
AUDIT AND BUDGET COMMITTEE MEETING MINUTES

**Coast Community College District
Special Meeting of the Audit and Budget Committee**

Date: Tuesday, March 22, 2011 at 3:00 p.m.

**Board of Trustees' Conference Room
1370 Adams Avenue, Costa Mesa, CA 92626**

Procedural Matters

1. **Call to Order** – Trustee Jim Moreno called the meeting to order at 3:00 p.m.

2. **Roll Call**

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

In Attendance - Chancellor Dr. Ding-Jo Currie; Vice Chancellor of Finance and Administrative Services W. Andrew Dunn; President of Coastline Community College Dr. Lori Adrian; President of Orange Coast College Dr. Dennis Harkins; Director of Internal Audit Services Richard Kudlik; Administrative Director of Fiscal Affairs Kim Allen; Orange Coast College Vice President of Administrative Services Rich Pagel; Orange Coast College Faculty Nancy Jones; Coastline Community College Interim Vice President Administrative Services Christine Nguyen; Golden West College Director of Fiscal Services Louise Comer; Secretary, Coast Federation of Educators (CFE) Ann Holliday; President, Coast Federation of Classified Employees (CFCE) Neal Kelsey; Cristy Canieda, Paul Luke and Peggy McBride from Vasquez & Co.; General District Counsel Dr. Jack Lipton; and Secretary of the Board of Trustees Dr. Christian Teeter

3. **Opportunity for Public Comment**

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

4. **Approval of Minutes**

It was moved by Ms. Hornbuckle and seconded by Mr. Moreno to approve the minutes of the Special Meeting of February 8, 2011.

Motion carried with the following vote:

Aye: Mr. Moreno, Ms. Hornbuckle
No: None
Absent: None

5. **Status Update on the 2010-11 Audit**

Mr. Kudlik provided an update on the 2010-2011 Audit. The first meetings will start on April 4, 2011 at the District Office. Mr. Kudlik noted that the only concern of the auditors was in terms of the number of staff, given the deadlines of the Audit Committee and the

Board of Trustees. Ms. Canieda and Ms. McBride assured the Committee that adequate staff would be provided for any audit activities. Mr. Moreno advised Mr. Kudlik of the importance of meeting the Board's deadlines relating to filing the final audit report with the State Chancellor's Office.

6. Comments from Vasquez & Company on the Financial Structure of the Enterprise Corporation

Mr. Luke spoke regarding the Enterprise. He indicated that, as a taxable entity, there are limitations on charitable contributions up to 10% of taxable income. Depending on that and other limits, the firm will further review this information. Mr. Moreno requested written responses for the Audit Committee and the Board President, Chancellor, General Legal Counsel, and staff. Dr. Lipton confirmed that there are limitations according to law, and that there will be a check to see whether those limits have been reached.

Mr. Luke discussed rental issues, noting that a study will be done to see if the rent is reimbursable. He indicated that rent is a controlled entity, and that if a taxable entity pays to a tax-exempt status, the rent has to be reasonable. Mr. Luke said the same analysis would be done with management fees to see if they are reasonable. In terms of employees, Mr. Luke asked if there is underutilized capacity at the District level, and asked whether the District could limit its liability. He added that if the Enterprise used its own employees, the liability could be reduced.

In terms of Foundations, Mr. Luke indicated that he felt the Foundation services as a barrier; there is no potential "tainting" of the taxes of the District's Foundations. Mr. Luke did express concerns about unrelated business income. In terms of a third party running the swap meets, he noted that an analysis would be done to determine the viability of outsourcing the swap meets.

Mr. Luke noted that the swap meets are not related to the direct business of the District, however, it is not necessarily unrelated business income if not a lot of personal property is being provided. If it is not providing personal property and significant personal services, Mr. Luke stated that the entire rental operation may not be "unrelated business income" – he indicated he believed there could be a way to minimize the tax exposure so that extra funds could go to the colleges.

Trustee Moreno requested a written report on the topics discussed by Mr. Luke. Dr. Lipton noted that we need to verify if there is a way to minimize the overall tax liability.

7. Consideration of Topics for the April 6, 2011 Board Budget Study Session

Dr. Currie noted that there would be more clarity from the State ahead of the April 6 meeting. She noted that they would go over their tentative budget solutions with the Trustees, and explore different options. She added that preparations continue for the various scenarios. Dr. Currie noted that historical figures of income and expenses would be discussed, and that there will also be a calendar for the budget process.

8. Update on Current District Cash Position

Vice Chancellor W. Andrew Dunn provided the Committee with a review of the District's cash position. Mr. Dunn provided an overview of cash flows, discussing deferrals and net inflows of cash at the District. He noted that the overall cash picture would be clearer as the budget picture unfolded.

9. Budget Reserve Balance Amounts at Coastline Community College, Orange Coast College and Golden West College

District executives commented that the reserve balances were still being formed. Mr. Pagel noted that the reserve would not exceed more than \$500,000 at Orange Coast College, adding that the college did not expect a large ending balance. Dr. Harkins added that the college would be spending for upgrades in technology and other resources.

Mr. Bryan reported that Golden West College tries to set about 1% to 3% for its ending balance. He provided a historical overview of budget reserve totals, stating that the current year would reach a reserve of between \$500,000 and \$1,000,000.

Mr. Moreno asked for the District's reserve total. He noted that the District's reserve would be at 6% of the total budget, plus a beginning balance of about \$19,000,000. Campus staff noted that they don't have a formal reserve percentage, but rather totals that are based off the college's ending balance.

10. Set Future Meeting Dates

The next meeting of the Audit and Budget Committee was scheduled for June 8, 2011 at 3:00 p.m.

11. Adjourn

There being no further business, it was moved by Mr. Moreno and seconded by Ms. Hornbuckle that the meeting be adjourned.

Motion carried with the following vote:

Aye:	Mr. Moreno, Ms. Hornbuckle
No:	None
Absent:	None

Chair Moreno adjourned the meeting at 4:16 p.m.

Secretary of the Board of Trustees