

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
May 21, 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 12:03 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).

Approval of Minutes – The minutes of the April 23, 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, provided a follow up from the April meeting, and he noted the updated projections for the FY 2020 budget: the proposed \$5.4 million net gain in position and the projected \$10,454 operating gain after depreciation. He noted the following items for the adjustments to the projections:

1. Tuition revenue to include a \$5.00 per credit hour increase to in-state instructional tuition rate, which to-date is included in the Ohio House Finance Committee amendment of the budget bill Sub. HB 166 (pending Senate review). He commented on the estimated \$556,175 annual financial impact from a projected tuition increase, if approved.
2. Enrollment projections for summer semester were reviewed again with Student Services administration, which the estimated impact was \$148,348.
3. Adjunct faculty salary schedule to be modified by College administration, which the estimated impact was (\$132,000).
4. Union/apprenticeship year-end and SSI projections were updated, which the estimated impact was (\$40,000).
5. The updated budget was based on the most recent projections from April 2019.

There was discussion, which included:

- Union/apprenticeship contractual language, out-of-state residency, state share of instruction formula, three-year average and lag, technical completions.
- Summer enrollment, advising changes, targeted outreach, course schedule compliments area university partnerships. Summer semester analysis between Records and Business Affairs, which Mr. Nagle requested a follow up after the summer semester is completed.

Mr. Ganues reviewed the financial dashboard (page 4), which included the FY 2020 Fall FTE enrollment vs FY 19 actual, which a 4 percent variance was related to the unions and police academies. He also commented on the dashboard for Total Revenue and Total Expenses, which will include Capital Appropriations as revenue and Depreciation as expenses. Mr. Nagle requested to see both Total Revenue and Revenue per FTE with Capital and without Capital in the future reports, so that they can decide later on the before/after format change.

Mr. Ganues reviewed the financial walkthrough (page 7), and he noted the update, as requested from Mr. Johnson for the Operating Gain/Loss for Revenue accounts when the change in revenue results in a change of expenses; these are now netted in the operating gain/loss column. In reviewing the Expenses – Other Expenditures, Mr. Nagle asked about the auxiliary operation of the Bookstore, which Mr. Ganues responded on the textbook reduction initiative by the State of Ohio, and the College is encouraging Follett’s IncludeED textbook program (allows students to purchase digital textbooks/charges posted to tuition/fees bills), which will help students, but it may lower bookstore commissions; also encouraging open source materials (no charge). Mr. Ganues commented that Pearson/McGraw came out with an initiative for textbook reductions for students; but, it may also impact the bookstore operation. The future trend is few-to-no commission for bookstore operations. President Robinson commented on future review of the food services and bookstore footprints.

Mr. Ganues commented on the fund level accounting (pages 9-13). Mr. Johnson commented that 12 percent of the total expenditures is in Other Expenditures (rental, interest, outside services, credit card bank fees, contract services, athletics, misc expenses), and suggested to perhaps break out the items for a more detailed look, which Mr. Ganues commented he will review. Mr. Johnson asked about the scholarship allowance fund revenue and the cost on the expense side. Mr. Ganues commented that institutional support for scholarships such as the Board of Trustees Scholarship and Start Here Scholarship, revenue is in the unrestricted, and the transfers in and out make it whole.

Mr. Nagle commented that the FY 2020 budget recommendation is looking good, and President Robinson acknowledged Jeff Ganues and the Finance/Budget team for being responsive

TUITION REVIEW

Mr. Ganues commented on a handout comparing potential language from the State budget of either a 2 percent cap or a \$5.00 per credit hour cap on tuition increases. The difference of potential additional revenue of \$189,510 is from the \$5.00 cap. President Robinson commented on Owens point of pride of affordability and tuition restraint over the years and the \$5.00 cap language reflects a sector “win” for community colleges. President Robinson noted that community colleges have separate metrics, which is an outcome of the advocacy of the Ohio Association of Community Colleges. Community colleges need to take advantage of when a tuition cap window is open so that there is uniformity among the community colleges.

FINANCIAL REPORT

Mr. Ganues commented on the financial statements for the period ending, April 30, 2019. He commented that the budget authorities have responded well with budget transfers or budget allocations from contingencies. He commented that page 2 reflects the separation of line items for State Share of Instruction and State Support. He noted that tuition revenue is trending up due to 100 percent recognition of tuition and fees for Spring Semester 2019. He commented that salaries are looking under budget, but benefits are looking to be over budget due to the self-funded health insurance for claim activity. President Robinson commented on the Aspen Institute conference on self-funded health insurance, and the smoothing effect to the bottom line over time.

