

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
September 22, 2020

A meeting of the Finance Committee was held by videoconference and limited in-person members of the Board of Trustees, in accordance with the policies of the Board of Trustees, Ohio Revised Code, Section 121.22 and Chapter 3358, Ohio executive orders and Section 12 of Am. Sub. House Bill 197, as signed by the Ohio Governor. A public link to the videoconference was provided on the public meeting notice on the College's website.

Call to Order – Jason Johnson called the meeting to order at 11:00 a.m.

Roll Call – Roll Call was taken, and the following committee members were present: Jason Johnson, and Rita Russell (2).

Mr. Johnson commented that the main focus was for financial walkthroughs for comparing the FY 2020 preliminary actual to FY 2020 budget and to FY 2019 actual; also for updates on August financials, CARES spending and to review the Then and Now Certifications.

Approval of Minutes – The minutes of the July 13, 2020 meeting were sent in advance and hearing no corrections, Mr. Johnson declared the minutes accepted as submitted.

TREASURER'S REPORT

Financial Walkthroughs - Jeff Ganues, Vice President of Business Affairs, Chief Financial Officer and Treasurer, presented the preliminary June non-GASB FY 2020 financial report. He emphasized the report is preliminary and not the final audited financials, as adjustments are still being made with the audit in progress.

Mr. Ganues reviewed the financial walkthrough (page 5) of the variances between the FY 2020 budget and the preliminary actuals. The discussion, included:

- Expenses – fringe benefits increase – Jason Johnson requested follow up to explore the increase due to health care claims to determine if it might be a non-routine occurrence or indication of an ongoing circumstance. Jeff Ganues also commented on working with Aetna on analytics and identifying outliers. He will plan to get back with Aetna to continue utilizing their reports.
- Expenses – remaining expenses – Jeff Ganues commented on improving communications with all budget authorities, chairs and deans in FY 2021 to unencumber funds/close out purchase orders, when applicable.
- Expenses – depreciation – Jeff Ganues commented on transitioning depreciation from Excel to Banner module for fixed assets. Corrections were made and dates for service were modified to the first of the month, per the Banner module, which added depreciation, \$80,000-\$90,000. However, the depreciation process will be more efficient with Banner.

Mr. Johnson asked if a physical inventory was conducted of the fixed assets, which Mr. Ganues responded no, as it was not a requirement of the state nor have the auditors commented on it. Katie Feher, Controller, confirmed that fixed assets purchased with grant funds are audited every other year.

Mr. Johnson commented positively on the work done to control expenses and to reduce \$1 million in expenses for FY 2020. Mr. Ganues recognized the budget authorities and the budget staff for working hard, especially when the pandemic began, with reducing expenses and understanding the slowdown of the college operations.

Mr. Ganues reviewed the financial walkthrough (page 7) of the variances between the FY 2020 preliminary actuals and FY 2019 actuals. The discussion, included:

- Revenue – tuition – Mr. Ganues commented on the trend of out-of-state student enrollment increase over the prior year. Mr. Johnson asked about the out-of-state student product mix that was better year-over-year due to increase amount of credit hour consumption. Amy Giordano, Vice President, Enrollment Management and Student Services, commented on no targeted recruitment outside of the legal district; however, the out-of-state student mix includes students in the John Deere program and international students. She noted that the international student population is down due to the COVID pandemic, and Student Services is looking at what can help drive this student population to Owens.
- Revenue – sales and service – Mr. Ganues commented on a 60 percent decrease in rental revenue over the prior year with 40 percent due to the COVID pandemic. The Business Affairs staff is working on how to improve rentals. He also commented on Bookstore commissions and this is anticipated to be less in FY 2021 due to the transition to an electronic bookstore model.
- Revenue – workforce – Mr. Ganues commented that all Workforce and Community Services losses were due to the COVID pandemic.
- Revenue – workforce contracted – Mr. Ganues commented that decrease in union/apprenticeship training will negatively impact future State Share of Instruction (SSI).
- Expenses – fringe benefits – Mr. Ganues commented on the projection model of 36 percent for health care benefits, and he is working with Aetna for a more detailed model. Aetna’s projection was \$10,000 within in the 36 percent projection range. He will continue to work with Aetna on historical data; which Lisa Nagel, General Counsel/Vice President Administration, commented that the College is in its fourth year with the agreement with Aetna. Ms. Russell asked if it would make sense to budget for FY 2021 with the actual FY 2020. Mr. Ganues commented that the FY 2021 budgeted projection was set with Aetna and it was in line with the 36 percent model. Mr. Ganues commented that a good step for him would be to see if Aetna would revise or hold the budgeted projection, which he commented that he will follow up on for the next Finance Committee meeting.
- Expenses – utilities – Mr. Ganues commented on significant savings in utilities due to the reduced population on campus due to the COVID pandemic.
- Expenses – outside services – Mr. Ganues confirmed that the majority of the variance was due to one-time expenses during the prior fiscal year, FY 2019.

