

OWENS COMMUNITY COLLEGE  
BOARD OF TRUSTEES  
FINANCE COMMITTEE  
April 27, 2009

A meeting of the Finance Committee was held in the President’s Office conference room #215 of Administration Hall on the Owens Community College Toledo-area Campus.

**Call to Order** –Finance Chair Rich Rowe called the meeting to order at 2:00 p.m., and directed the record to show that the Finance Committee meeting was held in accordance with the Ohio Revised Code, Chapter 3358, and the policies of the Board of Trustees.

**Roll Call** – Roll Call was taken and the following committee members were present: Mr. Allan Libbe and Mr. Rich Rowe (2).

Vice Chair Dee Talmage was also present. Board Chair John Moore was on conference call.

**Attendees** – The following administrators were in attendance at today’s meeting: Dr. Christa Adams, Mr. John Satkowski, Ms. Pat Jezak, Dr. Paul Unger, Mr. Gene Lapko, Mr. Brian Paskvan and Ms. Laurie Sabin. Ms. Natalie Jackson, Assistant Attorney General, Mr. Daniel Wong and Ms. Rose Konrath of National City/PNC Bank, Columbus, were also in attendance.

**Approval of Minutes** – The minutes of the January 15, 2009 meeting were previously received, and Mr. Rowe declared that the minutes stand approved as submitted.

Dr. McMaster arrived.

**State Budget and Funding Update** – Mr. Satkowski reviewed the Ohio Board of Regents’ Summary of Sector Level Appropriations, Appendix A. The FY 2009 sector total was just under \$2 billion. The recommendations made for House Bill 1 shows a total 6 percent increase in State Share of Instruction (SSI) for FY 2010 and less than a 1 percent increase for FY 2011. The Regents Table 2 for draft SSI funding for community colleges notes a sector increase of 4.71 percent for FY 2010. The FY 2010 subsidy calculated for Owens is proposed at \$45,208,538, a 2.26 percent increase over FY 2009. The community colleges are mandated to have a two-year tuition freeze. The draft SSI funding for universities note a sector increase of 6.54 percent for FY 2010, with no tuition freeze for FY 2011. Universities would be allowed to increase their tuition, no more than 3.5 percent for FY 2011. Mr. Satkowski stated that the Ohio Association of Community Colleges has been advocating that funding be equitable for both sectors. He stated that at the last OACC President’s Meeting, Chancellor Fingerhut had noted that he would be in favor of a \$5 million increase for the two-year college sector in order to bring the sector up to a 6 percent increase. Mr. Satkowski then reviewed the OACC graphs that were created by Lakeland Community College, which showed the disparity between the two sectors.

Cumulative Trends 2000 to 2011

	Community Colleges	Universities
<b>Enrollment</b>	Growth (50 percent)	Flat (10 percent)
<b>Tuition</b>	Flat (10 percent)	Growth (50 percent)
<b>State Support</b>	Decrease (-20 percent)	Decrease (-10 percent)

Mr. Satkowski stated that the cumulative trend for the universities is the exact opposite of the community colleges. Mr. Satkowski stated that the House of Representatives will finalize their version of HB 1 budget bill this week. The House version seems to have added several line items for higher education back in that the Governor had previously consolidated. He noted that legislators Randy Gardner and Mark Wagoner are supportive of the community colleges.

**Financing Options for Energy Strategic Plan** – Daniel Wong, Senior Vice President, and Rose Konrath, Vice President, for National City Bank Municipal Finance, presented on energy conservation financing with tax-exempt leasing. There are three public financing products available for capital renovations including notes, bonds and leasing. He provided an overview of performance-contracting (leasing) option. Mr. Wong stated that Ohio is unique in that it provided a finance option into law, House Bill 7. Mr. Satkowski stated that the College will be doing a request for proposals to finance (estimated) \$8.9 million over a 10-year term to fully implement the energy plan. The performance contract advantages include: rates comparable to bond rates, no long-term debt, flexibility in matching payments to match energy savings, minimal up-front costs (legal/tax reviews) and ease of implementation. Ms. Sabin said that she considers this a “small issue,” which is anything less than \$15 million. Mr. Satkowski stated that the savings would be based on a consumption measurement. Funds would go into an escrow account at a separate bank, and payments would be made to the construction contractors from the escrow account. Mr. Satkowski confirmed that the College’s annual budget would have line items noting the financing.

