Members

Present:
Bert Landau, Sylvia Lee, Marie Nemerguth, Tracy Nuckolls, William Schirmer, Scott Stewart, Nathanael Tarwasokono (Chair), Clarence Vatne, and David Bea (ex officio)

Absent:
Jesus Manzanedo

Guests:
Diane Groover and Ina Lancaster

General Matters

Call to Order
Mr. Tarwasokono called the meeting to order at 9:04 a.m.

Action Items

Approval of Minutes for Committee Meeting, September 19, 2014
Motion No. 201411-01

Sylvia Lee motioned and Bert Landau seconded, to approve the minutes for the September 19, 2014 meeting.

Vote: All Committee members present voted “aye” by voice vote. William Schirmer abstained.

Motion CARRIED

Reports

Committee Chair Comments
Mr. Tarwasokono informed the Committee that two candidate applications were received for the vacant Committee seat. After a brief discussion, it was determined that Mr. Tarwasokono, Dr. Lee, Mr. Stewart, and Dr. Bea will interview the applicants and make a recommendation to the Committee in January. A formal recommendation to approve the selected candidate will be submitted to the Board of Governors in February.

Mr. Tarwasokno thanked committee members for a good discussion with the Higher Learning Commission (HLC) on September 15. Marie Nemerguth requested a copy of Chancellor Lambert’s email regarding the Higher Learning Commission site evaluation be sent to committee members.

Members were informed that they could attend meetings via conference call, if they were not able to attend in person.
CFO Executive Summary Updates

Preliminary Fiscal Year 2014-15 results through September 2014
Dr. David Bea provided a brief discussion of the financial statements that are presented to the Board of Governors for the period ending September 2014. Dr. Bea noted that year-over-year comparison is slightly worse this year resulting from enrollment declines and subsequent lower tuition revenue.

Finance and Budget Outlook
Dr. Bea shared with the Committee the Finance and Budget Outlook presentation from the November 19, 2014 Board of Governors Meeting. Dr. Bea also noted that the budget outlook challenges have been shared with Faculty Senate and emailed to all Pima Community College employees.

Key items discussed:
- State budget – revenue projections for FY14 were too high so the year ended with lower carry forward and recycled FY15 revenue projections
- The State owes $330 million to K12 in the current year according to the supreme court judgment
- The State is projected to have an $800 million deficit in FY16
- PCC receives $6.4 million from the State, which is only three percent of the PCC budget
- In FY16 PCC expects to have a $400 thousand reduction in State aid due to enrollment declines via the funding formula
- State funding per student has decreased from $1024 in FY06 to $253 per student now
- State capital funding was eliminated in 2009. Community colleges lobbied and PCC received $600 thousand STEM funding this year. Nevertheless the cumulative loss in funding is approximately $23 million.
- State budget reductions appear possible FY16

Mr. Scott Stewart noted additional programs that may be at risk of state funding cuts, include:
- Dual enrollment; prison programs; adult education

Mr. Tarwasokono asked for thoughts from Dr. Lee and Mr. Stewart as PCC Board members. Ideas include:
- Increase International enrollment as a revenue source
  - Out-of-country differential is the same as out-of-state which is $10,000 per year
  - $5 million additional net revenue possible for out-of-country if PCC expands by 850 FTSE
- Distance education (online courses) - exploring tuition rate to be something in between the in-state and the out-of-state to be competitive with other online programs
- Cost reduction measures and infrastructure
  - Staffing levels are inconsistent with current enrollment

Mr. Tarwasokono stated that he would like a peer analysis on staffing levels with other colleges.

Dr. Bea invited interested committee members to attend the Enrollment Management Summit on December 3 at 3:00 p.m. Clarence Vatne and Scott Stewart volunteered to attend.

Dr. Bea spoke about expenditure limitation which is based on projected/estimated enrollment rather than actual enrollment. As with other colleges, estimates are higher than actual enrollment levels, which has become
a concern of Arizona Tax Research Association (ATRA). Dr. Bea stated that Arizona Tax Research Association (ATRA) was holding their annual meeting on November 21, and he anticipated they may discuss expenditure limitation as part of their legislative agenda. He will provide feedback from their annual meeting to the Committee.

Budget/Planning Subcommittee
Dr. Bea informed the Committee that the College is considering new revenue sources as well as expenditure cuts for the upcoming fiscal cycle and beyond. The strategic approach will include short-term, mid-term, and long term possibilities.

A Budget and Planning Subcommittee has been formed to review options for a viable FY2015-16 operations budget.

Audit Update
Dr. Bea informed the Committee that the FY2014 Comprehensive Audit Finance Report (CAFR) is almost finished and a copy will be emailed directly to members from the Office of the Auditor General. The CAFR is also scheduled to be presented during the January Board of Governors Meeting. The opinion is expected to be unqualified.

The Audit of the A-133 Federal Programs is expected to conclude in January.

Ina Lancaster, Director of Budget and Reporting, informed committee members that an Auditor may contact one of them with some standard audit questions.

Recess
The Committee took a recess 10:10-10:20 a.m.

Budget to Actual Reports Enhancement - Draft
Dr. Bea presented a Budget to Actuals Report draft. This report is intended to be added as a high level summary to the current Board Report packet.

Committee members discussed noted additions/clarification to be added to the summary budget to actuals report:

- A summary of key variances be added to the report or included in the Board memo
- Review blank/missing percent numbers on the presented draft
- Create guidance metrics when relevant – specified program limits, see possible concerns, compliance indicators

Financial Ratio Analysis
Dr. Bea gave an overview of the key financial ratios used by colleges and universities, which is also required by the HLC. Committee members noted that they would like to see the financial ratios compared to benchmarking data with similar community colleges. They also asked if staff could develop dashboard reports on the status of the Expenditure Limitation and total liquid assets.

Committee members discussed possible modifications to the ratio analysis reports:

- Add summary notes – possible red or green line colors
- Put a one-page summary that describes the performance of the College in the January packet with the CAFR to the Board
- Bring revised reports and Budget to Actuals Summary Report back to the Committee for review during the January 16, 2015 meeting before adding to Board packets or posting to the website

(Continued)
Finance and Audit Committee update to the Board of Governors on January 14, 2015
Following a brief discussion, it was decided that Mr. Tarwasokono, Committee Chair, will present a committee update to the PCC Board of Governors during their February 4, 2015 Board Meeting. Mr. Tarwasokono has requested feedback for discussion during the January 16 committee meeting.

Future Agenda Items
The Committee discussed adding the following topics to the January 16, 2015 agenda:

- IPEDS
- FY14 Comprehensive Annual Financial Report (CAFR)
- Auditors, including PCC Internal Auditor, Lori Cox
- Data Security – high level Key items
- Updated/revised ratio charts and budget to actuals summary
- Investment Policy review and update

Adjournment
Marie Nemerguth motioned and Tracy Nuckolls seconded, to adjourn the meeting at 11:15 a.m.

Vote: All Committee members present voted “aye” by voice vote. None were opposed.

Next Meeting:
Friday, January 16, 2015 at 9:00 a.m.

Crystal Wheeler, Support Coordinator to EVC for Finance and Administration
Minute Taker

January 16, 2015
Date Minutes Approved by Committee