

JOHN A. LOGAN COLLEGE

Carterville, Illinois 62918

Minutes of the special meeting of the Board of Trustees of Community College district No. 530, Counties of Williamson, Jackson, Franklin, Perry, and Randolph, State of Illinois held at Carterville, Illinois on July 21, 2016, commencing at 6:30 p.m.

The meeting was called to order by Board Chair Don Brewer.

The chair directed the recording secretary to call the roll:

Cheryl Graff	-- present
Bill Alstat	-- present
Jackie Hancock	-- present
Bill Kilquist	-- present
Jake Rendleman	-- present
Ray Hancock	-- present
Christine Lipe	-- present
Don Brewer	-- present

Also present were: Ron House, interim president; Brad McCormick, vice-president for business services and college facilities; Melanie Pecord, acting vice-president for instruction; Pat Hewson, college legal counsel; Steve O'Keefe, director of college relations; Susan May, recording secretary to the board of trustees; and other College personnel.

Board Chair Don Brewer led the board in the Pledge of Allegiance.

OPPORTUNITY FOR PUBLIC COMMENTS/QUESTIONS

Trustee Rendleman announced the untimely death of Andrew Bollman, immediate past president of Illinois Community College Trustees Association and chairman of the board for Sauk Valley Community College. A moment of silence was observed by everyone in attendance.

DISCUSSION OF THE FINANCIAL STATUS OF THE COLLEGE

Vice-President for Business Services and College Facilities Brad McCormick presented information to the Board reflecting on the FY 2016 budget, the process and assumptions built into the FY 2017 budget, and the effects of the stop-gap legislation, Public Act 099-0524. Mr. McCormick's presented a graph illustrating 12 years of adopted budget history and operating expenditures. The FY 2017 operating fund expenditures were \$12 million less than those in FY 2010, and represented the lowest budgeted expenditures in the last twelve years.

Prior to the stop-gap budget, a summary of operating funds showed a reduction in unrestricted reserves by \$6.2 million in FY 2016, and a \$1.525 million reduction in unrestricted reserves in FY 2017. Revenue budgeted for FY 2017 by source included 50% tuition and fees, 25% ICCB equalization and credit hour grants, 24% local taxes, and 1% other. Major assumptions used in preparing the FY 2017 budget included a tuition increase of \$10 per credit hour (which built in \$300,000 in new revenue), a draw down

from the auxiliary fund in the amount of \$1.4 million, state funding equal to 63% of the FY 2015 initial budget, and a flat enrollment compared to FY 2016.

Mr. McCormick referred to the stop-gap budget as a widen-the-gap budget, because it did not stop the gap or even close the gap for colleges in the southeastern part of Illinois. The College budgeted \$7.1 million for FY 2017, and received \$4.3 million as a result of the stop-gap budget, creating a shortfall for FY 2017 of \$2.8 million.

If additional state funding is not received by March 2017, it will be necessary to address cash flow for Spring 2017. Two options discussed included the issuance of \$5 million Tax Anticipation Warrants and a Working Cash Fund Bond Issue for \$5 million. Tax Anticipation Warrants would be repaid with pledged future tax receipts, and the Working Cash Fund Bond Issue would increase the tax levy for taxes paid in 2017 or 2018. Neither option removes the need to cut spending if Logan does not receive at least \$4.2 million more in state dollars for FY 2017.

Mr. McCormick also addressed recent news regarding credit agencies downgrading state bond ratings. In the last six months John A. Logan College has been rated by Standard & Poor's Ratings Services and Moody's Investors Service. Standard & Poor's rated the College AA-/Stable and affirmed our most recent rating, which means they did not change the rating. This rating was one click better than the rating received in 2007. Moody's rating included a downgrade from A1/Stable to A2/Negative. Both ratings are still considered good ratings from an investors' perspective (e.g., anything in the A category is a good rating). Two major factors in determining ratings include: 1) the higher your dependence on state resources, the lower the rating, and 2) the greater your reserves, the higher the rating. Moody's stated that recent rating actions reflect college's exposure to the fiscally challenged state of Illinois for operating support, program and scholarship grants, and pension funding; and this exposure will continue beyond the passage of a state budget.

