



Governing Board's Finance and Audit Committee

Friday, October 29, 2021

9:00am

Virtual Meeting - Zoom Webinar

Meeting Minutes

In Attendance:

Scott Odom (Chair), David Bea (Ex-Officio), Ben Tuchi, Daniel Soza (Ex-Officio), Agnes Maina (Ex-Officio), Maria Garcia, Laura Ward, Kathleen Witt, Keri Hill (Recorder)

Not in Attendance:

Demion Clinco, Jesus Manzanedo, Ken Marcus, Clarence Vatne

Guests:

John Utter, RBC Global Asset Management

General Matters

1. Call to Order

Chair Odom called the meeting to order at 9:02am, noting a quorum was met. He welcomed two new members to the Committee, Laura Ward and Kathleen Witt, and thanked them for joining.

Action Items

2. Approval of Minutes from August 26, 2021

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

Motion No. 202110-01: Approve Minutes from August 26, 2021

First: Maria Garcia

Second: Ben Tuchi

Vote: Motion passed unanimously (Odom, Tuchi, Garcia, Ward, Witt voting in favor)

Motion Carried.

Reports and Feedback

3. Investment Update (John Utter)

Mr. Utter from RBC Global Asset Management joined the Committee to provide an update on the College's Investment Portfolio. He began with the 1-3 Year Portfolio, reviewing the distribution and the yield before continuing with the Ultra Short Portfolio.

Moving into the Market, Mr. Utter reviewed a scorecard of the U.S. business cycle before discussing the balance sheet growth for the Federal Reserve and addressing concerns with the taper strategy.

Inflation remains the biggest topic of conversation, as does debate as to how transitory it is. Factors related to unemployment and the “Great Resignation” were discussed in relation to risks for inflation.

Dr. Bea asked about housing, as Tucson has been greatly impacted by the increase in pricing. Mr. Utter discussed some potential scenarios related to the Federal Reserve purchasing mortgage-backed securities and continued with strategies utilized by RBC. Chair Odom mentioned additional analysis he has reviewed related to the ratios of housing costs vs. income, inquiring how increased property values impact the College’s property tax revenues. Dr. Bea described how the College’s property taxes work, and Ms. Witt described a recent article she read about the real estate market and investing by Robert Shiller.

Mr. Tuchi described several factors that are pointing to continuing inflation, and Mr. Utter provided his perspective.

4. Review of Committee Charter (Scott Odom)

Annually, this Committee reviews its Charter. Chair Odom asked about training for new members, and Dr. Bea will arrange training and extend the invitation to all members of this Committee. Ms. Ward thought the Charter looked comprehensive but did have some questions about whistleblower policies and the audit plan. Dr. Bea’s office will share the audit plan with the new members and invite either General Counsel or the Director of Enterprise Risk Management to a future meeting to review these processes.

The Committee members did not have any suggestions for amendments to the Charter at this time.

5. CFO Update (David Bea)

Dr. Bea began with an overview of the expenditures for the revenue bonds and the status of the projects.

He continued with an update on fiscal year 2022 capital projects, which will be presented to the Governing Board in November. Since the budget serves as a capacity document, this year’s capital project plan was very large due to potential revenue sources from federal grants and requests for state appropriations. Mr. Soza described the review process utilized for capital requests, and quarterly reports on the project plan will be provided to the Board.

Dr. Bea continued with the budget development calendar, which is provided annually to the Governing Board. This provides an overview of major budget actions during the development process, and the topic will be further discussed at the training with the new Committee members.

Discussions on the budget have begun earlier than typical this year, and Dr. Bea shared a presentation provided to one of the College’s leadership groups. He described College revenue sources, mentioning some factors related to property taxes and declining enrollments. He continued with an update on full time student equivalents (FTSE) over the last ten years, and Ms.

Garcia asked about the data reported to the Auditor General as well as the information presented to the Governing Board. Ms. Garcia noted that the College has excessive space given the number of building projects and the volume of students who have moved online. Dr. Bea concurred as some of the construction is making the space needed to educate students, and future conversations with the Board and the community will focus on how to proceed with the remaining space.

Trends show an increase in FTSE in online and dual enrollment over the last ten years, while in-person attendance has drastically decreased. Ms. Witt inquired about Adult Education, and Dr. Bea described the programs included in the College's Adult Education program. An update from Adult Education will be scheduled for this Committee. Dr. Bea provided some information about tuition and fees, and Mr. Tuchi noted that there may not be a correlation between tuition costs and enrollment declines, especially since the University of Arizona has increased both enrollment and tuition.

The presentation continued with further analysis related to revenues, cost per FTSE, and staffing expenses, which are approximately 70% of operational commitments. Ms. Garcia confirmed that information on administrative positions will be presented to the Governing Board at a future date. Additional data related to expense requests and communication strategies and opportunities to reallocate resources were discussed.

The College is forming a new Marketing Advisory Committee. Any member of this Committee who knows of an interested community member with a background in marketing can forward the name to the Office of the EVC for Finance and Administration.

Finally, Dr. Bea stated that the Higher Learning Commission will be conducting a Focused Visit on Board Governance in the Spring, with the date of the visit to be determined. This Committee may be called upon to participate in the visit.

Chair Odom asked for future agenda items. Ms. Garcia requested additional information about Catholic University, as well as sharing the communications between the HLC and the College regarding the upcoming Focused Visit.

Information Items

6. Future Agenda Items

- a. Workforce Update
- b. Marketing
- c. Higher Learning Commission - Focused Visit on Board Governance (December)
- d. Arizona Auditor General (February)
- e. Partnership with Catholic University (February)
- f. Public Safety Personnel Retirement System - Fiscal Year 2023 Contributions (February)
- g. Adult Education

Adjournment

The meeting adjourned at 11:00am.

Next Meeting:

December 10, 2021

Virtual Meeting - Zoom Webinar