

MINUTES OF FINANCE COMMITTEE
October 16, 2023

1. Call to Order and Roll Call

Mr. Rodriguez called the meeting to order at 2:00 p.m. and asked the recorder to call the roll.

Finance Committee members present: Mr. Rodriguez, Ms. Arroyo, Mr. Nowak

Finance Committee members absent: none

Other Trustees present: Dr. Redmer, Ms. Rakow, Mr. Kolbusz, Dr. Ollayos

Others present: Dr. Sam, President; Ms. Loewe, Recorder; Dr. Heinrich, VP Teaching, Learning & Student Development; Ms. Scholl, Asst VP, Business & Finance; Dr. Phil Garber, VP, PIE; Respicio Vasquez, General Counsel; Ed Martin, Internal Auditor; various other ECC employees

2. Approval of Meeting Minutes of the Finance Committee of May 8, 2023

Motion: Trustee Rodriguez moved to approve the May 8, 2023 meeting minutes.

Second: Trustee Arroyo seconded the motion.

Roll Call Vote: Aye, 3: Rodriguez, Arroyo, Nowak
Nay, 0

3. Audience Wishing to Address the Committee

Ms. Loewe reported to Mr. Rodriguez that there were no requests.

4. New Business

A. Internal Audit Report (Ed Martin)

Mr. Martin presented his findings in the following areas:

1. **Gift Cards:** A physical inventory of gift cards across four areas of the College was conducted, with no exceptions found in three. The remaining area, Workforce Development, required further investigation regarding an excess inventory of gift cards, a lack of understanding related to Purchasing policies and procedures, and differing totals between the area and Finance ledgers. Most issues have already been corrected or are in the process of being updated, with plans to utilize more accurate methods of tracking and usage of these gift cards moving forward.

2. **Administrative Procedures:** Mr. Martin has recommended adding the “last reviewed” line within all Administrative Procedures to provide additional guidance as procedures are adopted and amended.
3. **Sikich Audit:** Mr. Martin noted that external auditors did not take advantage of the benefits of discussing provided reports with the internal auditor despite the provision of adequate time for such a discussion to occur.
4. **Compliance (GLBA/PCI):** The college remains subject to the cybersecurity provisions of the GLBA, including the requirement for a third-party cybersecurity evaluation. Sikich understands this requirement and plans to test for it in June or July. Mr. Martin is also aware of our PCI compliance need (related to personal credit card information) and will report his findings at the appropriate time.
5. **HR Update:** The update remains ongoing in partnership with a second set of Sikich auditors, and Mr. Martin is hopeful he will be able to present his findings soon.
6. **Director of Financial Aid:** Mr. Martin was asked to join the hiring committee to select a new director, ultimately selecting Mr. Keith Schwartz. He also noted the critical nature of the position moving forward as it relates to internal hiring decisions for the future of the College.

B. Review of the Fiscal Year 2024 Budget to Actual (Heather Scholl)

With state funding estimates in place (although \$60K less than expected), Ms. Scholl and her team can better project the College’s revenues; however, as it remains early in the year, expenditures will require continued monitoring to ensure funds are correctly allocated in relation to revenue. She also noted that the 2022 tax levy comprises nearly half of the total budget; moreover, half of the total funding from the 2023 levy will be added to the line, ensuring the budget is fully realized. Ms. Scholl remains optimistic that enrollment will continue to grow, translating to increased funding in the tuition and fees line. Investment income remains conservative in a volatile market, but the College continues strengthening its portfolio despite a dismal 2022 return.

Much work has been done with budget officers to understand their funding desires better and improve the process of reporting such requests, including changing levels of funding and reallocation needs, as appropriate. Ms. Scholl will provide a closer look into expenditures in her December presentation.

C. Capital Projects Priority and Funding List (Heather Scholl)

Ms. Scholl provided an updated chart of current projects and their funding predictions, noting the two projects' escalation and accompanying fiscal adjustment. The culinary addition and fitness center remodel now have estimated costs attached to their lines to ensure that when (and if) the projects move forward, the College has the necessary funding. Similarly, changes and adjustments have been made to the truck driving project due to the relocation of the program. The Respiratory Tech program has also been adjusted to account for architectural changes, allowing for additional classroom flexibility.

Trustee Arroyo added a request to review the campus' stance on speed bumps in parking lots; furthermore, Trustee Rodriguez mentioned concern for a lack of 4-way stops. Dr. Sam took note of their concerns and will look into what, if anything, can be done to mitigate these issues.

Ms. Scholl also provided a Fund Balance Analysis for the capital projects, noting that most of the funding for these projects comes from our restricted funds. She also reminded the Board of its funding parameters, which require six months of operating reserves and the RAMP commitment. While some financing remains for upcoming projects, it remains critical to develop other opportunities for funding to allow for continued growth and expansion of the College.

Dr. Sam also announced the decision to move forward with a proposal for a 150,000-square-foot Regional Manufacturing Center to ensure room not only for current program requirements but also for the future needs of the center. Given this selection, original estimates of building costs may need to be adjusted, resulting in additional funding for the project.

D. FY25 Lab, Course, and Instructional Fees (Heather Scholl and Jamie Pang)

Trustee Rodriguez thanked Ms. Pang for enacting the suggested Board changes, making the document easier to navigate. He also shared enthusiasm for several decreasing course fees.

E. Service Fees for Fiscal Year 2025 (Heather Scholl)

Ms. Scholl noted no changes to the annual service fees for the upcoming fiscal year.

F. Property Tax Levy Discussion – Tax Year 2023 Discussion (Heather Scholl)

The College is limited to a 5% or less tax increase by law; furthermore, the tax levy outlines the dollar amount we intend to collect from taxpayers based on the desired revenue projections. When a tax levy increase is being considered, the rate is based on the equalized assessed value of taxpayers. Additionally, an increase in the EAB includes new property and the notion that all new property will pay the same rate others have produced; however, new property is not subject to the same limits.

Ms. Scholl hopes to see a 4% increase in the EAB, with 20% of *that* increase coming from property. Furthermore, with a current CPI of 5%, the resulting estimated extension is almost \$58M. She also detailed the College's debt service (the payment of principal and interest on bonds) for current and future capital projects, such as the \$178M bond referendum to build the Library and Help Center and update our buildings. The repayment schedule is determined at the same time the bonds are issued, and the levy is based on the bond documents.

While the CPI has ebbed and flowed throughout the years, there remains no guarantee of another 5% rate next year. The College maintains an effort to keep bond payments consistent yearly to ensure no surprises for taxpayers and to help balance the debt service and operating rates. She also provided several scenarios illustrating various increases to property tax at 1%-5%, noting that each percentage point increase adds \$3.50 to a home valued at \$300K. The proposed 5% increase would add a total of \$17.50 to the tax bill of a house of this value; conversely, if the College were to raise tuition by \$1 per credit hour, *students* would end up footing the cost. Raising tuition would only net the College \$140K of revenue versus potential earnings of over \$3M with a 5% CPI to taxpayers.

5. Old Business

No old business was brought forward.

Adjournment

Motion: Trustee Rodriguez moved to adjourn the meeting.

Second: Trustee Nowak seconded the motion.

Roll Call Vote: Aye, 3: Rodriguez, Arroyo, Nowak
Nay, 0

Meeting adjourned at 2:57 p.m.

The next Board of Trustee Finance Committee is on Monday, December 11, 2023.