

PORTLAND COMMUNITY COLLEGE - BOARD OF DIRECTORS
12000 S.W. 49th Avenue - Portland, OR 97219

MINUTES
BOARD OF DIRECTORS BUSINESS SESSION
Sylvania Campus, Board Rooms A/B
December 7, 2006

BOARD ATTENDANCE

Board Members Present:

Denise Frisbee, Jim Harper, Jaime Lim, Bob Palmer, Harold Williams

EXECUTIVE SESSION

The Board of Directors convened an executive session for Real Property Transactions and Litigation in accordance with ORS 192.660 (1), (e) (h) at 6:45 PM, adjourning at 7:25 PM.

CALL TO ORDER

Chair Lim called the business meeting to order at 7:30 PM and invited all present to introduce themselves.

APPROVAL OF MINUTES

The November 16, 2006 business meeting minutes were approved as published.

APPROVAL OF THE AGENDA

The agenda was approved as published.

INFORMATION SESSIONS

Phi Theta Kappa Award

President Pulliams and Linda Gerber, Sylvania Campus President

President Pulliams introduced Dr. Gerber and Ann Rynck, student recipient of the Phi Theta Kappa Leader of Promise award. Dr. Gerber said Ms. Rynck is one of only 30 students nationally receiving this high honor. She is a full-time student with a 3.98 GPA in the Design Remodel Program, Kitchen and Bath Specialties. To be considered for this award she wrote an essay, responded to questions and was interviewed. She is active in her community, is Co-president of the PCC chapter of Phi Theta Kappa, and completed a San Francisco marathon in October. She is a very busy and accomplished person inside and outside PCC. President Pulliams and Chair Lim congratulated Ms. Rynck on her accomplishment.

GFOA Certificate of Achievement for Excellence in Financial Reporting

President Pulliams

President Pulliams called forward Mr. Wing-Kit Chung and Accounting Services staff to recognize their financial reporting efforts that resulted in the College again being awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting. He congratulated them for a job well done.

Governor's Proposed Budget

Randy McEwen, Vice President, Administrative Services and Kristin Watkins, Interim Director, Institutional Advancement

President Pulliams asked Randy McEwen and Kristin Watkins to describe last week's budget proposal the Governor announced and to describe what is planned to assure the College receives continued support throughout the legislative process.

Mr. McEwen provided a brief recap of the Governor's proposed biennial budget that includes \$483 million for the community college support fund that will mean about \$14 million for PCC for the biennium. This is a \$54 million increase over the current \$429 million budget. The Governor proposed that \$2 million of the \$483 million be used specifically for Professional Technical Education programs and has proposed funding 50% of the \$174 million capital construction package. This means the State would provide funding for PCC's Willow Creek Educational Center at \$7.5 million. Additionally in this budget the Opportunity Grant Program that provides financial aid for students would be increased to \$110 million. Mr. McEwen said the Governor's proposed budget will be good for the College.

President Pulliams told the Board this result for PCC is due to a lot of hard work by many people including Board Members, Mr. Dembrow, and the Federations who took PCC's message to the Governor and to Salem. He reiterated the value of the increased financial aid funding level for students. He also noted that Nan Poppe co-chaired the Shared Responsibility committee that prepared that proposal for the Governor and thanked her for her willingness to serve in that capacity. He asked Kristin Watkins to describe plans to carry PCC's message to the Legislature throughout the upcoming legislative session.

Ms. Watkins said that we will send the Governor a letter thanking him for his support of community college funding. Work will continue with legislators in the hope they will be able to provide even more financial support to the College. On December 4th the College held a Legislative reception for the District delegation. The event was well attended by College Executive staff, Board Members, and 13 Legislators. She thanked Directors Palmer, Frisbee, and Harper for attending.

Breakfast meetings with the District's legislators are planned for the week of December 11 at Cascade, Rock Creek, Sylvania Campuses, and Southeast Center. Several Representatives and Senators have already committed to attend. She encouraged the Board to attend these breakfasts. At 9:30AM following the December 12th breakfast

meeting will be a “Legislative 101” session in the Rock Creek Campus President's office.

