

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  
November 6, 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 Real Property Transactions in accordance with ORS 192.660 (2), (e) at 6:45 PM, adjourning at 7:20 PM.

**CALL TO ORDER**

Chair Frisbee called the business meeting to order at 7:30 PM and invited all present to introduce themselves. She noted she and the Board are very pleased that the PCC bond initiative passed.

**APPROVAL OF THE AGENDA**

The agenda was approved as published.

**INFORMATION SESSIONS**

Board Fiscal Responsibilities

Rina Byrne, Audit Manager, TKW; Angelique Whitlow, Audit Partner, TKW; Rob Moody, Audit Partner, TKW

President Pulliams called TKW staff forward to provide information in response to the Board's request at the August retreat that the College's auditors provide information about the key parts of the Board's role in fiduciary responsibility and financial policy making at Portland Community College (PCC).

Mr. Moody said the TKW presentation would describe what they see as fiduciary responsibilities of the Board and then follow-up with conversation about audit committees. He went on to say that the fiduciary responsibility of Board members is oversight of PCC's financial affairs; awareness of the inherent risk of material misstatements relating to the College budget including fraud, error or any form of financial risk; and the ability to mitigate risk and problems when they occur. He said

TKW's role is to identify fiscal risk and the possibility of risk along with appropriate controls that should be in place. He said the Board's role is to take an active part in follow-up, reporting, questioning, knowing what the risks are, what the controls are and making sure those controls are functioning the way the Board believes they are. He added that the Board can't delegate its responsibility over those types of actions or the responsibility in general for good fiduciary stewardship of public money.

Mr. Moody said that an effective means of oversight and monitoring is an audit committee comprised of people with an appropriate level of expertise and financial knowledge such as Board members, CPAs and people involved in government finance. He noted that the size of PCC's district provides a large pool of possible committee members to choose from and that typically audit committees are hierarchically positioned between the Board and management or between the Board and audit function. He noted that because the PCC Board is actively involved in many areas within of the College, an audit committee could be a proactive approach that would provide a level of focus that might not be possible or practical on financial issues on behalf of the full Board. Additionally, an audit committee would be able to focus on financial areas, challenge management assumptions or estimates, and likely provide an earlier, stronger sense of independent monitoring and oversight capabilities that could identify financial problems while they can still be corrected before they become material errors. Typically audit committees meet with College financial management three or four times a year as a committee, twice with the independent auditors and periodically report to the Board.

Director Williams questioned the need for an audit committee given the excellent financial management team at PCC and the Board's continuous oversight of the President and his administrative staff. Mr. Moody replied that TKW performs a risk-based audit whose function is to identify possible control deficiencies, significant deficiencies and material weaknesses in internal control. He described each of these categories: control deficiency is when the design or operation of an internal control doesn't function to the point where it would allow a misstatement to be detected or prevented in a timely manner by college staff; a significant deficiency is a control deficiency or a combination where the chance of it occurring is more than remote and the impact is more than inconsequential; material weakness in internal control is when there is a real potential for something to go wrong and simply not be detected and the impact of it is material to PCC's financial statements. He then listed examples of past findings and their impact noting that identifying material weakness in internal controls defaults an auditee to a high-risk audit client status for whom the independent audit requirements increase from 25% coverage to 50%, resulting in additional cost to the College. Mr. Moody asked if he had answered Director Williams' question. Director Williams said the response provided a broad, global view but had not really answered the question for him and that he still believes the audit committee would be an unnecessary layer of oversight that would not benefit the College but if the other Board members believed it should be considered he would not oppose it.

Mr. Moody concluded his report saying the method of internal control is the College's decision and that TKW does not conduct a forensic or fraud audit but rather uses a risk-

based approach in which TKW evaluates the effectiveness of control procedures for significant accounts and then provides an opinion on them. Director Squire asked if PCC is a high-risk auditee, Mr. Moody responded that it is.

Dr. Pulliams thanked TKW for the presentation and reiterated that although the College system is not perfect he believes the financial team does a good job. He said he recommends implementing an audit committee for the following reasons: 1.) Although the current financial team does a great job, staff change and implementing an audit committee would create a safety net; 2.) The College is in the process of hiring an internal auditor that will report directly to the Board. He again thanked TKW for their presentation.

