OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
April 26, 2022

A meeting of the Finance Committee was held in accordance with the policies of the Board of Trustees, Ohio Revised Code, Section 121.22 and Chapter 3358, in Administration Hall 224 and by videoconference. A public link to the videoconference was provided on the public meeting notice on the College's website.

Call to Order – Rich Rowe called the meeting to order at 9:03 a.m.

Roll Call – Roll Call was taken, and the following committee members were present: Sherina Ohanian and Rich Rowe. (2). Rita Russell (remote) arrived after the roll call. (3). Mary Beth Hammond (remote) was also in attendance.

Approval of Minutes – The minutes of the January 25, 2022 meeting were sent in advance and hearing no corrections, Mr. Rowe declared the minutes accepted as submitted.

Then and Now Certification Appropriation Detail for Board Review – Jeff Ganues, Vice President of Business Affairs, Chief Financial Officer and Treasurer, commented on the listed item, and the continuous outreach and education to new budget authorities.

The review was concluded, and Mr. Rowe directed to move the Then and Now Certification Listing forward to the next regular meeting agenda of the Board of Trustees.

TREASURER'S REPORT
Draft FY 2023 Budget Report for Preliminary Review – Mr. Ganues reviewed the FY 2023 draft preliminary budget that was at about 95 percent complete; he requested feedback from the trustees. He noted that this agenda item will be brought back to the May Finance Committee meeting. Mr. Ganues noted:

- Grant funds were not included in the budget.
- HEERF federal funds were included in the budget due to the net effect to the bottom line. All HEERF student pass-through funding has been distributed; the institutional funding to be spent down.
- Vacancy factor of positions was at 5 percent; same as the prior fiscal year.
- Summer projected enrollment flat; he commented on College Credit Plus program students' revenue as based on the board-approved funding structure, per Ohio Revised Code.
- Fall projected enrollment up by 6 percent (about 3 percent in regular students; about 3 percent in CCP students.) Anticipated rebound due to re-opened delivery methods.
- Spring projected enrollment up.
- Revenue projected up by 2.5 percent; however, the big hit to the budget will be no one-time revenue from HEERF federal funds for FY 2023.

- Expenses – wages/fringes projected to be slightly down. The consultant was helpful in guidance on efforts to control health care costs.
- Expenses – maintenance, repairs, and other expenses related to returning land-based classes projected to have increased costs.
- Operating gain/(loss) still in the red; will continue to work on the bottom line. Without HEERF funding, projecting a $1.2 million net gain in position; however, the operating gain/(loss) after depreciation was budgeted at ($3.2 million).
- Income statement margin projected at 1.9 percent. Three percent was an average margin guide, depending on expenses. Preliminary 1.9 percent was a good starting point.
- SB 6 composite score of 5.0 not sustainable; it was projected at 4.6, which was still comparable to other Ohio two-year colleges. Projected drop in the net income, which is 20 percent of the formula.
- Balance Sheet – cash included the HEERF funds draw down in July; HEERF was used for loss of revenue or loss of enrollment and other revenue due to the pandemic. The federal guidance was to wait until the end of the period to book the receivable and draw down the cash. The unrestricted net position was projected $2.3 million, which aligns with past practice.
- Financial Walkthrough – State share of instruction (SSI) revenue was projected at a 4.3 percent decrease; the preliminary projections from Ohio Department of Higher Education, still pending. He commented on the improved spring to spring enrollment trend; however, not known is the impact on future SSI, which is based on a three-year average of enrollment. He noted that 50 percent of SSI is based on completion of credit hours that will affect next fiscal year.
    - The loss of federal HEERF funding revenue, projected down by $7.7 million.
    - Tuition revenue, projected up due to the tuition increase +$5.00 per credit hour.
    - Fee revenue, projected down by $95,000 due to shift from elearning to face to face classes.
    - Workforce revenue, projected up by $923,000 for return from pandemic. He will work with Workforce staff on the projections of what may be attainable – there are opportunities in this area, especially with non-credit.
    - Projected increases in expense areas were noted; however, as a whole, the projected revenue was expected to cover the expenses. He noted increases due to face-to-face delivery, professional development, liability increase; depreciation for College Hall phases 3 and 4 and other deferred maintenance projects.
    - Mr. Rowe asked about the child care center rates, which Mr. Ganues noted higher enrollment for child care and an increase in rates, effective for summer.
- Discussion, included: President Somerville commented that she supported the preliminary budget thus far; there is a plan for enrollment management. Mr. Ganues commented on his prior discussion with Mr. Johnson on his feedback that the first-year expense of the proposed recommendation for the enterprise resource platform (ERP) system was not reflected in the preliminary budget. Mr. Ganues will add the expense to the draft budget, pending the request to the Board for approval of the ERP recommendation (May 4) and negotiations—this expense to impact the bottom line of the budget.

Mr. Ganues asked for the trustees' feedback on the $1.2 million net gain in position projection. Ms. Ohanian agreed with the feedback from Mr. Johnson on adding the expense for the ERP project. Mr. Rowe commented on the budget planning process improvement over the years. Mr. Ganues commented on meeting with all 70 departmental budget authorities and all were prepared with data for their projected expenses. Mr. Ganues thanked the trustees, and he will continue to work on the FY 2023 budget for the May Finance Committee meeting.

