

**MINUTES OF FINANCE COMMITTEE
December 8, 2025**

1. Call to Order and Roll Call

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

Finance Committee members present: Trustee Parks, Trustee Allen

Finance Committee members absent: Trustee Barbosa-Guzman

Other Trustees present: Trustee Rakow, Trustee Rodriguez, Trustee Redmer

Others present: Dr. Peggy Heinrich, President; Ms. Loewe, Recorder; Ms. Scholl, Assistant 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 on October 13, 2025

Motion: Trustee Parks moved to approve the October 13, 2025, meeting minutes.

Second: Trustee Barbosa-Guzman seconded the motion.

Roll Call Vote: Aye, 2: Parks, Allen

Nay, 0

Absent, 1: Barbosa-Guzman

3. Audience Wishing to Address the Committee

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

4. New Business

A. Internal Audit Report (Ed Martin)

• Return to Title IV (RT24)

- Title IV funds are federal grants provided to eligible students; when a student fully withdraws, a federally required R2T4 calculation determines whether funds must be returned or disbursed.
- Each calculation results in one of three outcomes:
 - **Post-Withdrawal Disbursement (PEW):** Student earned more aid than received.
 - **Return of Funds:** Student received more aid than earned; funds must be returned to the federal government.
 - **Fully Earned:** Student earned exactly what they received.

- Two groups fall under the “fully earned” category:
 - Students who earned all funds based on attendance.
 - Students who attended 60% or more of the semester are automatically considered to have earned all aid.
- **FY2024–25 Semester Review**
 - 146 R2T4 calculations were reviewed, and zero exceptions were identified, marking a significant operational milestone in compliance and timeliness.
 - Dean Amy Perrin, SVP John Long, and ECFA Association President Dan Kernler for broad faculty engagement (495 faculty involved).
 - Special recognition: Kelly Owens (Financial Aid) for consistent accuracy, complete workpapers, and multi-year collaboration with Internal Audit.
 - Multi-year data shows:
 - Significant reduction in processing time from student drop to refund/return once exceptions (>45 days) are removed.
 - Exception spikes in prior semesters were tied to fraud-related withdrawals, requiring increased institutional effort.
 - Current semester financial data will be available in May, allowing comparison to summer and prior terms.
 - Comparison of previous semester vs. current semester (through Nov. 17) shows:
 - Post-withdrawal disbursement rates remain consistent.
 - As additional worksheets are completed, the “earned” category is expected to increase, reducing the “return” category.
 - Late-semester withdrawals typically fall into the “earned” category due to the 60% rule.
 - “Butterfly Effect” Observation
 - 26 students in the “earned” category attended 60%+ of the semester but still withdrew.
 - R2T4 compliance is a recurring, high-volume, high-stakes process requiring sustained effort from hundreds of employees each term. A clear roadmap is in place, and teams will continue following it as the next semester begins.
- **Updates**
 - **Fraud and Financial Aid Monitoring**
 - Increased fraudulent activities detected in applications and financial aid.
 - Internal efforts underway to address fraud, including exploring software solutions like Salesforce to enhance detection accuracy and speed.
 - Considering changes in disbursement processes to mitigate fraud risks, especially related to late-starting, online-only classes with no prerequisites.
 - **Audit and Compliance Experiences**
 - Positive experience with HLC audit; less intimidating than expected, with productive breakout sessions and open forums.
 - Federal compliance meetings were canceled after leadership presentations, indicating strong institutional compliance.

- Participation in "Coffee with the President" small group session fostered open discussion about internal audit roles and problem-solving approaches.
- Emphasis on coalition-building and collaborative work towards common objectives.
- **Financial Statement Audit**
 - The original audit readiness plan was delayed. Currently on Plan B but still compliant with regulations.
 - Financial review focuses on independent auditors' reports and management discussion and analysis for a comprehensive understanding.

B. Fiscal Year 2026 Financial Update (Heather Scholl)

- **Revenue Status (four months into FY26)**
 - Total revenue at ~50% of budget, consistent with expected timing patterns.
 - Property taxes recorded at 50% due to standard levy recognition practices.
 - Tuition & fees include summer and fall; spring revenue will increase as enrollment progresses.
 - State funding at 35%, aligned with monthly payment schedules and four months of activity.
- **Expenditure Status**
 - Overall expenditures at 37%, slightly above the 33% linear benchmark.
 - Salaries & benefits tracking at ~36–37%; higher than benchmark but monitored closely due to their large share of the budget.
 - Contractual services elevated due to annual software maintenance contracts paid upfront.
 - Fixed charges (including insurance) appear high because full-year payments occur at the start of the fiscal year.
- **Operational Monitoring and Adjustments**
 - Budget officers are conducting a mid-year review to identify:
 - Projects or purchases that are no longer needed.
 - Opportunities to return unused funds to offset higher-than-average spending.
 - Continued emphasis on expense monitoring, vacancy management, and evaluating the timing of hires.
 - Focus remains on reprioritizing rather than adding new initiatives unless offset by reductions elsewhere.
 - Variances above 33% in certain categories (e.g., supplies, postage) reflect seasonal timing, not overspending.
 - No current concerns flagged regarding salaries/benefits beyond normal monitoring.

