

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE
May 23, 2013

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

Call to Order – Trustee Ed Nagle called the meeting to order at 9:00 a.m., and directed the record to show that the meeting of the Finance Committee was held in accordance with the Ohio Revised Code Section 121.22, 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: Edwin Nagle, Rich Rowe and Diana Talmage (3).

Attendees – The following trustees, administrators, staff and guests were in attendance for all or part of the meeting: Trustee Thomas Uhler, President Bower, Renay Scott, Laurie Sabin, Pat Jezak, Pam Beck, Jennifer Fehnrich, Gail Swartz, Bradley Meyer and Marie Thomas, reporter for the Bowling Green, Sentinel Tribune.

Approval of Minutes – The minutes of the November 9, 2012 meeting were previously received, and Trustee Nagle declared that the minutes stand approved as submitted.

FY 2014 Proposed Budget Development and Review – Laurie Sabin highlighted that she will review a new format for the financial statements, the budget development systems and processes, the proposed FY 2014 budget, the revised FY 2013 budget and a tuition review.

Ms. Sabin recognized the key individuals who collaborated on the budget development process. She noted that improved processes and data have assisted with making decisions and also in identifying trends on a weekly basis. The Budget Office is working with the Provost Office on managing class section sizes, and the tool is helping to estimate the average section sizes of each program as well as individual classes. She commented that the intent is to increase the average section size from 13 to 15 students. She commented that enrollment for the Summer Semester 2013 is down by 4.7 percent to 4.8 percent, as compared to Summer Semester 2012. Ms. Sabin commented that Tom Reed, Financial/Budget Analyst, is working with Ann Theis, Dean, School of Business, to develop a monthly departmental budget report for deans to monitor revenues and purchases. Trustee Nagle asked about a break-even point for a class size, which Ms. Sabin responded with estimates dependent upon part-time or full-time faculty. President Bower commented on how college operations are different from businesses that produce products.

Ms. Sabin commented that she is meeting weekly with the Cash/Investments Manager and Controller to review cash flow and the schedule of payments. Her office has adopted control practices that businesses do to monitor and predict cash flow for longer terms. In response to a question from Trustee Uhler, Ms. Sabin commented that the process to forecast cash flow includes the periods for one-year and from month-to-month. She also commented that public colleges are not eligible to have bank lines of credit and borrowing must be for a specific purpose, per the regulating authorities. Ohio's public colleges are able to make requests to the Ohio Board of Regents for advances of the State Share of Instruction; however, this then becomes a reportable event with the risk of being placed on fiscal watch. She also explained that unlike school districts, municipalities and county governments, the state community colleges may not publicly borrow against future or anticipated revenue and state legislation mandates caps on tuition increases. She commented that the College

learned techniques from Noel-Levitz to increase revenue through increasing the base of students. In response to a question, Ms. Sabin commented that the cash flow will be within expectations for the summer months. Trustee Nagle commented on the Federal Pell program grant disbursements, which Ms. Sabin responded that the College disburses in accordance with federal regulations.

Ms. Sabin commented that the College has implemented the Buy Smart program, which is an electronic procurement system from SciQuest, and it has the capability to access lower prices for lab supplies from Ohio's Inter-University Council Purchasing Group for higher education institutions. In addition, the Buy Smart program does not allow departments that have insufficient budgeted funds to make purchases.

She briefly reviewed the newly formed risk management team that serves in a review and advisory capacity to the President with the perspectives of finance, legal and accreditation prior to the College entering into contracts or agreements. The risk management team asks up-front questions with respect to accountability, metrics and the return on investment prior to entering into commitments. President Bower is also initiating a process for the development of departmental three-year business plans, which will then roll up to a College business plan and assist with planning for resources.

Ms. Sabin commented that she would like to develop two funds for the budget. A) Rainy Day Fund for depositing surplus "over the net income target" funds that will help strengthen the financial viability of the College. B) Strategic Planning Fund to build resources identified in the business plans. In response to a question from Trustee Nagle, Ms. Sabin commented that the Rainy Day Fund will be established while the reserves are being built up and that the College has a sweep account with Fifth Third Bank.

Ms. Sabin distributed a new draft format for financial statements that serves as a one-page summary of all funds in a year-to-date format. She commented that the focus is to strive toward the net income targets rather than just a comparison from the previous fiscal year. The Finance Committee members suggested adding a year-to-date percentage change column.

Ms. Sabin noted that college-funded renovations are suspended for one-year. Trustee Nagle made a comment on the potential for the Foundation's assistance with raising funds for capital expenses. Ms. Sabin commented that state-funded renovations are in progress.

