

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 was called to order by Mr. Jim Endress, Chairperson, at 3:04 p.m. on September 22, 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. Doug Block, Mr. Jim Endress, Mr. Blake Musser, and Mr. Shawn Boldt (arrived 3:28 p.m.)

The following members attended virtually: Dr. Steve Jennings

The following members were absent: Mr. David Shockey, and Ms. Pennie Groezinger

Also physically present: Ms. Chris Kuberski, President; Mr. Pete Fink, Director of IT; and, Ms. Terri Grimes, Board Secretary

Also virtually present: Ms. Liz Gerber, Vice President, Student Development and Support Services; Ms. Jill Janssen, Vice President, Administrative Services; Mr. Jim Phillips, Interim Vice President of Academic Services/CAO; Mr. Scott Anderson, Vice President, Business, Technology and Community Programs; and, Ms. Leslie Schmidt, Director, Marketing and Community Relations

PUBLIC COMMENTS

There were no public comments.

OVERVIEW AND DISCUSSION OF FY21 BUDGET

Ms. Janssen reported that the Board previously approved the tentative FY21 budget and it has been available for public inspection since that meeting. A public hearing will be held during the regular meeting later today, after which trustees will vote to approve the permanent budget. The budget will then be submitted to the Illinois Community College Board. The FY21 budget covers the period of July 1, 2020, through June 30, 2021, and the College follows the format required by the Illinois Community College Board. The budget includes expected revenues and expenses for all the fund types of the College. Ms. Janssen reviewed the various funds and types of revenue, noting that within each fund, revenues are broken down by source, while expenses are broken down by program and by object.

The FY21 permanent budget revenue is \$14,090,812, which is about \$239,000 more than FY20, and \$248,000 less than FY19. FY21 permanent budgeted revenue is about \$42,000 less than the FY20 permanent budgeted revenue. Gifts for FY20 were less than budgeted due to the nursing program gift being utilized in FY21 instead of FY20. The College reached a peak in Operating Fund revenue in FY11 at just over \$15 million due to enrollment increases as a result of the

recession. FY21, budgeted revenue is about .5 percent lower than the average revenue for these past 10 years. Overall, revenue in the Operating Fund increased by around \$93,000 from the tentative budget mainly due to finalization of the Foundation gifts. The College's top four revenue sources are property taxes at 49 percent, tuition and fees at 35 percent, State at 10 percent, and Foundation and other at six percent. Ms. Janssen explained that the amount of local taxes generated is equal to the College's tax rate multiplied by the District's property values, or equalized assessed valuation (EAV). The College levies taxes in the four counties that make up our district, including Stephenson, Ogle, Jo Daviess, and Carroll. The overall increase in the EAV from tax year 2018 to 2019 is three percent. EAV is budgeted to increase by 1.5 percent from tax year 2018 to 2019. Each one percent of EAV is equivalent to about \$32,000 to the College. The College's overall tax rate has remained in the .56 range for the last several years. For the estimated 2020 tax year, if a person's property is valued at \$50,000, the portion of their property tax bill that belongs to Highland is approximately \$95. Ms. Janssen shared a chart showing property tax revenues going back to FY11, noting that tax revenue hit a high in FY10, and then declined through FY16 before slowly starting to increase again in FY17.

Tuition revenue equals the number of credit hours times the per credit hour rate. Ms. Janssen also does further analysis to consider varying levels of tuition rates, fees, free and waived credit hours, such as employee waivers, athletic waivers, dual credit, HCC funded Top Scholars, and other free or reduced tuition, as well as past history. At this point, the budget includes the assumption of 29,000 unrestricted certified credit hours, which is about six percent less than FY20 levels. In-district tuition for FY21 is \$146 per credit hour. Other types of tuition income include Lifelong Learning, Business Institute, and the Leadership programs. These types of revenue account for about five percent of tuition revenue. Ms. Janssen referred to a chart that showed the historical view of tuition revenue and total unrestricted certified credit hours, noting that FY11 was a high point. She explained that State funding in the Operating Fund includes equalization funding, credit hour grant, performance-based funding, and Career and Technical Education funding. Unrestricted State revenue hit a high point in FY12, and in FY16, appropriations were cut mid-year. This year, payments are on schedule, however, the College is still owed some payments for FY20. FY21 State funding is dependent on another federal stimulus package and the passage of a tiered income tax system in Illinois. At this point, Governor JB Pritzker has directed State offices to be prepared to reduce budgets by five percent, although it is not clear at this time how this may impact Highland. A five percent reduction in State funds equates to about \$73,000.

