

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

CALL TO ORDER/ROLL CALL

The budget work session of the Board of Trustees of Illinois Community College District No. 519, rescheduled from July 28, 2020, was called to order by Mr. Jim Endress, Chairperson, at 3:11 p.m. on August 6, 2020, 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.

The following members were physically present: Mr. David Shockey, Mr. Doug Block, Mr. Jim Endress, Mr. Blake Musser, Ms. Pennie Groezinger, and Mr. Shawn Boldt

The following members attended virtually: Dr. Steve Jennings

The following members were absent: None

Also physically present: Ms. Chris Kuberski, Executive Vice President; Ms. Jill Janssen, Vice President, Administrative Services; Mr. Scott Anderson, Vice President, Business, Technology and Community Programs; Ms. Liz Gerber, Vice President, Student Development and Support Services; Mr. Pete Fink, Director of IT; and, Ms. Terri Grimes, Board Secretary

Also virtually present: Ms. Leslie Schmidt, Director, Marketing & Community Relations; Mr. Dan Rowe, Wipfli, LLC; Mr. Jeff Reinke, Executive Director, HCC Foundation; and, one attendee identified as "Jim"

OVERVIEW AND DISCUSSION OF FY20 AND FY21 BUDGETS

Ms. Janssen reported that after today's meeting, a notice to the public will be published that the budget is available for inspection and that a public hearing will be held at the September regular Board meeting, and a budget work session will precede the meeting. Once the permanent budget has been approved, it will be submitted to the Illinois Community College Board. Changes in the budget can be expected between now and the approval of the permanent budget in September.

Ms. Janssen explained that, in developing the annual budget, the College has many regulatory agencies and regulations with which to comply, including the Higher Learning Commission, as well as federal, State, and local bodies. She provided background on each of the funds, noting that the Working Cash Fund may only be used to meet working cash needs. Expenses are categorized by program and by object.

At this point, revenue is projected to be \$112,000 more than in FY20. Property tax revenue has increased slightly. The FY21 State budget was approved by the Governor in June, and the Illinois Community College Board (ICCB) has provided the amount the College will receive for the credit hour grant and equalization funding. The FY21 budget includes \$1.4 million in State funding, which is level with FY20 and \$127,000 more than FY19. Tuition and fees revenue is

budgeted to decrease slightly and includes 29,000 unrestricted certified credit hours, which is the estimate for FY20 total credit hours. Foundation funding includes one regular drawn down from the Matching Grant and programmatic gifts.

The College's largest source of funding is local property tax revenue. The College levies taxes in December for each tax year, and the tax year is split equally between the current fiscal year and the next fiscal year. The overall increase in equalized assessed valuation (EAV) from tax year 2019 to 2020 was three percent, and EAV is budgeted to increase 1.2 percent from tax year 2020 to 2021, based on early indicators. Each one percent of EAV equates to about \$32,000 in revenue to Highland. Jo Daviess County makes up about 41 percent of EAV, while Stephenson, Carroll, and Ogle make up 36 percent, 16 percent, and seven percent respectively. Farm land makes up about 31 percent of the EAV, with residential accounting for about 53 percent. The overall tax rate is estimated to stay in the .56 range again for the fifth year. For the estimated 2020 tax year, if a person's property has an EAV of \$50,000, the portion of their tax bill that belongs to Highland is about \$280.

Ms. Janssen explained that tuition revenue equals the number of credit hours times the per credit hour tuition rate plus other types of tuition revenue. She also considers varying levels of tuition rates, fees, free credit hours, and past history. Ms. Janssen reminded trustees that the College's tuition rate for FY20 is \$146 per credit hour. Other tuition includes Business Institute, Leadership programs, and Lifelong Learning. An adjustment in tuition revenue will be made in the permanent budget when Fall enrollment is complete. At this point, credit hour enrollment is down about 11 percent, which would equal a \$500,000 decrease in budgeted revenue.

The FY20 projected gifts from the Foundation that go through the operating budget total \$284,000. The FY21 tentative budget includes a \$300,000 draw down from the Matching Grant, as well as \$105,000 in other programmatic gifts.

State funding is determined by several formulas, including equalization, credit hour, performance, and Career and Technical Education and Program Improvement grants. The credit hour grant is the College's State grant. There are six instructional categories, and each type of credit hour is given a reimbursement rate that is based on the average unit cost per hour, as reported by all of the colleges each year, less tuition and local taxes. The unit cost of each type of instruction is actually much higher, but the per credit hour rate paid for each category has to be adjusted downward to reconcile to the amount of State funding allocated for this type of funding.