Ms. Watkins provided Board members with an information packet and invited them to review the document titled *Portland Community College: 2007 Legislative Priorities* that contains information to be used by college representatives as they talk with legislators about College goals and the types of funding that will be needed to create a world-class education system. The packet also contains information about the three top priorities for PCC and Oregon Community College Association (OCCA): 1) An increase in the community college support fund from the Governor's proposed \$483 million to \$529 million; 2) Support of Community College General Obligation Bonding that will support PCC's Willow Creek Educational Center; 3) An increase to the student financial aid package. Another document in the packet is OCCA's *2007 Legislative Agenda* that closely mirrors PCC's legislative agenda. The final document is the draft of the *OCCA Legislative Positions 2007*, an internal document OCCA uses to respond to issues related to local control, tuition and fees that come up during the legislative process. President Pulliams suggested adding copies of *Kaleidoscope* to the packets of information for the legislators. He reiterated that the goal of all of this work is to be able to increase access to and affordability of community college education for more Oregonians.

Audit Report

Randy McEwen, Wing-Kit Chung, and Talbot, Korvola & Warwick

Mr. Chung told the Board that the annual financial audit has been completed by Talbot, Korvola, & Warwick and that Mr. Roger Korvola, partner in the firm and Rina Buirne, the manager in charge of the College's audit will present the audit report to the Board and answer any questions the Board may have about it.

Mr. Korvola began by reviewing the documents that have been provided to the Board which included a financial statement, a management letter, and the October 23, 2006 SAF 61 letter to the Board. He explained that the October 23, 2006 SAF 61 letter is the statement on auditing standards, and the reports in regard to federal funds that the auditors are required to communicate to the Board.

Mr. Korvola explained that since the College receives Federal monies the audit was conducted using a sampling of transactions in accordance with generally accepted auditing standards and government auditing standards. He explained the College's Management Response excerpt included in the SAF 61 letter that reflected management's judgment and accounting estimates by the College's financial staff for the accounting process in the areas of depreciation of fixed assets, determination of allowance for doubtful receivables, other prepaid expenses and so forth. He also explained that part of his firm's audit process was to evaluate those estimates and that those estimates appear to be reasonable. He said audit adjustments were done that included correcting postings to some records of capital leases after the fact rather than at the time the transactions are consummated creating unnecessary work during preparation of financial statements. To correct this management has agreed to work with College departments to properly code leases in the Banner System. Mr. Korvola

talked about uncorrected misstatements which are entries proposed but not made to the records because management evaluations determined their impact was not material to the financial statements. Adjustments shown on Schedule A, the attachment to the October 23, 2006 letter from TKW to the Board of Directors, were not posted but will be in subsequent years. The main adjustments were some capitalizable assets that were expensed rather than capitalized. He noted that the District implemented two new Government Accounting Standard Board's pronouncements, 42 and 44. He also said that if other documents contain audited financial reports for the College their firm would be required to examine those but they are not aware of any such reports. He reported that his firm had no disagreements with College management during the audit process nor did they have difficulties dealing with College management during the audit process.

Mr. Korvola began his report on the Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2006 by stating that in the financial section, pages 1 and 2 of the document, the Independent Auditor's Report, is what is called an unqualified opinion, the highest level of assurance that auditors can give on the College's set of financial statements. That report section notes that the audit was conducted in accordance with generally accepted auditing standards and government auditing standards. In his firm's opinion the financial statements are fairly presented. If there were any exceptions or his firm had reservations they would be disclosed in that document. The other part of his firm's report is found in the Audit section of the CAFR on pages 121 – 126.

Ms. Buirne pointed out that the CAFR for the year ending June 30, 2006 is about 50 pages shorter than last year due to effective summarization of the General Fund Report that begins in page 38; summarization of the Contracts and Grants Report on page 50; separate publishing of the Report on Federal Funds; and implementation of GASB 44 which changes the statistical section. Statistical information is now organized in five bullets: financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. Because these statistics are only reported from the time the College implemented GASB 35 in some cases the report only lists the last five years of data instead of ten years. That data will increase each year until there are ten years being reported. Another change is that the basic financial statements and the notes have been rounded to thousands instead of to the dollar. Her final point was the Letter of Recommendations and the firm's response to Management's Response covered Federal grants, personnel practices, the bookstore, capital assets and a few other areas.

Mr. Korvola concluded the report by saying he has good news for the Board and not so good news. The good news is he anticipates the College will receive another GFOA award for financial presentation a year from now. The not so good news is that eight new auditing standards have been issued that will start in 2007 and 2008 that will hold auditors to a higher standard than they have been held to historically. These new standards will require auditors to have a higher understanding of clients' business and business environment and will require more time to perform an audit and more time equates to higher fees. He estimates fees increasing 15% – 25% over the next couple of years due to the additional time needed to perform audits to the new standards. Chair

Lim thanked Mr. Korvola and Ms. Buirne for the presentation. President Pulliams thanked Mr. Chung, the Accounting Services staff, and Mr. Korvola for their work in support of the audit.

