BOARD OF TRUSTEES OF COMMUNITY COLLEGE DISTRICT NO. 508
COUNTY OF COOK AND STATE OF ILLINOIS

MINUTES

FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING
THURSDAY, APRIL 28, 2016
DISTRICT OFFICE – 226 W. JACKSON BOULEVARD, ROOM 300

Pursuant to provisions of the Illinois Public Community College Act, as amended of the State of Illinois, County of Cook, a Finance and Administrative Services Committee meeting of the Board of Trustees of Community College District No. 508 was held on Thursday, April 28, 2016 at 11:00 a.m., District Office, 226 W. Jackson Boulevard, Room 301, Chicago, Illinois 60606.

ATTENDEES

TRUSTEES
Clarisol Duque, Committee Chair
Isaac S. Goldman
Charles R. Middleton, Chair

ASSISTANT BOARD SECRETARY
Bethany Myles

CHIEF ADVISOR TO THE BOARD
Tracey B. Fleming

CHANCELLOR
Cheryl L. Hyman

GENERAL COUNSEL
Eugene Munin

OFFICERS OF THE DISTRICT
Joyce Carson – Vice Chancellor, Finance and CFO
Jim Frankenbach – Chief Operating Officer
Craig Lynch – Chief of Staff and Enterprise Services
Kai Love Davis – Deputy Chief of Staff
Rasmus Lynnerup – Executive Vice Chancellor and Chief Strategy Officer
Diane Minor – Vice Chancellor, Administrative and Procurement Services
Laurent Pernot – Executive Vice Chancellor and Senior Adviser
Stephanie Tomino –Vice Chancellor, Human Resources and Staff Development

OTHER ATTENDEES

Roberto Concepcion	CCC – District Office
Angel Quinones	CCC – District Office
John Gasiorowski	CCC – District Office
Kenya Martin	CCC – District Office
Constance Kravitz	CCC – District Office

I. CALL TO ORDER

Committee Chair Duque called the April 28, 2016 Finance and Administrative Services Committee meeting to order at 11:00 a.m.

II. ROLL CALL

The Assistant Board Secretary called roll:

Clarisol Duque	Present
Isaac S. Goldman	Present
Charles R. Middleton	Present

III. COMMITTEE CHAIR REMARKS

Committee Chair Duque thanked her fellow trustees for their attendance and participation at the meeting and discussed a recent visit to Harold Washington College with Chair Middleton. Chair Duque asked Chancellor Hyman if she would like to make remarks.

IV. CHANCELLOR REMARKS

Chancellor Hyman greeted all those in attendance and introduced the meeting's presentations: a Financial Update from the Office of Finance, a report by Internal Audit, and reports on Sustainability Initiatives and Procurement Updates by Administrative and Procurement Services.

Chancellor Hyman indicated that these presentations would illustrate how savings are being generated during this time of financial crisis and discussed a recent emergency funding measure for higher education assigning $14.4 million to the District. Chancellor Hyman stated that while these funds will help replenish $25 million the District has expended from its reserves to date, it still falls short of the $60 million pledged. Chancellor Hyman maintained that despite this anticipated allocation, uncertainty lingers and all current District cost-savings measures would remain in effect and reiterated the District's commitment to no lay-offs through the budget crisis.

Next, Chancellor Hyman introduced Vice Chancellor and CFO Joyce Carson, the meeting's first presenter.

Trustee Goldman asked whether or not the content of the materials dated April 21, 2016 and those dated April 28, 2016 were identical. CFO Carson responded that the materials dated April 28, 2016

had been updated slightly to reflect legislative activity from the prior week and that those updates would be highlighted during the course of the presentation.

V. AGENDA ITEMS

The full presentation of agenda items can be viewed here.

Speakers: Joyce Carson, Vice Chancellor and Chief Financial Officer; Roberto Concepcion, Director of Internal Auditing; Diane Minor, Vice Chancellor Administrative and Procurement Services.

1. Office of Finance

- **Financial Update**

CFO Carson provided an update on the District's FY 2016 financial position and a preview of the proposed FY 2017 budget.

