MINUTES OF FINANCE COMMITTEE
October 7, 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, Mr. Nowak

Finance Committee members absent: Ms. Arroyo
Other Trustees present: Dr. Redmer, Ms. Rakow

Others present: Dr. Peggy Heinrich, Interim President; Ms. Loewe, Recorder; 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 13, 2024**

Motion: Trustee Rodriguez moved to approve the May 13, 2024 meeting minutes.
Second: Trustee Nowak seconded the motion.
Roll Call Vote: Aye, 2: Rodriguez, Nowak
Nay, 0
Absent, 1: Arroyo

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. **<u>Gift Cards – Update</u>**
After completing an exhaustive inventory of the gift card process, it was agreed that lowering the balance from approximately $9K to $5K would provide a more reasonable threshold. Additionally, Mr. Martin reviewed the adjustment of journal entries or inventory controls of gift cards, noting that in prior years, there had been a high number of significant adjustments to the inventory due to a lack of such controls. Therefore, specifically in Workforce Development, a monthly reconciliation process

was introduced, combining the efforts of the division and Purchasing to ensure that not only are appropriate numbers of gift cards purchased and distributed to students in need but also that those gift cards are tracked accordingly. Mr. Martin has suggested that further administrative guidance is needed for the continued correct disbursement and tracking of these gift cards, but he feels there is positive forward momentum overall.

The Board questioned the disbursement mechanism of these gift cards, noting that the most significant risk involving gift cards is the safety of the individuals who hold them. Mr. Martin agreed, and while he would not go into detail regarding where the cards were held, he did note that they are not held in a locked safe but behind a counter that separates employees from students. He further recognized the safety risk of housing them in such a way. The Board questioned the development of a standing policy surrounding gift cards, including appropriately securing them, to which Mr. Martin responded positively.

2. **Return to Title IV**

   Mr. Martin noted that although there are mechanisms for faculty reporting 10-day totals, including up to 20 separate emails reminding faculty of important reporting dates, many still need to utilize available materials.

   To underscore the importance of this reporting further, John Long, AVP of Student Services and Development, was brought in to communicate with faculty the most critical component of the report - dropping students on time.

3. **Financial Statement/GLBA Audit**

   Mr. Martin reported his involvement in planning the College's major audit alongside Sikich, noting the addition of the Cyber Security plan, updates to Administrative Procedures, and the College Emergency Operations Plan. Additional information will be provided after the Comprehensive Financial Statement, presented at the November Committee of the Whole meeting, is completed.

4. **HR Audit Update**

   After almost a year of work and a fundamental personnel change at Sikich, a draft audit is ready for review.

5. **Payroll Specialist**

   Mr. Martin was asked to join the hiring committee for the position, sharing that an offer was made with hopes of a late October start date. He also shared the creation of a new position called Payroll Analyst, which is currently under review. He hopes to have the position ready for posting as soon as possible so that interviews can begin shortly. This new hire aligns with a recent restructuring of HR, including two HR Generalist positions designed with intentional flexibility to assist wherever needed, totaling four positions with intimate knowledge of the payroll system.

B. Review of the Fiscal Year 2025 Budget to Actual (Heather Scholl)

Revenue

Ms. Scholl first explained that property taxes from two separate levy years comprise 48% of the budget, which aligns with expectations. Additionally, the over-inflated personal property replacement tax estimate is expected to decrease to normal levels at less than a percentage point; however, this reflects expectations. Although the ICCB portion of the budget was not estimated at the time of creation, the actual monies received are $212K more than budgeted, working in the College's favor. Ms. Scholl is optimistic that revenue markers will increase when Spring registration opens; moreover, she added that investment lines were also strong but cautioned against placing too much priority on these funds.

Expenditures

Although 20% is slightly higher than the anticipated 17%, expenditures are not necessarily equally divided, noting significant projects from prior years hitting the budget hard in July and August. She also shared that while previously the Finance team met with budget officers for mid-year reviews, instead, they met in August to review expectations from February and March, asking critical questions about FY24 spending to help shape FY25 budgets and rightsizing where needed.

Ms. Scholl also explained a change to the current Treasurer's Report, noting that, moving forward, the Facilities rental report would no longer included as a separate report. Instead, the Board can expect to receive one Operations & Maintenance report.

C. Internal Service Fund Transfer

The College is self-insured regarding medical and dental plans; therefore, each year, an estimate of the expected plan payout is determined, and rates are set accordingly. Over the years, a deficit has accumulated as predetermined rates were insufficient to recapture the premiums paid. This has been remedied by utilizing the fund balance reserve; however, with that fund exhausted, there remains a $1.3M deficit. With the new suggested transfer, the intention remains to recover monies from the Education Fund, balancing the deficit without causing a significant impact on employees through higher rates.

