

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  
January 17, 2008

**BOARD ATTENDANCE**

Board Members Present:

Denise Frisbee, Jim Harper, Jaime Lim, Marilyn McGlasson, Bob Palmer, David Squire, Harold Williams

**EXECUTIVE SESSION**

The Board of Directors convened an executive session for Labor Negotiations in accordance with ORS 192.660 (1), (d) at 6:45 PM, adjourning at 7:24 PM.

**CALL TO ORDER**

Chair Harper called the business meeting to order at 7:35 PM and invited all present to introduce themselves.

**APPROVAL OF MINUTES**

The November 15, 2007 business meeting minutes were approved as published.

**APPROVAL OF THE AGENDA**

The agenda was approved as published.

**INFORMATION SESSIONS**

New Oregon Ethics Rule

President Pulliams introduced Randy McEwen, District Vice President and Jeff Condit, Miller|Nash LLP.

Mr. McEwen said the 2007 legislature passed Senate Bill 10, which significantly changed the Oregon ethics law. He invited Mr. Condit to brief the Board on those changes and how they affect the College.

Mr. Condit said the legislature made significant amendments to the Oregon Ethics law in reaction to legislators accepting trips to Hawaii last year. He noted that the trips that caused the issue to flare up were legal but the trips were not reported because legislators were unaware that the value of the trips was more

than the reporting ceiling. The changes to the law were intended to tighten down what are known as “gift laws”. Under the former statute there was a prohibition to giving gifts in aggregate of more than \$100 in a given year to public officials including anyone who has an administrative or legislative interest in the governing body. There were three major exceptions to that rule: 1.) A person who had a legislative or administrative interest could take a public official out to dinner as long as that public official ate that meal in their presence; 2.) The entertainment exception allowed a public official to be invited out to entertainment by a person with legislative or administrative interest to a limited degree. 3.) The Hawaii exception meant public officials could accept food, travel, and lodging when traveling on official business related to their office.

Mr. Condit said the Legislature reduced the amount for required reporting to an annual aggregate of \$50. The violation was also changed to include not only the receiver but also the giver of gifts and there no longer is the exception for meals. Both gifts and meals count toward the annual aggregate amount. Accepting any entertainment gift is prohibited unless the entertainment is an incidental part of a reception, conference, or other event. The trip exception is significantly restricted now and may only be used if a public official is a participant on a panel, is a program speaker, is paid for by certain entities, or is on a fact finding or economic development mission.

Mr. Condit said the ethics law applies not only to the Board of Directors, the President, and the management staff, but also to every employee or volunteer at the College or any other public body. The name of the commission was changed from the Oregon Government Standards and Practices Commission back to the Ethics Commission. There is a great deal of confusion about the rules and the Commission is currently in rule making to provide clarification for some of them. There are many questions that can’t adequately be answered until the Ethics Commission provides their opinion or clarifies the rules. Miller Nash has filed some requests for clarifications and suggested amendments on behalf of the College to deal with some of the issues that come up.

Mr. Condit said community colleges in particular have a lot of very interesting issues because of the workforce development aspect of what the College does and its inter-relationship with the private sector in a number of different functions including trainings and practicums used in workforce development. The confusion around the new rules occurs because although the new ethics law was written with the legislators in mind it applies to all Oregon public officials and employees. The revised ethics law took effect on January 1<sup>st</sup> so all invitations and gifts now fall under the new law. If anyone has questions about whether something violates that law check with Mr. McEwen or Mr. Condit. He also advised that until there are rulings and clarifications it would be wise to not accept any gift.

Director Williams said this revised law will make it difficult to recruit volunteers for any public body. Mr. Condit noted that this law is complicated and he

understands the concern in that many of the Board members serve on Boards of Directors for other agencies and non-profits, some of which may be considered to have administrative or legislative interest at the College. The question would be is anything you receive, including reimbursements, subject to the gift rule? There is potentially a very broad reach to this rule and Mr. Condit feels the legislature did not intend to make this kind of service an ethical violation. Until these issues are raised and worked through by the Ethics Commission there is potential risk that the Board of Directors and staff need to be aware of.