CFO Carson stated that District continues to work to manage through the state budget impasse, closely monitoring expenses and capital outlays to conserve cash flow during this difficult financial time. CFO Carson noted revenues and expenses as outlined in the *Contingency Plan* in the fall of 2015 continue to track towards a break-even FY 2016 budget assuming there is not a reduction in direct state funding of more than 15%.

Chancellor Hyman noted the MAP grant funding recently awarded is available only to students that were enrolled in the fall semester of 2015.

Trustee Duque asked if these MAP grants were fully funded. Chancellor Hyman stated the MAP grants for fall 2015 were fully funded.

Trustee Goldman asked if the MAP grants were being paid out in installments. CFO Carson answered that once a student's eligibility for the funding is confirmed, the funds are dispersed in a single payment.

CFO Carson stated that year-to-date approximately $25 million in cash flow that would have traditionally been earmarked for capital has been used to fund operations and that $40 million typically would have been received from the state by this time resulting in a deferment of $20 million in capital.

Trustee Goldman asked at what point, by drawing down cash, the District threatens its bond rating. CFO Carson stated that the situation is being carefully monitored and various cash flow scenarios are being reviewed. She stated she would present further information on this at the upcoming Trustee budget briefings.

Trustee Goldman expressed that he'd like capital expenditures cut before allowing the bond rating to be compromised.

CFO Carson presented FY 2016 year-to-date funding awards from both the state and federal

governments and demonstrated that $16.5 million of the $60 million expected for the year as either pending or received. Next, CFO Carson reviewed District investments. CFO Carson stated the year end forecast remains to arrive at a balanced budget for Fiscal Year 2016, assuming no more than a 15% cut in state funding.

Chair Middleton noted a recent study that revealed a national decline in community college enrollment and an increase in enrollment at four-year intuitions. He asked if there was a way to determine if the District is also experiencing this decline, independent of the other unique factors. EVC Lynnerup responded that while they could try, the data lags and therefore the figures used may not accurately represent current realities at any given point in time. EVC Pernot stated that Illinois community colleges enrollment statistics may also be disparately impacted due to the state's budget crisis.

Chair Duque asked about the status of adult education funding. EVC Pernot briefly described the applicable funding formula and then stated that funding for adult education was not included in the recent emergency funding measure.

CFO Carson presented information on the current financial state of the District versus the budget projections and discussed the potential budgetary consequences if no additional state funding is received.

Next, CFO Carson previewed the proposed budget for FY 2017.

Trustee Goldman stated there should be advance planning for a possible shortfall in federal funding.

CFO Carson discussed tuition and enrollment forecasts for FY 2017. She described the upcoming budget process including briefings with Trustees, a June 1st meeting with the Civic Federation, publication of the Budget Book, public comment period, and public budget hearing scheduled for June 27, 2016.

Trustee Goldman asked who participates in the budget meeting with the Civic Federation. CFO Carson responded the Chancellor and her Cabinet as well as the CFO and other senior leadership from the Office of Finance. Trustee Goldman then asked if the Chair typically attends. CFO Carson said no.

2. Internal Audit (IA)

- **IA Report Status Updates, Summaries and Follow-Ups**

Roberto Concepcion, Internal Auditor, provided an update on the activities of the Internal Audit department since the last committee meeting in January 2016. Mr. Concepcion also presented summaries of reports released since January 2016 and management responses received from previous audits. Mr. Concepcion also noted that audits were performed of the sabbatical leave process, grants administration, and the special assignments system.

Chancellor Hyman noted that Internal Audit was specifically asked to investigate the special assignment system and applauded staff efforts to bring structure to this area. Vice Chancellor

Stephanie Tomino discussed the previous process for handling special assignments and various planned improvements.

Trustee Goldman asked how much money was being spent on special assignments annually. CFO Carson responded $2 million.

Chair Duque asked for some examples of typical special assignments. Vice Chancellor Tomino cited course development and managing a student club.

Trustee Goldman asked if those funds come out of a general salary fund or individual program funds. Vice Chancellor Tomino responded that the monies come from salaries, an "adjunct pool" of salaries.

Mr. Concepcion reviewed Internal Audit's investigation of IT contract compliance and provided recommendations for improvements.