Mr. Ganues commented that the reserve requirements (page 8) were in compliance with the Financial Standard Policy. Mr. Johnson asked about the improvement of cash flow year over year, FY 2018-FY 2019-FY 2020, during a down revenue year over year period. Mr. Ganues commented that the improved cash flow was due to striving toward zero for the “Ed Nagle Number” (Operating Gain/(Loss) After Depreciation) on the financial statements. A positive bottom line has resulted, and the objective has helped the College to build the cash reserves.

Mr. Ganues commented on the calculation of the Senate Bill 6 ratio (page 10), and he noted that the change from the 5.0 projection to the 4.5 current projection was due to the primary reserve, and that the local funds for capital projects, reduced cash and moved it to capital, thereby, pushing up net assets, which is in a different bucket and not in unrestricted. Mr. Ganues has made adjustments to provide for this new scenario of local funds for capital projects into the projections going forward. Mr. Ganues confirmed for Ms. Russell that the S.B.6, 4.5 composite score is still

a very strong score, with 5.0 being the maximum composite score. Ms. Russell asked about comparison to other community colleges, which Mr. Ganues commented that he will share the Ohio Department of Higher Education (ODHE) Campus Accountability financial ratio analysis for all public universities and colleges. Mr. Ganues commented that he will share the FY 2020 financial ratio analysis when it is released by ODHE (late 2020/early 2021).

Mr. Ganues reviewed the balance sheet (page 11). He noted that cash was up by \$4 million due to Star Ohio, cash management and investment into Fifth Third Money Market account. He also commented on accounts receivable (check exchange timing) and capital assets due to state-funded construction (Dana Center, College Hall and other renovations). He stated that the total net position increase was \$6.4 million with the majority of it in capital assets. It was a strong year in net position. In response to Mr. Johnson's question on the \$187,564 increase in salaries/benefits payable, Mr. Ganues commented it was due to more days in Fiscal Year 2020.

August Financial Report – Mr. Ganues reviewed the August FY 2021 financial report. He commented on waiting to update the Fall tuition and fee revenue until after the administrative student drops due to non-payment of tuition before updating the projections. Mr. Ganues commented that he will be working with Student Services to update targets in the budget for spring.

In response to Mr. Johnson, Ms. Giordano commented that the projected Fall FTE 20 percent decrease shared at the July 13 Board Finance Committee meeting, ended up at a decrease of 12.7 percent for subtotal FTE (not including CCP, unions, etc) for the 14th census day. Mr. Johnson asked if the 12.7 percent decrease in FTE is a material miss from the budget, and he suggested to revisit the expense side to see what the College might do or delay to ensure solvency and no cash burn. Mr. Ganues commented on working with the budget team to first review the student fee revenue and then to review the expenses and pass-throughs. He will plan to follow up at the next Finance Committee meeting with the information.

Mr. Ganues commented that the financial dashboard (YTD vs Budget) (page 2) with respect to the YTD wages/fringes to budget is outpacing the vacancy factor at this time. He said he hopes to have a better idea for the September report regarding adjunct/overload payments. He also noted that YTD operating expenses to budget is slightly outpacing due to timing issues. With respect to the net gain/(loss) in position, he noted that it does not yet include any update for fall or spring. He commented that the financial dashboard (YTD 2021 to YTD 2020) (page 3) reflects the preliminary FY 2020 and the September report will reflect the actuals FY 2020.

Mr. Ganues reviewed the financial walkthrough (page 5), reserve requirements (page 6), and investments (page 7). On the investments, Mr. Johnson commented on the Fifth Third Money Market account rate and the total amount being temporarily held there and the flexibility provided by Fifth Third to reinvest. Katie Feher, Controller, commented on the industry-wide low return rates of money markets, which Ms. Russell also agreed with Ms. Feher's statement. Mr. Ganues confirmed that he will talk with the Fifth Third account representatives to move the funds to Star Ohio, if not able to quickly reinvest.