C. Fiscal Year 2027 Budget Discussion (Kimberly Wagner and Heather Scholl)

- **Budget Development Timeline (6-Month Cycle)**
 - **January:** Distribution of budget books with reinforcement of zero-based budgeting, intentional prioritization, and realistic one-year project scopes.

- **March:** Presentation of auxiliary business plans, mid-year cycle budget status, and emerging challenges.
- **May:** Review of preliminary FY 27 budget, with final board approval in June.
- **Key Financial Context & Budget-to-Actual Trends**
 - **FY22 Post-COVID Environment**
 - Budget performance supported by remaining COVID relief funds, visible in “other income.”
 - Enrollment uncertainty and shifts in student modality preferences continued to suppress credit hour generation.
 - **Investment Income Volatility**
 - FY22 included a -\$2.3M investment income loss due to market conditions.
 - ECC maintains a conservative investment posture, but investment income remains an essential part of long-term financial planning.
 - **Operating Transfers & FY25-26 Dynamics**
 - One-time reduction of the \$4M transfer in the Education Fund to break even. This reduction is unsustainable due to long-term obligations, including debt service on Buildings S and T.
 - FY26 required additional transfers beyond the budgeted \$1.9M to cover healthcare claims and unplanned auxiliary deficits.
 - Mid-year review remains critical to ensure alignment with the adopted budget.
 - **FY27 Revenue Outlook**
 - State funding is expected to remain relatively flat. Credit hour increases from FY25 will not fully translate into apportionment due to the two-year lag and statewide distribution formulas.
 - A modest increase in property tax revenue is expected, constrained by PTELL (lower of CPI or 5%); however, it remains essential for revenue balance.
 - A \$10 per-credit-hour increase is incorporated into projections and is considered essential in meeting the Board’s mandate to present a balanced budget in spring.
 - Federal funding remains uncertain, but the college aims to maintain a contingency within FY27 planning to protect student-directed programs if levels shift mid-year.
 - **FY27 Expenditure Pressures**
 - Salary obligations across all employee groups are incorporated with a focus on fiscal responsibility.
 - Healthcare costs show significant increases, consistent with trends across higher education and employer markets.
 - Property and casualty insurance showed a double-digit increase, particularly acute in the higher-ed sector.
 - Rising software costs and growing institutional dependency require strategic decision-making and thoughtful implementation.

- New hires are reviewed extensively by Cabinet to ensure alignment with narrowed, strategic institutional goals.
- **Major Capital & Long-Term Commitments**
 - Debt service for Buildings S and T is funded entirely from operational funds, not through a referendum.
 - This requires an ongoing annual \$4M transfer for debt service and capital projects. The temporary reduction in FY25 of this transfer **cannot** continue into FY26 or FY27.
 - \$16M in state-appropriated funds (Build Illinois Bond Fund) remains unreleased.
 - The 10-year master plan requires significant space realignment and construction needs ahead; long-term capital planning remains essential.

D. Capital Projects Priority and Cost Update (Heather Scholl)

- **Exterior Signage Upgrade**

The scope is significantly reduced. The original plan included costly brick-and-mortar modifications to entryway signs. The project has been scaled back to electronic display replacements only, using existing structural spaces, reducing the cost from \$1.5M to \$150K.

- **Building S / Truck Driving Program Facility**

Equipment lists are being finalized, and orders are underway to ensure items with extended lead times arrive for the building's opening. Truck driving remains on schedule, with completion targets for mid-April next year.

E. Property Tax Levy – Tax Year 2025 (Heather Scholl)

A public hearing regarding the proposed levy will be hosted tomorrow, December 9, at 6:30 PM in Siegel Auditorium. The Board will vote to approve the tax levy at this time.

F. Investment Policy Review (Kimberly Wagner)

The annual review of the College's Investment Policy was presented, reaffirming that the policy aligns with the investment parameters permitted under the Illinois Community College Act. Administration is not recommending any changes at this time; however, a trustee inquired whether references to "FDIC-insured" institutions should be broadened to "federally insured" to reflect all eligible entities, including those insured by the NCUA. Administration will review the statutory language to confirm the appropriate terminology and, if warranted, return with proposed policy updates for future board consideration.

5. Old Business

A. Status of Insurance Broker RFP Process (Kimberly Wagner)

The College issued the RFP to nine firms and received three responses, two from major brokers and one from a smaller firm. All three respondents were interviewed, and the administration has completed a comparative evaluation using a scoring matrix. The evaluation team will meet to review the results and determine next steps, with a recommendation expected in January.

Adjournment

Motion: Trustee Parks moved to adjourn the meeting.

Second: Trustee Allen seconded the motion.

Roll Call Vote: Aye, 2: Parks, Allen

Nay, 0

Absent, 1: Barbosa-Guzman

Meeting adjourned at 2:58 p.m.

The next Finance Committee Meeting will be held on Monday, March 9.