

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
May 30, 2017

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 – Rich Rowe called the meeting to order at 3:07 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: Jason Johnson, Ed Nagle and Rich Rowe (3). Board Chair Dee Talmage and Mary Beth Hammond were in attendance.

Approval of Minutes – The minutes of the November 17, 2016 meeting were sent in advance and hearing no corrections, Mr. Rowe declared the minutes approved.

REPORT OF THE TREASURER

Monthly Financial Statements – Mr. Ganues commented on financial statements for the period ending April 30, 2017. He commented on the April projected year-end FY 2017 net gain, \$3.6 million, which exceeded the budgeted projected net gain, \$2.4 million, due to a lower projected depreciation level and due to summer, fall and spring end-of-term tuition and fees exceeding budget projections, as enrollment exceeded budgeted targets; a pick-up of \$292,000.

He also commented on reductions in projections for federal support and scholarship allowance (\$1.7 million) due to a decrease in the federal Pell grants, as a result of a decline in student enrollment and student eligibility. He commented on a pick-up of \$46,000 in collections on past-due accounts, which are done by the Attorney General's Office on the College's behalf. He commented that projections for Workforce and Community Services revenue continue to be strong. The capital appropriation projection was adjusted downward; however, these will shift to FY 2018.

He commented on other expenditures being over budget by \$915,706, due to moving the expense for the loss from the Tracy Road property from the depreciation line to other expenditures. The year-end depreciation amount was adjusted/reduced by \$138,000.

On the FY 2017 Statement of Net Position (balance sheet), Mr. Ganues commented on an improved cash position of \$17.3 million from FY 2016 position of \$8.3 million. He commented on the April Balance Sheet timing impacts of accounts payable, deferred revenue and accounts receivable. The April 2016 accounts receivable was understated by \$1.7 million due to federal direct loans being credited to accounts receivable and not revenue; which was corrected at year-end.

On the reserve requirements, as set by the Financial Standards Policy, he commented that a journal entry will be done to shift the funds from the General Fund to the Plant Fund for cash reserves to be in compliance with the policy requirements.

On the investments, Mr. Ganues commented on meeting with a Fifth Third Bank representative to extend the maturing certificates of deposit. Mr. Ganues also commented on attending the Ohio Treasurer's Center for Public Investment Management (CPIM) training, which discussion included the trend of bonds not doing as well as the certificates of deposit; therefore, Mr. Ganues plans to continue the College's investments with certificates of deposit. He also commented on deferring to explore commercial paper, until after a review of the Investment Policy.

In closing of the April 30, 2017 financial statements, Mr. Ganues commented on the 3.8 projected SB 6 ratio for year-end. Steve Robinson commented on the financial indicator used by the Higher Learning Commission. Mr. Rowe asked about debt, which Mr. Ganues commented on the \$1.2 million debt due to the energy/utilities loan.

Bank Reconciliations Review – Mr. Ganues commented on having the bank reconciliations on hand for those who may wish to review after the meeting.

Budget Transfers Report – Mr. Ganues commented that the net effect was not zero, due to an increase of \$54,378 from a grant.

FY 2016 Audit Test of Lab and Course Fees – Mr. Ganues provided a handout from auditors, Clark Schaefer Hackett, Independent Accountants' Report on Applying Agreed-Upon Procedures, as originally requested from the Board Finance Committee. Mr. Ganues commented that the report reflects no exceptions were found; all fees were properly accounted. He noted that the lab and course fees schedule is set by the College's Curriculum Committee. In response to a question from Ms. Hammond if the lab and course fee schedule would be analyzed in a review of covering program costs, Mr. Ganues replied, yes, and he noted the FY 2016 audit test included the carryover amounts. Dr. Robinson commented that some academic programs have been adjusted. Mr. Ganues commented on a contingency line item for lab and course fees, which is used during the course of the fiscal year for unanticipated equipment maintenance in the labs. Mr. Nagle suggested an outreach to Columbus State Community College, Cuyahoga Community College or Lorain County Community College on their approval processes of lab and course fees.

Local Administration Fee – Mr. Ganues commented on the allowance of 1.5 percent of the project cost from the capital appropriation funds, which can be used by the College to provide flexibility in supporting capital projects. The project size/budget will dictate when the local administration is applied for the College, to be set aside in the reserves for the Plant Fund.