#### Audit Report

Wing-Kit Chung, Vice President Finance; Rob Moody, Partner, Rina Byrne, Manager; Angelique Whitlow, Partner, Talbot, Korvola & Warwick, LLP (TKW) Mr. Chung asked Mr. Moody, Partner in charge of the audit, to give the report. Mr. Moody asked Ms. Byrne to begin the report. Ms. Byrne covered some of the key points in the 2007 Comprehensive Annual Financial Report (CAFR) and noted changes from the 2006 audit. The report is somewhat smaller because this year management eliminated about 15 pages of unnecessary schedules. The College restated opening assets because of changes in accounting policies this year. Summer term tuition revenue was decreased about \$4.7 million due to accounting changes to better match expenses and revenues. Opening assets were decreased by about \$7.3 million when capital items deemed to no longer meet the capitalization criteria were removed from the capital equipment total. The adjustments are discussed in detail on page 19, note 2 of the report.

Ms. Byrne said the financial statements were prepared by PCC Financial Services management staff. TKW's opinion of those financial statements is on Page 1 of the financial section of the financial statement. TKW's opinion, found in paragraph 3 of the financial statements is they "present fairly in all material respects the financial position of the College on June 30<sup>th</sup>, 2007". Management's discussion and analysis summarizes the entire CAFR and is representative of the entire report. Page 94 of the audit section contains disclosures as required by the State of Oregon. This report is substantially the same as last year with the exception of a couple of programs noted on page 96 whose appropriations exceeded expenditures. Following is the Single Audit report which contains a couple of internal control findings that Mr. Moody will talk about. There were no compliance findings.

Mr. Moody listed some of the required communications between TKW, as the College's independent auditors, and the Board of Directors. He said there are many statements and auditing standards TKW performs in conducting audits that are collectively referred to as professional standards. The November 16, 2007 letter to the Board of Directors and management is the Statement of Auditing Standards (SAS) 112 letter in which a couple of findings were noted. One had to do with capital assets. The footnote in the report initially prepared by management had a material error in that both capital assets and depreciation were equally overstated and required some adjustment to be fairly stated in

accordance with Government Accounting Standards (GAS). A liability was recorded related to retirement benefits that required a material adjustment because a liability was incorrectly reported on June 30<sup>th</sup> relating to the Public Employee Retirement System (PERS). Because it came to TKW's attention in the audit process rather than by College management and was corrected during the year it is deemed a material weakness in internal control over financial reporting by definition and auditing standards in SAS 112. This letter communicates that information to the Board of Directors from TKW. These findings are detailed in the back of the audit report. Responses from management describing the College's corrective action in both cases have been included and TKW has reviewed and is comfortable with the corrective plans.

Mr. Moody then discussed the November 16, 2007 letter listing TKW's recommendations they believe will strengthen either internal control or efficiency. The College is not required to act on those recommendations but it is the duty of management and the Board of Directors to review and evaluate them in the context of cost to benefit. He noted that one of those recommendations about creation of a college audit committee is on page 5 of the Letter of Recommendations Management Response for the year ended June 30, 2007. He said audit committees are typically appointed by the Board of Directors to provide assistance in fulfilling fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting and internal control functions of the College.

Mr. Moody said the SAS 61 letter is a required communication between TKW and the College that contains matters required to be communicated to the Board. He brought three audit adjustments in the letter to the Board's attention beginning on page 2: the adjustment to correct the overstatement in the liability for PERS, the adjustment to correct the recorded loss on disposition of capital assets, and the adjustment to restate the opening balance on capital assets and net assets to report current and prior year expenses in relation to the capital assets matter Ms. Byrne spoke of. The Uncorrected Misstatements section is referred to as past adjustments. When TKW finds these items during the audit they offer a suggestion for correction. TKW proposed an adjustment but management felt the impact of the adjustment was immaterial and insignificant to the financial statements. TKW concurred and so the adjustments were not posted but it is required that the Board of Directors be notified of them. There were two immaterial adjustments, one relating to capital assets and the other to financial aid related liabilities, adjustment details are on the last page. He concluded his report by asking if the Board had any questions.

