

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
May 19, 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: Mary Beth Hammond, Tonya Rider, Rich Rowe, Dee Talmage and Tom Uhler (5). Board Chair Ed Nagle was also in attendance.

Approval of Minutes – The minutes of the April 21, 2016 meeting were sent in advance and hearing no further corrections other than noted, Trustee Uhler declared the minutes approved.

REPORT OF THE TREASURER

Monthly Finance Report and Statements – Dave Cannon, Vice President/CFO/Treasurer, presented the financial report for the period ending April 30, 2016. He commented that on page 9, a correction will be made to the expenses and transfers chart. He commented on the projected total FY 2016 net gain, \$1.243 million, for April, which is consistent with prior months. He noted that the projected operating gain (loss) after depreciation is (\$1.8 million), which is improved due to slight easing of conservative projections toward fiscal year-end. He reviewed the All Funds projected revenue, \$77 million, and the projected expenditures, \$69 million. He noted the YTD FY 2016 net gain in position, \$2.1 million and the operating gain (loss) after depreciation is \$18,007. He anticipated an adjustment to the YTD FY 2016 net gain, due to the processing of apprenticeship payments.

On the FY 2016 Unrestricted General Fund, Mr. Cannon commented that the projections continue to be conservative toward year-end. He noted the April balance sheet improvement of cash and investments at \$9 million for April 30, 2016, as compared to \$6 million for June 30, 2015. He stated that the current cash and investments position reflects less owed against it in liabilities. He anticipated that the prepaid expenses and deferred charges will increase toward June 30, 2016 due to timing of summer payments to faculty. He anticipated more adjustments in the balance sheet for May in preparation for the year-end audit. He noted that long-term liabilities were reduced due to a payment of principle on outstanding debt. He noted the improvement of the unrestricted net assets, which is part of the calculation of the SB 6 score. He stated the accounts receivable and the deferred revenue are impacted due to the timing of tuition billings for summer and fall semesters; which last year at this time, the billings were delayed due to the tiered tuition consideration.

On the total cash by fund group on page 15 of the financial report, Mr. Cannon commented on seeking the full Board's approval to transfer funds from the Unrestricted General Fund to the Plant Fund to correct past Plant spending.

On the cash flow projection graph on page 16 of the financial report, Mr. Cannon commented that the current projection for year-end cash position has been increased to \$8.5 million.

On the investments table on page 17 of the financial report, Mr. Cannon commented on the investment in longer-term certificates of deposit – still being conservative.

On the projected SB 6 ratios spreadsheet on page 18 of the financial report, Mr. Cannon commented on the still conservative ratio of 1.7 for the month ending April 30 due to the anticipation of year-end adjustments and entries.

Mr. Uhler commented on addressing how might the individual funds be improved, which Mr. Cannon responded that the fund accounts are reviewed monthly and overall with the development of the FY 2017 budget; he provided the example of the copy center operation review.

Report of Budget Transfers – Mr. Cannon reviewed the report of budget transfers, which will be recommended for the regular meeting, June 7, 2016.

Third Quarterly Report of Financial Actions – Mr. Cannon reviewed the third quarter FY 2016 report submitted to the Ohio Department of Higher Education (ODHE), which he noted is run by Banner and compared to the monthly financial statements. He commented that the quarterly report is a cash basis and not as effective toward the fourth quarter when there is no offsetting revenue. He anticipated the ODHE may be modifying the report toward projected year-end cash.

Open Checkbook Status – Mr. Cannon commented on working with the Office of the Treasurer of State and their vendor with Owens IT department to participate in the State's Open Checkbook website that promotes accountability. The project is on track and they are working with the file format with data from the Banner system. There is no cost for placing Owens financial data on the Treasurer of State's website.

Capital Bill – Mr. Cannon commented that the State's capital appropriation bill was signed by the Governor and funds will be available in 90 days, about August 15. He noted that design and engineering services are in progress and the summer capital and renovation projects will begin on time for the release of available funds. The capital appropriation total is \$7.7 million, which includes the community projects. Mr. Cannon recognized the operations staff.

FY 2017 Draft Budget Review – Mr. Cannon commented on the process of understanding departmental budget needs and how to align the budget to ensure funding is available in support of the students.

