

MINUTES OF FINANCE COMMITTEE
May 13, 2024

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, Pastor Parks, Ms. Arroyo, Ms. Heiser

Others present: Dr. Sam, President; Ms. Loewe, Recorder; Dr. Heinrich, VP Teaching, Learning & Student Development; Dr. Wagner, VP Business & Finance; 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 March 11, 2024

Motion: Trustee Rodriguez moved to approve the March 11, 2024 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 first provided an update on the current testing of the Return to Title IV rules, specifically regarding the overpayment of monies to a student who has withdrawn from classes. In general, the Financial Aid office has completed the worksheet within the allowable 45-day time frame to collect these funds; however, exceptions have been noted. Mr. Martin suggests better communication among Financial Aid and Student Accounts and increased communication from faculty regarding the mandatory 10-day class count. Conjunctive work will continue with all Administrative Procedures related to Title IV funds.

He also shared with the Board his recent, very positive review of the college's inventory, with assistance from Ande Lang, our Accounts Payable Coordinator. He also introduced our new Bursar, Maria Tovar, formerly of the Financial Aid Office. He also described a fruitful meeting between IT and Emily Kies of Emergency Management. Together, they are working to incorporate much of her central disaster recovery program into a more far-reaching, College-wide strategy to navigate theft and other potential issues. Work will continue to ensure compliance by June 30th.

He discussed his interactions with our auditing team, Sikich, and celebrated an unmodified opinion on last year's financial statements. Additionally, he shared his frustrations with timing and delays on behalf of the on-campus team, with hopes for improvement as the audit kicks off in May. He also noted the start of two additional single audits directed at areas that receive \$750K or more in Federal monies. He also stated that the threshold will be raised to \$1M beginning in October, affecting several currently audited areas. He had no information to share related to the current HR audit but expected an update in June; however, SURS is undergoing its own audit and, therefore, has requested the assistance of our payroll department.

B. FY2025 Draft Budget (Heather Scholl)

Fiscal Year 2025 Assumptions

Revenue Assumptions

Ms. Scholl presented the preliminary budget to the Board, noting the successful adoption of the tuition increase to \$3 per credit hour, for a total of \$135 per credit hour. Additionally, she shared that the CPI for the 2023 tax levy is 6.5%; however, PTELL limits the allowable increase to 5.0%. The CPI for the 2024 tax levy is 3.4%; moreover, 50% of each levy is budgeted as revenue in FY25.

The College has budgeted \$7.2M in operating revenue from the state, representing a 2% increase in funding from FY24.

Expenditure Assumptions

- Employee salaries are based on contractual obligations
- Employee medical and dental benefits were subject to a 4% increase.
- The college utilizes zero-based budgeting, and expenditures are projected according to the department's anticipated needs.

Auxiliary Operating Parameters

- Athletics: transfer of \$1,058,779 from Education Fund
- Bookstore, Corporate Training, Food Service, Production Services, VPAC: all breakeven
- Continuing Education: transfer of \$31,823 from Corporate Training
- Early Childhood Lab School: transfer of \$300,582 from Education Fund
- Facilities Rental: transfer of \$188,063 from operating funds
- Student Life: transfer of \$553,720 from Education Fund

Operating Revenues

The budget is almost \$94M, comprised of 63% in property taxes or local funds, 26% in tuition and fees, and 7.6% from the state.

Operating Expenditures

Salaries and benefits account for around 71% of expenditures, with contractual services for software, general materials, and supplies for instruction comprising the remaining portion.

Education Fund Revenues

The \$4M transfer out of the capital improvement fund and the property tax increase were noted, resulting in increased tax revenue. The College has successfully recognized surpluses, allowing for a transfer of monies into the capital improvement fund over time. The fund also includes the new manufacturing building's \$55M bond issue.

Fund Balance Analysis:

Significant funds have been set aside in anticipation of the new building; six months of operating revenues are on hand, per the Board parameters. We have an ample fund balance to cover this need.

Ms. Scholl reported that the Budget Council has been meeting weekly for several weeks to review specific funding requests, using a rubric to evaluate and prioritize such requests. She also noted that the New Position list has ten positions, including one part-time to full-time and a grant-funded position. The team is working to right-size the budget within the revenue received, with serious consideration for the buildup of small funding requests, which, in turn, can undermine the idea of thoughtful budgeting. She hopes to continue to work with budget officers to review needs and reallocate funding where needed.

C. Capital Projects Funding and Timeline (Kimberly Wagner and Heather Scholl)

The Capital Projects Fund currently includes the new manufacturing center's \$55M bond issue and grant and institutional funds for the project.; however, Ms. Scholl noted that the current fund only reflects a single year of expenses. Dr. Wagner added that while the numbers might seem inflated due to the substantive cost of materials, she and the team are increasingly mindful that goals for the project are met within the parameters of the funding allocated.

Ms. Scholl explained rising technology costs related to several ongoing upgrades on campus, including signage and AV upgrades for classrooms and meeting spaces. Additionally, funding costs have been roughly estimated for new spaces for the Transfer Center and Disability Services. Dr. Wagner added that regarding RAMP funding, ECC is continuing to move up the list of priorities. Still, there remains no way to know what position one might hold, what project the funding might be directed toward, or the amount of said funding. Therefore, a \$4M transfer has been made to the FY25 lines to assist in funding several projects; however, Dr. Wagner warned that projects must be continually prioritized to ensure the most critical are funded first. For example, the Fitness Center has

dropped in priority over other projects like the Respiratory Care lab and other more extensive and significant deferred maintenance needs.

D. College Insurance Program (CIP) Funding Plan (Kimberly Wagner)

Dr. Wagner reported a change in calculation related to the college's obligation, which our Sikich auditing team first noted. As the accounting standard has changed, Finance is required to record this liability. In FY22, records indicated a liability of \$42M; however, in FY23, the recorded liability was reduced to just over \$16M. The dramatic decrease was based on actuarial calculations, and Sikich confirmed the amount. Therefore, the annual request for a transfer for the CIP has been withdrawn, as there are sufficient reserves to fund the actuary assumption of the plan.

E. Report on Tax-Exempt Bond Record-Keeping Policy (Kimberly Wagner)

Dr. Wagner presented her official yearly report, noting the preservation of the college's tax-exempt status and rebate liability to the US Treasury through properly maintained records. In 2021, the College refunded its numeric bonds in testifying that all documents were compliant and kept in good order; moreover, the current practices described in these bonds will be maintained for three years. Additionally, we have no arbitrage liability to the US Treasury.

F. Fiscal Year 2025 Finance Committee Agenda Items (Kimberly Wagner)

Proposals for items for upcoming meetings were discussed. The board was reminded of several critical financial events, including the tax levy in December and the presentation of the FY26 Budget, prompting the need for earlier recommendations.

5. Old Business

No old business was presented.

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 3:10 p.m.

The next Board of Trustee Finance Committee is on Monday, October 7, 2024.