

**MINUTES OF FINANCE COMMITTEE
DECEMBER 7, 2020**

1. Call to Order and Roll Call

Dr. McCreary called the meeting to order at 2:02 p.m. and asked the recorder to call roll.

Finance Committee members present: Dr. McCreary, Mr. Duffy, and Mr. Nowak; all members participated virtually

Other Trustees present: Chair Redmer, Vice Chair Rakow, Mr. Meyer, Dr. Ollayos; all members participated virtually

Others present (in person): Dr. Sam, President; Ms. Loewe, Recorder; Ms. Kerruish

Others present (virtually): Dr. Heinrich, VP Teaching, Learning & Student Development; Dr. Wagner, VP Business & Finance; Ms. Scholl, Asst VP, Business & Finance; Mr. Lantz, CPA. Sikich LLP; Ms. Larkin, Manager of Production & Print Services; Ms. Hauca, Dean, Workforce Development & Continuing Education

2. Preliminary Matters

Statement from Dr. McCreary regarding COVID-19 Disaster

On October 16, 2020, Governor J B Pritzker extended by 30 days, until November 14, the disaster proclamation relating to COVID-19. Since attendance at the 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 October 12, 2020

Motion: Trustee Nowak moved to approve the minutes of the October 12, 2020 meeting.

Second: Trustee Duffy seconded the motion.

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

4. New Business

A. Comprehensive Annual Financial Report Presentation (Sikich, LLP)

Fred Lantz and Tom Siwicki shared a presentation of the compiled reports for the fiscal year ended June 30, 2020, for review and approval by the Board committee.

The presentation began with a general review of the reports, which included the Comprehensive Annual Financial Report (CAFR), Sikich's opinion on internal control over financial reporting and compliance with other matters, and Sikich's management letter. Mr. Lantz noted that the management letter is generally issued with the single audit report; however, due to delays in federal government guidance, the Single Audit was absent from the packet. Mr. Lantz explained the absence of the report was due to the expending of \$2.4 million in CARES Act Relief Funding by June 2020. Moreover, Sikich is still awaiting guidance from the federal government regarding testing on this funding, resulting in a delay in reporting beginning in September. Mr. Lantz stated he was hopeful the single audit and the schedule of expenditures of federal awards would be issued by December 10. Once Sikich receives federal guidance, testing on the funding will be completed within 30 days.

Highlights from Part 1 of the Sikich presentation included:

- Testing was completed in the Student Financial Aid portion of the single audit, comprised of almost \$12 million in expenditures. There were no findings or questions related to the Student Financial Aid Department.
- Sikich issued an unmodified opinion concerning the College's basic financial statements in relation to the opinion on the uniform financial statements and supplementary financial information. Mr. Lantz brought to the attention of the

Board a new paragraph in the opinion, related to the College's change in accounting for the student activity funds. Sikich also issued an unmodified opinion on the College's compliance with state requirements for the Career & Technical Education Program Improvement Grant, reported separately as part of the ICCB requirements.

- Sikich has also issued an unmodified examination report on the schedule of enrollment data and other basis upon which claims are filed. Additionally, an unmodified opinion found the College is in accordance with government auditing standards regarding internal control over financial reporting and compliance with other matters.
- In the Auditor's Communication to the Board of Trustees, Mr. Lantz pointed out three significant estimates with the financial statements. They are:
 - The inclusion of the 6% SURS penalty as part of the district's termination benefit liability.
 - The districts proportion share of the OPEB liability as part of the State of Illinois College Health Insurance program.
 - The zero net pension liability estimate for the College's participation in SURS, as the state does not record the entire liability on our behalf.
- Mr. Lantz was also happy to report that they encountered no difficulties in performing the audit, and further, commended the administration and college staff for working with Sikich to complete 97% of the audit remotely. Despite these challenges, he expressed pleasure in reporting no disagreements with management regarding the application of any accounting principles and standards in completing the overall audit of the college.
- Sikich did not audit the required supplementary information, resulting in no opinion issued. However, Mr. Lantz assured the committee that a careful review of the management discussion and analysis *was* completed for accuracy and integrity.
- As part of the Management Letter, Sikich is happy to have found no material weaknesses in internal control, no significant deficiencies in the internal control, no other deficiencies in the internal control environment.
- Mr. Lantz addressed a comment related to a much-needed IT security assessment, recommending it to be performed on a regular basis, preferably, quarterly. Additionally, he noted the need for formal documentation of the change management policy. Comments from the previous year's audit have been discussed and addressed.

