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APPROVED-BOARD OF TRUSTEES
COMMUNITY COLLEGE DISTRICT NO. 508
MARCH 3, 2016

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

MINUTES

FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING
THURSDAY, JANUARY 21, 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, January 21, 2016 at 9:00 a.m., District Office, 226 W. Jackson Boulevard, Room 300, Chicago, Illinois 60606.

ATTENDEES

TRUSTEES

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

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
Rasmus Lynnerup, Vice Chancellor and Chief Strategy Officer
Jerrold Martin – Vice Chancellor, Information Technology
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

David Anthony	CCC - District Office
Roberto Concepcion	CCC - District Office
Jeffrey K. Schroeder	PFM Asset Management
Danny Nelson	PFM Asset Management
Steve Saba	CCC - District Office
Sarah Lichtenstein	CCC – District Office
Angel Quinones	CCC – District Office
John Gasiorowski	CCC – District Office

I. CALL TO ORDER

Committee Chair Duque called the January 21, 2016 Finance and Administrative Services Committee meeting to order at 9:03 a.m.

II. ROLL CALL

The Chief Advisor to the Board called roll:

Clarisol Duque	Present
Isaac S. Goldman	Present
Karen Kent	Present (arrived after initial roll call)
Charles R. Middleton	Present

III. COMMITTEE CHAIR REMARKS

Committee Chair Duque thanked her fellow trustees for their attendance and participation in the committee, expressed her excitement at the grand opening of the new Malcolm X College and her gratitude to Chancellor Hyman and her leadership team for their successful completion of that effort.

IV. CHANCELLOR REMARKS

Chancellor Hyman introduced the planned presentations for the committee meeting and framed the presentations on the District's financial position by noting that—while still in good shape—due the lack of a state budget, the District is spending out of its reserves to support operations to the tune of \$200,000 a day on top of cuts of 17 percent over the last seven years by the State.

V. AGENDA ITEMS

The full presentation of agenda items can be viewed [here](#).

Speakers: Vice Chancellor and CFO, Joyce Carson; Managing Director Jeffrey K. Schroeder, PFM Asset Management; Senior Managing Consultant, Danny Nelson, PFM Asset Management; Executive Director-Operations and Compliance, David Anthony; Vice Chancellor Jerrold Martin.

1. Office of Finance Report

- **2nd Quarter Financial Update**

Vice Chancellor and CFO Joyce Carson reviewed the district's contingency plan and response to state funding and provided an update on enrollment and tuition. Ms. Carson stated that the State portion of the District's budget is \$61 million, which is 20% of our operations in adult education funding. As of the date of the committee meeting, only \$2 million had been released and none having been received. Ms. Carson indicated that the District has modeled various funding scenarios to build contingency plans. Current plans assume a 15% decrease in State funding over what was anticipated prior to the start of the fiscal year. The District is currently using about \$30 million of its cash reserves and has deferred capital expenditures and investments to conserve cash.

Ms. Carson noted that the lack of State funding is not only impairing the District, as an agency, but also impacting our students. Ms. Carson noted that annually, about 10,000 students receive an average of \$800 in MAP funding from the State which they can use to pay tuition or book fees. She also commented that Pell funding has not been received by City Colleges of Chicago students. For the fall semester, Ms. Carson announced that attendance by MAP eligible students dropped by about 55%, reflecting a reduction in attendance of 4,000 for the District.

Through six months of the fiscal year, Ms. Carson reported that enrollment has been trending lower than anticipated by 9%, reflecting a \$2 million shortfall for that period. Tuition caps for the fall to transition students to the new tuition rates cost the District about \$2.5 million and enrolling our international students at a lower rate than originally budgeted cost the District an additional \$2 million. Ms. Carson reported that while capital expenditures through December were on track with budget, maintenance reductions are expected in the second half of the fiscal year.

Chief Operating Officer Jim Frankenbach reported that the District is maintaining cash balances by slowing down capital expenditures to keep healthy cash balances through the end of the fiscal year.

Trustee Goldman asked for a review the basic assumptions built into Ms. Carson's presentation. Trustee Goldman expressed concern that the District, not because of its own actions, but due to the environment of the State may be in more trouble. Trustee Goldman also suggested greater sensitivity to cost cutting and encouraged everyone and every department to look for savings.

