

MARKLUND
MINUTES OF THE FINANCE COMMITTEE MEETING
Thursday, January 27, 2022 5:30 P.M.
Marklund Hyde Center
Geneva, IL

CALL TO ORDER

Jerry Finis called the meeting to order at 5:36 p.m.

PRESENT

Gerry Estes, Jerry Finis, Mike Herlihy, Frank Murnane Jr.

Via ZOOM

Duane Fitch, Yaneth Medina

GUEST

Bill Giffin, Kevin Rice -TC Wealth Partners

STAFF

Kudus Badmus, Gil Fonger, Mary Kobbeman

PREVIOUS MINTUES

Jerry F. asked for a motion to approve the meeting minutes of 10/24/2021. Frank M. motioned, Gerry E. seconded. All were in favor and the minutes were approved without exception.

TCI Endowment Report

Bill Giffin and Kevin Rice presented the investment portfolio while also focusing on the general investment market overview. Bill G. mentioned that TCI has collaborated with Hightower. The partnership, he explained, would bring better support and resources including new technologies so that TC Wealth may better serve its clients. Kevin R continued with the overview and addressed the current volatility in the market, noting that the supply chain challenges are further exacerbating the economy at large. Bill G. went through the analysis of Marklund's Endowment Portfolio indicating that the funds are still performing according to the investment strategy of CPI+4.5. The committee fielded a series of market and portfolio specific questions, which the consultants responded to before concluding their presentation.

FINANCIAL STATEMENTS

Kudus B. informed the committee that the YTD revenue of \$16.2M was under budget by \$321K. While patient services appeared to be under by budget by \$250K compared to this time last year, Kudus B. explained that in 2020, the State paid all residential and CDS sites a Covid pay of 20% over per diem in the months of July and August. This resulted in an additional revenue of \$800K for both months. Kudus B. continued that the YTD unfavorable variance of \$234K in School revenues was a result of open positions that had a negative effect on budgeted enrollments. The districts referred a number of students but the school needs to hire more teachers and paraprofessionals to open additional classrooms at FEC. Gil F. added the school could be at full census now if we could only find three teachers and paraprofessionals to support them. Kudus B. mentioned that management has revamped the paraprofessionals' pay structure and increased teachers' salary by \$5000 to replace the "stay bonuses"

previously awarded. Organization-wide, Kudus B. said we have 110 FTEs open. Frank M. asked about how many of those are from long-term employees leaving. In addition, he inquired about what was included in the budget for expansion. Kudus B. responded that while he did not have the actual count, approximately 40 new positions were included in the budget for the school expansion. Duane F. asked if it would be prudent to re-examine the timeline of the current school expansion and CDS projects because of the current employment situation. Gil F. responded that management has added a workforce plan initiative to the Marklund 2030 Strategic Plan because of the belief that this might be the “new norm”. He added that with an additional 10 staff, the FEC could be at full census based on the interest in the program. Kudus B. also informed the committee that management continues to evaluate the employment market and has introduced a series of recruitment incentives including a \$10,000 sign-on bonus for new teachers. Gil F. added that the overall turnover rate at Marklund is 36%. It is the Paraprofessionals and DSPs that are at about 56%. Yaneth M. suggested speeding up the interview and hiring process, to which Gil F. responded that the organization has already made those changes. After further discussion about staffing and the employment market in general, Kudus B. continued with the presentation. He informed the committee that the \$2.7M in the over 90 days or 46% of total A/R balance was mostly due to paperwork delays caused by the Covid staffing situation at the state level. Nonetheless, staff are working with state employees to get a lot of this cleared. YTD, he concluded, Marklund’s operating results noted a depreciation adjusted net income of \$713K, favorable to budget by \$1.1M.

Kudus B. continued with Marklund Charities and stated that the YTD revenue of \$4.1M was favorable to budget by \$2.7M; an unbudgeted \$2M donation was received in December. Expenses were in line with budget. He further mentioned that the endowment portfolio performed better than the CPI+ 4.5% expected rate of return.

Mid – Year Summary

Kudus B. presented the mid-year summary combined with the year-end projections to the committee. He stated that program revenues are expected to come in under budget by \$534K while expenses are projected to come under budget by \$2.1M. He also reported that this included a new State of Illinois Covid-related grant, awarded in December. Overall, Marklund year-end projected net income (excluding Depreciation and Bad Debts) approximates \$1.7M better than budget. Charities will surpass budget by \$2.9M.

OTHER BUSINESS

Kudus B. informed the committee that the state mandated increases for direct care staff goes into effect February 21st. Gil F. mentioned that based on the analysis of donations and pledges for the on-going capital projects, Marklund may not need a construction loan. Gil F. informed the committee that an unsolicited offer was received to purchase the Deicke vacant land in Winfield. After some discussion, Mike H. put forth a motion to approve the sale of the Deicke property, Frank M. seconded, and it unanimously passed.

ADJOURNMENT

With no further business, Jerry F. called for a motion to adjourn. Mike H. motioned, Frank M. seconded, and the meeting was adjourned at 6:45 p.m.