

May 20, 2025, Board Finance Committee Meeting Minutes – Final after Committee approval at next meeting

**BOARD FINANCE COMMITTEE
SAN JACINTO COMMUNITY COLLEGE DISTRICT
May 20, 2025**

Members Present: Dan Mims, Erica Davis Rouse, and Larry Wilson

Members Absent: Keith Sinor

Other Trustees Present: None

Others Present: Brenda Hellyer, Carin Hutchins, Linda Torres, Dianne Duron, and Shawna Pina

- I. The meeting was called to order at 5:07 p.m. by Erica Davis Rouse, who was standing in for Keith Sinor, Committee Chair.
- II. Roll Call of the Committee Members
 - Dan Mims (Ex-officio member), present
 - Erica Davis Rouse, present
 - Larry Wilson, present
 - Keith Sinor, Committee Chair, absent
- III. Approval of Minutes from February 20, 2024, Board Finance Committee Meeting
 - E. Davis Rouse presented the minutes from the February 20, 2024, Board Finance Committee meeting.
 - A motion was made by L. Wilson and seconded by D. Mims to accept the minutes as presented.
 - B. Hellyer suggested having meetings at least quarterly and continuing with the Board Workshop in August of each year and everyone agreed.
- IV. Review and Discussion of Internal Audit Reports:
 - L. Torres, Executive Director of Internal Audit, updated the Board Finance Committee (Committee) regarding the status of completion of corrective action plans and the completion of four new audit reports.
 - L. Torres updated the Committee on the San Jacinto College Promise (Promise) Program. She noted there are no reconciliations between what is invoiced to the San Jacinto College Foundation (Foundation) and payments received by the College. L. Torres explained that a plan has been put in place to reconcile invoices, and a new fund has been set up in Banner for the Promise Program. L. Torres notified the Committee that it's the responsibility of the Internal Audit Department to monitor the implementation of corrective action plans; therefore, the team will review the progress and provide periodic status reports to management. These reports will

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identify the status of the corrective actions in accordance with the timelines provided within this audit report.

- L. Torres updated the Committee on the National Junior College Athletic Association (NJCAA) Student Eligibility Compliance Audit which found the College is compliant with NJCAA student eligibility regulations. As a result, no reportable observations were made during this audit.
- L. Torres updated the Committee on the Facilities Fleet Management Audit Report. The College leases vehicles from Enterprise. The current contract on file for leasing of fleet vehicles is incomplete and missing information surrounding terms and conditions. L. Torres also stated the current method utilized to dispose of College-owned Facilities fleet vehicles are not conducted in accordance with established College procedure. Vehicle maintenance records have not been consistently retained and entered into San Jacinto College's maintenance work order system, and there is no method of tracking trailers. L. Torres suggested improvements be made to strengthen existing controls and procedures. It is the responsibility of the Internal Audit Department to monitor the implementation of corrective action plans; therefore, the team will review the progress and provide periodic status reports to management. These reports will identify the status of the corrective actions in accordance with the timelines provided within this report.
- B. Hellyer asked if L. Torres was able to get the contracts from the State that included the missing documents, and she stated that even the copy the State had was missing the same pages.
- L. Torres updated the Committee on the Senate Bill 17 (SB 17) Compliance Audit. The College was found to be in compliance with SB 17 based on the scope of the review which included policies, procedures, and hiring practices.
- L. Torres updated the Committee on the Culinary Arts Departmental Audit which was a follow up to the original audit performed in June 2023. The June 2023 audit found there was a lack of procedures and documentation surrounding catering events performed by Culinary Arts personnel and students. Internal Audit recommended the development of documented catering procedures to include documentation standards for all events. Although catering procedures have been drafted and are acceptable, culinary events that have occurred since the corrective action plan completion date have not adhered to the documentation requirements of these procedures.
- B. Hellyer stated she would talk with Dr. Alexander Okwonna and the documentation requirements for catering events will be implemented by the fall semester.
- L. Torres updated the Committee on a Dual Credit Billings Audit that was originally performed in February 2023 with follow-up reports that were completed in June 2024 and January 2025. L. Torres observed that forms created for the codification of the third-party dual credit billing arrangements were not consistently submitted to external entities for verification and retained by the College. The forms are now requested annually and integrated into Memorandum of Understandings (MOUs) based on the follow up audit completed in January 2025.
- L. Torres updated the Committee on the Dual Credit MOUs Audit. The original audit was completed in May 2022 and the follow up audits were performed in June 2024 and January 2025. L. Torres stated that although the College has partnerships