Ms. Carson indicated that:

- Overall, the outlook for the district remains basically the same, assuming no more than a

15% cut in state funding available to the District;

- Revenue forecast is about the same;
- Enrollment by MAP students has decreased dramatically quicker than past trend. In the fall 2014, 8900 MAP-eligible students enrolled at City Colleges. In fall 2015, only 3900 MAP-eligible students enrolled, a difference of 5,000 students.

Trustee Middleton asked what percentage of the shortfall in overall enrollment is potentially attributable to the fact that these MAP-eligible students haven't been able to attend City Colleges. Ms. Carson estimated that these MAP-eligible students not attending is responsible for about least half of our enrollment shortfall.

Committee Chair Duque asked if we know if these students tried to enroll and subsequently realized they were not going to be able to access MAP dollars and decided not to proceed. Ms. Carson indicated that she did not know but that this could be analyzed.

Executive Vice Chancellor Pernot stated that the District does know that there were students who had been packaged for MAP awards over the summer and then when MAP funds did not come through they did not come to City Colleges.

Ms. Carson noted that unemployment in Chicago has been decreasing faster than the rest of the United States over recent history—From October 2014 to October 2015 alone, the drop in unemployment was over 3 percent.

Committee Chair Duque asked about the hiring freeze. Ms. Carson indicated that the District is currently only filling essential positions and noted that we hired nearly two and a half times more people in prior fiscal years than in the current fiscal year for the months of January and February. Further, the Chancellor is reviewing every position submitted for the Board's approval and an analysis on budget impact for this fiscal year end is being prepared so we can track these expenses.

Ms. Carson noted that travel is being reduced to only that needed to meet keep up with regulatory and training requirements.

Trustee Goldman recommended redoing the assumptions made last year. Ms. Carson indicated that the District is reviewing the assumptions for the current fiscal year but also for next fiscal year in conjunction with preparation of the fiscal year 2017 budget and while the final budget recommendation for 2017 will not be available for the next meeting of this committee, the Trustees will be offered an opportunity to review the District's assumptions and provide models used to build those assumptions.

Trustee Middleton asked for a discussion of all assumptions (those accepted and those discarded) built into the FY2017 budget—to help the Board with a conceptual understanding prior to delving into the detailed data.

- **PFM Asset Management**

Managing Director Jeffrey K. Schroeder of PFM Asset Management (PFM) presented about the District's investment philosophy, portfolio and performance over the last year.

Trustee Goldman asked for confirmation that fees charged to the district go down from 9 basis points to 6 basis points if the size of the portfolio grows to \$200 million or more. Mr. Schroeder confirmed this.

Trustee Goldman asked if there are actions that, within State guidelines, the District could take to improve performance of its investment portfolio, but which the District's own policies prevent it from doing.

Mr. Schroeder indicated that the District could decide to adjust the maximum maturity of investments. Mr. Schroeder also stated the possible creation of a corporate bond ETF fund. Mr. Danny Nelson, Senior Managing Consultant at PFM Asset Management stated that there are other types of securities allowed for under Illinois state statutes, but which are not allowed by City Colleges' policy including municipal bonds.

Trustee Goldman asked if there are ways to invest the District's money to lower the fees being charged. Mr. Schroeder stated that during its last and current agreement with City Colleges' PFM lowered its fees by a basis point or two over its initial agreement with the District. Trustee Goldman stated that he thought the fee is a competitive fee, but not below standard fees from what he checked.

Trustee Goldman asked if the District would be better off going into some low, short-term bond fund. Mr. Schroeder stated that due to regulatory issues, those types of funds tend to have higher expenses. Further, Mr. Schroeder stated that government only cash money funds have very low returns.

Trustee Goldman asked how the sub managers are paid. Mr. Schroeder stated that the sub managers are paid of the gross fee and paid by PFM. The two sub managers are PFM's MBE and WBE partners. Trustee Goldman requested information on the principals of both the MBE and WBE partner firms.

2. Internal Audit Report

Internal Auditor, Roberto Concepcion provided an update on internal audit department activities since the last committee meeting in November 2015. Mr. Concepcion also noted that the District will be issuing an RFP for a procurement process to identify a firm to continue to assist the District in its audit work after the expiration of the current contract with Crowe Horwath LLP which ends on June 30, 2016.

Trustee Goldman asked about the outside consultants used in the internal audit process. Ms. Carson stated that these are accounting firms. Trustee Goldman asked if the work to assist the District in its internal audit work is bid and reviewed for conflicts of interest. Ms. Carson confirmed this to be the case.