Comprehensive Review of the 2000 Bond

Randy McEwen, Vice President, Administration, Steven Sivage, Director Plant Services
President Pulliams introduced Mr. McEwen and Mr. Sivage. Mr. McEwen said that this is the final report on the 2000 bond program and many investments have been made throughout the district in the six years since work began. He thanked the Board for allowing the team to function, for early-on setting the direction clearly but also providing the College the freedom to respond to circumstances as they were discovered. He thanked the District President for allowing the College to do its work and creating an environment that encouraged excellence. He also thanked the College, the students, the staff, the public, faculty, and managers for the extraordinary level of teamwork that was exhibited and the employees who were specifically tasked with executing this plan and with modifying and developing it as the project progressed. The program's goal was always that future generations in the District will be served well and that District citizens are proud of what the College has done.

Mr. McEwen introduced Steve Sivage whose role, in addition to being Physical Plant Director, was to simultaneously serve as the Program Manager for the District's 2000 Bond Program. Mr. Sivage noted that since this project began there have been significant leadership changes within the College; over half of the Board is new, there have been four District Presidents, with the exception of Dr. Poppe all of the Campus Presidents are new, and there is a new Vice President of Academic and Student Affairs.

In 2000 voters approved a \$144 million bond. During the six-year course of the project that was leveraged up to \$171 million through investments and other earnings, sale of properties, Capital funds, Parking funds, Food Service funds, Library funds and energy grants and rebates. That \$171 million was spent on direct construction costs for buildings, utilities improvements, renovations, and other improvements. Mr. Sivage provided a summary for the Board of resources used, expenses, and projects completed. At the project's completion direct construction costs were 68.6% and indirect costs 31%. This is an unusually good ratio that indicates the money was managed very well.

Mr. Sivage described some of the gains made that included an additional 328,000 square feet added to College buildings with 14 new structures built and eight structures demolished, 10.3 acres of land were added to College property, Southeast Center was completely rebuilt, two technology buildings were built, additions were built onto two science buildings, a new library was built, as were an arts and humanities building, a block long mall, a gymnasium, a facility to house Public Services Education, two student activities areas, three bookstores, two art galleries, and four distance learning facilities. Renovations included five buildings at Sylvania Campus, three at Rock Creek, and two buildings at Cascade Campus. Renovations improved 115 classrooms, the Sylvania cafeteria, and included a high-speed data network, 175 smart podiums that included overhead projectors in classrooms, and completion of fire sprinkler systems for Sylvania

and Rock Creek Campuses, safer more reliable electric distribution centers at Rock Creek and Sylvania Campuses. \$14.6 million in direct construction funds was directed to minority, women, and emerging small businesses through 156 different first tier sub contractors. Two houses were moved off Cascade Campus and reused for private sector housing in an innovative park. Leadership in Energy and Environmental Design (LEED) is the nationally accepted benchmark for the design, construction, and operation of green buildings. Although LEED certification was not sought for the buildings LEED certified architects were used throughout the project and buildings were designed using LEED standards. The College acquired a nine unit apartment building and one rental house. Mr. Savage said this has been a huge college-wide effort that has succeeded at every level. He thanked the Board for their support and thanked the staff, faculty, departments, and deans who played a role in the process. He offered to answer any questions from the Board.

Directors Frisbee and Harper congratulated him on his effort and leadership throughout this project. President Pulliams thanked Mr. Savage for a job well done. He commented that the accomplishments with this project are almost unimaginable and that they were done on-time and within cost. He acknowledged the work of Mr. Savage and the rest of the team.

Director Palmer said that as a Southeast area resident and Zone 3 PCC Board Representative he is frequently told by area residents that they support the College especially since the new Southeast Center has been built. He told Mr. Savage that he appreciates the work that was done with bond funds and that the community is the beneficiary.

College Shift to Biennial Budget

Wing-Kit Chung, Associate Vice President, Finance

President Pulliams introduced Mr. Chung and said that changing to a biennial budget will be more efficient in terms of time and how the budget functions.