In FY21, local funding comprises approximately 49.4 percent of funding, while tuition and fees comprise 35.2 percent, State funding at 10.3 percent, and local funding, which is mostly Foundation funding, is estimated to be 5.1 percent. FY20 funding percentages are nearly equal at 48.9 percent, 35.7 percent, 10.4 percent, and 4.9 percent, respectively. Salaries and benefits are anticipated to make up about 83 percent of the FY21 budget, while contractual services, materials and supplies, and utilities make up around five to six percent each.

From FY19 to FY20 end-of-year projection, expenses will decrease by about \$265,000, with the largest decreases in the materials and supplies, conference and meeting, and utilities line items. From projected FY20 to FY21, expenses are budgeted to increase by \$410,000. This amount

includes the faculty step and base salary increases for FY21, all new hires, and estimates of salaries and benefits for positions currently being advertised. The FY21 budget also includes a transfer in of \$325,000 from the Health Insurance Fund to help offset the College's share of health insurance premiums. Mr. Boldt asked why utilities are projected to increase by \$80,000 in FY21 over FY20, and Ms. Janssen will review the information and report back. She also noted that "Other" expenses include student bad debt and waivers.

In FY20, salaries and benefits made up 82 percent of the budget, while materials & supplies, contractual services, and utilities made up about five to eight percent each. In FY21, salaries and benefits are projected to make up 83 percent of the budget, while materials & supplies, contractual services, and utilities, conference & meetings, transfers and other make up five to six percent each.

Ms. Janssen reviewed the FY21 Operating Funds expenses by program, noting that the cost of programs that directly impact students, such as instruction, academic support, and student services, make up the majority of the budget, which is consistent with prior years.

The FY20 budget was balanced, and when the projection presented today was created, it appeared that revenues would exceed expenses by about \$147,000 for FY20. FY20 revenue is projected to be within 1.7 percent of the budget, while expenses are projected to be about 2.8 percent lower than budgeted due to COVID-19. The FY21 tentative budget includes a deficit of \$152,000, with further adjustments made between now and the permanent budget, when more information becomes available and the FY20 financial records are closed.

The rule of thumb for the College's fund balance is to review the fund balance as a percent of expenses for the fiscal year. The Governmental Finance Officers' Association recommends a fund balance of 5 to 15 percent, while the ICCB recommends a fund balance of 20 to 25 percent. While the College's FY21 fund balance included in the tentative budget is within these guidelines, the budget is being supplemented by a transfer of \$325,000 from the Health Insurance Fund. Without the transfer of funds, the fund balance would be 24% of expenses.

Ms. Janssen reminded trustees of potential changes in the budget prior to the September permanent budget, including enrollment and equalized assessed valuation. In addition, the State released the amount of the Governor's Emergency Education Relief (GEER) funds the College will receive after the tentative budget was created. At this point, Ms. Janssen has not included a contingency if the College does not receive all of the State operating grants, and she reminded trustees that Governor JB Pritzker's budget was based on federal funding and a progressive income tax.

Ms. Janssen also reviewed the other funds, including Operations & Maintenance, Restricted; Auxiliary Enterprises; Liability, Protection, and Settlement; Audit; Bond & Interest; and, Restricted Purpose. She noted that a transfer of \$65,000 is included to support the Auxiliary Fund in the FY21. She noted that, if sports are cancelled, the College would still have some expenses, such as student tuition waivers that are accounted for in the Auxiliary Fund. The Restricted Purpose Fund includes \$6.6 million in revenue, which is dictated by grant agreements and also includes Foundation-funded projects, such as the Partners In Leadership program, Stamats consulting, and the student HOPE fund. Overall, Restricted Purpose Funds expenses are

budgeted to amount to \$7.3 million. The Liability, Protection, and Settlement Fund currently has a deficit of approximately \$60,000, which will reduce the fund balance.

Ms. Janssen provided trustees with a crosswalk between the budget and the strategic plan, noting that budget managers did a good job of attaching their budgets to the strategic plan. This is a nice way to connect the Colleges resources with strategic plan goals.

As noted earlier, a notice will be published in a local newspaper providing information on the public hearing that will be held at the September 22 regular Board meeting.

Ms. Janssen noted that the College currently adds about \$50,000 per year in student bad debt, and the College tracks student accounts. Most students pay their balance if they want to attend Highland again or if they want to get a copy of their transcript. The College uses Local Debt Recovery, which has the ability to deduct what the College is owed from the individual's tax return or paycheck. The majority of bad debt is from students who had financial aid but did not earn it, so it has to be refunded to the federal Department of Education.

OLD BUSINESS

There was no old business.

NEW BUSINESS

There was no new business.

ADJOURNMENT

Mr. Musser moved and Mr. Shockey seconded the motion to adjourn the meeting. At 3:41 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