

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
Educational Services Center
Board Room – First Floor
770 Wilshire Boulevard
Los Angeles, CA 90017
Wednesday, June 13, 2012
10:00 a.m. – 12:00 p.m.**

Committee: Scott J. Svonkin, Chair; Nancy Pearlman; and Mona Field, Alternate. Absent: Steve Veres (arrived at 11:07 a.m.)

Trustee Svonkin called the meeting to order at 10:07 a.m.

PUBLIC SPEAKERS

None.

REPORTS/RECOMMENDATIONS

With respect to the Assets Management and Inventory Project, Trustee Svonkin requested that an update of the progress be presented at the next Committee meeting.

Salary Expenditures/Staffing Data – 6-Year Comparison

Mr. Vinh Nguyen distributed and discussed a document entitled “Los Angeles Community College District Budget, Expenditure, FTES & Allocation, Unrestricted General Fund Six-Year Comparison.”

- Disposition:**
- ***Trustee Svonkin requested that the handout be provided electronically to the Committee and that the charts be presented on individual pages in order to clearly view the numbers.***
 - ***With respect to the reduction of classes, Trustee Svonkin requested that a chart with graphics be presented to the Committee to understand the impact the reduction of faculty has on the number of administrators needed.***

Overpayments

A document entitled “LACCD Overpayment Analysis, Period of Analysis 7/1/2005 to 12/31/2011” was distributed.

Mr. Harry Ziogas discussed the document with respect to the balance of overpayments as of 12/31/11, breakdown of overpayments status, current and former District employees with overpayments, reasons for write-offs, an action plan to prevent current and future overpayments, and a business process for overpayment recovery.

Ms. Jeanette Gordon suggested that if the Board feels strongly about the collection of overpayments, a resolution or a policy should be presented stating that if an employee is overpaid, that employee should be responsible for returning the overpayment before the LACCD attempts to collect it.

- Disposition:**
- ***Trustee Svonkin requested that an action plan be presented to the Committee on how to recover the overpayments in the most efficient and effective method and how to manage the current issue of \$10,000 a month of overpayments.***

Financial Advisor RFP Update

Ms. Gordon discussed the process with respect to the seven firms that responded to a formal Request for Proposal to provide financial advisory services in regards to the sale of bond-related matters. A committee reviewed the proposals and interviewed the seven responsive groups. She stated that the Committee recommended KNN Public Finance as the provider of these services.

Ms. Camille Goulet stated that a Notice of Intent to Award has not been submitted for the contract.

Ms. Gordon concurred. She indicated that the action item will be presented at the Board of Trustees meeting on Wednesday, July 11, 2012.

Trustee Svonkin expressed his appreciation to the Panel and to staff for their efforts and outstanding work.

Disposition: • **Notice of Intent to Award the contract to be presented at July 11, 2012 Board meeting.**

2012-13 Tentative Budget

A document entitled "FY13 Budget Development, Second Presentation, Finance & Audit Committee, June 13, 2012" was distributed.

(Trustee Field left at 11:07 a.m., Trustee Veres arrived at 11:07 a.m.)

Chancellor LaVista indicated that this is the second presentation to the Committee related to the Fiscal Year 2013 budget development process. He gave an overview of the items being presented at today's Committee meeting. He deferred to Ms. Gordon.

Ms. Gordon gave a PowerPoint presentation and discussed the document with respect to the impact of the Governor's State budget proposal on the Los Angeles Community College District (LACCD), budget forecast scenarios for Fiscal Year 2013 (2012-2013), and Fiscal Year 2013 (2012-13) tentative budget, summary of all funds— three-year comparison.

Chancellor LaVista continued the PowerPoint presentation and indicated that the Fiscal Year 2013 Budget Development process looks ahead to Fiscal Year 2014 (2013-14), core principles, key decision points related to the new commitments, planning for Fiscal Year 2014, Contingency Reserve, General Reserve, and Restricted Reserve.

Ms. Gordon continued the PowerPoint presentation and discussed the document with respect to Fiscal Years 2012, 2013, and 2014, related to unrestricted general fund, worst-case scenario, analysis of Fiscal Year 2013 balance and Contingency Reserve, analysis of projected Fiscal Year 2013 budget gap, and options on reserves and proposed commitments.

Chancellor LaVista indicated that staff will present to the Committee sometime in August, 2012 details of the final budget and potential policy recommendations.

Motion by Trustee Veres, seconded by Trustee Svonkin, to recommend to the full Board the adoption of the 2012-2013 Tentative Budget. In addition, if the Governor's Tax Initiative passes, the Committee directs staff to set aside five percent in the General Reserve and seven-and-a-half percent in the Contingency Reserve. However, if the Governor's Tax Initiative fails, the Committee directs staff to set aside five percent in the General Reserve and five percent in the Contingency Reserve, of which two-and-a-half percent will be allocated to the colleges.

APPROVED: 3 Ayes

Disposition: • **To recommend to the full Board the adoption of the 2012-2013 Tentative Budget. In addition, if the Governor's Tax Initiative passes, the Committee directs staff to set aside five percent in the General Reserve and seven-and-a-half percent in the Contingency Reserve. However, if the Governor's Tax Initiative fails, the Committee directs staff to set aside five percent in the General Reserve and five percent in the Contingency Reserve, of which two-and-a-half percent will be allocated to the colleges.**

Budget Allocation Model Recommendation

A document entitled "District Budget Committee Recommendation for Budget Allocation Mechanism Changes, Finance and Audit Committee, May 9, 2012" was distributed.

Trustee Svonkin requested that in six months, an update of the progress and success of the Budget Allocation mechanism changes be presented and in one year, a full report be presented to the Committee. He indicated that the Board may modify the Budget Allocation model depending on the results after one year.

Chancellor LaVista responded that staff could also report on the work that will have been completed by then and the subsequent phases that are outlined in the proposal.

Ms. Allison Jones expressed her concerns that the Budget Allocation model was premature in that it did not consider all of the different components with respect to issues related to the legal mandates, workload, accountability, accreditation, and the Faculty Obligation Number (FON).

With respect to Phase Two of the Budget Allocation model, Trustee Veres requested that the issues related to the legal mandates, the FON, and the proposed staffing plan be considered and that an attempt to address these issues be made. He also requested that incentives continue to be awarded for efficiency.

Motion by Trustee Veres, seconded by Trustee Pearlman, to recommend to the full Board approval of the changes to the Budget Allocation Mechanism.

APPROVED: 3 Ayes

- Disposition:**
- ***With respect to the 2012-13 Tentative Budget and the Budget Allocation Model, Trustee Svonkin indicated that the Committee had been provided with a list of potential cuts to the budget in planning for the worst case scenario. In order to be prepared for the worst case scenario, he requested that the Chancellor work with the Chief Financial Officer/Treasurer and stakeholders. There was discussion on holding a Town Hall meeting to develop a complete and comprehensive prioritized list on where cuts should be made to the budget.***
 - ***To recommend to the full Board approval of the changes to the Budget Allocation Mechanism.***

FUTURE DISCUSSION ITEMS

Legal Fees
Efficiency Audit
Retirement Incentives
Policy Framework for Naming Buildings
Revenue Enhancement Strategies
Six Months Budget Allocation Mechanism Update
One Year Budget Allocation Mechanism Update

FUTURE FINANCE AND AUDIT COMMITTEE MEETING DATES

None.

NEW BUSINESS

None.

SUMMARY – NEXT MEETING

None.

ADJOURNMENT

There being no objection, the meeting was adjourned at 12:26 p.m.