Director Squire asked Mr. Chung why the College does not have an audit committee. Mr. Chung replied that for the 40 years PCC has been in existence the Board has never felt it was necessary to have one. The question of having an audit committee didn't arise until a few years ago with the introduction of the Sarbanes Oxley Act. Director Squire then asked the auditors if it is standard

practice for public agencies to have an audit committee. Mr. Moody responded that in the past few years cities, counties, school districts, and special districts have begun forming or have recently formed audit committees as a means to deal with some of the details of audit. Members typically are people well skilled in financial matters and with a specific understanding in government finance.

Typically the committee would have a Board member, a member of the Budget Committee, and one or two people appointed by the Board. Chair Harper said audit committees he has seen in the past typically meet once or twice a year. He asked if that is what TKW is suggesting. Mr. Moody said it is and that prior to the audit TKW would meet with the audit committee to lay out expectations and find out if the committee would be interested in having TKW look at any specific areas as well as to share with the committee TKW's audit approach. TKW would meet with the committee again in an exit conference or TKW could present their report to the Board at a Board meeting as is currently done. Chair Harper said that he is seeing this process used in many of the non-profits he works on. He said the Board will take this suggestion under advisement.

#### Adverse Impact

Dr. Christine Chairsell, Vice President Academic Services

Dr. Chairsell said public community colleges have a process called adverse impact so that when new programs are proposed a notice is sent to all Oregon community colleges and private educational entities to provide them an opportunity to respond if they believe the new program might adversely impact a program at their school or compete for a limited number of students. This process ensures Oregon community colleges are not redundant in course and program offering throughout the state. She added that six or seven years ago non-public education institutions began to be considered in the adverse impact process.

PCC has created a career pathway for Criminal Justice Corrections Assistant that consists of existing courses that have been "chunked" together to create a program that qualifies students to work as Corrections Assistants in various positions. Currently the College of Legal Arts has filed an adverse impact saying that PCC would be unfair competition to them if allowed to offer this career pathway. The process of allowing or disallowing this proposed career pathway could last a year. In the first step in this process PCC and The College of Legal Arts presented testimony before Alan Contreras from the Office of Degree Authorization. At the conclusion of the hearing Mr. Contreras wrote his decision to the Oregon Student Assistance Commission allowing PCC to go forward in offering the new career pathway. Since that decision was made, the College of Legal Arts has requested a hearing before the Commission on Oregon Student Assistance, contending that PCC should not be allowed to go forward with offering the career pathway. That hearing will be conducted in March and the Commission will issue a recommendation and conclusion on the matter. Dr.

Chairsell will bring the Commission's decision to the Board upon conclusion of the hearing.

This is an important issue because it could seriously affect PCC's course offerings for credit and non-credit. All previously-approved courses and classes are grandfathered into the system but any new offerings could potentially be required to go through lengthy and expensive processes that could make new offerings a less viable option. PCC's liaison, Amy Alday-Murray, reviews all new courses and programs for submission and appears in hearings when supporting information is needed about proposed course offerings.

Director Squire noted that this process seems to defeat the purpose of community college and will greatly hamper the College's ability to respond to workforce and community needs. Dr. Chairsell said this could change the College's mission because it restricts PCC's flexibility. This Oregon statute was not been used for proprietary schools until six or seven years ago. She added the College needs time to evaluate the long-term effect but it is clear it will impact how resources are redirected. Dr. Chairsell added at some point this issue may be something the Board would want to consider because of its impact on the mission and flexibility of the College. Director Squire asked if a request for legislative change has been considered. Dr. Chairsell replied it is being considered this year. President Pulliams added that the impact of this is also under consideration at OCCA and the Oregon Presidents' Council to determine what if any action should be taken.

#### Supplemental Budget Overview and Budget Outlook

Wing-Kit Chung, Vice President, Finance

Mr. Chung said that by Resolution 07-115 on June 21, 2007 the Board of Directors adopted the 2007-2009 biennium budget based on \$483 million. On June 28, 2007 the Legislature approved the Community College Support Fund at \$500 providing an additional \$17 million to the state wide allocation. The College's part of the additional funds needs to be included in the budget but because it is less than 10% of the total approved budget will not need to be reviewed by the College Budget Committee. These funds are to be incorporated into the supplemental budget to fund new initiatives, contract settlements for the Classified and Faculty Federations, and 2008 bond initiative planning, design, and verifications of all estimates that have been done in preparation for the March Resolution to allow the bond initiative to be sent to voters in the November 2008 election.

