Approved by the Board of Trustees November 10, 2020

COMMUNITY COLLEGE DISTRICT NO. 536
BOARD OF TRUSTEES COMMITTEE
Finance

October 13, 2020

MINUTES

The Finance Committee Meeting of the Board of Trustees of Lewis and Clark Community College, District No. 536, was held September 3 online in a virtual format by teleconference via ZOOM https://lewisclark.zoom.us/j/97751964805?pwd=eGJSNkorN3BXSjhZdWdCU1pxbUY4QT09 or by phone at 312-626-6799 with Meeting ID 977 5196 4805 and Password 916488. The meeting began at 12:02 pm.

ROLL CALL

Present

Julie Johnson, Vice Chair
Kevin Rust, Secretary

Also present were Ken Trzaska, Mary Schulte, Nancy Kaiser, George Provenzano, and Sue Keener.

Written Public Comment was submitted by George Provenzano and read by Sue Keener. See Attachment 1.

Review of financial reports for October 13 Board Meeting

The Trustees presented their questions about the Financial Reports for the 10/13/20 Board meeting which led to a discussion about student fees and how they are tied to individual programs. Dr. Trzaska noted it would be helpful for the Board to see a link between expenses that are covered by student fees. Following a question about the payment to Hearst, Trustee Rust restated that the Trustees are concerned about the money spent for marketing and recruiting and want to see a comprehensive marketing plan. Although campus buildings are not full, the custodial services are under an annual contract. Therefore, the payment is the same. However, the cleaning protocols and work schedules have changed so the workers are covering high traffic areas more frequently throughout the day.

Trustee Johnson asked if the Interest on Bonds charged to institutional expense was different than a year ago and she would be interested to see a comparison year over year. Mary Schulte clarified that although the amount of debt principal is going down overall, for the long term, the individual principal and interest payments will not go down until the debit is paid off. Trustee Johnson asked for this information—outstanding debt, principal, and interest—to be shown in the financial reports as a comparison year over year to be able to see the progress. Schulte noted that this information will be available on an annual basis through the completed audit. Outstanding debt will be down about $10 million.

Trustee Johnson asked that pending numbers be used before the audit is completed instead of working from June numbers half way through the year. Having current numbers would enable the college to be more nimble and respond quickly when trends are negative.
Trustee Johnson expressed concern about the projected enrollment decline of 10% and asked if we have final numbers to know if changes are needed. Nancy Kaiser responded her projection shows $7,768,000 for the year for tuition of which we have received $4,703,000 through September.

With concern over any immediate cost cutting measures required due to an enrollment decrease, Trustee Johnson asked if we had dipped into reserve funds. Mary Schulte responded we function with working cash throughout the year due to timing of revenue and expenditures. However, we have not tapped into reserves. Mid to late spring is when cash flow is more of a challenge. We know from Nancy's projection if we are running short. Mary expressed concern about a dashboard snapshot being misleading if considerations aren't made for upcoming expenses.

Trustee Rust stated there is wide agreement that we need a dashboard. His concern is not that we are spending dollars we shouldn't be spending but rather having the ability to be more nimble and timely when adjustments need to be made.

The topic of credit card use and timing of payments was discussed. Mary will work with Dr. Trzaska about the current process in an effort to streamline and avoid late payments.

Mary Schulte confirmed she works with IIIT, which is a money manager, and they are advising liquid money is providing the best return on investment.

Continue discussion of Board Book financial reporting, specifically the timing of a plan to develop and present new reports

It was estimated from a planning process it will take at least six months for development and change of financial reporting. The first step is to determine what performance indicators the Board wants to see in a dashboard report.

Tax and Tuition Rates

The Trustees discussed the tax levy rates, in particular the action item to be considered at the Board meeting for the additional tax. Mary Schulte noted that we are eligible for this additional tax because we levy below the state average. Trustee Rust was in favor of staying at the current rate if the Board agreed. Dr. Trzaska noted the difference between the current rate and the maximum is approximately $234,000 for which we are eligible. Instead of "leaving the funds on the table", he suggested going for the maximum and designating the difference between the current rate and maximum for technology needs. Mary Schulte noted budget changes have begun regarding moving technology expenses to operating fund to align with the Board's request. Approximately $2 million has been moved into the operating budget from tech plan funding. She noted we had assistance this year from CARES funding to make some of the changes.

