

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 27, 2022, 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. Craig Knaack, and Ms. Chloe Smith

The following members attended virtually: Mr. Shawn Boldt

The following members were absent: Ms. Pennie Groezinger, Mr. James Rhyne Jr., and Ms. Sarah Kuhlemeier

Others physically present: Ms. Chris Kuberski, President; Mr. Kam Merryman, Network Administrator; and, Ms. Terri Grimes, Board Secretary

Others virtually present: Ms. Jill Janssen, Vice President/CFO, Administrative Services, Board Treasurer; Ms. Liz Gerber, Vice President/CSSO, Student Development & Support Services; Mr. Jim Phillips, Interim Vice President/CAO, Academic Services; Ms. Jeniece Smith, Director, Marketing & Community Relations; Dr. Andy Dvorak, Retired Faculty Member; Mr. Dan Dick, Acting Executive Director, HCC Foundation; and, Mr. Pete Norman, Director, Athletics & Physical Education

Illinois continues to be under a disaster proclamation related to public health, and an in-person meeting is not practical or prudent due to the COVID-19 pandemic. This meeting was properly noticed and is accessible to the public over Zoom. Mr. Endress asked if trustees who were attending virtually were able to hear.

PUBLIC COMMENTS

There were no public comments.

OVERVIEW AND DISCUSSION OF FY23 BUDGET

Ms. Janssen explained that the FY23 tentative budget was approved at the August Board meeting, and it has been available for public inspection since that time. A Public Hearing will be held during the regular meeting today before trustees will vote on the permanent budget. Once the budget is approved, it will be submitted to the Illinois Community College Board (ICCB). The budget follows the ICCB format.

In the Operating Funds, the difference in revenue between the tentative and permanent FY23 budgets is an increase of \$167,000 due to an increase in expected Corporate Personal Property Replacement Tax (CPPRT), an adjustment in tuition revenue to reflect current enrollment, and an increase in expected interest income. Expenses increased \$61,000 primarily due to contractual services in financial aid and for the feasibility study. Overall, revenue for FY23 is expected to be about \$15 million, which is about two percent higher than FY22 due to an increase in property tax values and CPPRT, which came in at double the expected amount or \$675,000 more than budgeted. The FY23 budget includes a five percent increase in property tax values and an estimated amount from the State for CPPRT for FY23. Tuition and fees revenue assumes a decrease in enrollment from FY22 combined with the \$5 increase in tuition, as well as tuition assigned to First-Year Experience Seminar (FYES) and high enrollment in truck driving. Local revenue makes up 57 percent of the funding stream, while tuition is about 29 percent, and State is 10 percent. Property taxes are about 85 percent of local revenue, with replacement taxes now making up about 15 percent. The College levies taxes in each county in December for each tax year, split equally between the current fiscal year and the next fiscal year. Jo Daviess County continues to be the highest contributor to equalized assessed valuation (EAV). Tuition and fees revenue is the second largest source of revenue in the Operating Funds. The FY23 permanent budget includes a nine percent decrease in enrollment, with every one percent equaling about \$40,000. The FY23 budget also includes \$15 million in expenses, which is an increase of 9.5 percent from FY22. In FY22, expenses were under budget due to employee turnover, the ability to allocate some expenses to federal COVID relief funds, and the continued lull in travel and conferences. FY23 salaries and benefits include actual FY23 pay rates and medical/life insurance rates, as well as estimates for open positions and for managing the increase in minimum wage. Conferences and meetings are expected to resume to more normal levels. The utilities line item is lower due to a rebate from ComEd, which is probably a one-time rebate. In FY21 and FY22, the College was able to use the Higher Education Emergency Relief Funds (HEERF) to offset the loss of enrollment due to COVID-19, but the College has used all the funds available, so there are no HEERF funds budgeted in FY23, which is a significant change. The College does have some new grants that will offset some expenses during FY23. Salaries and benefits make up a majority of the Operating Funds expenses at 81 percent. The cost of the College's medical plan has on average remained fairly flat over the past five years. Annually the College covers about 350 people, including family members. This year a lower cost copay plan was added and the incentive for waiving HCC's insurance plan was increased.

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. Instruction makes up 55 percent of expenses, with the Natural Science & Health and Business & Technology divisions being the largest sources of expenses. Public services, institutional support, and scholarships/waivers account for 15 percent of the budget, while general administration accounts for 12 percent, student services at 11 percent, and academic support at seven percent.