#### Bond Election Results and Path Forward

Dr. Preston Pulliams, District President

President Pulliams expressed his pleasure in the support District citizens have shown in their passage of Measure 26-95. He said this was an amazing campaign conducted in a tough economic time and that it could not have happened without the concerted effort of Board members, executive staff, the Federations and others. He recognized Chair Frisbee for her leadership role with the campaign committee, Director Squire for serving as a member of that committee and raising money for the campaign, and Director Harper for attending meetings and raising money for the campaign. He noted that more than 50 presentations by Board members and staff were given to local organizations and that volunteers, including the Federations, contacted over 1,500 voters by phone and in door to door canvassing. He commended volunteers who worked on other activities including letters to newspaper editors, editorials, brochures, news stories, voter pamphlets stating PCC's position, community meetings and more. He said that passage of this bond measure will raise PCC to a new level in terms of serving students in programs, labs, and equipment and that translates to better serving the community. Dr. Pulliams said that throughout the campaign he enjoyed talking to community groups about the College because he was never able to complete a presentation without someone from the audience sharing a story about how PCC had touched their lives, or the life of someone they care about, in a positive way.

He called Randy McEwen, Wing-Kit Chung and Kristin Watkins forward and asked Ms. Watkins to share information about current voter totals. Ms. Watkins distributed a voting precinct summary of the votes as of 5:00 PM on November 6. She said at that time Measure 26-95 was passing by 30,000, with 53% of the voters in favor and that Multnomah County still has a few thousand votes to be counted. President Pulliams noted that Ms. Watkins headed the internal effort to support the campaign committee and that her staff and Dana Haynes, along with everyone in the boardroom that had a hand in the success of the bond campaign, did a phenomenal job.

The President then asked Mr. McEwen and Mr. Chung to describe the next steps that will be taken in implementing the bond program. Mr. McEwen reported that over the next few months conversations will be held regarding key strategic questions that will guide the program's shape, structure and approach to implementation: Very closely integrated activities will need to take place regarding staging, overall financial strategy

and timing of debt issuance. Overall management structure for the program will also need to be considered including project management, authority and responsibility for various elements, adherence to the Board's policy objectives for the bond program and program themes, and professional services needed. He said that the goal is to have a plan completed by In-Service 2009. He noted that through the process it will be critically important to encourage participation of students, staff and faculty in selecting service providers, building appearance and other appropriate areas. Director Squire asked if the plan for buildings and programs is scheduled to be completed in September 2009. Mr. McEwen said the plan will be a continuous process with concepts brought to the Board in real time as they are approved by President Pulliams with the objective to have the plan well defined with functions filled or at least identified by In-Service 2009. Mr. McEwen concluded by saying he believes people at PCC sometimes underestimate their talents and effectiveness but the support received from district citizens in the current bond initiative was due to the quality of work PCC exhibited in the last bond program and that gave credibility to the current bond initiative.

Chair Frisbee echoed President Pulliams' comments about the tremendous job the team did in producing materials that aided in making presentations and everyone's work at every level. She said that this bond initiative has been carefully considered for many years and that she agrees with Mr. McEwen's comments that PCC enjoys a high level of credibility with community members that has never wavered. She said that in no public presentation did she hear a harsh word about PCC and was always welcomed even though she was coming to see groups to ask them for support for the bond initiative. She thanked Dr. Gerber for the work she and her team have been doing in Yamhill County. Chair Frisbee thanked President Pulliams for being a one-man fundraiser with an amazing presence in the community; that he had served the College well and deepened community relationships beyond the bond initiative process.

#### Willamette Building

Dr. Pulliams asked Randy McEwen and Wing-Kit Chung to come forward to present an update on programming and financial information on the Willamette Building. Mr. McEwen said the Willamette Building is surplus state property that has an asking price of \$5 million. The College is interested in purchasing the property to consolidate some administrative functions including Financial Services, Human Resources, Diversity and Equity and some portions of Academic and Student Services. Additionally, the possibility of significant classroom space and a retail entity are being explored. He said the building with renovation is a good match for the needs identified in the bond program and that the due diligence examination the Board authorized continues. Mr. McEwen said Resolution 09-033 includes a brief history of Board action to date regarding the Willamette Building. He also said no earnest money has been advanced at this point but that the University of Oregon (U of O) has indicated they need to close the sale before the end of the calendar year and that there are other parties interested in purchasing the building.