Mr. Chung noted that Board members were provided information about revenue and expenditures for the next two years. Incorporation of the new revenue and the new expenditures leaves a 7.23% average ending fund balance on June 30, 2009, slightly above the Board directed 7%. Mr. Chung recommended that the remaining budget at the end of fiscal year 2008 not be fully expended but reserved until the end of fiscal year 2009 to provide the College more fiscal

flexibility. He cautioned that the State funding distribution formula is based on the final tally of all Oregon property tax revenues and that the final tally of 2007 FTE from all 17 Oregon community colleges might impact the allocation for PCC. Reserving the .23% would provide a cushion in the event the College does not receive the forecasted amount.

Chair Harper asked if passing the supplemental budget resolution would implement the plan Mr. Chung described. Mr. Chung said the supplemental budget resolution is to change the dollar amounts in the budget so they are in line with current final revenue and expenditure plans. The recommendation that the President reserve rather than reallocate for spending any remaining budget balance from the fiscal year 2008 budget doesn't require Board action today.

#### Update on the Upcoming Legislative Session and OCCA in the Coming Year

Andrea Henderson, Executive Director, OCCA; Connie Lee, OCCA Board Chair and Board Member at Central Oregon Community College.

Ms. Henderson introduced Connie Lee, OCCA's Board Chair, and said OCCA is preparing for both the February 2008 and 2009 legislative sessions as well as continuing analysis of results from the 2007 legislative session.

Ms. Henderson reported that OCCA is looking at options for health care for Oregon Community College employees since the last Legislative Session passed Senate Bill 426 that created a state wide insurance pool for K-12 and Education Service Districts. OCCA is looking at how that will affect community colleges and has hired a health insurance consultant. OCCA is also exploring the feasibility of OCCA offering a health insurance plan for the 14 community colleges that have indicated a desire to form their own pool.

Ms. Henderson said OCCA will continue making requests that went unmet in the last session around the support fund, financial aid, and capital construction in the February legislative session. Capital construction requests for the 2009 legislative session will be determined and ranked by Fall 2008. Community colleges that have not yet received capital construction funding from the legislature will be tier one requests. The process for identifying and ranking second tier projects for community colleges that have been funded in the past will begin soon.

She reported that with the Education Support Fund tied so tightly to Oregon income tax and the economy so volatile, much discussion will be needed to prepare the 2009 legislative session support fund request. Early revenue projections are very optimistic. OCCA will watch Oregon and national financial indicators closely over the next several months. Governor Kulongoski has committed to providing a 10% increase in funding to each education segment. That would put community college funding at \$550 million for the 2009 legislative session.

Ms. Henderson said that this year an OCCA project is “Strategic Conversations”, to look at how state wide decisions for community colleges should be made. Each of the 17 Oregon community colleges is governed locally by a Board of Directors but collective decisions about the future of community colleges need to be made. As a goal this year the OCCA Executive Committee and the OCCA Board of Directors will take the strategic conversations to local Boards of Directors for discussion about community colleges’ response to the Governor’s 40-40-20 plan. OCCA is also working on Board member development and working with other boards. She then asked Ms. Lee to talk about those.

Ms Lee said at last summer’s OCCA Executive Committee retreat the committee reviewed how well they meet the organization’s mission and goals. The primary goal is to advocate and communicate for the benefit of all 17 community colleges. The Board felt they did very well advocating but not so well with collaboration and communication. To strengthen collaboration and communication they each agreed to attend at least two community college board meetings to share information.

Ms. Lee also noted that Chair Harper is the OCCA Vice President making him the President Elect for next year. She also noted that OCCA meetings have been restructured to encourage more two-way communication about relevant topics. Later in the year OCCA will conduct a train-the-trainer program. She invited PCC Board members to join with OCCA and all those at Oregon’s 17 community colleges to reach out and connect.

