

**MINUTES OF FINANCE COMMITTEE
OCTOBER 12, 2020**

1. Call to Order and Roll Call

Dr. McCreary called the meeting to order at 2:05 p.m. and asked the recorder to call roll.

Finance Committee members present: Dr. McCreary, Mr. Duffy, and Mr. Nowak

Other Trustees present: Chair Redmer, Ms. Rakow, and Mr. Meyer

Trustees absent: Dr. Ollayos and Ms. Vitacco

Others present: Dr. Sam, President; Dr. Heinrich, VP Teaching, Learning & Student Development; Dr. Wagner, VP Business & Finance; Dr. Garber, VP Planning, Institutional Effectiveness & Technology; Ms. Scholl, Asst VP, Business & Finance; Ms. Strossner, Managing Director of Auxiliary Enterprises; Mr. Respicio Vasquez, General Counsel; Ms. Loewe, Recorder; ECC staff members

2. Preliminary Matters

A. Statement from Dr. McCreary regarding COVID-19 Disaster

On September 18, 2020, Governor J B Pritzker extended by 30 days, until October 17, the disaster proclamation relating to COVID -19. Since attendance at this meeting location is not feasible because of the COVID-19 disaster, members of the public may virtually attend this meeting.

On June 12, 2020, the Governor signed Public Act 101-0640 into law. This new law amends the Open Meetings Act to authorize public bodies to meet remotely without the otherwise required quorum present at the meeting place.

- 1. This authorization is only effective when the Governor has issued a disaster declaration that covers the jurisdiction of the public body.*
- 2. The head of the public body must make a determination that an in-person meeting is not practical or prudent due to a disaster. Our agenda states that there is a virtual component to this meeting as we adhere to the restrictions of the Phase 4 Recovery Plan.*
- 3. Roll Call will determine whether a trustee is attending in-person or virtually and confirm that all are able to hear each other during the meeting.*
- 4. Members of the public are welcome to attend in-person or virtually.*

5. *One member of the public body or the chief administrative officer or the chief legal officer must be present at the meeting place. Dr. Sam is present.*
6. *All votes must be by roll call.*
7. *Notification has been provided in accordance with the Open Meetings Act.*
8. *Both Open and Closed sessions of a virtual meeting of the public body must be recorded.*

3. Approval of Meeting Minutes of the Finance Committee of May 11, 2020

Motion: Trustee Nowak moved to approve the minutes of the May 11, 2020 meeting.

Second: Trustee Duffy seconded the motion.

Roll Call Vote: Aye, 3: McCreary, Duffy, Nowak
Nay, 0

4. New Business

A. Draft June 30, 2020, Financial Statements

Prior to Dr. Wagner's presentation, she referred to Dr. Sam for a preliminary statement.

Dr. Sam stated that the Administration will, in subsequent future meetings, bring to the Board a freeze on the proposed property tax levy, and additionally, a freeze on a tuition increase for FY22.

Dr. Wagner made mention of the presence of Fred Lantz from Sikich, via phone, to assist with any questions the Board might have during the presentation of the financial statements. Dr. Wagner further explained that there is a delay in the delivery of the Comprehensive Annual Financial Report, as of June 30, 2020, due to a missing compliance addendum from the federal government. Dr. Wagner reminded the Board that ECC has received over 4 million dollars via the CARES Act; furthermore, ECC has spent over the \$750,000 single audit threshold, requiring Sikich to perform comprehensive testing for our single audit. Sikich is waiting on the compliance requirements from the government for the CARES Act, which has not yet been released. Sikich is hopeful guidance will be released in October, allowing them to perform the audit; moreover, Dr. Wagner stated that the audit presentation and final audit financial statements will be delivered at the December 7th Finance Committee meeting.

Dr. Wagner reviewed the draft year-end financial statements provided from Sikich for June 2019 through June 2020. Dr. Wagner highlighted several items in the packet, the first of which related to the FY20 transfer of funds, on several occasions, from the Education Fund to other funds. These transfers totaled \$18.45M and included both budgeted and those approved by the Board. Other transfers included the Board-approved

transfer to Operations & Maintenance Restricted Fund for \$10.6M. Dr. Wagner also reviewed the FY20 Change-in-Net Position statement which, before capital contributions, for all funds was \$12.5M. After capital contributions from software, the final statement increased to \$14.2M.