As a follow up from the July meeting, Mr. Ganues commented on the updated changes to the FY 2021 College budget, as noted in the following comments of Table 1.

Table 1

FY21 Budget Update	Budget	Projection	Difference	Comments
SSI Change	21,190,500.00	25,580,983.00	4,390,483.00	Budget included 20% decrease. ODHE announced a 4.38% decrease.
Summer Tuition	2,654,888.23	3,436,564.45	781,676.22	Budget included 26% decrease. Summer was down 9%.
Fall Tuition	10,306,457.87	9,371,540.27	(934,917.60)	Budget included 2.4% decrease. Fall is currently down 12.7%.
	34,151,846.10	38,389,087.72	4,237,241.63	

Mr. Ganues commented that he continues to recommend that the College wait to do anything until the dollars are realized and to revisit at the next Finance Committee meeting in December. He also commented on bringing forward a deferred maintenance plan once the budget position is better known. He commented that the College did address the life-safety items over the summer months that were part of the deferred maintenance discussion of the January 28 Finance Committee meeting.

CARES Spending Update – Mr. Ganues commented that without federal guidance documentation, the auditors were satisfied with the College’s CARES spending plan and advised that it be shared with the Finance Committee so that everyone is on the same page.

State CARES funds: \$1,127,837.38
 Less College-eligible expenses: (1,116,845.96)
 Remaining balance: \$ 10,991.82

Federal CARES funds: \$1,198,893.00
 Less College-eligible expenses: (1,198,893.00)
 No remaining balance: \$ 0.00

THEN AND NOW CERTIFICATION APPROPRIATIONS FOR BOARD REVIEW

Ms. Feher commented on the process of tracking the then/now certifications and the plan for corrective action of a budget authority, when applicable. Ms. Feher commented that the budget is satisfied and the then/now certifications is about the timing of purchases and invoices. The approach taken for the process was to work on engaging and educating the budget authorities. The approach for the process also takes into account the \$3,000 threshold – above requires Board approval; below requires Treasurer approval. She commented on the three levels of offenses:

1. First offense – email reminder, notation of what a second offense may mean, and copied to the supervisor.
2. Second offense – email notice requesting a response of the reason and a plan to improve, a notation of what a third offense may mean, and copied to supervisor, division vice president and treasurer.
3. Third offense – Treasurer will work with the division vice president and the supervisor on an improvement plan or corrective action. If the offense is more than the \$3,000 threshold, then

the corrective action plan would also be reviewed with the Board Finance Committee. If the offense is less than the \$3,000 threshold, then the corrective action plan would be reviewed with the President/Vice Presidents.

Ms. Feher commented that the time period will be a rolling one-year period. Mr. Johnson commented that the process makes sense. Mr. Johnson requested to add onto the current report, the # of under \$3,000 then/nows by the month. He is concerned about the liability, and this reporting is important for everyone to have an understanding. Mr. Ganues agreed with Mr. Johnson on treating budget authorities consistently. Mr. Johnson commented that in the end only emergency-type of cases should be showing. Ms. Russell commented in support of Mr. Johnson's request and that the process allows budget authorities to understand the seriousness of the liability.

The Then and Now Certification Listing will move forward to the next regular meeting agenda of the Board of Trustees.

Good of the Order – Ms. Feher provided an informational update that the auditor has advised that the federal compliance supplement has been delayed; there is potential that there will be a dual-dated audit a) financial statements b) grant audit at the federal level for CARES funding. There is no concern, just an FYI. Jeff Ganues may look into who is responsible for forwarding the federal guidelines to the auditors in the field.

Mr. Johnson commented that the Finance Committee's next regular meeting is scheduled for December 8. The Board Secretary has invited the principals of Clark Schaefer Hackett accounting firm to meet the committee for the annual audit conference on December 8 to review the Fiscal Year 2020 Year-End Financials.

Adjournment – As there was no further business, Mr. Johnson declared the meeting adjourned at 12:20 p.m.

ATTEST

Patricia M. Jezak
Secretary to the Board of Trustees

Approved 12-8-2020