

MINUTES  
FINANCE COMMITTEE MEETING  
OF McHENRY COUNTY COLLEGE

A Meeting of the Finance Committee of the Board of Trustees of McHenry County College was held on Monday, January 24, 2011 in the Board Room, Room A217, in Building A on the Campus. Chair Walters called the meeting to order at 6:00 p.m. When Ms. Larson called the roll, the following were present:

Mr. Lowe  
Ms. Walters  
Dr. DeWitt  
Mr. Sheriff  
Mr. Adams  
Ms. Miller  
Ms. Larson

ACCEPTANCE OF AGENDA

The agenda was accepted as presented.

ACCEPTANCE OF MINUTES

The minutes of the November 18, 2010 Finance Committee meeting were accepted as presented.

OPEN FOR RECOGNITION OF VISITORS AND PRESENTATIONS

No one signed in to address the Committee.

MID-YEAR BUDGET REVIEW

Dr. Smith explained that the College had never done a mid-year budget review before. The review allowed Executive Council to examine the budget to see whether funds need to be shifted. She then turned the floor over to Mr. Larry West and Mr. Don Wilske. Mr. West thanked Dr. Smith and stated he was happy to be at MCC. He stated that the mid-year budget review is a proactive and fiscally responsible process, the purpose of which is to see if priorities are the same, and if some items move up in priority. Line items were analyzed to determine whether they would stay the same or be changed. Adjustments were made after the review and the College was able to allocate \$372,866.00 to emergency contingency. With the base operating grant, the state has remitted only one-twelfth of what is due. Currently, \$908,266.20 is due from the state. Dr. Smith stated that area budgets were reviewed; funds were reallocated where needed, and then opened the floor for questions. Mr. Lowe asked what

percentage of the budget is provided by the state; Mr. West responded that a total of \$2.1 million is provided by the state and Mr. Wilske responded that in the actual budget 5.6% was allotted for state funding and the actual amount came in around 6%. Ms. Miller commented that the funds were not yet received. Ms. Walters asked when the funds might be received; Mr. West thought that it would be the same as last year, extending the FY 2011 budget to the end of December. He thinks the state will make every effort to have all monies owed to us for FY 2011 by the end of December, adding that the funding is paid in full for FY 2010. Dr. Smith looked at revenues; the College budgeted to enroll 5% less than enrollment figures for last year, and revenues from tuition and fees are currently a little ahead of the budgeted figure. In response to Dr. Smith's question regarding the number of students enrolled, Dr. Miksa stated that credit hours are currently 65,705 and head count is 6,650.

#### DISCUSSION OF FISCAL CONSERVATISM AND FISCAL RESPONSIBILITY

Dr. Smith asked Chair Walters to put this item on the agenda; she would like the Finance Committee to begin a dialog to define these two terms for the institution. She suggested that the committee may want to interpret fiscal responsibility in the long term, ensuring the advancement of the College, which may include investment in the institution. She asked the Committee members to share how they see these two terms and asked how they would inform the Board as to how we should be looking at these two concepts. Ms. Walters stated that the Board has always been very conservative; taking a long-range look at the Board's position, being responsible and committed. She added that no one on the Board has a political allegiance; all are here to serve the institution with a long range perspective and keep it running at its best. Ms. Larson explained that the terms are intertwined but represent two different things. Fiscal conservatism means when budgeting, you look for the middle of the road, not spending money we don't have, being responsible to the taxpayers. She added that to her, fiscal conservatism is how to save as much money as you can and still do the job right; fiscal responsibility is making sure that the building is still standing, investing in it.

Dr. DeWitt pointed out that at the November Board retreat, it was stated the Board is fiscally conservative, but the vision wanted is to balance fiscal responsibility, or discipline, with academic

excellence. He stated that he thinks fiscal conservatism is about risk, more as it applies to investment and being risk averse in how College funds are invested. The Board will not commit significant resources without having done homework and a good sense of a return on investment. He added that new programs are not begun without finding out if there is a need for the program. He stated that the Board would not venture off into programs peripheral or tangential to the mission. He stated regarding fiscal responsibility that once a decision was made about investing, how do we manage and follow good accounting principles, committing resources needed to address the basic mission – investment vs. management.

Ms. Miller agreed with the previous three Trustees, and stated fiscal responsibility means once a decision is made, the master plan is in place, and the vision for moving the College forward is known; it is the Board's fiscal responsibility to make sure the funds are in place to move forward. She stated that the Board looks to the President and Executive Council to provide their vision for programs and expansion, so that the Board can figure out how they will responsibly pay for those. Ms. Miller added that the Board has allocated funds to certain areas, and would like to see that with the next financial statements that come up. Dr. Smith added that \$4 million from the Education Fund is allocated for the ERP system. Dr. Smith added that Board Reports indicate how much was spent and why it was spent.

Mr. Lowe recalled times in the past when the College issued tax anticipation warrants to borrow money because funds ran out before the end of the fiscal year. He spoke about getting the best for the least amount of money.

Mr. Adams stated that to be responsible, there are things the Board must do to keep the faculty and staff at an adequate level to serve the students, and being conservative enough so that the College does not issue tax anticipation warrants.