Part 2 of the Sikich Presentation was the review of the independent audit report and internal control over financial reporting, which is usually found as a part of the single audit report. However, because Sikich was unable to complete the single audit report,

it was issued as its own separate document. Mr. Lantz also reminded the Finance Committee that the report only covers the College, and not the Foundation, as it was not audited in accordance with government auditing standards. Highlights included:

- Sikich is happy to have found no material weaknesses in internal control, no significant deficiencies in the internal control, and no issues of non-compliance.
- Mr. Lantz cautioned the committee that testing could change pending the results of the CARES Act testing; however, Sikich will report any modifications to the report promptly.

Part 3 of the presentation was the review of the Comprehensive Annual Report (CAFR). Highlights included:

- Mr. Lantz commended the College on voluntarily preparing and publishing a CAFR. It goes above and beyond the requirements of generally accepted accounting principles, Illinois compiled statutes, and the community college fiscal management manual. Additionally, it provides transparency and accountability related to accounting transactions and results of operations reported by the College during the current fiscal year.
- Mr. Lantz congratulated the team regarding the preparation of the CAFR and the accompanying unmodified opinion from an independent auditor, which enabled the College to apply for and receive its (16th) Certificate of Achievement for Excellence and Financial Reporting from the Government Finance Officers Association of the United States and Canada. This is viewed positively on the administration and the management of the College, and more importantly is viewed positively by the rating agencies.
- Mr. Lantz reviewed the Management Discussion and Analysis (MD&A), and praised Ms. Scholl and Dr. Wagner for an outstanding job in the preparation of the document, considering it required reading for all board and cabinet members. He also encouraged the sharing of the document with students, taxpayers, and anyone who has an overall interest in the College's financial statement.
- The MD&A contains three years of information, and additionally, contains several very good narrative supplements to help address why the numbers have changed over the three-year period.
- Mr. Lantz then reviewed the Basic Financial Statements including the Statement of Net Position for the College, and is considered a consolidated financial statement, and helps provide a very long-term perspective as to how the college is financed.
- He went on to address the changes in the current year, including a million-dollar increase in property tax receivables and reminded the committee of

delays in the penalty date, resulting in a delay in the timing of some of the property tax receipts by the College. The student tuition receivable was down about \$1.5 million because of declining enrollment and the timing of student registration. The other accounts receivable increased by about \$1.8 million, due to the increase in CARES Act funding and its accompanying spend down.

- Overall, the College's total assets increased by about \$8.1 million from about \$381.7 million to about \$389.8 million as of June 30, 2020. Overall liabilities remain somewhat constant from \$26 million in 2019, to just under \$22 million in 2020, with a notable decline in unearned tuition revenue due to previously addressed factors. ECC has a very strong working cash ratio, with increased current assets to current liabilities at 9.8:1.
- Total liabilities have declined to a bit over \$9 million. Due to College's financial diligence, there has been a reversal in previously declining net investment capital assets, with a net position increase from \$14 million to \$15 million. Most of that amount went into unrestricted dollars, with the unrestricted net position amount at \$69 million.

Part 4 of the presentation included a review of the Statement of Revenues, Expenses, and Changes in Net Position. Highlights include:

- Student tuition fees increased due to a decline in institutional PELL dollars. Additionally, auxiliary enterprise revenue had a decline of between 20%-25% due to mitigating COVID-19 factors. Overall operating expenses increased by about \$7.1 million in the current year, or about 5.4%. Mr. Lantz noted that the \$2.4 million in spending related to the CARES Act shows up as an operating expense. There was an increase of \$3.6 million in costs related to the College's participation in SURS and additional state retiree health insurance. Combined, these expenses account for increase of \$6.1 million over the prior year. Mr. Lantz underscored that the 5.4% increase was due to conditions outside the College's control, and essentially without these expenditures, it is only a 0.8% increase in our operating costs structure.
- Consummating the bond refund transactions last year has already begun impacting our reduction in interest costs resulting in \$1.3 million in savings. Overall, the College showed a net change of about \$12.5 million before capital contributions, resulting in an overall change in net position of about \$14.2 million.
- Additionally, due to a change in accounting principle for student activity funds, the net position increased by another \$934K. Overall, the perspective for the maintenance of long-term financial position and long-term operating costs for the College is very good. The College has a positive cash flow of

about \$8.6 million, due to an increase in property taxes and other noncapital financial activities.