Trustee Goldman asked Mr. Concepcion if, in his work there had been any disturbing patterns or potential trouble for the colleges had been identified. Mr. Concepcion stated that no problem patterns or trends had been identified to date.

Trustee Middleton asked for an update on the Return to Title 4 Initiative reported on by Mr. Concepcion. Ms. Carson indicated that review of the District's efforts in this area have been consolidated and Office of Finance staff are working with staff from OIT to automate communications on this subject to students.

3. Administrative and Procurement Services Report

Director of Operations and Compliance, David Anthony reported on the District's MBE/WBE performance in fiscal year 2015 and highlighted some major procurements that will come before the board over the next several months. During his remarks, Mr. Anthony noted that the District paid \$86.4 million to MBE (35%) and WBE (7%) firms in Fiscal Year 2015. As a result, the District exceeded its MBE Goal of 25% and met its WBE goal of 7%. Mr. Anthony indicated that in a typical year about one-third of the MBE or WBE firms would be prime contractors and two-thirds would be sub-contractors on various projects.

Trustee Goldman asked if it would be possible to calculate the actual amount dollars paid to these prime contractors, not just of as percentages for Fiscal Year 2015. Mr. Anthony indicated this could be done.

Trustee Middleton asked what can Administrative and Procurement Services do if they notice that the District is falling behind in achieving our MBE/WBE targets?

Mr. Anthony stated that vendors can be deemed nonresponsive and removed from competition for an award. He also noted that the District requires quarterly reports from prime vendors and any subcontractors regarding payments over the course of projects. If deficiencies are noted, we work with the vendors on a plan to help catch them up to meeting their targets. Ultimately, City Colleges may choose not to do business with firms that do not comply with the policy in the future.

Trustee Goldman asked about reports received by the Board where it is noted that a vendor has been "nonresponsive" and who determines this. Mr. Anthony stated that staff in the Office of Administrative and Procurement Services make these determinations.

Trustee Goldman asked if the Vice Chancellor and the Chancellor automatically go with recommendations from the staff. Mr. Anthony stated that recommendations are not automatically accepted and that the Vice Chancellor and the Chancellor push back on

recommendations for or against specific vendors.

Trustee Goldman asked about the process for deeming a vendor nonresponsive. Mr. Anthony indicated that the District goes through a process of determining whether or not a vendor has made a good faith effort to meet the MBE/WBE goals set forth. Trustee Goldman stated it would be helpful to get this information, particularly as the board considers large contracts.

Committee Chair Duque asked how the District makes sure subcontractors are doing the work specified. Mr. Anthony stated that City Colleges' compliance staff visit worksites and interview the people working. For professional services agreements, compliance staff request invoices and payment statements from the prime vendor on a random basis to see what services were provided by the subcontractors and the amount paid for those services.

4. Office of Information Technology (OIT) Strategic Technology Investments

Vice Chancellor Jerrold Martin presented on investments made from 2012-2015 and the departments new strategy for investing in technology.

Trustee Goldman if Mr. Martin's presentation has been altered in light of the District's current budget constraints. Mr. Martin stated that it has not.

Trustee Middleton asked if it is the District's policy to purchase or lease computers? Mr. Martin stated that the policy is to purchase.

Trustee Middleton asked Mr. Martin to quantify as a percentage, the nature of spaces at the Colleges as having access to high quality Wi-Fi and if the Colleges are not completely accessible how much further does the District need to go.

Mr. Martin stated that most of the spaces at the Colleges have access to Wi-Fi, but there are some spaces that are continuing to be evaluated. Mr. Martin noted that the use of this resource continues to grow and the demands placed on the District's Wi-Fi infrastructure continue to increase.

Trustee Middleton asked about the Math Emporiums and whether there will be one at each College. Mr. Martin noted that there will be Math Emporiums at each of the Colleges.

Mr. Martin briefed the board about a contract for computer services and network integration coming before the board in the future, Trustee Goldman asked if there were a substantial number of bids received. Mr. Martin stated that there were a very limited number of firms that made a bid on the complete package of services requested even though information on the project was sent out to over 46 firms. Mr. Martin stated that the District is recommending a single year agreement to the board to incentivize continued good pricing and effort by the vendor.

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 10:25 a.m.

**Clarisol Duque
Secretary
Board of Trustees**

Submitted by – Tracey B. Fleming, Chief Advisor to the Board