Mr. Ganues commented on the financial dashboards (pages 3-4), and the green “light” on cash due to the interfund transfer, per the discussion from the prior Finance Committee meeting. The SB 6 financial composite score moved to 4.5. Mr. Nagle asked Mr. Ganues if he has talked with other non-levy funded CFOs on their reserves and should the financial reserve standards be re-evaluated in the policy. Mr. Ganues commented that Lakeland Community College is not as restrictive as Owens, and he expressed his comfort level with the current standard for reserves and suggested for the Controller to reach out to other community colleges on reserves requirements for other funds.

Mr. Ganues reviewed the financial walkthrough (page 5) with respect to the FY 2019 SSI true-up and 100 percent recognition of the tuition and fees. He noted that there may be more changes in May, if there is a trend of unspent funds. Mr. Ganues commented on the food services operation due to BSVI and Findlay Child Care. In response to Mr. Nagle, President Robinson provided an update on the lease arrangement with the YMCA (Toledo Campus child care building) and the continued outreach to the Life Revitalization Center of providing class offerings based on the demographics; the current lease period is through the end of 2019. Amy Giordano, Vice President, Enrollment Management and Student Services, commented on marketing and recruitment for the WCS offerings of non-credit classes at the location.

Mr. Ganues reviewed the reserve requirements (page 9) and the investments (page 11). He commented on the US Treasury Securities that are callable and meet the requirements of the Investment Policy. He commented on looking to lock in five-year investments should the interest rates start to take a downturn.

Mr. Ganues reviewed the statement of net position (page 13), and he commented on the downward trend of accounts receivable due to assessment of fees that are timed for mid-July and aligned with higher education practice for benchmark analysis year after year.

THEN AND NOW CERTIFICATION UPDATE

Katie Feher, Controller, commented on a pending recommendation for the then and now certification of appropriations. She noted the vast majority of purchase requisitions are entered into the system; however, there are occasions that some expenses go through without a purchase order. Ohio Revised Code 5705.41(D)(1) provides that if prior certification of funds by the fiscal officer was not obtained before the contract or order involving the expenditure of money was made and the amount is \$3,000 or more then it will require the Board’s approval. Her research noted two scenarios of either the no purchase order at all or the purchase order date was after the date of the expenditure. In response to Mr. Nagle, Ms. Feher commented that the majority is related to Facilities Services, and the list of about two dozen items (about 3 percent) for Fiscal Year 2019 will be recommended for Board approval on June 4. Mr. Ganues commented that the Controller reached out to the individual budget authorities to advise them of the requirement of the Board’s approval for compliance. Additionally, Business Affairs is changing the process of approvals to address these concerns and to correct behavior and performance. Mr. Johnson suggested that outreach is documented by phone, email and in-person meetings, as applicable. Mr. Nagle commented on the vast improvement of encumbering funds, as a result of the improved processes and controls from the period of Fiscal Watch. Mr. Johnson suggested on the exhibit to list the # of occurrences, total dollar amount and the % based on total spend for metrics.

CAPITAL PROJECTS

Mr. Ganues commented on the following local-fund capital projects:

- LED Energy Project. The lowest bid proposal was \$709,000, which was less than the \$840,000-\$1 million cost estimate provided to the Board. Construction will begin in July.
- IT Switch Project. The lowest bid proposal was \$67,000 over the \$1.6 million cost estimate provided to the Board, due to the discovery of underground wiring between buildings.

Other – President Robinson commented on the purchase of a time lapse camera for the Advanced Manufacturing Training Center project, due to the collaboration of IT, Marketing, Facilities with Ms. Giordano. A video will be developed and completed in time for the ribbon-cutting ceremony.

Mr. Johnson commented on the Draft Delegation of Authority chart, and the levels of approvals. President Robinson commented on the need for administrative flexibility with respect to legal settlements with the reporting to the Board on the back end. Mr. Nagle commented on the report of budget transfers to the Board being no longer necessary, as controls are in place, which Mr. Johnson agreed. The Board Secretary and the Treasurer will review the Financial Standards Policy with respect to recommending a change for the report of budget transfers.

Adjournment – As there was no further business, Mr. Nagle declared the meeting adjourned at 1:48 p.m.

ATTEST

Patricia M. Jezak

Secretary to the Board of Trustees

Approved 9-30-19