Mr. Chung told the Board that Resolution 07-036, the first reading of the change to Board policies B213 and B214, will allow the College to operate using a biennial budget process. He reminded the Board that in September he came to the Board with information about the benefits of changing to a biennial budget. He told the Board that in 2001 the Oregon Legislature revised local budget law to allow all local and public entities to adopt a budget process of more than twelve months. Mr. Chung said that the College already uses a biennial budget process informally since the State uses the biennial budget and the College relies on State funds making it necessary to do biennial planning. Additionally when there are substantial changes in staffing, labor contracts require a long lead time. Adoption of the biennial process will be more efficient in that the second year of the budget will allow more budget deliberation flexibility because the legal process will not have to be done allowing the Board at least two additional months to deliberate the second year budget because it would not need to be submitted to the Tax Supervising and Conservation Commission (TSCC) every year. He said that from that perspective staff recommends adopting the resolution.

Mr. Chung offered to answer any questions the Board had. Directors Harper, Frisbee, and Chair Lim agreed that changing to a biennial budget process is a good idea. President Pulliams thanked Mr. Chung for his presentation.

PUBLIC COMMENT ON AGENDA ITEMS

None

PUBLIC COMMENT ON NON-AGENDA ITEMS

None

BUSINESS MEETING

Director Frisbee moved approval of Resolutions 07-030 through 07-036. The motion passed unanimously.

Other Reports:

Michael Dembrow, Faculty Federation President said that the Governor's budget message was discussed at today's State Board of Education meeting. The overriding message from the Governor seemed to be that the Governor has done his part and now it's up to everyone to do their part to make sure that this budget gets through the legislature as it's proposed. Mr. Dembrow feels this budget is a place to start and build on. He also said it will be important to make sure that what is proposed is maintained. He said that while he appreciated the funding increase, it really only brings the amount back to the Measure 5 years and with per student allocation the same as the 1990's there is a lot of making up to do. There is already talk that there may be another election in May because this budget includes a couple of revenue assumptions that will require two-thirds approval vote of the House to move forward: use of the corporate kicker and an increase in the minimum corporate tax. He feels that if these go to the voters they will be supported but it will require a good, aggressive, cooperative campaign.

Mr. Dembrow closed by inviting the Board to the Faculty and Classified Federations holiday party next Thursday night at 5:00PM in the Sylvania Teaching Learning Center.

On behalf of the Faculty Federation he thanked the Board for their many hours of volunteer work and the care and the support they give as Board members. He said the Board performs a great civic duty and wished all the best for a happy and healthy holiday to the Board, and to everyone in the room.

Board Reports:

Director Williams thanked other Board members, President Pulliams, and the Campus Presidents for their achievements within the College and in their volunteer activities. He noted that Dr. Gatewood, Dr. Poppe, and many others have successfully created a Rainbow Coalition in a very real sense. He wished everyone all good things in the coming year.

District President Report:

President Pulliams reminded the Board that the annual Board holiday reception will be December 8th at the MAC Club from 5:30 – 7:00 PM. Special guests will be the executive staff and the PCC Foundation Board.

He thanked Directors Frisbee, Harper, and Palmer for attending the reception for the College's area legislators. The President reminded the Board of the work session scheduled for January 25, 2007 in the Board Rooms at Sylvania Campus. The main discussion at the work session will be the 2008 bond campaign.

The President noted that last week Rock Creek Campus hosted a Sustainability Planning Summit. Congressman Blumenhauer opened the event with remarks and other guests spoke about the need for community colleges to develop a capacity for supporting clean technology industry and sustainability. He thanked Director Frisbee for attending and said to mark the occasion she presented the congressman with a green PCC sweatshirt.

He reminded the Board of the Legislative breakfasts coming up next week.

President Pulliams congratulated Director Williams for his article in today's Metro section of the *Oregonian*. He also presented Director Williams with the plaque from OCCA commemorating his 16 years of service on PCC's Board of Directors.

The President invited Neal Naigus to make an announcement to the Board about a grant that has been received. Mr. Naigus said the Collins Foundation has awarded a \$25,000 grant to help support the Life by Design Program for the next year. President Pulliams said several other proposals have been presented to other foundations to support this program and that a \$25,000 bridge grant from Oregon Community Foundation has already been received. He noted that some Board members are involved in this program and it is beginning to move forward. He thanked Mr. Naigus and the committee's leadership for moving this program forward. With that he concluded his report.

ADJOURNMENT

There being no further business, the meeting adjourned at 8:37 PM.

NEXT MEETING

The next business meeting of the Portland Community College Board of Directors will be held on January 18, 2007 at 7:30 PM in Board's Conference Room at the Sylvania Campus.

Chair Lim

President Pulliams

Prepared by:

Lorna J. O'Guinn
Assistant to Board of Directors

Minutes approved on January 18, 2007