March Financial Report – Mr. Ganues reviewed the March FY 2022 financial report and dashboards. Mr. Ganues noted:

- Dashboard.
    - Spring enrollment FTE has rebounded due to the enrollment management strategies.
    - Year-to-date wages and fringes were over budget by 3 percent due to the health insurance claims. Impacted the total liability – doing quarterly reconciliation of health care expenses.
    - Year-to-date expenses were down due to decreased enrollments of summer and fall.
    - Will begin the process of closing opening purchase orders to move funds to the bottom line for year-end.
    - Net gain/(loss) in position was up, due to the capital appropriations projected at $4.8 million from construction projects.
- Financial Walkthrough. Mr. Ganues reviewed the areas of tuition revenue and credit hour consumption; workforce revenue and changes in truck driving program; salaries/benefits increases due to salary adjustments and paid health claims and depreciation. Ms. Ohanian commented on the good news on the spring enrollment and that the high school students to select their CCP classes at the end of May for their fall class schedules.

Enterprise Resource Platform RFP Presentation – Mr. Ganues presented on the challenges of the current enterprise resource platform (Banner) that provides the core administrative systems for Financial Management, Human Capital Management, and Student Information Services. He noted how the bidders' proposals for the software system and the implementation compared, including a value comparison with the goals for modernization:

- *One unified system providing core functionality*
- *Modern, mobile-friendly user experience for all*
- *Streamlined business processes and improved collaboration*
- *Self-reporting capability for functional areas*
- *Actionable data and predictive analytics*
- *Scalable for future growth & use of emerging technologies*
- *Improved data security and less system maintenance costs*
- *Dependable business continuity and disaster recovery*

He shared the projected annual costs and costs over a ten-year period for the vendors' proposals and the current Banner system; as well as, the projected implementation costs for a new system. Moreover, there will be costs for the Owens staff to implement a new system, which a new FTE position may be considered by the administration for dedicated project management.

Discussion, included: how might the timeline impact students, which Brian Lauber, Chief Information Officer for the IT systems, responded that the anticipated date for students to be on

the new system is August 2025; which staff implementation should begin about July 2023. Ms. Ohanian asked about the contract structure, which Mr. Ganues replied was a 5+5 years; then changes based on yearly implementation. He noted that an evaluation would be done at the 10-year mark; and the system life expectancy was about 20 years; SAS solutions keep up to date with industry changes.

President Somerville commented on a customer relations module (CRM) that would work better with more functionality with a modern system; data analytics is a game changer. (The College currently does not have a CRM.)

Mr. Ganues commented that a recommendation for prior authorization for the ERP will be requested at the next regular meeting of the Board on May 4.

College Comeback Presentation – Mr. Ganues presented on Owens' model for a student debt forgiveness program, which the Ohio Department of Higher Education has encouraged Ohio colleges to develop to support Ohioans who have some college or credentials but no degree; this state initiative, called *College Comeback*, supports enrollment to meet state and regional workforce needs. Mr. Ganues noted that the optimum point is for an Owens stopped-out student to have attended at least three semesters. The proposal was reviewed with Ohio Department of Higher Education staff; and though it does not require board approval, he wanted to be prudent in presenting to the Finance Committee due to the potential return on investment:

- *Reviewed Aging Schedule to identify best semester to begin Comeback Program*
- *Reviewed those students eligible between Fall 2018 and Fall 2020*
    - *Identified 135 eligible students*
    - *Total Debt Forgiven is $123,788*
    - *Total Instructional and General Fee to graduate is $629,520*
    - *Potential Return is $505,732*

Discussion, included: Mr. Rowe asked if there may be an IRS 1099 requirement, which he will ask the Controller to research*. Ms. Ohanian asked about the timing of the debt forgiveness for the student, which Mr. Ganues responded at the points of mid-completion and at graduation. Mr. Rowe commented that the program sounds promising. Mr. Ganues commented that Business Affairs and Student Services will work together with Institutional Research to track the program.

Adjournment – As there was no further business, Mr. Rowe declared the meeting adjourned at 10:24 a.m.

**See next page for the research provided.*
Accepted 5-23-22-22

Supplemental Information added by the Board Secretary to the minutes:
Sent: Thursday, May 12, 2022 12:35 PM
Subject: Cancellation of Debt

Thank you for the opportunity to research the IRS regulations regarding cancellation of debt, specifically with the College Comeback Program in mind. The form that would typically be filed for cancellation of debt would be 1099-C and I've attached the instructions for reference. On page three, there is a listing of all the types of entities that would need to file this form and higher education is not listed, therefore I do not believe we need to file this form. Furthermore, I believe in the eyes of the IRS we are forgiving accounts receivable, as opposed to cancelling debt.

That being said, I wanted to also see how other institutions were handling similar write offs, so I reached out to the OACC Controller's group. I received a reply from seven Colleges, none of which file the 1099-C for cancelling student receivables. This reinforces my belief that we do not need to file form 1099-C for the College Comeback Program.

Katie Feher
Controller
Owens Community College

PDF attachment is provided with the distribution of the meeting minutes/Pat Jezak 5-12-22