

MINUTES
FINANCE AND NEGOTIATIONS COMMITTEE MEETING
of McHENRY COUNTY COLLEGE

A meeting of the Finance and Negotiations Committee of the Board of Trustees of McHenry County College was held on Thursday, October 20, 2011, in the Board Room, Room A217, in Building A on the Campus. Chair Adams called the meeting to order at 8:03 a.m. When Ms. Larson called the roll, the following were present:

Mr. Adams
Ms. Liddell
Ms. Larson
Ms. Miller

Mr. Parrish was absent. Ms. Walters was absent at roll call and arrived at 8:26 a.m.

ACCEPTANCE OF AGENDA

The agenda was accepted as presented.

ACCEPTANCE OF MINUTES

The minutes of the Finance and Negotiations Committee Meeting, September 15, 2011, were accepted as presented.

OPEN FOR RECOGNITION OF VISITORS AND PRESENTATIONS

No one signed in to address the Committee.

PRESIDENT'S REPORT

Dr. Smith had nothing to report this month.

Items #7 and #8 on the agenda were switched; Presentation on Public/Private Partnerships came next.

PRESENTATION ON PRIVATE/PUBLIC PARTNERSHIPS

Mr. Brennan provided a brief introduction after which Mr. Paulsen spoke about the Facility Master Plan, which will need future funding. He stated that a public/private partnership is one, but not the sole, option that should be looked at to finance any new facilities. He introduced Mr. Emery McRill and Mr. Chuck Cavallo. Mr. McRill spoke about the purpose of a partnership, the key characteristics of public/private partnerships, options for using such partnerships and examples of public/private partnerships. He noted

that McHenry County College has the authority to acquire and own property, incur debt, lease property, issue bonds and enter into bonding contracts. These items give the College some flexibility that other community colleges do not have. He noted also that the Friends of McHenry County Foundation, as a 501(c)(3) entity, has a mission to support the College, has the authorization to own, lease, or convey property, incur debt and under IRS regulations can borrow on a tax-exempt basis.

Mr. McRill noted that the problems McHenry County College faces include the fact that there are growing programs, available space is at a premium, and there is a lengthy and possibly impossible path to a bond issue by the College. There are limitations under state law: long-term debt must be approved by voter referendum, lease obligations are limited to twenty years, and leases beyond five years require Illinois Community College Board approval. He listed options for the College: lease office space for classrooms, use portable classrooms, start the referendum process, or do nothing. He then listed options for the Foundation: undertake construction/ownership, donate funds to defray construction costs, turnkey/lease, lease/leaseback, and provided examples. He stated that by using these options, the College might not need a voter referendum, might accelerate a construction schedule, and might have a more affordable debt structure. Disadvantages might include the College's commitment to pay rent, and the Foundation's obligation to pay. Messrs. McRill and Cavallo provided several examples of financing terms and then answered questions and received comments from the Trustees.

A short break was taken at 8:54 p.m. and the meeting reconvened at 9:00 p.m.

FY 2011 AUDIT PRESENTATION

Mr. Adams stated that the full audit presentation is being given at today's Finance and Negotiations Committee meeting; a summary presentation will be given at the October 27 Board meeting. Mr. Fred Lantz of Sikich LLP thanked the Chair and Committee members for inviting him to discuss the tentative results of the FY 2011 audit. Mr. Lantz stated that there were no disagreements with management during the audit. He added that with the conversion to a new ERP system, and turnover in key positions, an incredible burden was placed on the Business Office. Discussion followed and Mr. Lantz received questions and comments from the Trustees.

Mr. Ray Krause of Sikich LLP then spoke about the audit, noting with pride that the Financial Aid department had no findings this past year, which is very unusual. He added that McHenry County College was the only community college in Illinois that had no findings in Financial Aid.

Mr. Krause then noted that the College's figure for federal direct loans went from \$1.5 million to \$1.472 million, which is a good sign. He noted also that federal awards are up \$1.2 million.

Dr. Smith congratulated the Financial Aid department regarding the report of no audit findings. Mr. Lantz passed out copies of the management letter, spoke about findings contained in the letter and discussion followed. He again received questions and comments from the Trustees. After discussion, Mr. Lantz recommended that the College look at its investment policy to determine if the Board of Trustees would wish to expand the definition of collateral value to cover time deposits and demand deposits.