Dr. Wagner cautioned that this is not a long-term solution to rising healthcare rates. Eventually, the College must review its rates with a broker to right-size employee and employer costs to avoid snowballing premiums and claims.

Capital Projects Priority and Funding List (Heather Scholl)

Ms. Scholl provided an updated chart of current projects and their funding predictions, noting the cost of the Manufacturing and Technology Center has been set at $88M, with an additional $24M for Building O; however, this does not include costs for specialized equipment.

She also reviewed several outstanding projects, including several Building F items and Culinary renovation additions, reminding the Board of the RAMP requests made to the state. She also shared her recent communications with ICCB, noting the recent review of several deferred maintenance projects and their potential willingness to cover some of the costs of parceled-off projects, such as improving the HVAC system in Building F and other similar mechanical-based projects.

Ms. Scholl also provided a fund balance analysis for the capital projects, noting that the analysis did not include the pending internal service transfer. She also reminded the Board of its funding parameters, which require six months of operating reserves and a 25% RAMP funding commitment. She also reviewed a former request from the Board to earmark $7.5M for the Fitness Center, noting that this commitment would create a deficit in the O&M Restricted line. She questioned whether to continue to earmark those funds or place them up for consideration for other projects that may be more important.

The Board briefly discussed removing the earmark for the Fitness Center, noting that a significant financial lift is needed for other projects, including the renovations of Disability and Transfer Centers and the backfill of Building O. The Board remains aware of the need to update the Fitness Center. Still, many other, higher-priority projects stay on the list where such funding might be better utilized.

D. FY26 Lab, Course, and Instructional Fees (Heather Scholl and Annamarie Schopen)

Dr. Schopen presented the fees, noting to the Board that most of the proposed increases were not to collect more money from students to increase revenue but to account for a rise in the cost of materials.

E. Service Fees for Fiscal Year 2026 (Kim Wagner)

While Dr. Wagner noted no changes to the annual service fees for the upcoming fiscal year, she shared a recent review of the market, noting that other institutions in the area charge a $50 - $60 tuition payment plan fee. At the same time, ECC remains at a much more reasonable $30.

F. FY26 Tuition Rate Discussion (Kimberly Wagner)

Dr. Wagner presented the FY24 ICCB Tuition & Fees Survey, noting ECC’s placement toward the bottom of the survey as one of the most affordable in the state. She reminded the Board of a longstanding decision to embed specific activity and infrastructure fees within the tuition rate instead of parceling them as separate charges. It dually benefits financial aid recipients as well, as many times, the money received did not cover additional fees outside of tuition.

Tuition rose to $135 per credit hour last year after a six-year freeze; however, balancing tuition and revenue remains critical as the campus continues to grow. One area of consideration in the tuition matrix is the assessment and distribution of embedded fees, which has seen little change in the last twenty years. For example, $1 of each credit hour goes to the Student Life activity fund, and $2 goes to an instruction and equipment fee despite rising costs in both areas. Given the increase in enrollment and price, the recommendation to the Board is to increase the instructional equipment fee to $3, representing a one-dollar increase. Thus, the recommendation to the Board in December is to raise tuition from $135 per credit hour to $138, which still keeps ECC more affordable than most other institutions in the state.

Property Tax Levy Discussion – Tax Year 2024 Discussion (Heather Scholl)

Ms. Scholl reminded the Board of the Property Tax Extension Law, noting the College can only receive the lesser of 5% of the CPI. She explained that although the CPI in FY22 and FY23 were 7.1% and 6.5%, respectively, ECC still only earned 5%. Ms. Scholl hopes to see a 3.4% increase, resulting in $2.6M, noting $2M from PTELL and property taxes making up the difference.

She also noted the $11.1M debt service line and explained that it contains the college's bond issuances. In the past, the college issued general obligation bonds, which have automatically been embedded in debt service, as they impact taxpayers and are funded by taxpayers. However, the recent $55M alternate revenue source bond cannot be levied similarly. The College has pledged property taxes and tuition dollars to cover the bond cost; however, other types of unpaid debt remain by the same means.

While the CPI has ebbed and flowed throughout the years, there remains no guarantee of another 5% rate next year. To ensure no significant hurdles or upsets, Finance maintains an effort to keep bond payments consistent to ensure no surprises for taxpayers and to help balance the debt service and operating rates.

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, 2: Rodriguez, Nowak
Nay, 0
Absent, 1: Arroyo

Meeting adjourned at 3:04 p.m.
The next Board of Trustee Finance Committee is on Monday, December 9, 2024.