He reviewed the FY 2017 draft budget All Funds totals, and commented, as follows:

- Net Gain (Loss) in Position: \$2.37 million, which is significant progress
- Capital Appropriations: \$4 million, over the biennium, and it must be timely spent
- Operating Gain (Loss) After Depreciation: (\$1.6 million), which is still not where the College needs to be; it is important to build reserves to replace facilities, equipment, maintenance and repairs.
- Operating Income (Loss): \$5.4 million, which is a significant increase and a good start to where the College needs to be for FY 2017 and to come out of fiscal watch in the following fiscal year.

Mr. Cannon commented that the five-year projection trend will not be final until FY 2017 is set as the base. College administration needs to fine tune how equipment will be needed for students. He commented that 80 percent of the College's revenue is set by the State of Ohio due to tuition caps, State Share of Instruction formula; it is difficult to make financial projections due to such unknowns. The State budget is passed on June 30, which could bring surprises. The financial reserves need to be built. Additionally, the College must be cognizant of staffing, equipment replacements and facility maintenance.

Mr. Rowe commented on how College Credit Plus (CCP) program enrollment will impact the College's revenue in the longer-term. Dr. Robinson commented on the part-time CCP credit hours and the impact to the completion funding formula. Mr. Uhler commented on the uncertainty of CCP students continuing their higher education at Owens. Mr. Cannon commented at this point, there is only one year of CCP data collected; not enough to project a trend.

Mr. Cannon commented on the track of the FY 2017 budget, the projection for FY 2018; however, FY 2019-FY 2022 is uncertain due to the State's constraints on revenue.

Mr. Nagle commented that the Operating Gain (Loss) After Depreciation must be substantially closer to zero to reach the goal toward the course of FY 2017.

Mr. Cannon reviewed the Unrestricted Funds FY 2017 Budget comparison with FY 2015 and FY 2016; the Auxiliary Fund; and, the Plant Fund as an operating account.

Financial Standards Policy Review and Reserve Requirements Proposal – Mr. Cannon proposed amending the 3358:11-1-12 Financial Standards Policy, as follows:

- Item (B)(2)(a) – proposed the undesignated reserve for the Unrestricted Fund to be 15 percent from 10 percent of the fund's total prior year annual expenditures and transfers.
 - *The recommendation is based on the 2015 Government Finance Officers Association best practices to mitigate risk and uncertainties. (Owens' uncertainties due to the dependence on State revenue.)* Mr. Cannon commented on a desired target of 20 percent for the longer-term future. Mr. Cannon calculated a targeted reserve amount estimated at \$11 million, based on prior year Unrestricted Fund.
- Item (B)(2)(b) – proposed new language to establish a reserve for health insurance claims.
- Item (C)(1)(d) – drafted language for the current practice of the report of budget transfers and adjustments for the Board's approval.

In response to a question from Mr. Rowe, Mr. Cannon confirmed there is no Board policy language on how or when financial reserves may be used; however, he has developed a guideline for internal financial practices/procedures.

Ms. Talmage made a motion, which was seconded by Mr. Rowe, to move the draft-revisions of the Financial Standards Policy and to propose language for the use of financial reserves in the Financial Standards Policy for a recommendation to the full Board of Trustees at the next regular meeting. Following a voice vote, the motion was adopted.

Executive Session – Mr. Uhler announced an executive session for discussion of collective bargaining matters and for a status report for the sale of property. Ms. Hammond made a motion to adjourn to executive session as specified. Ms. Talmage seconded the motion, and Mr. Uhler called for a roll call vote. Roll Call: Mary Beth Hammond, yea; Tonya Rider, yea; Rich Rowe, yea; Diana Talmage, yea; and, Thomas Uhler, yea (5).

Upon return from executive session, roll call was taken and the following Finance Committee members were present: Mary Beth Hammond, Tonya Rider, Rich Rowe, Diana Talmage and Thomas Uhler (5).

Adjournment – As there was no further business to discuss, Trustee Uhler declared the meeting adjourned at 4:35 p.m.

ATTEST

Patricia Jezak

Secretary to the Board of Trustees

Approved 8-25-16