

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
April 27, 2018

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 – Ed Nagle called the meeting to order at 12:01 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).

Approval of Minutes – The minutes of the January 30, 2018 meeting were sent in advance and hearing no corrections, Mr. Nagle declared the minutes approved.

DRAFT FISCAL YEAR 2019 BUDGET REVIEW

Jeff Ganues, Vice President of Business Affairs, Chief Financial Officer and Treasurer, began the review with the items that are still fluid and in progress, which included the preliminary State Share of Instruction and true up from Ohio Department of Higher Education (ODHE); end of term enrollment; payroll updates; state funding of capital appropriations; depreciation; and, union/apprenticeship year-end process.

He reviewed the summary (page 1) of the draft report of the FY 2019 budget, which included the proposed net gain in position, the projected operating loss after depreciation, and the projected Senate Bill 6 score. Mr. Nagle commented on his optimism that the projected operating loss after depreciation is at the lowest point from past fiscal years.

Mr. Ganues reviewed the practices and guidelines (page 2) of developing the budget, and there was discussion of the contingencies (.08 percent of the unrestricted budget) and the projected conservative payroll vacancy factor. He reviewed the financial dashboard (page 4), which included declines in projected revenue and expenses; he also reviewed the financial walk-through (page 8).

There was discussion and follow up requested, which included:

1. The FTE income due to one-time revenue of the hosting arrangement for Rossford High School.
2. A cost estimate for deferred maintenance.
3. A calculation of how the projected revenue increase from tuition is offsetting.

Although both the projected revenue and expenses are down, Mr. Johnson expressed his concern of the quality of the earnings and the profit margin, which are also down. Mr. Ganues commented on developing a conservative budget while investing in the plant, facilities and deferred maintenance. Mr. Nagle commented on how improving deferred maintenance is important to student recruitment initiatives. Mr. Johnson emphasized that he would like to understand the risk and the quality of the earnings, which is denigrating over the longer term. He noted that the

revenue is decreasing, and the College has expenses that continue to be there with declining revenue; there is a 25 percent flow-through of the contribution margin as highlighted on the financial walk-through on page 8. The expenses are not coming down at the same rate that the revenue is coming down.

There was discussion of the Senate Bill 6 financial ratio analysis for FY 2017 for Ohio's public two-year and four-year colleges and universities. Jeff Ganues commented on the FY 2019 projection that if the primary reserve goes up to 4, the ratio will be improved. He predicted the College will be in a good position, without a local levy, when compared to the other state community colleges for FY 2018. Mr. Johnson commented on the improved financial health, but to be mindful of the projected operating loss after depreciation with the goal of breaking even at year-end.

There was discussion of the profit/loss by academic school tool that was developed and being used by the Deans to drive program conversations. Denise Smith, Interim Provost/Vice President, Academic Affairs, commented on programs that cost more to run (such as nursing and advanced manufacturing), but also meet the needs of the region. Mr. Nagle encouraged working with the Owens Foundation to address equipment needs to help offset program costs. Mr. Ganues commented on the program students who are completers and also take general education credit hours.

Mr. Ganues asked for comments on the projected bottom line. Mr. Nagle commented on the improved budget development process, and the projections being conservative. Mr. Johnson commented on being more aggressive on the expense side when the revenue side is conservative. President Robinson commented on the potential of future years being dismal, based on enrollment trends; and the charge toward reversing the enrollment trends for Owens. President Robinson commented on the budget recommendation being where the College needs to be in FY 2019. Mr. Johnson commented that the projected operating loss after depreciation may be worse than FY 2018, if the one-time revenue is not included. The members of the Finance Committee advised that the budget recommendation must continue to focus on the operating gain/(loss) after depreciation projection. Mr. Johnson stressed the College must get a return on investment (including depreciation).

REPORT OF THE TREASURER

Monthly Financial Statements – Mr. Ganues commented on financial statements for the period ending March 31, 2018. He commented on the variance of the bottom line from prior month. He commented on the principal loan payments that were made and reflected in the balance sheet. Mr. Ganues commented on the ability to leverage the College's debt position to improve efficiencies in utilities. He also commented on the delayed assessment of tuition revenue into the month of April and the timing effect. On page 9, he reviewed the downward trend of the plant fund reserve requirement due to the loan payment; planning for a journal entry; and, fund accounting.

Capital Assets Process – In response to the Finance Committee’s information request from the last meeting, Mr. Ganues provided the process for requesting, budgeting and purchasing capital assets. Mr. Ganues also commented on obtaining state pricing as well as bids to ensure the lowest pricing. Mr. Ganues requested the members of the Finance Committee to review the document and to bring any questions that they may have to the next Finance Committee meeting.

Reserve Requirements – Mr. Ganues commented that he will continue his review of the reserve requirements. He shared his concern that a higher reserve level may limit the College’s ability to reinvest back into the plant. There is no recommendation for the reserve requirements at this time. At a future meeting, Mr. Ganues would like to see what the Finance Committee’s expectations are for break/even language for the reserves requirements in the Financial Standards Policy.

Adjournment – As there was no further business, the meeting was adjourned.

ATTEST

Patricia M. Jezak
Secretary to the Board of Trustees

Approved 5-22-18