The discourse continued between Mr. Meyer, Dr. Wagner, and Ms. Scholl regarding the Change-in-Net Position statement, resulting in the confirmation that ECC ended the year with \$12.5M more in excess revenue over our expenses, prior to any transfers to restricted funds, and barring the additional software contributions. Mr. Meyer also confirmed with Dr. Wagner and Ms. Scholl that the excess \$12.5M *is* available to add to those monies set aside for capital expenditures. Dr. Wagner agreed.

Dr. McCreary asked Dr. Wagner if there were any transfers related to long-term financial obligations for pensions. Dr. Wagner confirmed that they used the college insurance plan, funded in the fall and spring and that the recommendation will not be brought to the Board again until next spring. Dr. Wagner reminded Dr. McCreary that the transfer is not automatic and requires Board approval for processing.

Mr. Meyer further questioned Dr. Wagner and Ms. Scholl on the change in investments and cash and cash equivalents, specific to the Change-in-Net Position statement, over the \$12.5M already discussed. Ms. Scholl confirmed the excess was due partially to timing differences in liquidated assets and other investments for reinvestment. Mr. Meyer also asked about the sizable increase of \$9M in instructional expenses from year to year, above any funds related to the COVID-19 response. Dr. Wagner informed Mr. Meyer that they would defer to the next meeting to allow for additional time to accurately prepare information for a response. Ms. Scholl did inform Mr. Meyer that the potential change is likely due to the change in the allocation of employee benefits and SURS payments.

B. Review of the Fiscal Year 2021 Budget

1. Overall Review of the Budget

Ms. Scholl stated that at the beginning of the COVID-19 crisis, budget officers submitted their requests, which were compiled and then adjusted, prior to the approval of the final budget. However, budget officers were asked to readjust and review allocations to accommodate ongoing resource needs due to the pandemic. Budget officers will again be asked to review their budgets in spring after enrollment numbers are reviewed.

Despite a dip in enrollment, university transfer credits are up slightly. Additionally, Career and Technical Education (CTE) enrollment has declined by 33%, however, Ms. Scholl confirmed this is due not to lack of interest in the

programs, but more to ECC's dedication to upholding social distancing policies and limiting the number of students in classrooms. The aforementioned decline in overall enrollment is due mainly to the 70% downturn in credit hours in the non-tuition generating Adult Basic Education program. The decline in ABE offerings will allow a shift in expenses that were budgeted within the Education Fund to be shifted to grant funding which will help offset any decline in tuition revenue. Additionally, the decline in tuition revenue due to fewer offerings is expected to be minimized because the college is not incurring expenses related to these programs (adjunct faculty, instructional supplies, printing costs, etc.). Additionally, ECC has received an increase in state funding of \$357K over what was previously budgeted. Ms. Scholl stated that half of the proposed tax levy would impact the 2021 budget, and with no increase to the 2020 levy, the impact on the budget would be \$300,000. Ms. Scholl went on to explain there would be reduction/adjustment to fees for online students in the fall and spring, resulting in an impact of \$275,000.

Ms. Scholl went on to explain that while budget officers have presented initial reductions in their budgets, there may be additional opportunities for cost reduction as the year progresses, especially into spring. Ms. Scholl also explained that cost savings can be achieved by delaying or deferring several of the large construction projects slated for FY21, and she feels confident that the budget is in good standing.

2. Auxiliary Enterprises and Budgetary Impact (Kelly Strossner)

Ms. Strossner presented a high-level overview of the auxiliary enterprises over which she presides, including the Bookstore, Child Care Center, Facilities Rentals, and Food Service. Ms. Strossner shared a variety of mitigation plans for these areas, including changes to services, additional safety measures to reduce patronage and enrollment, and alternate staff placement where applicable. A complete review of the presentation slides can be obtained either by contacting the Recorder or Ms. Strossner directly. Ms. Strossner discussed that, due to the very limited number of employees and students on campus for the fall 2020 term, cafeteria sales have been down 93%. Additionally, staff hours spent servicing customers are very minimal. These unanticipated events have created an unsustainable financial outlook for FY2021.