Treasurer's Annual Performance Bond or Insurance Coverage (ORC 3358.06) – Mr. Ganues asked if the Finance Committee had a preference for either a performance bond or the insurance coverage for the Treasurer, in accordance with Ohio Revised Code 3358.06. There was discussion that the Treasurer is covered by the College's crime insurance. For the next meeting, Jeff Ganues will bring a letter/email of support of the insurance coverage from the insurance provider. **Mr. Rowe asked for a motion to table the agenda item until the next Finance Committee meeting, which was moved by Mr. Nagle and seconded by Mr. Johnson. Following a voice vote, the motion was adopted.**

FY 2018 Draft Budget Review – Mr. Ganues provided draft handouts of the FY 2018 Draft Budget Report, FY 2018 Draft Budget – All Funds and FY 2016, FY 2017 and FY 2018 Comparisons of Unrestricted Funds, Auxiliary Funds, Plant Funds, Scholarship Funds, Utility Funds, Pell Funds.

Mr. Ganues commented the proposed FY 2018 budget projects a \$1.825 million net gain in position, and it projects a (\$2.875 million) operating loss after depreciation. He commented that there will be continued efforts throughout the fiscal year to improve the bottom line. He noted if a negative change to the State’s capital appropriation would occur, then it would also negatively impact the fiscal year. He commented that the All Funds operating income is budgeted at \$3.125 million, which reflects a change in the cash position. Jennifer Fehnrich, Executive Director, Foundation & Government Relations, commented on the status of State revenue below projections.

Mr. Ganues reviewed the FY 2018 Financial Dashboard, on page 2 of the Draft Budget Report. The budget projects end-of-term enrollment decreases. Mr. Ganues and Amy Giordano, Vice President, Enrollment Management and Student Services, commented on a change in the administrative drop process for nonpayment of tuition, which affected students will be charged 50 percent of the tuition/fees due, as the drops will be timed during the 50 percent refund period. Mr. Ganues commented on the potential for either a pick up or bad debt expense that is not reflected in the budget. Mr. Ganues commented that the targets for cash are in accordance with the Financial Standards Policy, and he noted:

- Targets went down, as the prior year revenue/expenses decreased
- Added in \$1 million for Auxiliary reserve
- Cash (Plant) is book value
- The projections are subject to change through the fiscal year

There was discussion on the operating gain/(loss) after depreciation. Mr. Nagle commented that the operating gain/(loss) after depreciation has to come significantly closer to break/even. It was acknowledged that depreciation is a non-cash expense.

There was discussion of the targets and alignment of the budget with enrollment. Mr. Johnson commented on targets to hold departmental budgets accountable. Mr. Johnson asked what is the bridge to gap the projected loss, if pick-ups are one-time? Mr. Ganues commented on the zero-based budget development process.

Mr. Johnson commented on the long-range forecast, FY 2019 to FY 2022, which the projected net loss is worsening every fiscal year. Mr. Ganues commented on the uncertainty of State funding in the future, which is the major source of the College’s revenue. Dr. Robinson commented on the challenges of developing the College budget when the State legislature is still determining (through to June 30) the State Share of Instruction (SSI) and the cap on tuition increases. There was a brief discussion of the SSI success point formula.

Mr. Rowe asked if the departments review profit/loss, which Mr. Ganues responded profit/loss was conducted with the lab and course fee review. Mr. Nagle commented on program expenses that may be opportunities for Foundation outreach.

Mr. Johnson commented on one-time gains that impact the net position, and how might fiscal improvement be shown over time? Mr. Nagle commented on the College's financial improvement over recent fiscal years from a (\$4 million) loss after depreciation to a (\$1 million) loss after depreciation. Dr. Robinson commented on classes meeting target fill rates to run and low enrollment classes being reviewed by the Provost to run at the Findlay Campus, Downtown Learning Center or for independent delivery.

Mr. Ganues continued with the budget review and noted that in the FY 2018 budget was developed very conservatively, at a full staffing level for all funded positions. He noted that savings from vacant positions and a contingency allocation is about an \$800,000 impact to the budget. Mr. Ganues commented on the importance of building reserves to support facilities and equipment in the future.

Mr. Ganues commented on State Share of Instruction decrease of 5.9 percent for FY 2018, due to declining eligible FTE, eligible completed FTE and total success points. The FY 2018 budget has conservatively absorbed a 1 percent decrease to the SSI funding from FY 2017.

Adjournment – As the meeting exceeded the time scheduled, the meeting was adjourned at 4:40 p.m., and the Finance Committee will meet on June 1, 2017 at 3:30 p.m.

ATTEST

Patricia Jezak

Secretary to the Board of Trustees

Approved 9-26-17