Mr. Lantz spoke about two proposed GASB pronouncements in pension funds which could have a significant impact on Illinois and the College. He anticipates a final announcement in Spring 2012 effective for the SURS pension plan year 2013 and the state fiscal year ending 2014; he will keep the Board abreast of any developments.

Mr. Lantz noted at the end of his presentation that the Governor signed into law in August an exemption to the Open Meetings Act which would allow Boards to go into executive session to discuss College matters with auditors, beginning January, 2012.

INTERNAL AUDITOR REPORT

Ms. Nancy Gonsiorek provided an update on the audits of the Purchasing department and the Bookstore. She noted that quite a few things will be able to be rectified with the new ERP system. Mr. Adams noted that the biggest expense to students is the cost of textbooks; he asked whether there were more cost-effective options. Ms. Gonsiorek noted that she has been working with Mr. Manke on this issue; the solution will depend on how Board policy expects the Bookstore to function. Mr. Manke spoke about the implementation of a textbook rental program, suggested by the Bookstore manager. After speaking with the Board and the College's auditor about areas of interest and concern, a plan for upcoming internal audits will be laid out. Ms. Gonsiorek feels enterprise fund areas should be addressed – bookstore,

cafeteria, conference center, children's learning center. Ms. Miller noted that the Human Resources area should also be addressed; Ms. Gonsiorek responded that this area could be addressed next year.

CHARTER FOR INTERNAL AUDITOR'S OFFICE

Ms. Gonsiorek stated that the auditing office must have its own quality control document and has prepared the Internal Audit Office charter for the Board's review. It was agreed to place this item on the November agenda.

UPDATE ON STAFF COUNCIL NEGOTIATIONS

Mr. Adams stated that discussion would occur in Closed Session. Mr. Manke stated that the negotiation process has been tentatively concluded and that he was very pleased with the outcome. Mr. Manke added that the Staff Council has the contract out to their members for a vote and once results are known the Board Report can be finalized. Mr. Manke complimented those he worked with, who put in a lot of extra time. Mr. Adams thanked all for their work.

SUMMARY COMMENTS BY BOARD MEMBERS

Ms. Larson asked about a timeline for the ERP project. Dr. Smith responded that Dr. Butler will give a verbal presentation at the October Board meeting. The importance of providing a dashboard with project details was discussed. Mr. Adams asked whether the College was interested in participating in the McHenry County Vendor Connection in March, 2012 which will get local bidders involved in the College's bidding process. He will forward details to Mr. West. Ms. Walters and Mr. Adams spoke about their attendance at the recent McHenry County Council of Governments meeting. Ms. Larson stated that the recent ACCT National Congress was incredibly educational and will share materials at a later date.

FUTURE AGENDA ITEMS

The Internal Audit Office Charter will be placed on the November agenda. Ms. Miller questioned how sick days are accumulated. Mr. West responded that the College posts compensated absences. He added that 30 vacation days can accrue; any additional vacation days turn over to sick days, which are not compensated if an employee leaves the College.

CLOSED SESSION

At 10:35 a.m., Ms. Walters moved to go into Closed Session to discuss matters covered under the Illinois Open Meetings Act, 120/2 (c), Exception #2, *Collective negotiating matters between the public body and its employees or their representatives, or deliberations concerning salary schedules for one or more classes of employees*, and Exception #21, *Discussion of minutes of meetings lawfully closed under this Act, whether for purposes of approval by the body of the minutes or semi-annual review of the minutes as mandated by Section 2.06*. Ms. Larson seconded the motion. There was no discussion. The roll was called; and all present were in favor. The motion carried. Closed Session began at 10:35 a.m.

Ms. Walters moved to come out of Closed Session and Ms. Liddell seconded the motion. There was no discussion. A voice vote was taken and all were in favor. Closed Session ended at 10:54 a.m.

ACCEPTANCE OF CLOSED SESSION MINUTES

The minutes of the Closed Session meetings of the Finance and Negotiations Committee of September 15, 2011 were accepted as presented.

ADJOURNMENT

Hearing no further business, Chair Adams adjourned the meeting at 10:55 a.m.

Patricia Kriegermeier, Recording Secretary