

BUDGET WORK SESSION
BOARD OF ILLINOIS COMMUNITY COLLEGE DISTRICT NO. 519
Counties of Stephenson, Ogle, Jo Daviess and Carroll

CALL TO ORDER

The budget work session of the Board of Trustees of Illinois Community College District No. 519 was called to order by Mr. Jim Endress, Chairperson, at 3:05 p.m. on July 23, 2019, in the Robert J. Rimington Board Room (room H-228) in the Highland Community College Student/Conference Center, 2998 West Pearl City Road, Freeport, Illinois in said district.

ROLL CALL

The following members were present: Mr. David Shockey, Mr. Jim Endress, Dr. Steve Jennings, Mr. Blake Musser, Mr. Shawn Boldt, and Ms. Payton DeMichele (arrived 3:32 p.m.)

The following members were absent: Mr. Doug Block, and Ms. Pennie Groezinger

Also present: Mr. Tim Hood, President; Ms. Chris Kuberski, Executive Vice President; Mr. Scott Anderson, Vice President, Business, Technology and Community Programs; Ms. Jill Janssen, Vice President, Administrative Services; Ms. Alyssa Stevens, Digital Media & Creative Specialist (arrived 3:40 p.m.); and, Ms. Terri Grimes, Board Secretary.

FY20 BUDGET

Ms. Janssen reviewed the FY20 tentative budget, noting that after today's meeting, the College will publish a notice that the tentative budget is available for public inspection and that a public hearing will be held at the September regular meeting. Another budget work session will be held in September, at which time Ms. Janssen will review the permanent budget. The permanent budget will be presented for approval in the regular September meeting, after which time it will be submitted to the Illinois Community College Board (ICCB).

Changes are expected in the budget between now and when the permanent budget is approved, as more information becomes available. Ms. Janssen provided background information, including the various funds and revenue sources that make up the budget. She noted that there was a difference of \$129,976 in revenue between the FY18 actual budget and the FY19 end-of-year projection, and a difference of \$349,833 between the FY19 end-of-year projection and the FY20 tentative budget.

Property tax revenue has continued to increase slightly, and at this point, Ms. Janssen is budgeting for an increase of \$140,000 from FY19. Information on the Career and Technical Education and Performance funding amounts has not been released from ICCB. The FY20 budget includes \$1.4 million in State funding, which is approximately \$105,000 more than FY19 and \$167,000 more than FY18. Tuition and fees revenue is budgeted to increase by \$115,000. This includes an estimated 31,800 unrestricted certified credit hours, which is the FY19 total credit hours. Ms. Janssen has budgeted for equalized assessed valuations (EAVs) to increase by 2.5 percent from tax year 2019 to 2020. Stephenson County EAVs increased by 3 percent between 2017-2018 and 2018-2019, with Ogle increasing by 2.9 percent, and Carroll and

Jo Daviess each increasing by 2.7 percent. Every one percent increase in EAV equates to approximately \$32,000 for the College. Farm land comprises 31 percent of Highland's EAV, while residential is about 53 percent. Jo Daviess accounts for 41 percent of the EAV, while Stephenson, Carroll, and Ogle are 36 percent, 16 percent, and seven percent respectively. The other important factor is the College's overall tax rate, which is estimated to stay in the .56 range again for the fifth straight year. If a person's property has an equalized assessed valuation of \$50,000, which is a market value of approximately \$150,000, the portion of the property tax bill that belongs to Highland is about \$280.

Ms. Janssen explained that, in simple terms, tuition revenue is based on the number of credit hours times the per credit hour tuition rate, plus other types of tuition revenue. At this point, the tentative budget includes the assumption of 31,800 unrestricted certified credit hours, which would be about level with FY19's projected levels. The FY19 projected gifts from the Foundation going into the College's operating budget were \$898,000. The FY20 tentative budget contains an estimate of \$962,381 in Foundation funding, including \$437,381 matching draw down for the debt certificates, \$275,000 annual matching draw down, an estimate of \$150,000 for the five percent of unrestricted funds, and \$100,000 in other Foundation gifts. The debt certificate drawn down from the Matching Grant may change.

The College's State funding allocation is based on several formulas. Ms. Janssen explained that Equalization funding is determined by taking the EAVs and dividing by the full-time equivalent in-district students. If that number meets a certain threshold determined by the State, the College receives \$50,000 in Equalization funding. The Credit Hour grant is the largest of the State grants the College receives. There are six instructional categories, and each type of credit hour has a reimbursement rate based on the average unit cost per credit hour, as reported by all of the Illinois community colleges each year, less tuition and local taxes.

