

**MINUTES OF THE BOARD OF REGENTS
FINANCE COMMITTEE MEETING
GALVESTON COMMUNITY COLLEGE DISTRICT
4015 Avenue Q
Galveston, Texas 77550
Room M-202 – Moody Hall
April 10, 2018
4:00 p.m.**

At the Board of Regents Finance Committee Meeting of the Galveston Community College District, duly held on Tuesday, April 10, 2018, in Room M-202 of Moody Hall, commencing at 4:00 p.m., the following Finance Committee members were present: Mr. Fred D. Raschke, Chairperson, Mr. Michael B. Hughes, and Mr. Carl E. Kelly. Other Regents attending the meeting were Ms. Karen F. Flowers and Mr. Raymond Lewis, Jr.

Staff present included Dr. W. Myles Shelton, President, Ms. Carla Biggers, Mr. M. Jeff Engbrock, and Dr. Gaynelle Hayes. Also present were representatives from Moody National Bank: Mr. Jimmy Allen, Mr. Victor Pierson, and Ms. Katherine Rodriguez.

- I. CALL TO ORDER:** Chairperson Fred D. Raschke opened the meeting at 4:00 p.m. in Room M-202 of Moody Hall and determined a quorum was present.
- II. CERTIFICATION OF POSTING NOTICE OF FINANCE COMMITTEE MEETING:** Dr. Shelton confirmed that the notice of the Finance Committee meeting had been properly posted on April 6, 2018.
- III. CONSIDER APPROVAL OF MINUTES FROM NOVEMBER 28, 2017 MEETING:** A reading of the minutes for the November 28, 2017 meeting was waived. Mr. Hughes moved to approve the minutes as presented; Mr. Kelly seconded. The motion passed unanimously.

Mr. Raschke recommended addressing Agenda Items VI and VII since there were Moody National Bank representatives present. There was no objection from the Committee.

- IV. REVIEW AND DISCUSS REQUEST FOR PROPOSALS FOR ANNUAL EXTERNAL AUDIT SERVICES:** Mr. Raschke reminded the Regents that there was prior discussion to advertise for external audit services due to the length of time since the last request for proposals (RFP), and it would be a best practice. Dr. Shelton stated there is no requirement by the state nor a Board policy that specifies a period of time to change auditors. This process does allow the College to compare information of services provided and costs. Dr. Shelton reported that nine vendors responded to the College's RFP. Six proposals were received, five of which were complete and one was missing required documents and not considered.

Mr. Jimmy Allen with Moody National Bank arrived at 4:08 p.m. He introduced himself to the Regents, thanked the College for its relationship with the bank, and then excused himself.

IV. REVIEW AND DISCUSS REQUEST FOR PROPOSALS FOR ANNUAL EXTERNAL AUDIT SERVICES: *(Continued)*

After a review by staff, the top three firms were interviewed: Carr, Riggs & Ingram, LLC (CRI), Whitley Penn, LLP, and Weaver & Tidwell, LLP. Dr. Shelton summarized the proposals and interviews with each firm. There was little difference in the proposed first year annual audit fees between the three firms. This amount is different from the five-year cost proposed that did vary. Dr. Shelton and Mr. Engbrock explained staff's reasoning for its recommendation of the College's current external auditor, CRI, for the amount of \$51,000 for the first year's annual audit. This amount is less than the fee paid for the last audit. It was noted that no local firm submitted a proposal.

V. DETERMINE COMMITTEE RECOMMENDATION TO BOARD OF REGENTS REGARDING REQUEST FOR PROPOSALS FOR ANNUAL EXTERNAL AUDIT SERVICES: After review and discussion of the proposals submitted for the annual external audit services, Mr. Hughes moved to recommend to the Board of Regents awarding the contract to Carr, Riggs & Ingram, LLC, in the amount of \$51,000 for the first year's annual audit; Mr. Kelly seconded. The motion passed unanimously.

VI. DISCUSS RENEWAL AGREEMENT TO EXTEND THE BANK DEPOSITORY CONTRACT: Dr. Shelton presented, for the Committee's consideration, the Renewal Agreement with Moody National Bank for the bank depository contract. The original agreement was awarded in 2016 with the option to extend the contract for an additional two-year period. This agreement would be effective beginning September 1, 2018, and terminating August 31, 2020. Also provided was a handout showing that the bank has adjusted the rates that were originally bid for time deposits. Other parts of the agreement remain the same. Mr. Vic Pierson expressed the bank's appreciation for the partnership with Galveston College and confirmed that the terms of the contract would remain the same. Certificate of Deposit rates have been adjusted upward with a new floor. As rates may increase, new rates can be negotiated, which is what has been done in the past.

VII. DETERMINE COMMITTEE RECOMMENDATION TO BOARD OF REGENTS REGARDING RENEWAL AGREEMENT TO EXTEND THE BANK DEPOSITORY CONTRACT: Mr. Kelly moved to recommend to the Board of Regents the approval of the Renewal Agreement to extend the bank depository contract with Moody National Bank for the two-year period beginning September 1, 2018, and terminating August 31, 2020; Mr. Hughes seconded. The motion passed by a vote of 2-0-1 with Mr. Raschke abstaining.

- VIII. REVIEW AND DISCUSS IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 74, FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS PLANS OTHER THAN PENSION PLANS, AND STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (GASB STATEMENTS 74 AND 75):** Dr. Shelton explained the impact on the College's financial reporting by implementing GASB Statements 74 and 75 this year. He shared this information with the Board's executive committee, and the officers asked that it be shared with the Finance Committee and the Board. As with GASB Statement 68 in 2015 that addressed how state agencies account for their pension liability, these new statements dictate how the College would account for post-employment benefits other than pensions, referred to as OPEB. In particular, this would be health insurance coverage for retirees. The College would have to record its share of OPEB as a liability taking funds from unrestricted net assets. As of now, the state's net OPEB liability is about \$34.0 billion. Galveston College's total share of that amount to be recorded this year is currently estimated at \$12.9 million. It is possible this amount could be more or less once the state provides additional information, such as actuarial numbers. Using this figure, the unrestricted fund balance would be reduced to \$437,786 from over \$13.4 million currently. Dr. Shelton noted that although it all sounds pretty dire, implementing GASB 74 and 75 is just a booking entry. The College still has control of these funds, and they would still be available to spend. Also, it is currently our understanding that it does not affect the College's bond rating. Due to the unknowns, Dr. Shelton said it is hard to forecast the actual impact to the College, but it is a healthy institution financially. The College has the resources to meet its financial commitments, but unrestricted net assets will have to be rebuilt over time. This topic will be on the agenda for the Board Retreat and during the budget process as more information is provided by the state.
- IX. DETERMINE COMMITTEE RECOMMENDATION TO BOARD OF REGENTS REGARDING IMPLEMENTATION OF GASB STATEMENTS 74 AND 75:** The Committee had no recommendation to the Board of Regents at this time.
- X. ADJOURNMENT:** There being no further business to come before the Finance Committee, the meeting adjourned at 4:47 p.m.

Carla D. Biggers, Clerk

APPROVED AS CORRECT:

Fred D. Raschke, Chairperson