Ms. Sabin reviewed asset/cash utilizations that are being reviewed and developed, which includes an appraisal of the Tracy Road property and the potential to redistribute a portion of the student activities fees from the clubs to provide more benefits to the general student population, such as access to lectures, shows and cultural events at low or no cost. She commented that .25 per credit hour fee is set aside for Student Government, Student Clubs and Activities. The student activities fund has about \$80,000 that is shared with the clubs; however, not all clubs are active. Should Student Government agree with redistributing the funds to provide a greater benefit to the general student population then there would be more opportunities to bring in lectures, activities and events that can be aligned with the curriculum for better student learning experiences.

Ms. Sabin distributed the draft proposed FY 2014 unrestricted general fund budget for review. The proposed budget is based on 8,700 tuition-paying full-time equivalent enrollments. She commented that the Ohio Association of Community Colleges fiscal officers were informally surveyed and their enrollments for summer semester are either down by about five percent or the same. Ms. Sabin also commented that as of May 20, there were positive indications from the Ohio Board of Regents staff that "bridge" funding seems solid for a set-aside that will help some institutions for hold-harmless. Jennifer Fehnrich supplemented with an update from May 22, that the House approved \$8.1 million for a bridge fund based on enrollment for fiscal years 2010, 2011 and 2012; however, there is

uncertainty as to a gap that may be revealed for enrollment numbers that include fiscal year 2013. She commented that Owens has an estimated decrease of state funding projected at \$1.06 million. Ms. Fehnrich commented that the Senate is trying to identify where the additional funding will come from. She also noted that tuition language has not been determined, and she is hearing of either a 2 percent cap, or a state average of 2 percent cap, which would be less than the “or \$100 cap” that the community colleges have been advocating. She commented that if a tuition increase recommendation may be made to the Board of Trustees at the June 11 regular meeting then the language will need to be flexible enough to comply with final State budget language. Ms. Fehnrich noted that the Governor will have 10 days to sign a budget bill effective for July 1.

Ms. Sabin presented the draft proposed FY 2014 budget, and she noted that the total revenues and expenditures should remain the same for the recommendation to the Board of Trustees; however, the line items are still being adjusted. During budget development, they reviewed segments of tuition-paying and contract-paying students and with Enrollment Services; they developed target scenarios to identify realistic enrollment projections. The budget’s target is 8,700 tuition-paying FTE’s while the Enrollment Services target is +300 FTE over the budget target. She commented that the proposed budget based on the 8,700 FTE target is realistic to generate a net operating income of \$1.5 million. She commented that the budget shows a reduction in salaries, fringe benefits and a revenue enhancement of other student fees. She said that in addition, the budget focuses on operational changes for maintenance services, utilities and insurance. Ms. Sabin feels confident that the proposed budget is realistic and stated that budget analysis will be continuous.

Ms. Sabin responded to inquiries including the suggestion of providing a percentage difference column, and clarifications of student fees, vacant positions accounting, dual enrollment fund, cost of sales (course and lab fee expenses), utilities and insurance, other expenditures, bad debt accrual, union trade apprenticeship contracts, athletics, facilities rentals and space utilization.

FY 2013 Revised Budget – Ms. Sabin distributed a draft FY 2013 unrestricted general fund revised budget, which she explained is a statutory exercise. She commented that it is a projection of where the College may be at year-end on June 30. It is a moving target and that better information is provided in July when reconciliations are made for the fiscal year audit that includes health care claims, unemployment, athletic travel, workforce development, union trade apprenticeships, lab and course fee expenditures. The revised FY 2013 budget projects a \$4.2 million operating loss; however, there may be some offsets from plant funds. In response to a question, Ms. Sabin confirmed that cash flow and reserves are being continuously monitored and that there is other proprietary information that may have a positive financial impact.

Tuition Review – Based on the discussion earlier in the meeting, Ms. Sabin commented that a tuition recommendation will be made to the Board of Trustees that will comply with the statutory tuition cap language. She commented that an estimated \$820,000 in revenue from a recommended tuition increase will be included in the proposed FY 2014 budget.

Other – Ms. Sabin thanked the Finance Committee for their review and feedback on the development of the budget recommendations for June 11.

Adjournment – As there was no further business to discuss, Trustee Nagle declared the meeting adjourned at 10:30 a.m.

ATTEST

Patricia M. Jezak

Secretary to the Board of Trustees

Approved 8-22-13