Mr. Meyer commended Ms. Strossner for her presentation and her overall efforts in managing the campus' auxiliary areas and mentioned that he felt we were in better standing than he had anticipated. He also questioned the ability of the Child Care Center to be able to offer programming opportunities for older children, and

Ms. Strossner responded that although it might be an option at some point, the center was not currently equipped to manage such a scenario.

Dr. Wagner also praised Ms. Strossner for her efforts, and added that in forthcoming meetings, the Board would review similar presentations from the Corporate Training and Continued Education department.

3. Construction Project Summary

Dr. Wagner informed the Board that the summary was similar to what they have seen in the past, with the addition of monies and prioritization. Dr. Wagner went on to describe several of the projects, including current fiscal year projects, totaling over \$4M. Current projects include renovations to spaces, A/V System upgrades, and a chiller replacement. Due to the size and scope of these projects, full vetting is needed by the Board. Dr. Wagner suggested the Board review the projects and plan for a deeper discussion at a later time.

Dr. Wagner also revealed that Speer Financial is offering a bond refunding opportunity, including a new tax-exempt status. There are 3 bonds in question which require action within 90 days, which could result in tremendous savings for taxpayers. With the Board's permission, Dr. Wagner and Ms. Scholl would work with Speer to review a negotiated sale of such bonds next month. With a proposed ordinance, set parameters, and favorable market conditions, the sale of these bonds might help fund some of the aforementioned capital projects.

Mr. Meyer clarified the request of the Board was to approve the proposal to negotiate or review alternatives to reduce interest rates on current bonds and indebtedness, to which Dr. Wagner confirmed. The Board agreed to participate in a presentation by Speer at the November board meeting.

C. Internal Auditor Update

The search is ongoing, but going well, and Dr. Wagner is confident that by the December Finance Committee meeting, the position will be filled.

D. Discussion of FY 2021 Lab, Course, and Instructional Fees

Ms. Scholl reported that the provided materials were a follow up to the presentation given by her and Annamarie Schopen at the September Committee of the Whole meeting. Ms. Scholl also reported that the deans verified that they did not make any purchases with the funds that were budgeted for expenditures.

E. FY2022 Lab, Course, and Instruction Fees

Ms. Scholl and Ms. Schoepen completed a thorough review of the FY22 Lab & Course fees to ensure they had been consistently applied across all divisions. Finding the review satisfactory, they had very few recommendations, and of those, many are to reduce the proposed fees. Alternatively, increases in fees were related mostly to increased software costs or new courses.

F. Proposed Property Tax Levy – Tax Year 2020

Ms. Scholl reviewed the normal trend information and the yearly levy versus the extended property tax documents. Ms. Scholl reminded the Board that assumptions had previously been made regarding the parameters for the increase in EAV, and that the CPI currently stands at 2.3%. Ms. Scholl also stated that taxes can only be increased by the lesser of CPI-U for December of the prior year or 5%. Ms. Scholl went on to explain the previous levy extension approved by the Board in 2019, and further, what a zero-increase levy would look like (which would result in a \$1.59M savings to taxpayers). Ms. Scholl explained that during budget preparations for FY21, the 2019 levy was not finalized; therefore, assumptions have changed. The results would include a \$300,000 decrease to the Education Fund in FY21, and include further reductions to the Audit and Liability & Insurance funds; however, the estimated extension was greater than expected in previous years, allowing the Fund Balance to absorb the loss. Ms. Scholl noted that the resolution to support the no tax increase levy will be proposed at the November board meeting.

5. Audience Wishing to Address the Committee

Ms. Loewe reported to Dr. McCreary that there were no requests.

6. Old Business

No discussion of any previous business.

Adjournment

Motion: Trustee Duffy moved to adjourn the meeting.

Second: Trustee Nowak seconded the motion.

Roll Call Vote: Aye, 3: McCreary, Duffy, Nowak

Nay, 0; meeting adjourned at 3:15 p.m.