Mr. Chung said that due diligence architectural and structural examination of the early 1900 historical building indicated that only earthquake and minor structural upgrades would be needed before purchase and occupation of the building. He said the total cost of purchase and renovation would be just over \$12 million including the purchase price, remodel and structural upgrade and that financing and debt services will be provided by bond funds.

President Pulliams opened the floor for questions. Director Lim questioned the College's ability to meet the University of Oregon's timeline. Mr. McEwen said the College has been working with the U of O's legal counsel on the Purchase and Sale Agreements and that closing should be able to be completed by the end of December. Director Squire said he believed that Director Lim's question was how payment can be provided that quickly. Director Lim confirmed that was his question. Mr. Chung replied that financial options include short time borrowing in the form of bond anticipation notes following county certification of election results or an internal loan of college funds. President Pulliams thanked them for the report.

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

None

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

None

#### **BUSINESS MEETING**

Director Lim proposed approval of Resolution 09-033. The motion passed unanimously.

#### *Other Reports:*

Eddie Lincoln, Faculty and Academic Professional Federation President, commented that the weeks of work knocking on doors and making phone calls was rewarded in that all ballot measures the Federation opposed were defeated and those the Federation supported passed.

Deborah Hall, Classified Federation President, also expressed her happiness in the election outcomes and that passage of PCC's bond initiative will make PCC even more incredible school for future generations.

Andrea Salyer, ASPCC Student Representative, said students also participated in phone banks to encourage voters to vote in favor of passage of the PCC bond initiative and that students are excited about the results. She added that throughout the district

students registered over 2,500 new voters. Director Palmer asked her if she had information about the percentage of students who voted. Ms. Salyer said she did not have a total count but that over 500 students turned in ballots at the Sylvania ASPCC ballot collection point. Chair Frisbee congratulated her for their success and thanked the students for their active role in the election process.

*Board Reports:*

Director Williams thanked the Board, the President, and others for their support during his illness.

Director Harper said many people have been recognized for their contributions to passage of the bond measure and that he would also like to recognize and thank the PCC Foundation Board for their vision, support and commitment to passage of the bond initiative. President Pulliams and Chair Frisbee agreed with his comments.

*District President Report:*

President Pulliams expressed gratitude to the Board for their interest and comments regarding fiscal and financial responsibility and for Director Williams' faith in staff. He added that he has asked the Board to consider the proposal to implement an audit committee and that we will proceed as the Board directs as they deliberate on the matter.

He thanked Chair Frisbee and Directors Lim, Harper and McGlasson for their attendance at the ACCT Leadership Congress in New York. He noted that Director Harper participated in a presentation about PCC's Life by Design Northwest program. He also noted that Director Williams was scheduled to do a presentation but was unable to do so due to illness but that he, Harold Williams Two and John Jackley from PDC did a presentation about the work being done in Northeast Portland. He also congratulated Lorna O'Guinn for being recognized as the Outstanding Board Assistant for the Pacific Region.

Dr. Pulliams reminded the Board that the next Board meeting will be November 20<sup>th</sup> at Cascade Campus and that the state revenue forecast will be released on November 19 and the biennial budget process will begin at that meeting. He added that because State funding is the principal revenue source for the College this will be important information and that the College is taking every precaution to protect the College's financial position and continue to carry on PCC's mission.

He concluded by reminding the Board that the College will be closed on November 11<sup>th</sup> in observance of Veteran's Day.

## **ADJOURNMENT**

There being no further business, the meeting adjourned at 8:40 PM.

## **NEXT MEETING**

The next business meeting of the Portland Community College Board of Directors will be held on November 20, 2008 at 7:30 PM in Moriarty Art Center Auditorium at the Cascade Campus.

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Denise Frisbee, 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 December 4, 2008