Ms. Henderson offered to answer any questions Board members might have. Director Lim asked for a clarification of what 40-40-20 is. Ms. Henderson said it is a goal adopted by the Governor, the Joint Boards of Education, and the Oregon Business Council that by the year 2025 Oregon’s 25 and older population will be comprised of at least 40% having a bachelors degree, 40% having an associates degree or better, and 20% will have a high school diploma. This is a very ambitious goal because Oregon’s current population is a very long way from that.

Chair Harper thanked Ms. Henderson and Ms. Lee for their presentation. President Pulliams expressed his thanks for Ms. Henderson’s leadership and the impact OCCA is having in representing all 17 community colleges. He also complimented her lobbying success, particularly last year in terms of construction money and being the driving force in bringing all 17 Oregon community colleges together in presenting the same message for Legislators. President Pulliams thanked her for her effort and for the effort of the OCCA Board.



## **BUSINESS MEETING**

### **PUBLIC COMMENT ON AGENDA ITEMS**

None

### **PUBLIC COMMENT ON NON-AGENDA ITEMS**

None

### **STAFF REPORT ON REVISION OF BOARD POLICY B 506**

President Pulliams said this is the second reading of Board Policy B 506-Minority, Women, and Emerging Small Business (MWESB). He explained that Director Williams asked for additional information about the College screening process for identifying companies to be granted MWESB status and that staff will respond to his question. He then asked Mr. Chung to provide that information. Mr. Chung said that in discussions with Steve Hopf and John Persen the College uses State MWESB pool companies that are already certified by the State. Additionally the College uses self-proclaimed MWESB companies that are in most cases relatively small firms in which the owners are the primary operators of the companies. Another qualifying method under consideration to increase the size and diversity of the MWESB vendor "pool" is private industry certification.

Director Williams expressed concern that State and Federal guidelines for identifying legitimate MWESB vendors work to keep many from even applying because of the cumbersome and financially invasive process.

Chair Harper asked Director Williams if he was prepared to support and pass this resolution or if more discussion would be needed. Director Williams said he will pass the resolution but wanted those facts made aware of. Chair Harper thanked Director Williams and asked the other Board members if they were ready to move forward or if more discussion was needed. They indicated they did not need additional discussion.

Director Frisbee proposed approval of Resolution 08-044. The motion passed unanimously.

Director McGlasson proposed approval of Resolutions 08-034a through 08-043 and 08-045 through 08-052. The motion passed unanimously.

#### *Other Reports:*

Michael Dembrow, Faculty Federation President welcomed Ms. Henderson and Ms. Lee. He noted OCCA and the Faculty Federation had worked successfully for the students and colleges in the last legislature and look forward to working

together in the future. However, Mr. Dembrow noted that the Federation has concerns about the health plan that OCCA is looking into because they believe community colleges alone will not be a large enough pool to qualify for healthcare as competitively priced as the Oregon Education Benefits Board (OEBB). He noted that Michael Canarella, the federations' Labor Relations Specialist sits on the OEBB Board and may have a presentation for the Board next month about OEBB proposed healthcare.

He also invited Board members to attend the African Film Festival that runs from February 1- March 1. He noted that last year over 5,000 people attended the five-week film festival and he expects at least that many to attend this year's event. He thanked the College and in particular Dr. Gatewood and Cascade Campus for their support of this annual event.

Deborah Hall, Classified Federation President, said she assumed duties as the President of the Classified Federation the week of Thanksgiving and has been working to quickly get up to speed. She noted that December was a busy month for the Classified Federation beginning with their holiday party. The Classified Federation was again able to provide much needed assistance to some of the Federation families. She added that because need arises all year long a fund and a committee to manage the fund has been created called the "Members Helping Members" to help Classified Federation families any time special hardships arise. In March an event is planned with the Faculty Federation on workplace bullying.

#### *Board Reports:*

Chair Harper remarked that the recent Board work session was very productive. He also noted that he attends the Foundation Board meetings and is impressed that the Foundation continues to step up to the plate for PCC students by raising scholarship funds. Additionally, the Foundation has a goal of becoming one of the top ten foundations in the country for community colleges and Chair Harper believes this goal will be realized.

