

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
April 23, 2019

A meeting of the Finance Committee was held in the President's Office conference room, Administration Hall, on the Owens Community College Toledo Campus.

Call to Order – Ed Nagle called the meeting to order at 2:00 p.m., and directed the record to show the meeting of the Finance Committee was held in accordance with the Ohio Revised Code and the policies of the Board of Trustees.

Roll Call – Roll Call was taken, and the following committee members were present: Ed Nagle and Jason Johnson (2). Mary Beth Hammond was on the speaker phone.

Approval of Minutes – The minutes of the January 22, 2019 meeting were sent in advance and hearing no corrections, Mr. Nagle declared the minutes approved.

DRAFT FISCAL YEAR 2020 BUDGET REVIEW

Jeff Ganues, Vice President of Business Affairs, Chief Financial Officer and Treasurer, began with requesting the members of the Finance Committee to provide their input on the projection for the bottom line.

He reviewed the summary (page 1) of the draft report of the FY 2020 budget, which included the proposed net gain in position and reflects the commitment to balancing the budget and building reserves. He noted that the projected operating loss after depreciation is improved over the prior fiscal year projection.

Mr. Ganues reviewed the practices and guidelines (page 2) of developing the budget, and he noted allocating \$350,000 for operating contingencies, which is less than the FY 2019 budget. Mr. Ganues commented that the budget authorities still seem to have a recurring pattern of unspent budgeted funds. Mr. Johnson commented on the contingency allocation for transparency and in building trust with budget authorities to “hold” less in the departmental budget for “more” to be held in the contingency fund for efficiency and to transfer as appropriate. Mr. Nagle commented on helping the budget authorities to become more accurate with their budget requests to avoid unspent budget funds. Mr. Ganues responded that the budget staff has already begun these type of conversations with budget authorities and utilizing data to help adjust departmental budgets based on need. Mr. Ganues also commented on the projected payroll vacancy factor being adjusted from 2 percent in FY 2019 to 3.5 percent in FY 2020. The projection is based on analyzing the trend of a decrease in turnover and several significant positions were recently filled. President Robinson commented on his discussion with Mr. Ganues of being comfortable with a 3.5 percent vacancy factor.

Mr. Ganues reviewed the financial dashboard (page 4), which included the FY 2019 projected total revenue at \$70,560,687, less grants, as corrected from the draft that was mailed. Mr. Ganues noted the projected decrease in the summer revenue projection. He commented on FY 2019 summer FTE being down year-over-year, but FY 2019 revenue for summer is up, and they are analyzing the “why” of it (exploring administrative drops) and digging into the data. There were no significant shifts in student populations. He noted that the fall revenue projection is aligned with the enrollment projection. Mr. Johnson asked about the conversion rate of the College Credit Plus

(CCP) students transferring into college credit classes. Ms. Giordano commented on SSI factored in for CCP students and efforts to increase the conversion rate due to matriculation, depending on the age of the students, and she commented on the intent of the Start Here Scholarship to assist with matriculation. President Robinson also commented on building the guest/transient student base. Mr. Johnson commented on identifying the variable cost for CCP students, and how might it be covered or balanced by the CCP conversion rate to college credit classes. President Robinson commented on charging the default floor amount for the tuition, which can be reviewed next December, and he commented on the process of the school districts choice of entering into CCP agreements with area universities and colleges.

Mr. Ganues continued the review of the financial dashboard (page 4), and he noted a 2 percent decrease in expenses for FY 2020. He also commented that the net gain/(loss) after depreciation is dependent on the timing of the capital appropriations, which reflect an inflated profit margin due to the capital appropriations. He also noted the projection of 5.0 for the Senate Bill 6 score, which is a perfect composite score. Mr. Ganues commented on the balance sheet-cash/investments, less the two summer construction-in-progress capital projects (IT switch project and the LED energy project) and AMTC construction in FY 2020. He said both will be up even with the investments into the plant and will add to depreciation in future years. Mr. Nagle inquired about the AMTC depreciation, which Mr. Ganues replied the depreciation is the building over 25 years; and the equipment depreciation will be separate. Mr. Nagle commented on the importance of the equipment depreciation for prompting equipment replacements.

Mr. Johnson commented:

- The projections are showing a 5 percent drop in revenue and less than a 5 percent drop in expenses, how will the College systemically manage the expenses with the revenue over the long-term?

There was discussion, which included:

- Revenue and expenses are not parallel, and there is a concern if expenses are reduced too much that the College may not rebound when there are reserves in cash and investments.
- The College has made progress in lab, facilities and maintenance since end of fiscal watch and would like to continue progress and not jeopardize the long term strategic planning, including deferred maintenance.
- Given the current state of fiscal health, would it be strategically healthier in the long term, to have less than a perfect composite score for the purpose of future sustainability?
- Tuition and the State Share of Instruction (SSI) revenue are volatile.
- The projected operating loss after depreciation should have the goal of breaking even at year-end.