Trustee Rust said he could reluctantly support tax rate where we were last year but he certainly didn't want that to be an indication that we are not going to be fiscally responsible. Trustee Johnson stated she would be willing to go for the maximum eligibility if the majority of the Board agrees. The additional funds between the current rate and the maximum (approximately $234,000) could be set aside to go to technology needs. From a taxpayer's perspective, it is important to decrease debt in order to decrease our bond levies over time.

President Trzaska spoke about the need to reframe and reshape the High School Partnership to generate revenue. It's political and everyone is accustomed to High School Partnership being free. Nothing is free. We are basically providing free education as students are earning 30 – 40 credits. SLU charges Alton High School students. This is one practice that is really hurting us. It only increases head count and affects our faculty load.

Trustee Johnson asked if lowering debt can be a strategic initiative. Mary Schulte responded, assuming our EAV is stable or increasing (which is expected in Madison County) then our tax levy should go down. The tax levy is made up of two different components - funds such as Ed, O&M, and the PHS levy are rate based. Other funds such as Bond & Interest, Audit and Liability are amount based.

Trustee Rust inquired about the components of the $3 million budget for liability. Mary responded this number comes from risk management components such as: security, worker's compensation, testing, inspections, salaries, legal fees, Medicare, and social security.

Status of Schlosser Audit

Mary Schulte said she has a draft of the audit by Schlosser and there are no findings. Because of the CARES Act and Department of Education supplement that Schlosser needs to audit, with the compliance supplement not expected until mid-November, the final audit will be delayed beyond our normal completion timeframe. We aren't required to submit the audit until the end of December and ICCB could postpone the deadline until the end of March 2021.

Status of "COVID 19" insurance claim

Our enrollment report "told the tale" of the impact of COVID, so the claim assistance doesn't believe it will take much work to achieve the maximum claim of $500,000. The contract with Pyxis was in an amount not to exceed $5,000. They have not billed yet or asked for additional funds. Schulte will check on the current costs incurred for this claim.

There being no further business, the meeting was adjourned at 2:05 pm.

Sue Keener

Sue Keener, Executive Secretary to the President and Board of Trustees

10/13/20 Finance Committee

Attachment 1

October 13, 2020

To: Lewis and Clark Community College Board of Trustees

From: George Provenzano, Ph.D., Resident, Godfrey, Illinois

Subject: Public Comments Submitted to the Finance Committee Meeting, October 13, 2020

The Finance Committee does not yet appear to have good understanding of the negative fiscal impacts of COVID-19 on LCCC revenues and expenditures for the fall semester. Last month, it was reported to the Committee that enrollment for fall 2020 was down 11 % but that the FY-2021 budget had been assembled under the assumption that enrollment would decline by 10 %. In other words, the FY-2021 budget revenue estimates would be close in reflecting the COVID-19 enrollment decline.

However, it was not clear from the discussion whether these comparisons were of estimates of a decline in fall enrollment in: (1) students; (2) credit hours; or (3) billable credit hours. In addition, it was not clear whether the assumption of a 10 % decline in enrollment applied to only the fall semester or to the entire fiscal year. Without clarification, the comparison is obviously one of apples and oranges.

With respect to expenditures budgeted for instruction, the Committee has yet to consider any measures such as suspension of annual raises, curtailment of overtime, or furloughs, to bring those costs in alignment with revenue decreases. At the last meeting, it was stated that fall classes being offered would meet the "standard enrollment break-even requirements." The break-even enrollment requirement to teach a course is currently quite low. Without reductions in the numbers of course sections, through consolidation or cancellation, full-time faculty are teaching extremely small classes to achieve a 'full load." This trend started with the enrollment declines experienced before COVID and will continue to persist afterward. It may be too late to make adjustments for fall semester, but it is not too late to begin planning to <u>right-size and re-orient</u> the college's instructional programs for the spring.