- Mr. Lantz addressed the \$38 million bond refund resulting in a cash flow savings of just over \$7 million and an economic gain of just under \$6 million. However, he also warned the committee about the shift in funding related to SURS, which could potentially force the College to fund a portion of the liability. He went on to review the Disclosure of Total Liability of SURS, noting the liability was just under \$27.5 billion last year, and it went by over \$1.2 billion this year. Unfortunately, this signals improper funding at the state level, with the College's share at \$339 million, up by about \$14 million from last year. Had the College been required to report this proportion increase, it would negate the positive increase in funds recorded in the unrestricted net position for the year.
- The presentation continued with the second review of the retiree health plan, noting the 50/50 split among the state and ECC related to liability and funding, resulting in \$41 million recorded as ECC's share. Mr. Lantz again cautioned the committee to be aware of the potential shift, and its potential to wipe out up to 75% of our unrestricted net position. Further, he explained that costs have ballooned from \$256 million in 2015 to \$339 million in just six years, and that the current assumptions and methodology related to funding the plan may not be best for a long-term pension plan. Additionally, Mr. Lantz noted that there is a deficit of 4% in the trust fund meant to pay retiree benefits. Essentially, the State of Illinois is underwater by six and a half years' worth of premiums.
- The presentation concluded with the historical statistical review of the College's financial statements, showing a slight increase in revenue. However, because the state failed to pass its progressive income tax, immediate budget cuts are likely, and will most certainly result in an overall decline in funding for higher education. Mr. Lantz praised Dr. Sam and the committee for an outstanding job in transparency and accountability related to overall college functions.

B. Fiscal Year 2021 Financial Update

- Dr. Wagner reminded the committee of the College's effort to control spending, and the intense work done with budget officers to share information regarding expectation of such spending. Additionally, careful review of these budgets has been conducted, especially in areas of employee travel and auxiliary functions.
- Corporate Training and Continuing Ed (CE) Presentation, Dean Anne Hauca
 - All Continuing Education classes have moved online.

- Registrations for the first 2 quarters of 2020 totaled 147, a 51% decline from registrations in 2019 (288).
- Projected revenue: \$37,000; down from \$205,000.
- Two positions reassigned to other departments (63% of Administrative Assistant salary to Strategic Partnerships & Experiential Learning; 74% of Dir. salary to Student Services); 100% of staff salary to Student Services.
- Expenses reduced by \$141,524 (net loss w/o subsidy: \$93,038); revenue projections reduced from \$160,000 to \$30,000.
- Projected loss for CE and Corporate Training w/o subsidies totals \$112,904; Subsidy allocated for CE and Corporate Training *reduced* from \$114,713 to \$112,904.
- Production & Print Services Presentation, Ms. Heather Larkin, Dr. Toya Webb
 - Ms. Larkin clarified that although Production & Print Services are in the auxiliary unit, they are not a retail sales operation; therefore, revenues are derived mostly from Education Fund departments through a monthly charge-back billing process with the Accounting Department.
 - Overall anticipated loss for the department is roughly \$104,000 to \$112,000. Ms. Larkin anticipates needing a transfer from the Education Fund to cover anticipated losses, which, has never been done.
 - Ms. Scholl pointed out that the Copy Center is part of the internal service fund and experiencing reduced revenue; however, the Education Fund side is not experiencing any charges for associated printing costs, essentially resulting in savings (despite other auxiliary losses). This situation may require funding based on usage, rather than a transfer.
- Ms. Scholl shared with the committee that there is continued monitoring of revenues and expenses, and enrollment. She went on to explain a previous underspend in many categories, and continued conversation with budget officers to adjust spending as needed. Grant funds are being utilized to cover related expenditures; although, as those funds drain, institutional monies will likely be used. Additionally, Ms. Scholl shared that she is not concerned with any expenditures affecting the Education Fund, as monies have been earmarked to cover these related costs.