Mr. Ganues reviewed the projected budget and the five-year projections (pages 5-6) to help plan out lab/course fees/equipment. There was discussion of the recent projected SSI and the significant swing that impacted the development of the FY 2020 budget. Mr. Ganues commented on the process of the SSI true up. President Robinson commented on reaching out to the Ohio Association of Community Colleges (OACC) who will assist in engaging the services of a data analyst who is deeply familiar with the funding formula who will work with the College's Director of Institutional Research to fact check and analyze the data. Ms. Giordano commented on following up on a prior suggestion made by Mr. Nagle on meeting with the Executive Director, Student Success Center at Ohio Association of Community College last year to implement short-term and long-term improvements to processes and implement strategies to positively impact students and the funding

formula. (Example: the redesign of developmental English courses to enable students to enter credit bearing classes much more quickly.)

Mr. Ganues reviewed the financial walkthrough (page 7). Mr. Johnson made suggestions to net the expenses to revenue (cost of sales) (leases). There was discussion of facilities planning when Rossford High School moves out of the leased space, which Mr. Ganues commented on planning—pending the study of the Master Space Plan and Facility Condition Index by The Collaborative Inc. Mr. Ganues also commented on the decreased commissions from the bookstore operation. Mr. Johnson inquired about the improved bad debt expenses, which Mr. Ganues commented on correcting the write-off process and the impact from enrollment. Mr. Ganues commented on monitoring accounts receivable.

PRELIMINARY TUITION REVIEW

Mr. Ganues commented on current language proposed in the State of Ohio budget for allowing an increase to tuition. Mr. Ganues provided a handout of the impact of a potential 2 percent increase per credit hour tuition rate (plus \$3.26 on \$163.00/credit hour) and the potential tuition revenue (additional \$366,665 annually). Mr. Ganues also noted that Owens Community College ranks 10th in tuition rate, as compared to the 23 public community colleges in Ohio. The ranking should maintain, as the other community colleges have indicated plans to increase tuition, as allowable by the State. In response to Mr. Nagle on timing, Mr. Ganues commented that the State budget would be effective July 1, and, the College's tuition and fees for Fall Semester would be assessed in mid-July. In response to Mr. Nagle on the student fees that were phased in from Fiscal Years 2015 to 2018, Mr. Ganues commented that there would be no student fee increase unless cost-justified and that the lab/course fees continue to be regularly reviewed.

Mr. Johnson suggested continued review of tuition based on need and to resume the discussion at the next Finance Committee meeting. Mr. Nagle requested a budget calculation and an idea of the window allowable for implementing a tuition increase.

ADVANCED MANUFACTURING TRAINING CENTER (AMTC) CAPITAL PROJECT

President Robinson provided an update, including the Regional Growth Partnership's focus on workforce initiatives and their support of the asset that AMTC will provide for the communities in northwest Ohio.

Denise Smith, Vice President, Academic Affairs/Provost and Amy Giordano, Vice President, Enrollment Management and Student Services provided a presentation, as a follow up from the January 22, 2019 Finance Committee meeting. Dr. Smith addressed the potential for growth in credit courses and programs. She also commented on increasing the capacity of the facilities from current space to future expansion with the construction of the project. She noted the potential to add 1,000-2,000 students for short-term, non-credit offerings through Workforce and Community Services. She also commented on redeploying positions to support the programs.

Ms. Giordano commented on program-specific recruitment and marketing efforts for both credit and non-credit programs that will be housed in the AMTC. The approaches will include direct group outreach and promotion of advanced manufacturing and the STEM programs. Mr. Nagle commented on being strategic in marketing to reach the people who can make the most impact, such as guidance counselors, faith-based counselors and other community members. Mr. Johnson suggested a time-lapse camera for the construction in progress to help market the AMTC.

In closing, the members of the Finance Committee expressed support for the recommendation to be presented to the full Board of Trustees for the utilization of local funds for the AMTC capital project.

Other – Mr. Ganues commented on the development of the Draft Delegation of Authority chart, as previously suggested by Mr. Johnson. Mr. Johnson commented on the intent of the document to help protect the College in charting out levels of approvals for contractual agreements, purchases, budget transfers, sale of assets, investments, line of credit and settlements. There was discussion, and this item will continue to be reviewed.

Mr. Ganues commented on the March financial statement, and noted the bottom line and that the Budget staff is working with the budget authorities to address their needs; at this time, he is anticipating to end the fiscal year better than projected.

Adjournment – As there was no further business, Mr. Nagle declared the meeting adjourned at 4:10 p.m.

ATTEST

Patricia M. Jezak

Secretary to the Board of Trustees

Approved 5-21-19