reflect appropriate requirements and are reviewed on a scheduled basis.

Mr. Silvyn noted that there is a checklist for employees leaving the College to ensure termination of access, return of property, etc. Mr. Manzanedo asked about downloading HIPAA information to personal devices as employees are working from home.

Related to COVID-19, Mr. Ken Marcus asked about the reporting process for an employee or student and the transmission of data to the Centers for Disease Control and Prevention (CDC). Contact tracing for employees is completed through the ESC, and Environmental Health & Safety is notified of the incident, but not of personal details. Mr. Silvyn stated that the County indicated the reporting

requirements are met through the individual who tested positive and the lab who administered the test.

Chair Nuckolls inquired about the current audit cycle and the focus on information technology and the retention of institutional knowledge. Mr. Raj Murthy described the College's ticketing system, which will document change management.

8. CFO Update (David Bea)

The Annual Reports to the Joint Committee on Capital Review for the Revenue Bonds, Series 2019 and the Aviation Technology Center were provided as information. There were no questions on these items.

The publicity pamphlet for Proposition 481 is almost complete, and Dr. Bea described the current work by an external group in support of the measure; there is not currently a known opposition group.

The classification and compensation study is at the beginning stages, and Human Resources has sent initial communications to the College. This will likely be a multi-year initiative.

Finally, there are new requirements to establish a College funding policy for the Public Safety Personnel Retirement System (PSPRS), the retirement program for the College's police officers. Dr. Bea asked for a member of this Committee with pension-funding experience to join a small College committee to formalize this recommendation in advance of a Board action. Mr. Tuchi has great experience in this area and will serve on the group, as will Chair Nuckolls.

Chair Nuckolls indicated that Adrienne Regrutto has notified him that she will need to be stepping down from this Committee. Suggestions for a new member with an investment background can be sent to the Office of Finance and Administration. There will also be a review of terms for Committee members to ensure continuity of expertise and stability.

Information Items

9. Future Agenda Items

- a. Workforce Update (October)
- b. Prior Learning Assessment (October)
- c. Academic Excellence and Institutional Integrity (October)
- d. Enterprise Risk Management (October)
- e. Internal Audit (December)
- f. Chancellor Update (December)
- g. Marketing
- h. Enrollment Management

Adjournment

The meeting concluded at 10:55am.

Next Meeting:

October 23, 2020

Virtual Meeting - Zoom Webinar