

OWENS COMMUNITY COLLEGE  
BOARD OF TRUSTEES  
FINANCE COMMITTEE MEETING  
November 8, 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 8:32 a.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 May 22, 2018 meeting were sent in advance and hearing no corrections, Mr. Nagle declared the minutes approved.

**REPORT OF THE TREASURER**

Fiscal Year End Financial Statements/Walk Through/Statement of Net Position Non-GASB – Jeff Ganues, Vice President of Business Affairs, Chief Financial Officer and Treasurer, commented that the audited FY 2018 financial statements were posted today on the Ohio Auditor of State website. He commented that the fiscal year ended better than projected, and he reviewed the walk through and the non-GASB statement of net position in preparation for next month's audit conference with Clark Schaefer Hackett CPAs.

The financial walk through documented the variances between the actual and projections, which resulted in a year-end net gain of \$9.1 million and the projected gain after depreciation of \$4.6 million. Mr. Ganues commented as follows:

- *Revenue-Bad Debt Expense.* Pick up of \$1 million. Changes were made to the process in writing off bad debt after three years; a new accounting detail code was created to separate it from the Attorney General collections to allow better tracking. The AG has improved their collection efforts as well. The Business Affairs staff is also developing a three-year analysis of the bad debt and reached out to OACC for best practices with other colleges for a tracking mechanism; this area will continue to be analyzed every month. In response to a question on the three-year mark, Mr. Ganues commented on trying to calculate the actual point when a debt becomes uncollectible; every college does this differently. Mr. Johnson commented on a “cliff” event, and the analysis should pinpoint it; which Mr. Ganues agreed.
- *Expense-Salaries & Benefits.* Change of \$1.9 million. Mr. Ganues commented on the trigger on the benefits side of the health insurance claims in a self-insured environment.
- *Other-Contingency/Capital.* Change of \$3.8 million. Mr. Ganues commented on the plan to spend more on facilities and information technology and to adjust from operating expenses to capital, which increased the bottom line.
- *Expense-Cost of Sales & Remaining Expenses.* \$6 million was unspent in course and lab expenses. \$7.3 million was unspent in non-payroll expense accounts. Mr. Ganues commented on developing a budget monitoring report to begin routine tracking, beginning with September. Additionally, he commented on continuing to train budget users to utilize the Banner Self-Service budget reports for real-time budget data. The new budget monitoring report shows departmental budget, actual, spent, prior year %, open encumbrances and available funds on one line – review at a glance. He noted that the lab/course items have individual buckets to

review. The budget staff will follow up with the academic areas on lab/course spending and will review when reallocations may be appropriate for other areas; continuing to try to change the culture. There was a discussion on departments building up their budgeted funds for future capital expenses, and Mr. Ganues commented on a tool that departments can communicate this to the budget office for monitoring.

In response to a question from Ms. Hammond on the departments' understanding of the budget process, Mr. Ganues commented that the departments have a better understanding and to improve the culture, the budget office is providing training and improved tracking reports to increase departmental understanding on unspent and available funding. Ms. Hammond commented on reflecting communication/training between users and departments as an objective in the strategic plan. Mr. Johnson agreed with the training and also suggested that the users be asked to adhere to their budget and to not pass judgment on the accounting methods, which Mr. Ganues also agreed. Mr. Ganues also commented that the Business Affairs staff is also helping with communicating for better understanding the capital expenses and that the proper accounting procedures are in place. President Robinson commented on the organizational culture transition to building the budget users' capacity for better understanding, control and communication of the budget and the processes. There was a comment on the pros and cons of a conservative budget. Mr. Ganues commented on the improved trust between the academic departments and the budget office on the planning and monitoring the lab/course expenses.

- *Other-Depreciation.* Change of \$2.5 million. Mr. Ganues commented on the change of the projected timelines.
- *Other-Capital Appropriation.* \$1.5 million. Mr. Ganues commented on the construction in progress and the capital appropriation moving to FY 2019.