Mr. Wong and Ms. Konrath left the meeting.

**Senate Bill 6 Ratios for FY 2008** – Mr. Satkowski reviewed the Senate Bill 6 financial ratio analysis for Owens Community College. The composite score is the same as FY 2007.

FY 2008 Composite Score	3.60
Viability Score (shows no debt)	5.00
Net Income Score	3.00
Primary Reserve Score	3.00
Total Revenue	\$106,688,425
Change in Net Assets	\$2,913,444

He stated with a little more work, the College could increase the scores of net income and primary reserve to 4.0. Mr. Rowe mentioned that adding a column for FTE enrollment to the analysis would show that Owens operates very efficiency, especially without a tax levy. This would be good information to share with legislators.

**FY 2010 Preliminary Budget Development** – Mr. Satkowski reviewed the current assumptions to develop the budgets for FY 2010, 2011, 2012. He stated that the tuition revenue assumption is flat due to the tuition freeze. The SSI and access challenge revenue assumption are reductions regardless of the 6 percent growth requested in the Governor’s budget bill. An increase in subsidy is not certain, especially with the multiple executive order cuts that were made in FY 2009. Mr. Rowe stated that even a 3 percent reduction assumption for SSI may not be enough due to the State’s declining tax and income revenues. Mr. Satkowski stated that he is concerned about what will happen in FY 2012. The assumption for 2 percent enrollment growth is a conservative number. Assumptions for expenses are increases in costs for health insurance, utilities, part-time teaching and maintenance agreements. The FY 2010 potential budget has a

\$3.1 million deficit. Mr. Satkowski reviewed the cost savings and adjustments, which are needed to make up the deficit. Mr. Satkowski stated that the Chancellor has not said anything further about allowing the Board of Trustees to close the tuition window. President Adams stated that Chancellor Fingerhut has previously told her that House Bill 1 draft language currently includes the Chancellor having the authority to make tuition adjustments; however, she has not heard anything official on this. Mr. Satkowski concluded that the Budget and Finance staff will continue to develop the FY 2010 budget before the Board of Trustees meeting in June. Mr. Rowe thanked Mr. Satkowski for his good work on a dismal economic situation.

**Update on RFP's for Health Insurance and Prescriptions** – Mr. Lapko stated that Findley Davies has issued two separate requests for proposals on the College's behalf for health insurance and for a prescription pharmacy benefits manager. The deadline to submit proposals is May 15. The College is striving for a transparent financing arrangement with manufacturers to that rebates will be returned directly to the College. Mr. Lapko estimated that by early June, Human Resources will have an internal dialog at the College on the direction that we'll go. An estimated effective date is ~~July~~ January 1, 2010 (pj). This lead time is needed to coordinate a smooth transition.

**Financial Statement Review** – Mr. Satkowski reviewed the financial statements for the period ending March 31, 2009. He stated that the budget is at 76 percent and is on target.

#### **EXECUTIVE SESSION**

Mr. Rowe announced an executive session for discussion of matters related to collective bargaining and property. Mr. Libbe made a motion to adjourn to executive session for the reasons specified. Dr. McMaster seconded the motion, and Mr. Rowe called for a roll call vote. Roll Call: Allan Libbe, yea; Ronald McMaster, yea; and Rich Rowe, yea (3).

Upon return from executive session, roll call was taken and the following members were present: Mr. Libbe, Dr. McMaster and Mr. Rowe (3).

**Adjournment** – As there was no further business to discuss, Mr. Rowe declared the meeting adjourned at 4:15 p.m.

ATTEST

*Patricia M. Jezak*

Secretary to the Board of Trustees

APPROVED 05-27-2009