Chancellor Hyman discussed the importance of enhanced oversight of IT contractual obligations.

Trustee Goldman asked whether or not products were also bid as part of the current Pace Systems contract. In response, Vice Chancellor Minor stated this contract was only for services, not good and discussed the overall structure of the contract. Trustee Goldman noted the importance of considering the base price of the product and any potential mark-up percentage.

Trustee Goldman asked about the length of the Pace contract. Vice Chancellor Minor stated it is a one year contract.

Chair Duque applauded the contract audit efforts of Internal Audit and District Office staff.

Next, Mr. Concepcion reviewed the results of the financial aid audit at Kennedy-King College and an audit of district wide grants administration processes.

Chair Duque asked if the grants administration process is structured in a way that allows the District to be nimble. EVC Pernot stated the District is able to be nimble in its responses to solicitations but greater accountability is needed to ensure appropriate compliance and grant monitoring occurs.

Mr. Concepcion presented findings from the sabbatical leave audit.

Chair Middleton asked is there is a cap on the number of people that may take sabbatical leave at any given time. Mr. Concepcion said that per the Collective Bargaining Agreement (CBA), 5% of full-time faculty members. Chair Middleton asked if the base for calculating 5% of faculty was at an individual college campus or the District as a whole. Mr. Concepcion said the cap is 5% of faculty district wide.

Chair Middleton asked what financial benefits employees receive while on sabbatical leave. Vice Chancellor Tomino stated employees on sabbatical leave receive full pay for half of a year and half pay for a full year.

Chair Middleton asked if there was a process for verifying that an employee completed the scheduled activities during sabbatical. EVC Lynnerup responded that there is a confirmation process and returning employees must also submit a report summarizing their leave.

After her report, CFO Carson was excused from the meeting.

3. Administrative and Procurement Services

- **Sustainability Initiatives**

Vice Chancellor Minor presented on current sustainability efforts and projects undertaken by the District.

Chair Middleton asked if square footage is being added by some of during some of the facilities projects outlined during the presentation. Vice Chancellor said that square footage has been added, but utility prices are holding and the District is maintaining reduced resource usage rates.

Chair Middleton then asked if utility costs at the new Malcom X facility will be cheaper, per square foot, than at the previous one. Vice Chancellor Minor said that utility costs are expected to be significantly reduced at the new facility.

- **Procurement Updates**

Vice Chancellor Minor discussed "One Stop Shop" initiatives". Chancellor Hyman and EVC Lynnerup discussed the efficiencies and advantages of "One Stop Shops".

Chair Middleton asked if employees are being crossed-trained so they can assist in various service areas within the "One Stop Shops". EVC Lynnerup said it is his goal to have more of that type of training occur.

Vice Chancellor Minor stated they hoped to have "One Stop Shops" operational at all campuses by August 2016. Vice Chancellor Minor previewed upcoming procurements that the board would be asked to considered in the summer of 2016 in the areas of IT and Risk Management.

Trustee Goldman asked if some of the contracts Vice Chancellor Minor presented should be held in the midst of the current financial crisis. Vice Chancellor Minor stated that, through conversations with various departments, several projects have been held in consideration of the District's financial difficulties.

Chair Middleton asked Vice Chancellor Minor to define joint procurement. Vice Chancellor Minor said a joint procurement occurs when the District works with another governmental agency to solicit services or products at the best prices.

Trustee Goldman asked that the District rebid the Directors and Officers Liability policy to provide for $10 million in liability coverage. Vice Chancellor Minor stated she would work with Risk Management and the Office of General Counsel on that request. General Counsel

Munin clarified that only the brokerage services were being procured at this time, but Trustee Goldman's request was being considered and would likely be addressed when the current liability policy period expired. Trustee Goldman said the request could potentially be considered as the District evaluates brokers.

VI. AJOURNMENT

Committee Chair Duque asked for a motion to adjourn.

<Motion>Trustee Isaac S. Goldman
<Second>Trustee Charles R. Middleton Motion Carried

Meeting Adjourned 12:32 p.m.

Clarisol Duque
Secretary
Board of Trustees

Submitted by – Bethany Myles, Assistant Board Secretary