The statement of net position excluding GASB 68 and GASB 75 were reviewed. It was noted that all the changes flow through the salaries/wages and fringe benefits payable. Katie Feher, Controller, commented on the background of GASB 68 (pension liability) and GASB 75 (other post-employment benefit liabilities such as healthcare). She commented that at the end of the fiscal year, SERS and STRS send a report with the Owens proportionate share of the overall liability—the College had to book for current year and the prior “catch up” year. On page 13 of the financial report, it showed the differences between non-GASB and GASB statements of net position. She noted that the “catch up” amount was \$27 million, a huge swing – the liability decreased but it hit the income statement on the other side. In response to a question, Ms. Feher noted that the State does the actuarial based on a liability – it is an aggregate, a proxy for the college liability.

Bank Reconciliations - Mr. Ganues commented that the bank reconciliations are available for review. Mr. Johnson asked about the bank reconciliation review process, which Ms. Feher commented on her position responsibility of reviewing the reconciliations and of the auditors review. Mr. Ganues commented on the separation of duties among the various positions to assure a controlled environment.

September Financials – Mr. Ganues provided a brief overview of the monthly financials for September and noted tuition and fees for summer and fall are ahead, as there were fewer actual administrative drops for nonpayment of tuition.

Capital Projects – Mr. Ganues commented on the Advanced Manufacturing Center project in the design phase with the architect and the funding status. President Robinson commented on planning for a capital campaign with the Foundation to raise capital dollars with business and industry partners. Mr. Nagle asked about the partnership with the Life Revitalization Center in Toledo, which President Robinson provided an update on a recent meeting reviewing credit/non-credit offerings and the equipment.

State's Draft True Up FY 2019 SSI Formula – Mr. Ganues provided a handout of the draft true up of the state share of instruction projected and actual for FY 2019.

FY 2019 SSI Projection per ODHE	\$28,805,171
FY 2019 SSI Actual per ODHE	\$28,935,666
FY 2019 Owens Budget ( <i>reflected 5% decrease from FY 2018</i> )	\$28,578,200
FY 2019 Owens Budget Pick Up	\$ 357,466

Mr. Ganues commented that the prior two fiscal year true ups were decreases; therefore, he used a budget projection decrease of 5 percent from the FY 2018. He will review budget priorities with the President and Vice President. Mr. Ganues also commented on the year-over-year down trend of SSI, regardless of the College's improved completion rates with respect to the SSI funding formula. Other colleges continue to receive a larger share of the SSI funding pie. Mr. Rowe asked about the State's funding of providing student access to certificates and the project margin, which Ms. Giordano commented that the State does not take into account all of the certificates but there is some state support for certain student populations. Mr. Johnson asked do we have a proxy of profit/loss per student per academic school and do the fees reflect the same? Mr. Nagle commented on the need for more community investment to offset the higher cost programs. Mr. Ganues commented on a tool that is shared with the deans to estimate the profit/loss of the academic programs, which will be updated through FY 2018. Mr. Johnson commented on a high-level review of such data to be strategic in fundraising capital dollars.

Investment Policy Question – Mr. Ganues commented to follow up from a trustee question from the November 7 regular meeting about policy language for investments when the Treasurer is on paid time off. He noted that there is a delegate for investments when the treasurer is on paid time off; however, the internal interpretation of the policy was that there may be an exception/question if the treasurer was on a long term leave. Mr. Nagle requested Mr. Ganues to review the Investment Policy with respect to the delegate's authority and to return this item to a future agenda.

2019 Meeting Schedule – Mr. Nagle commented on the transition from fiscal watch; the monthly Treasurer's Report and he suggested meeting at least quarterly for the 2019 meeting schedule. Patricia Jezak, Board Secretary, responded that the 2019 meeting schedule is set on everyone's calendars with a total of 5 meetings based on the routine reviews of tuition/fees (November or January), audit conference (December), budget development and review (April and May). Mr. Nagle agreed with the intent of the meeting schedule.

- January 22, 2019 (3:00 p.m. to 4:30 p.m.)
- April 23, 2019 (3:00 p.m. to 4:30 p.m.)
- May 21, 2019 (3:00 p.m. to 4:30 p.m.)
- September 24, 2019 (3:00 p.m. to 4:30 p.m.)
- December 2, 2019 (3:00 p.m. to 4:30 p.m.)

**Adjournment** – As there was no further business, the meeting was adjourned at 9:45 a.m.

ATTEST

*Patricia M. Jezak*

Secretary to the Board of Trustees

*Approved 12-3-18*