The FY22 budget was balanced, and at the time the projection was created, it appeared that revenues would exceed expenses by about \$1 million for FY22 largely due to the unexpected levels in CPPRT revenue and the employee salaries and benefits expense lines being under budget. The FY23 permanent budget is balanced due to replacement taxes and interest income

on the revenue side, and steady medical insurance premiums, the ComEd credit on utilities, and grants that offset expenses. The budget also relies on a transfer from restricted funds of \$325,000. The Illinois Community College Board recommends a fund balance of 20 to 25 percent, and the FY23 budget includes an estimated ending fund balance of 44 percent; however, some items in the budget are not sustainable in the long-term and some funds have significant deficits. Ms. Janssen did a projection assuming CPPRT returns to normal, enrollment remains at FY23 levels, the Health Insurance Fund is depleted, and expenses rise three percent annually. In that scenario, the fund balance would end up at about 26 percent of expenses by the end of FY26.

Ms. Janssen reviewed changes from the tentative budget, noting a correction to page 24 of the budget document related to the ending fund balance for the Restricted Purposes Fund. Deficits in the Auxiliary Fund, Restricted Fund, and the Liability, Protection, and Settlement Fund will need to be addressed in the next few years. The Capital Projects Fund will account for the bond issuance proceeds and project costs. A Bond Advisory work group was formed using the Shared Governance model. The debt certificates were sold today, and categories for the bond projects include technology, building, site improvement, equipment, new construction, and other. There are many steps in the bond issuance process that involve Board action and public notice. Bond funding will be received in February 2023. The FY23 budget also includes three Protection, Health, and Safety (PH&S) projects to address capital needs and several capital projects being funded all or in part by the Foundation.

Grants have become a factor in balancing the Operating Funds budget, including the Early Childhood Access Consortium for Education (ECACE); Pipeline for Advancement of Healthcare Workforce; and the Innovative Bridge and Transitions grant. Grants can absorb some allowable expenses, including an administrative allowance that is paid to the Operating Funds. Some grants also provide payment for tuition, fees, and books. The management of the grants takes a One Highland approach with many people working together.

Overall, the College's budget includes spending plans for about \$38 million. Resources are allocated to prioritize students, fulfill the College's mission, achieve our educational purpose, and respond to future challenges and opportunities. The budget links to the College's strategic themes, which is a key component within the HLC criteria. Ms. Janssen provided several examples of how the budget also links to the College's Key Results. The College's cultural beliefs have also been incorporated into the budget-building process and used to address challenges, seek opportunities, and work together.

In November, Ms. Janssen will bring forth recommendations to the Board for the annual tax levy, which will be in line with what was presented today. There are also next steps in the bond issuance over the next several months. The Resource Allocation & Management Plan (RAMP) is an annual document that includes historical information, projections, and future financial needs. The document will be updated in January. Ms. Janssen will also be working on a recommendation for a process to develop plans for budget stabilization for FY24.

Mr. Block complimented those working on the grants, noting that grants are a tremendous amount of paperwork. He also complimented the budget managers, explaining that previously there were some places on campus where there had been a "use it or lose it" approach to the

budget, but now Mr. Block sees a One Highland approach, and he likes how that has developed. He asked about the average cost for health insurance being \$21,500 per person. Ms. Janssen explained that this is the total of all premiums divided by the number of people on the health insurance plan. Mr. Endress also expressed his appreciation to Ms. Janssen for how the process appears to be a One Highland, collaborative effort.

Mr. Endress asked for clarification on the corrections to page 24 of the budget document, which were mentioned earlier in the meeting. The motion during the regular meeting to approve the permanent budget should be to approve the budget, as corrected. The correction that has been made is to the Restricted Purposes line on page 24 of the budget, where the amount was listed as \$9,814,759 but it should be \$7,067,117, which results in an ending positive balance of \$709,324.

OLD BUSINESS

There was no old business.

NEW BUSINESS

There was no new business.

ADJOURNMENT

Mr. Block moved and Mr. Boldt seconded the motion to adjourn the budget work session. The roll call on the motion was as follows:

AYES: Endress, Boldt, Knaack, Block, Smith
NAYS: None

At 3:40 p.m., there being no further business, the Chairperson declared the motion carried and the budget work session ended.

Respectfully submitted,



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