For FY19 projected revenue, local sources make up 46 percent of the funding, with tuition at 36 percent, other at 10 percent, and State at eight percent. This remains constant in FY20. FY18 actual expenses were \$14.2 million, with the FY19 end-of-year projection of \$14 million, which is approximately \$850,000 less than budgeted, and the FY20 tentative budget, which includes \$14.7 million in expenses. From FY18 to projected FY19, expenses will decrease by about \$220,000. The largest decreases are in the Other Expenses and Transfers Out line items. At the end of FY19, the Foundation provided an additional \$65,000 to fund scholarships, making the College's write-off significantly lower than in FY18. At the August regular Board meeting, Ms. Janssen will bring a recommendation for transfers to the Auxiliary Fund to support that fund, and to the Operations & Maintenance Restricted Fund to support deferred maintenance. In FY19, the College will likely not have to draw down the additional amount from the Matching Grant which was approved previously.

From the FY19 projected budget to FY20, expenses are budgeted to decrease by \$762,000. This includes the faculty step increase for FY20, a two percent increase for non-contractual employee salaries, a full year of two faculty positions that were partial in FY19 (Western Civilization and Math), one new Nursing position to begin in the Fall, and funding for positions that have been in the budget but gone unfilled for an extended period of time (Integrated Reading and Writing/Co-Requisite Writing Instructor, Network Administrator, and Fine Arts Technical Coordinator.) A question was raised regarding the increase of \$108,000 in Contractual Services between the

FY19 end-of-year projection and the FY20 tentative budget, and Ms. Janssen will provide trustees with additional details. In FY19 and FY20, salaries and benefits comprise 79 percent of the budget. The cost of programs that directly impact students, such as instruction, academic support, and student services, make up a majority of the budget, which is consistent with prior years. The FY19 budget included a deficit of approximately \$90,000, however, at this point, it is projected that revenues will exceed expenses by approximately \$320,000 or three percent of budget. Expenses are projected to be about six percent lower due to employee turnover, positions remaining open, and budget managers not spending amounts budgeted in the Materials & Supplies and Conferences & Travel line items. The FY20 tentative budget includes a deficit of \$89,000, however, Ms. Janssen would expect further adjustments to be made to the budgeted amounts before the permanent budget is presented, as more information becomes available and the FY19 financial records are closed.

Ms. Janssen reminded trustees of the rule of thumb for the College's fund balance as a percent of expenses. The Governmental Finance Officers' Association recommends a fund balance of five to 15 percent, while ICCB recommends a fund balance of 20 to 25 percent. The fund balance in FY18 was 27 percent, while the projected FY19 fund balance is 30 percent, and the FY20 fund balance is 28 percent. Ms. Janssen did clarify, however, that if the draw down from the Matching Grant is not taken in FY20, the fund balance would only be 24 percent of expenses. The tentative budget also projects level enrollment, however, current enrollment is down 14 percent for Fall. Each one percent of credit hour enrollment equals about \$40,000 in tuition revenue, so if enrollment is down 10 percent, the budgeted revenue will decrease by \$400,000. When the tentative budget was created, there were 11 vacant positions and estimates for salaries and benefits were used. If the positions are filled between the tentative and permanent budgets, the actual salaries and benefits will be included.

The College is in the process of issuing bonds to convert the current debt certificates. This will likely have an effect on decreasing revenue and expenses in the same amount, but it is possible we may use the funds previously earmarked from the Matching Grant to pay the debt certificates for operations.

Ms. Janssen reviewed the Operations and Maintenance Fund, Restricted, noting that this fund includes the PH&S projects, bond projects, and other capital expenses. For the PH&S projects, there are remaining costs for the lighting efficiency project and the M-120 project. The new PH&S project will be to remove and replace the two gymnasium floors and bleachers in the main gymnasium.

The Auxiliary Funds include the bookstore, athletics, theatre, and cafeteria. For FY20, a transfer from the Operating Funds to the Auxiliary Funds is included in the amount of \$65,000. The Bond and Interest Fund assumes the issuance of new bonds.

Based on discussion at the June Board meeting, Ms. Janssen requested that PMA split the bond issuance into two parts. The bonds would still be issued in the same amount but the debt certificates may be converted earlier. The bonds for the debt certificates will be finalized in October. With the bond process, there are a number of items that need to be published and petitions need to be made available.

The Restricted Purposes Fund includes grants, the technology fee of \$19, Summerset, restricted Foundation gifts, and other restricted purpose funds. State funding for Adult Ed and some Vocational Ed programming has not yet been finalized, so level funding has been assumed in the tentative budget.

Ms. Janssen distributed a handout (Handout #1) that included a crosswalk between the strategic plan objectives and the budget. She concluded the budget work session by reminding trustees that a public notice will be published in the local newspapers announcing that the tentative budget is available for public inspection and that there will be a public hearing at the September Board meeting. The permanent budget will be approved at the September regular meeting, after which the budget will be submitted to ICCB.

ADJOURNMENT

Mr. Musser moved and Ms. DeMichele seconded the motion to adjourn the meeting. At 3:47 p.m., there being no further business, the Chairperson declared the meeting adjourned and the budget work session ended.

Respectfully submitted,



Terri A. Grimes, Board Secretary
Illinois Community College District No. 519