

**MCLS Audit and Finance Committee
Conference Call
September 26, 2007**

Draft Minutes

Participants: Greg Mullen, SAM, Chair; Barbara Pearson, ALT; Debra Brighton, ELS; Greg Shapton, POM; Paymaneh Maghsoudi, WHI; Rosario Garza, Pamela Collins, Jeri Takeda, MCLS.

Unable to Participate: Jean Scully, RED

Greg Mullen began the conference call at approximately 2 pm.

1. Review of MCLS Financial Statements.

Rosario Garza reported that there were no findings for the MCLS Financial Statements, June 30, 2007. Committee members were pleased with the improvement in the financial status. It was noted that Council voted to increase the capitalization threshold from \$1,000 to \$5,000.

It was MSP (Shapton, Pearson) to recommend Council approval of the MCLS Financial Statements, June 30, 2007.

2. MCLS Investment Policy.

- It was MSP (Maghsoudi, Brighton) to recommend that Council reauthorize the Business Manager and Executive Director as agents for a period of one year to invest or reinvest funds to sell or exchange securities held by MCLS per California Government Code 53607.
- It was MSP (Pearson, Maghsoudi) to recommend that Council authorize Mellon 1st Business Bank to serve as the investment agent for MCLS for 2007/08.
- MCLS staff reported concerns with the Liquidity section of the MCLS Investment Policy which states: "MCLS will maintain balances in liquid public checking and money market accounts to handle all projected cash needs for the budgeted fiscal year." Staff noted that MCLS funds are monitored regularly with needed funding available in the money market or checking account. Committee members noted that it was not the intent when the policy was adopted to have all of the funds needed for the entire year made available at the beginning of the year.

For clarification, it was MSP (Pearson, Shapton) to recommend Council approval of a change in the Investment Policy clause on Liquidity, changing the word “for” to “throughout” as follows:
“MCLS will maintain balances in liquid public checking and money market accounts to handle all projected cash needs for **throughout** the budgeted fiscal year.”

3. Quarterly Review of Investment Portfolio.

MCLS staff noted the investment of \$2.6 million in Federal Farm Credit Discount Notes which is an investment in a US agency and in compliance with the Investment Policy as an approved investment. The committee will meet again, possibly by conference call, prior to the maturity date of 12/7/07.

4. Insurance Review.

Rosario Garza referred to the handout distributed of MCLS Insurance Policies and confirmed that MCLS insurance coverage meets the coverage levels set forth in the MCLS JPA. Pamela Collins will investigate and report back to the committee on possible reduced insurance costs through CSDA.

5. Review Latest Budget Projections.

Rosario Garza reviewed the latest budget projection which will also be discussed at the MCLS Council meeting being held the next day. She noted the following:

- a reduction in Interest revenue from interest calculated at 4.8% rather than at the 5% originally budgeted
- the LSTA administrative fee revenue is likely to increase from an additional grant that Rosario Garza has been discussing with the State Library involving the four South State libraries in a bilingual English-Spanish program similar to the summer reading program
- Depreciation has increased with the inclusion of servers purchased in June '07
- a change in payroll service will result in a savings of \$3,000 this year and \$4,000 next year
- bids will be solicited for this year's audits; it was suggested that Morland and Associates be contacted as a firm providing audits for special districts
- Rosario Garza is confident that MCLS will have a positive budget at the end of the year.

The meeting was adjourned at 2:50 p.m.