Debt capacity is limited by the Illinois Compiled Statutes as 2.875% of the assessed valuation in the district. The total debt capacity for the College is \$51.3 million. The current debt is \$26.5 million, which leaves a remaining debt capacity of \$24.8 million.

Financial stability comparisons and goals for John A. Logan College as compared to neighbor institutions were provided for the Board. Generally speaking, operating fund balances as compared to annual expenses have historically been lower for John A. Logan College. Though the College had achieved its fund balance goals and built healthy fund balances between 2007 and 2013, the reduction in enrollment and the state budget crisis has eroded those balances. It was also noted that John A. Logan College has not issued Working Cash Fund Bonds in the last 3-4 years and has the second lowest tax levy rate compared to neighbor institutions.

Mr. McCormick concluded his presentation stating that \$4.2 million in additional funding is needed to balance the budget for FY 2017, and external borrowing will be required if additional state money is not received by the end of the Spring 2017 semester. Without additional state money there will be a \$2.8 million operating funds deficit for the year and a drawdown of \$1.4 million from the auxiliary fund reserves. If state funding is less than 75% of the original FY2015 state appropriation, additional reductions in spending will be required.

President House affirmed that the College will continue to look for ways to reduce expenditures in the fall semester, and he is hopeful the state will not put off funding decisions to the end of the fiscal year, like this past year. Trustee Ray Hancock asked if there were any health, life, and safety capital dollars included in the FY 2017 budget. Mr. McCormick explained that health, life and safety is a local matter, and part of tax levy funds that are required to be spent on capital projects approved by the architects as health, life, and safety concerns.

Trustee Ray Hancock inquired about fall enrollment, and Dean for Student Services Tim Williams stated that John A. Logan College is trending a little ahead of other community colleges. Based on a recent list serve analysis of enrollments for community colleges, only two colleges reported an even or one percent gain in enrollment, while other colleges reported a 5, 10, and even 14 percent drop in enrollment.

Student Trustee Christine Lipe asked about the impact of a tuition increase on spring enrollment numbers. Mr. McCormick stated that 64% of students receive some type of assistance from grants, scholarships, etc., but he could not gauge the effect on the other 36%. According to a federal IPEDS report, John A. Logan College is listed as the 43rd lowest in the nation for net cost of instruction. President House stated that even if the Board chooses to raise tuition by \$10 at some point, Logan will remain in the lowest 25% of community colleges in the state for tuition cost. The current state-wide average tuition is \$134.75 per credit hour, and Logan's current tuition is \$114 per credit hour. Board Chair Don Brewer stated that it is always a very difficult decision for the Board to raise tuition. Many community colleges that have expressed declining enrollment have also cut out pre-funding of the MAP grant. President House confirmed that John A. Logan College will continue to pre-fund MAP grants this fall.

In response to a question regarding the \$1.7 million ICCB grant reduction, Mr. McCormick clarified that this multi-year payback schedule has been delayed by ICCB due to the unusual circumstances surrounding state funding.

Board Chair Brewer concluded the discussion by thanking Mr. McCormick and the Board Finance Committee for sharing this very important information.

CLOSED SESSION

Board Chair Don Brewer stated that it was desirable to hold a closed session for discussion and consideration of personnel matters. Chair Brewer announced that the Board would take no action after the executive session.

Bill Kilquist and Bill Alstat moved and seconded that the special meeting of the John A. Logan College Board of Trustees be declared in closed session.

Upon roll call, all members present voted yes. Motion carried.
(Resolution #16-3370)

The meeting was declared in closed session at 7:45 p.m.

The meeting was declared back in regular session at 8:40 p.m.

ANNOUNCEMENTS – There were no announcements.

ADJOURNMENT

Jake Rendleman and Cheryl Graff moved and seconded that the special meeting of the John A. Logan College Board of Trustees be adjourned.

A voice vote showed all in favor. Motion carried.
(Resolution #16-3371)

Respectfully submitted: Susan May, recording secretary to the Board of Trustees

Don Brewer, Chair

Jake Rendleman, Secretary