C. Internal Auditor Update

Although a potential candidate was interviewed, it was not a successful hire. Dr. Wagner is continuing to work Anthony Ray and HR to redefine the search with the hopes of sharing additional information with the committee in March.

D. Fiscal Year 2022 Budget Discussion

Ms. Scholl reviewed the budget calendar, with a focus on December-January and initial conversations with budget officers. She also reviewed several other critical points of interest:

- Cabinet will host a retreat to finalize the Operating Plan review new positions, with a careful evaluation of known vacancies and potential retirements.
- The Budget Council will reconvene and thoroughly review a comprehensive IT plan, capital improvement plan, and an ADA-compliance plan with Dr. Greg Robinson. In doing so, Ms. Scholl hopes to better predict future spending needs and their accompanying funding.
- The budget is generally approved in June, signaling the start of a new fiscal year. Ms. Scholl anticipates the Board's approval of a no increase in tuition, as well as no property tax increase for the 2020 levy at the December 2020 Board meeting.
- Ms. Scholl suggested the committee review state revenue streams and to adjust as needed, in addition to a need for deeper assessment of the impact of the pandemic on the budget and how it might affect spending decisions in the future.
- Ms. Scholl also encouraged the committee to share their thoughts and concerns regarding the budget moving forward. Dr. McCreary noted that there is usually a general concern regarding Childcare, Food Services, and the Bookstore. Dr. Wagner and Ms. Scholl assured Dr. McCreary that all possible avenues of increased potential revenue for the Bookstore are being investigated to assure continued operational success.

E. Capital Improvement Plan

- Ms. Scholl reviewed the Construction Project Summary, noting that it had been previously presented, but there were changes to the list, including the addition of "status" column, and the modification to the current AV system upgrade. Although the AV project has been through the design phase, it has been determined the project will expand to include Building B, increasing the total cost of the project to \$1.4 million. Bids are anticipated for approval in March.
- Ms. Scholl also shared an update regarding Building H, reminding the committee of the completion of Phase One of the project last year. The

replacements of air handling units remain a priority in Phase Two, as does the update and reallocation of current spaces. To expedite this phase, Ms. Scholl would like to utilize the same architects and construction managers to work on a complete scope of the project to obtain a truer, bottom-line estimate for approval by the Board.

- Dr. McCreary questioned the Burlington drainage reconstruction project and its potential effects on campus buildings; however, Ms. Scholl confirmed that the project is designed to protect the integrity of the land. Among other repairs, the replacement of several broken drain tiles will help curb the proliferation of cattails, make landscaping efforts easier, and better protect buildings from wind damage. Additionally, this project will negate the area as true wetland, allowing for future growth potential.

F. Investment Policy Review

Dr. Wagner reviewed the Administrative Procedure related to the investment policy, as required annually, with no recommendation and or comments.

G. Property Tax Levy

Ms. Scholl canvassed the committee and trustees for any remaining questions or concerns related to the levy, to which there was one by Mr. Nowak. Mr. Nowak praised ECC for their ability to freeze the tax, especially during a pandemic, and believes it will provide a great benefit to taxpayers.

H. Tax Objections

Ms. Scholl reported no changes to the existing tax objections, however, she encouraged any questions and concerns related to the St. Charles Intergovernmental Agreement to be brought forth. Mr. Nowak questioned other IGA relationships with townships, to which Ms. Scholl shared the IGA in question has been coordinated for the people impacted by the properties within that area. Mr. Nowak additionally questioned the need to be a part of the IGA. However, Ms. Scholl reminded the committee that in this agreement, we share legal fees, but other tax appeals are reviewed case-by-case, and we get involved at the cost of ECC's own expense.

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.

7. Additional Announcements

- Dr. Wagner informed the committee of ongoing conversations with Speer Financial as it relates to the refunding of the bonds, specific to the receipt of a timetable. Dr. Wagner and Ms. Scholl will continue working with Speer and suggested the potential need for a conversation with Speer and the bond council.
- Dr. McCreary announced her appointment by the Association of Community College Trustees to the Finance and Audit Committee for fiscal year 2021.
Congratulations, Dr. McCreary.

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 3:23 p.m.