Ms. Walters added it was important to note that the Board has not borrowed into the future. She stated the Board must be more vigilant in this economy to keep the College's vision going forward.

Dr. DeWitt asked his fellow Trustees how much new investment the College should commit annually. He spoke also about reviewing workforce needs in order to develop students with the right skills. Ms. Walters responded that perhaps a percentage may need to be developed, rather than a dollar amount.

Dr. Smith emphasized the need to run an efficient organization with resources based in areas the best serve the students and the county to produce the kind of graduates needed.

Mr. Adams suggested working with the McHenry County Economic Development Corporation and large employers, also looking for community needs at the hospitals.

Dr. Smith expressed her appreciation for the Trustees' input.

#### BUDGET ASSUMPTIONS

Dr. Smith asked the Trustees to provide their input to aid in building the budget for next year. She introduced Mr. Larry West, Chief Financial Officer, to the Board.

Mr. West stated that assumptions perceived to affect the FY 2012 budget will be presented to the Board tonight. He stated that costs will rise for contractual salaries and health insurance. Mr. Lowe and Ms. Miller noted that per the full-time faculty contract, if the increase in health care costs is more than 14%, employees covered under that contract will pay 50% of the increase over the 14% for all options selected.

It was also noted that the Insurance Advisory Committee is charged with reviewing health coverage and recommending to the President changes in the insurance plan that would limit cost increases for medical insurance and/or provide for cost saving alternatives in the plan design of the insurance. Mr. West assured the Trustees that alternatives will be researched to keep the cost as low as possible.

He spoke about the Facility Condition Analysis work done in January. Once the report is received, the College will need to repair or replace some items. The report will list items that need to be done immediately, during the second year, during years three to five and items that can wait for years six through ten.

Mr. West then spoke about fund transfers from Operations and Maintenance fund, unrestricted, to Operations and Maintenance fund, restricted. These transfers can continue for FY 2012; fund transfer was approved at the November, 2010 meeting.

Mr. West stated that a 5% increase in utility costs is assumed. There will be a very slight increase in local funding. He stated that the current CPI is 1.5%, compared to 2.7% in FY 2010.

Mr. West stated the College would budget for a 5% enrollment decrease for FY 2010.

Dr. Smith asked if there were further assumptions the Board would like built into the budget. Ms. Larson asked about grant funding available. Dr. Smith responded that a recent meeting was held with a grant consultant and a look will be taken at how much of the College's budget could be grant funded.

Ms. Larson also inquired about a way to find a better return on the College's investments. Mr. West responded that the College is regulated on where investments can be made. He will meet in February with an investment consultant.

Dr. Smith spoke about increasing efficiency in College operations. She added that once the ERP system is implemented, a review can be conducted to see whether things can be done differently to increase efficiencies.

#### TUITION AND FEES

Dr. Smith asked for discussion about the philosophy behind tuition and fees, and their role in the institution and the budget. Mr. West stated that end users currently pay 32.2% of operating revenue, which is very close to the original formula used: one-third from state funding, one-third from property taxes, and one-third from tuition. Mr. West spoke about tuition rates at comparable community colleges in the Chicago suburban area and expects that Elgin Community College will raise their tuition rate.

Ms. Larson stated that the College has always tried to be in the middle of Illinois tuition rates. A discussion followed regarding one-third of per capita cost, which Mr. Wilske stated is \$316.00. One third of that figure would be between \$105.00 and \$106.00. Ms. Larson spoke about the importance of avoiding large jumps in tuition costs. Dr. DeWitt expressed his opinion that using a formula to create a general road map helps with long-term projection. However, Dr. DeWitt also stated that if the College's contribution from local funding is adjusted by CPI and funding from the state continues to decrease, it means that any significant cost increases over CPI are borne by increases in tuition, which cannot be sustained. He stated the need to be conservative in terms of cost. Mr. Lowe commented that the taxpayers are picking up 62% of the cost.

Dr. Smith summarized the main points of this discussion: 1) tuition rate should be in the center among Illinois community colleges; 2) students should bear close to a third of the cost of running the institution,

3) the approach to looking at costs should be very conservative. Mr. Sheriff commented that based on the results of a recent student survey, raising the cost per credit hour would not be a good idea.

Ms. Walters clarified being in the center; she asked that McHenry County College compare itself to similar student populations, rather than Elgin Community College, College of DuPage or College of Lake County.

Mr. Adams stated that labor costs will be going up. He asked that costs be cut first, but added it was not realistic to think cutting costs can cover the contract increases, and that there would have to be some increase in the price to the students.

Mr. Lowe stated his opinion that McHenry County College has done an excellent job of keeping costs down.

Ms. Walters asked the President to look to the Foundation for additional assistance for tuition offsets. Dr. Smith thanked the Board for this discussion.

#### SUMMARY COMMENTS BY BOARD MEMBERS

Ms. Miller asked for an update on finding a person to fill the Internal Auditor position. Dr. Smith will follow up.

#### CLOSED SESSION

There was no Closed Session.

#### ADJOURNMENT

Hearing no further business, Chair Walters adjourned the meeting at 7:13 p.m.

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Patricia Kriegermeier, Recording Secretary