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with nine area private high schools, as well as home school students, there were no MOUs in place with these entities. The Dual Credit department agreed to the proposed recommendations and developed MOUs for all listed private schools. The single home school template for all home school students was also developed and will be reviewed and recommend for approval by the Board of Trustees at the June 2, 2025, regular meeting.

- L. Torres updated the Committee on the Automotive Technology Vehicle Inventory Follow-Up Audit. She stated the only recommendation still outstanding is related to a donated fire truck. It is no longer being used and needs to be removed from Central Campus, but she didn't want to hold the entire audit open pending the truck's disposal.
- B. Hellyer suggested trying to find someone to haul it off and scrap it. C. Hutchins will follow up and ensure the fire truck is disposed of properly.
- D. Mims told L. Torres that she and her team put a lot of work and effort into these reports, and he wants to make sure the Board is providing the feedback she needs from them. L. Torres explained to D. Mims and the Committee that her goal is to make sure everyone is comfortable with the reports and to answer any questions they may have. It was agreed that L. Torres will continue emailing the reports to the members of the Committee when completed, any questions will be submitted to B. Hellyer, and they will be reviewed at the planned quarterly Committee meetings discussed earlier in item III above.

V. Review and Discuss Arbitrage Rebate Calculation

- Arbitrage in the context of tax-exempt bonds refers to the practice of borrowing at tax-exempt interest rates and investing the proceeds in higher-yielding taxable investments. The IRS strictly regulates this through arbitrage rules under the Internal Revenue Code (Sections 103 and 148), and issuers must calculate and rebate any excess earnings (arbitrage profits) to the federal government.
- Positive arbitrage occurs when investment yields are higher than bond yields, and negative arbitrage occurs in the opposite situation. The College had not been in a positive arbitrage situation prior to the 2021 and 2022 issues.
- Due to the current interest rate environment, administration requested the calculations be performed ahead of their due dates of 2/18/26 and 2/17/27 to record any resultant liability before year end.
- The College has the option of paying the liability early. There is not a requirement to do so, and doing so would cause the College to miss out on allowable interest earnings.
- The arbitrage liabilities of approximately \$563,000 (for the 2021 issue) and \$2.643M (for the 2022 issue) will be recorded in the restricted fund in May. The amounts may change as we plan to have a recalculation in July 2025 to align better with the College fiscal year end.
- The calculations are complex, so a consulting firm, PFM Asset Management, has been engaged to perform the arbitrage calculation.
- To minimize the arbitrage liability, PFM Asset Management has recommended that

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the College invest the remaining bond proceeds in Demand Deposit State and Local Government Series (SLGS) securities, which are variable rate U.S. Treasury securities exempt from both yield restriction and arbitrage rebate. Bond proceeds invested in SLGS create the opportunity to potentially earn and keep more positive arbitrage. Once the SLGS rate dips below 2.21% the balance can be redeemed to purchase another investment, if desired. As bond-related expenditures are incurred, redemption requests can be submitted at any time.

- B. Hellyer asked if we need a delegation to move forward with investing the bond proceeds in SLGS.
- C. Hutchins noted that she would determine if the Board of Trustees need to take any action for the College to invest the bond proceeds in SLGS.
- E. Davis Rouse stated this seems to be straightforward and asked why we were not using this investment to begin with.
- C. Hutchins and D. Duron stated that the required investment training had not referenced this option, and the recommendation from PFM Asset Management came forward as they completed the arbitrage calculations. They also recommended the College not pay the IRS early, and there are no penalties assessed as long as the liability is paid by the due date. Administration will discuss the strategy and liability in more detail at the budget retreat with the full Board of Trustees in July 2025.

VI: Adjournment

- The meeting adjourned at 5:50 p.m.