#### *District President Report:*

President Pulliams noted that in response to a request from the PCC Small Business Development Center staff a draft of a proclamation to establish National Entrepreneurship Week at PCC, February 23 through March 1, 2008 has been provided to the Board. This proclamation is the result of a coalition of groups throughout the country that includes the US Congress. He said this is a perfect complement to the work PCC does with businesses throughout the District. In support of this proclamation a resolution adopting the proclamation will be in February's Board agenda.

The President along with Jim Sager and Jim Francesconi met with Governor Kulongoski in a private meeting in which the Governor extended his compliments regarding PCC partnerships with the Oregon four-year university systems and

others. The Governor was knowledgeable about the number of PCC students who transfer to Portland State University and some of the projects the College is engaged in such as the Willow Creek Development in Hillsboro. He was particularly complementary of the partnership with Worksystems, Inc. and Oregon Institute of Technology.

The President said the visit gave him the opportunity to advocate on behalf of community colleges. The Governor responded that plans will likely be announced in the near future about additional support in a number of areas for higher education, K-12, and particularly community colleges. President Pulliams complimented Governor Kulongoski on the Shared Responsibility Model and asked him to partner with the College's efforts to provide at least two years of college to every Oregonian through partnerships with business, industry, and other foundations. The Governor asked him to send him more information about that proposal. President Pulliams also proposed that university centers be built at some of the community college campuses so students as they graduate or finish their course work at various campuses throughout the state would have the opportunity to begin to work toward a baccalaureate degree without leaving their community. The Governor was interested in that proposal saying it could be a useful tool to achieve the 40-40-20 plan. President Pulliams asked for the Governor's support for PCC's bond initiative and the Governor said he would see what he can do to support the bond initiative for PCC as he has bond initiatives throughout the state for other community colleges.

The President thanked Board members for their active participation and support of the College's community based information sessions held over the last month regarding the bond program. He said the College will hold its annual financial aid day, January 26<sup>th</sup> at locations around the district. He invited the Board to attend the 9<sup>th</sup> Annual Winter Pow Wow at Sylvania Campus on January 19<sup>th</sup> starting at 10am. He said it is a fantastic cultural event for which many PCC faculty and staff members volunteer their time. Another upcoming event is the Legislative Reception on January 30<sup>th</sup> at 4:30 pm at Southeast Center.

He then asked Sylvia Welch to report on a program in recognition of Black History Month in February. Ms. Welch said the program will be on February 8<sup>th</sup> at OMSI. It will feature Dr. Freeman A. Hrabowski, III, President of the University of Maryland (Baltimore County) who will speak about the access imperative and creating a climate that will help get all students through college. He will be at OMSI at 8am for a breakfast with his presentation beginning at 8:30 am. Following the presentation will be a strategy session about his topic and ways the College can incorporate some of the methods he will talk about into individual lives, departments, and throughout the College to further diversity initiatives. President Pulliams added that Dr. Hrabowski is one of the leading African American educators in the country and has claimed international note and fame for being able to increase the number of African American medical students from his institution and also students in the sciences, engineering, and math. The

strategy session following his presentation will be used in part to discuss what PCC can do regarding to the lack of participation in higher education and completion and K-12 education of high school males of color. He noted Director Williams' work in finding money and support for scholarships for that particular population.

He concluded by noting the 2007 Administrative Services Accomplishments report provided to each Board member highlights work done by Administrative Services Division. He congratulated Randy McEwen and Wing-Kit Chung for their leadership of the Division.

### **ADJOURNMENT**

There being no further business, the meeting adjourned at 9:00 PM.

### **NEXT MEETING**

The next business meeting of the Portland Community College Board of Directors will be held on February 21, 2008 at 7:30 PM in Board's Conference Room at the Sylvania Campus.

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Jim Harper, Board Chair

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Dr. Preston Pulliams  
District President

Prepared by:

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Lorna J. O'Guinn  
Assistant to Board of Directors

Minutes approved on February 21, 2008