

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 3:02 p.m. on July 27, 2021, 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. James Rhyne Jr., and Mr. Craig Knaack

The following members attended virtually: None

The following members were absent: Ms. Pennie Groezinger, Mr. Shawn Boldt, Ms. Sarah Kuhlemeier, and Ms. Hailey Johnson

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

Others virtually present: Ms. Jill Janssen, Vice President/CFO, Administrative Services; Ms. Liz Gerber, Vice President/CSSO, Student Development & Support Services; Dr. David Naze, Vice President/CAO, Academic Services; Mr. Pete Norman, Director, Athletics & Physical Education; Ms. Mary Lloyd, Manager, Accounting; Ms. Leslie Schmidt, Director, Marketing & Community Relations; and, Ms. Andria Cornelius, Coordinator, Accounting

PUBLIC COMMENTS

There were no public comments.

OVERVIEW AND DISCUSSION OF FY21 AND FY22 BUDGETS

After today's meeting, the College will provide notice to the public that the budget is available for public inspection and that a public hearing will be held at the September Board meeting. The permanent budget will be presented in September and, once approved, it will be submitted to the Illinois Community College Board.

Ms. Janssen explained that the College has many regulatory agencies and bodies with whom to comply, and the budget also needs to demonstrate our implementation of the Higher Learning Commission (HLC) criterion for accreditation. There are approximately 30 budget managers who complete a budget request worksheet in conjunction with their staff and based on the needs of their departments. Most years adjustments are needed to bring expenses more in line with revenues. The budget adheres to the format required by the Illinois Community College Board

and covers the period from July 1, 2021, through June 30, 2022. Ms. Janssen reviewed the various funds, noting that revenues are broken down by source within each fund, and expenses are broken down by program and by object. The FY21 audit is currently underway, so the FY21 projections will likely change. The audit guidelines for the federal Higher Education Emergency Relief Fund (HEERF) grants have not yet been released, so it may be some time before the audit is finalized, which could impact both FY21 and FY22. Ms. Janssen provided a comparison of FY20 actual to the FY21 projection and FY22 tentative budget. The FY22 tentative budget includes revenue of approximately \$13.9 million, which is one percent less than FY21. Property tax revenue continues to increase. The FY22 budget includes one regular draw down from the Foundation Matching Grant. Local revenue makes up over 50 percent of the College's funding, with tuition about 33 percent, and State at 10 percent. Our largest source of funding is local property tax revenue. The College levies taxes in December for each tax year, and each tax year is split between two fiscal years. Overall, there was a 3.6 percent increase in EAV from tax year 2019 to 2020, and EAV is budgeted to increase by two percent from tax year 2020 to 2021, based on early indicators. Each one percent of EAV equates to around \$32,000 for the College. Jo Daviess County makes up around 40 percent of the EAV, with Stephenson at 36 percent, Carroll at 15 percent, and Ogle at seven percent. Farm land accounts for 32 percent of the College's EAV, with residential about 52 percent. The other part of the equation is the College's overall tax rate, which is estimated to stay in the .56 range for the sixth year. The portion of the property tax bill that belongs to Highland is about \$280 for a property with an equalized assessed valuation of \$50,000.

Tuition and fees are the second largest source of revenue. The tuition rate has not increased for three years, and every one percent in enrollment equates to approximately \$40,000 in tuition revenue. At this point, Ms. Janssen has projected flat enrollment in preparing the tentative budget. The College's State funding allocation is determined by several formulas. She explained how Adult Education is funded, noting that in previous years, additional College funds have had to go toward the program, usually around \$40,000; however, because Adult Education did not have a director and expenses were under budget in FY21, there will be an item presented for approval during the regular meeting to set aside funds for use in future years.

Expenses are projected to be \$13.9 million, up 11.5 percent from the FY21 projection. The projected FY21 expenses are under budget due to turnover, federal funds, and a pause on travel. There is a new line in the budget for federal relief lost revenue, which is the Higher Education Emergency Relief Funds (HEERF) that are able to be used for loss of enrollment due to COVID-19. This is accounted for as a negative expense in the Operating Funds in order to avoid duplicating revenue and expense that is recorded in the Restricted Funds. The lost revenue calculation compares current tuition revenue to the average of the previous five years. This calculation and the data used are being reviewed by the auditors and may change. In FY22, we are using some of the institutional funds for a student debt forgiveness program, so that amount is subtracted from the lost revenue total.

Salaries and benefits make up the majority of the Operating Funds expenses every year, and for FY22, salaries and benefits account for 86 percent of expenses. The FY21 budget was balanced at this time last year, and the FY21 projection is that revenues will exceed expenditures by

\$1,571,990, largely due to federal funds. The FY22 budget is also balanced, largely due to federal funds. The fund balance as a percent of expenses is currently 41 percent, but is supplemented by the federal relief funds. Without that funding, the fund balance would be 24 percent.

Due to declining enrollment, revenue sources in the Auxiliary Fund are now less than expenses, and in FY21 and FY22, lost revenue was crucial. If no changes are made going forward, the Operating Funds will need to provide support of around \$400,000 to the Auxiliary Funds. As part of the budget process, budget requests are required to link to the strategic plan, which shows a connection between the two and is a key component within the HLC criteria. Overall, the College budget includes spending plans for over \$33 million, and the College will maintain compliance with State, federal, and other regulatory bodies.

A public hearing will be held at the September Board meeting. Ms. Janssen was asked if there was anything she would worry about in the budget, and she responded that it would be the Auxiliary Funds. Enrollment will be key, as well as moving forward without federal relief funds. It was also noted that there is around \$620,000 remaining in the Health Insurance Fund, which she does not plan to use in FY22. Mr. Endress expressed the need for trustees to help administration with enrollment, noting that there either needs to be more credit hours or the College needs to be "leaner and meaner." Mr. Block noted that the College is not here to make money, but it is here to break even. Ms. Janssen concluded her presentation by reminding trustees that she anticipates changes in the budget between now and approval of the permanent budget in September.

OLD BUSINESS

There was no old business.

NEW BUSINESS

Mr. Knaack asked about enrollment in developmental education, noting that the reimbursement rate is \$16 per credit hour. Ms. Kuberski stated that there is still developmental education, but the goal is that it will decrease due to high schools now having transitional math and, there will be transitional English. The goal would be to have students be college ready when they come from high school, and Ms. Kuberski believes developmental education will decrease in the next three to five years. Dr. Naze expressed his hope to continue to see enrollment in the Math Achievement Center (MAC) now that there are more face-to-face classes. Mr. Block asked what percent of credit hours are remedial, and it was noted that after the Fall semester begins, that number should be available.

The College also recognized that some courses that were coded as physical education were more health care related, so those classes have been moved to those codes. Those courses are also needed by the Nursing students.

ADJOURNMENT

Mr. Rhyne moved and Mr. Block seconded the motion to adjourn the meeting. At 3:52 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