

OWENS COMMUNITY COLLEGE  
BOARD OF TRUSTEES  
FINANCE COMMITTEE MEETING  
April 21, 2016

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** – Trustee Tom Uhler called the meeting to order at 3:00 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: Tonya Rider, Rich Rowe and Tom Uhler (3). Trustee Dee Talmage arrived at 3:05 p.m. (4). Board Chair Ed Nagle was also in attendance.

**Approval of Minutes** – The minutes of the March 17, 2016 meeting were sent in advance and hearing no corrections, Trustee Uhler declared the minutes approved as submitted.

**REPORT OF THE TREASURER**

Dave Cannon, Vice President/CFO/Treasurer, introduced and recognized Dave Thompson of the Auditor of State's Office, and thanked him for his guidance through the fiscal watch period. Mr. Cannon also introduced Jeff Ganues, Controller, and recognized him for implementing internal controls and processes since his start date.

*Monthly Finance Report and Statements* – Mr. Cannon presented the financial report for the period ending March 31, 2016. He commented there was no significant change from February to March. He commented on the projected total FY 2016 net gain, \$1.207 million, for March, which was slightly lower due to a revision in the projected capital appropriation spending. He noted that the projected operating gain (loss) after depreciation is (\$1.9 million) and now below the target of (\$2 million), and efforts will be made to maintain the position. He commented on the projected FY 2016 operating income of \$4.6 million, as compared to the FY 2015 operating income of \$592,380, and the significant reduction of expenditures.

Mr. Cannon reviewed the FY 2016 YTD financial dashboard, and he noted the YTD fringes vs budget, which will have a year-end adjustment; healthcare claims are down. Mr. Cannon commented that the Controller is reviewing the balance sheet items to be prepared for year-end, such as payables and allowance for bad debt. Mr. Cannon noted the projection of the Senate Bill 6 composite score of 1.7 for the end of March.

On the FY 2016 Unrestricted General Fund, Mr. Cannon commented that the projection for the operating income is \$5.2 million, which is very close to budget.

He commented that the Auxiliary Services Funds will be cleaned up with the recommended budget for FY 2017. Auxiliary Services should be a balanced operation; will do transfers from the Unrestricted General Fund to balance it out. Mr. Nagle commented on the desired outcome of profit centers. Mr. Cannon commented on a review of the copy center operations, and he noted that the mailroom operations will be a cost to the College, no matter if an internal or contractual operation. Laurie Sabin, Director, Finance and Budgeting, commented that the five-year contract

for copy center operations is through 2017. In response to Mr. Rowe's question of potential personal use of copy center operations, Mr. Cannon noted that next fiscal year's budget will have faculty costs covered through lab/course fees and that students have a set allowance of copies. Mr. Cannon commented on increased accountability for the lab/course fees for next fiscal year's budget.

Mr. Cannon reviewed the March balance sheets, and noted the \$9.3 million cash position and the attention provided to accounts payable. Additionally, he commented that the long-term liability is decreasing due to lower debt. He compared the unrestricted net assets of \$3.3 million to where the College ended last fiscal year at June 30, 2015, (\$494,565). Mr. Uhler commented on the accounts payable impact, which Mr. Cannon commented on timing, especially with the apprenticeship programs. Mr. Cannon noted that the April 22, 2016 cut-off date for FY 2016 purchase requisitions for efficient processing of year-end bills through June.

Mr. Cannon commented on the reserve requirements, as noted on page 15 of the March financial report. The cash by fund group for the plant fund is still being reviewed and will work toward a long-term solution.

Mr. Uhler commented on the scholarship fund, as noted on page 12 of the March financial report, and asked how the athletic scholarships are determined, which Mr. Cannon commented that the number of athletic scholarships is fixed ahead of time between the athletic director and the National Junior College Athletic Association (NJCAA). Mr. Cannon is working with the athletic staff on processes toward controlling costs as related to athletic scholarships.

Mr. Uhler inquired about GASB 68, (page 13 of the March financial report), which Mr. Cannon commented that GASB 68 is an accounting liability; it is not a legal liability. Mr. Cannon noted that they cannot estimate the pension liability, as they do not know the pension investments. Mr. Thompson commented that GASB 68 has had a major impact on net positions overall; however, it does not change how state agencies or public colleges operate; it is business as usual in making payments to the pension systems. Mr. Cannon noted Owens GASB liability, \$91 million. He noted that the State uses separate calculations for Senate Bill 6 scoring *with and without GASB 68* on financial statements and explains it is an accounting liability; doesn't change the way we operate. Steve Robinson, Provost and Vice President, Academic Affairs, commented on the Higher Learning Commission financial composite ratios without GASB 68. Mr. Cannon commented on the calculation of Senate Bill 6 ratios with and without GASB 68; GASB 68 is not included in the SB 6 ratios, as it doesn't compare with years prior to GASB 68. Mr. Rowe commented how GASB 68 is immaterial to how the College is operated.