Funds received from the Foundation are accounted for as operating revenue. Ms. Janssen noted that in FY20, the College drew down \$282,000 from the matching grant. She reviewed the FY20 actual revenue, noting that local taxes accounted for 49.1 percent of revenue, while tuition and fees accounted for 35.6 percent, State accounted for 10.4 percent, and federal, gifts and other accounted for 4.8 percent. In FY21, local funding comprises 49.1 percent, tuition and fees at 34.9 percent, State at 10.3 percent, and federal, gifts and other at 5.7 percent. FY21 budgeted expenses are expected to be \$227,000 more than actual expenses in FY20 and \$94,000 more than FY19. In FY20, salaries and benefits made up 84 percent of expenses, while utilities, conference and meeting, transfers and other accounted for eight percent, contractual services at five percent, and materials and supplies at five percent. In FY21, salaries and benefits account for 84 percent of the budget, while materials and supplies account for six percent, contractual services account for six percent, and utilities, conference and meeting, and transfers account for six percent.

Solar has made a difference in the cost of utilities, but the addition of air conditioning in the gym will increase the cost of utilities.

In FY11, expenses peaked at \$15,000,000, while FY21 expenses are currently .2 percent lower than the average for the last 10 years. Since the tentative budget was approved, expenses have decreased by \$59,000. Increases made to the salaries line item since the tentative budget was approved are the result of faculty educational advancement, and union and nonunion pay increases. The two biggest decreases since the tentative budget are for a debt forgiveness program being funded through the Governor's Emergency Education Relief (GEER) fund and an increase in transfers in from other funds of \$100,000. Historically, instruction accounts for the largest part of the budget at 54 percent, while institutional support accounts for 19 percent, public services at three percent, student services at eight percent, academic support at seven percent, and operations and maintenance and other at nine percent. In FY19, revenues exceeded expenses by \$342,000, while FY20 expenses exceeded revenues by \$11,000. The FY21 budget is balanced and includes an ending fund balance equal to about 30 percent of expenses. The deficit would be \$1.1 million if not for Foundation funds and transfers from other funds. This would result in a fund balance equal to about 24 percent of expenses. The Illinois Community College Board suggests having a fund balance of 20 to 25 percent of expenses, while the Governmental Finance Officers' Association recommends a fund balance of between five and 15 percent.

Ms. Janssen reviewed the other funds that have had changes since the permanent budget, including the Operations & Maintenance, Restricted Fund; Restricted Fund; and, Auxiliary Fund. The Auxiliary Fund has revenue of \$1.1 million, with 45 percent of the revenue coming from the bookstore and cafeteria, while expenses in the Auxiliary Fund are budgeted at \$1.2 million, with 53 percent of expenses coming from the bookstore and cafeteria. Salary adjustments also affected expenses in the Liability, Protection, and Settlement Fund. The Working Cash Fund fund balance is expected to stay level, while the Operations & Maintenance, Restricted Fund will decrease due to the timing of several projects. Overall, the College anticipates reducing fund balances by over \$6.1 million or 26 percent during FY21. For many of the funds, this is due to timing of funds coming in and going out, such as for bond payments and bond projects. The Auxiliary Fund, Audit Fund, and Liability, Protection, and Settlement Fund are not sustainable.

Once again, the budget requests have been linked directly to the strategic plan, and there is a document that includes each strategic plan goal and objective, as well as each budget request. This document will be used as evidence for Higher Learning Commission visits and also provides the College with direction in making decisions about budgeting. Ms. Janssen concluded her presentation by noting that she will offer the same information to campus in October to make the process as transparent as possible.

Mr. Endress asked about the change in the Restricted Fund, and Ms. Janssen reported that in the Operating Fund, there will be a transfer in from the Health Insurance Fund, which is in the Restricted Fund. There was also a rollover of funds from FY20, including CARES Act funds, that will be spent in FY21. Mr. Block requested that Ms. Janssen send out several slides, including tuition revenue, student revenue, and credit hours and tuition. Mr. Endress and Dr. Jennings expressed their appreciation to Ms. Janssen for the presentation.

OLD BUSINESS

There was no old business.

NEW BUSINESS

There was no new business.

ADJOURNMENT

Mr. Musser moved and Mr. Block seconded the motion to adjourn the meeting. At 3:32 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