Mr. Cannon commented on the cash flow projection, as noted on page 16 of the March financial report. As of March, it is above the projection and will help build reserves.

Mr. Cannon commented on investments, as noted on page 17 of the March financial report. Mr. Uhler how might interest be generated for the general operating account. Ms. Sabin commented on the offset of interest with bank fees and planning for longer-term certificates of deposit. Mr. Nagle commented on improved year-end projections and building relations with banks next fall as the FY 2016 audit is being completed. Mr. Rowe commented on including a "stress test" in the request for proposals for banking services, and Mr. Uhler encouraged the selection of the best interest rates. In response to Mr. Uhler's question on the procurement card program (P-cards), Mr. Cannon commented on the current vendor with the inter-university council

when the program's focus was on rebates, and he noted that the College currently has a request for proposals with responses due by April 25, which focuses on integration with the Banner system.

*Bank Reconciliation and Report of Budget Transfers* – Mr. Cannon reviewed the bank reconciliations and the report of budget transfers, which will be recommended for the regular meeting, May 3, 2016. Mr. Nagle requested a summary for more than \$5,000.

*FY 2017 Budget Development* – Mr. Cannon commented on the work in progress of developing the budget based on estimated revenue. He noted that the State Share of Instruction formula is also being calculated at this time for FY 2017, and a shortfall is projected for Owens Community College. He noted the three components of the formula of course completions, success points and completions of degrees, certificates or transfers. He commented on the three-year average, the impact of the enrollment decline and the improvement in the degree/certificate/transfer completions category for the College. Mr. Nagle commented on the need to make up the shortfall in the FY 2017 budget. President Bower commented on the State's recent approvals of five new certificates and one certificate pending approval, which will have a future impact on the College. Mr. Uhler requested a copy of the draft preliminary SSI for FY 2017. Mr. Cannon commented on the College's reliance on revenue from the SSI. Mr. Cannon closed with commenting on more work to be done on the budget to make up the shortfalls, and a draft budget will be reviewed with the Finance Committee in May.

*Five-Year Projection Development* – Mr. Cannon commented on tracking projections with the budget and working with the departments for a level of detail for five-year projections with some assumptions (enrollment and health care) built in to the base (FY 2017). The five-year projection will be a component of the FY 2017 budget. In response to Mr. Nagle, Dr. Robinson provided an update on a proposed dual admission program with the University of Toledo, and Amy Giordano, Interim Vice President, Student Services, noted that for the BGSU/Owens' Falcon Express dual admission program that 845 admission applications expressed interest in the program and to-date, there are registered students in the program as follows, 105 for spring, 100 for summer and 40 for fall.

*Financial Recovery Plan – 3<sup>rd</sup> Quarter Update* – Mr. Cannon reviewed the updated matrix for the third quarter, which shows progress of the financial recovery. He noted that for the financial stability section, action items for operational savings provide \$1.18 million in savings and include \$495,000 in additional revenue for FY 2016. Through the period ending March 2016, the College has realized \$1.01 million in savings and \$498,224 in revenue. The majority of the savings were generated in the decrease in the allowance for bad debt expense. Mr. Cannon will provide an update to the Chancellor.

**Other** – Mr. Cannon reported that he had a conference call with the auditors and with academic folks on testing the lab/course fees. The testing will be included in the scope of work for the annual audit. The auditors will take a look back of six years. Mr. Nagle commented on the test providing a level of confidence in the accounts.

Mr. Cannon confirmed that he provided a financial update to the Chief Fiscal Officers from Lakeland Community College, Cuyahoga Community College and Lorain County Community College who provided guidance on improved financial processes and reporting last year. He commented on receiving positive responses and reminders of developing a five-year plan, which Mr. Cannon will follow up and request preliminary feedback from the CFOs.

Mr. Cannon noted that the State's capital appropriation bill was introduced in the previous week, and the recommendation for Owens is \$7.2 million and \$500,000 in community projects. He noted that the Executive Director of Operations is developing a priority list of projects for an immediate start when the bill goes into effect. This planning will help assist with capital spending projections when construction is on progress.

**Adjournment** – As there was no further business to discuss, Trustee Uhler declared the meeting adjourned at 4:30 p.m. The next scheduled meeting is May 19, 2016 at 3:00 p.m.

ATTEST

*Patricia Jezak*

Secretary to the Board of Trustees

*Approved 5-19-16*