

OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
January 28, 2020

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 11:04 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: Ed Nagle, and Rita Russell (2).

Approval of Minutes – The minutes of the December 2, 2019 meeting were sent in advance and hearing no corrections, Mr. Nagle declared the minutes accepted as submitted.

TUITION REVIEW

President Steve Robinson commented that the vice presidents and the budget team have spent time analyzing data for the tuition review. He commented on the Finance Committee discussions from April and May 2019 meetings about the pending State budget bill allowance for an increase, \$10 per credit hour, over the biennium; and, he noted the first tuition recommendation for an increase, \$5.00 per credit hour, was effective Fall Semester 2019. He commented that today's tuition review is for a \$5.00 per credit hour increase for the second year of the biennium (fiscal year 2021). He noted that the Chancellor, Ohio Department of Higher Education (ODHE), has taken an active role on cost containment, and ODHE has developed a 21-year historical reference of tuition caps. Public colleges do not have total control over tuition rates and the caps significantly impact the community college sector. He noted that the finance team has benchmarked and compared the College's tuition with other Ohio community colleges and area universities. If a \$5.00 per credit hour increase to instructional tuition is approved, the College's instruction/general tuition will be the lowest in the northwest Ohio region. He commented on a preliminary projection for a slight enrollment decrease and the pressure of the budget. He noted that an increase will provide an estimated \$628,000 in additional revenue, which is needed to help further the workforce and transfer mission of the College. President Robinson commented that he will plan to recommend a \$5.00 per credit hour increase to instructional tuition for the second year of the biennium, fiscal year 2021.

Mr. Nagle commented that he supports an allowable tuition increase, however, his concern was more on the enrollment projection. Ms. Russell asked if the lower enrollment projection was due to pricing or to other trends, which President Robinson responded, demographic trends over time; not due to the elasticity in pricing. Ms. Giordano commented on the budget development process and the enrollment projection process. The preliminary enrollment projection is very, very conservative from the enrollment scenario builder and has not yet been reviewed with the enrollment management team.

There were no further questions or discussion, and President Robinson closed his comments by noting that College administration reviews tuition very seriously with data and analysis. President Robinson will recommend a tuition increase to the Board of Trustees, as discussed, effective for Summer Semester 2020.

TREASURER'S REPORT

DEFERRED MAINTENANCE UPDATE

Jeff Ganues, Vice President of Business Affairs, Chief Financial Officer and Treasurer, presented the facility index that The Collaborative Inc., developed for all of the buildings on the Toledo Campus. He noted that at the Board Retreat later in February that he will review a space report for the alignment of programs and services. The total cost estimate for all buildings ranges between \$23 million to \$33 million. Each building was assessed and graded for the following conditions: architectural, life safety, structural, mechanical, electrical. Mr. Ganues walked through an example of Administration Hall that was graded at 65 percent due to structural and life safety conditions. In response to a question from Mr. Nagle on energy savings due to the LED project, Danielle Tracy, Executive Director, Operations, commented that while the work was in progress, there was a \$12,000 decrease in a monthly utility bill.

Ms. Tracy presented on how main priorities for deferred maintenance were determined, as based on the conditions assessed from The Collaborative Inc. She commented that the building conditions were rated/defined, based on bad (unsafe/non-functional), poor (obsolete/not to current code), fair (minor repairs/need energy conservation update), good (normal function/minor repairs) and excellent (functions as intended/no repairs). The cost estimate ranged from \$8.3 million to \$11.7 million for priorities #1 and #2 for architectural, electrical, fire protection, HVAC, plumbing renovations. She commented that for each item on the priority listing, it will be investigated to determine, renovation for a contractor or a work order for facilities staff. Mr. Ganues noted that for every biennial capital request, the College always includes a request for HVAC renovations, as those are continuous and costly.

Mr. Nagle commented on the importance of deferred maintenance, and he noted that through the fiscal watch period, the College budgeted for the "Operating Gain (Loss) After Depreciation" for the reason of replacement costs for facilities and capital equipment, at some time during its useful life. He noted that because the College has been successful with the operating gain, he proposed that the College spend part of those operating gains for the deferred maintenance priorities over a two-year period. Mr. Nagle, said that this work is vital to the quality of the facilities at the College, and we cannot be dependent on State funds; we should use these funds for deferred maintenance.

Mr. Nagle suggested that the President and Treasurer with operations/facilities develop a proposal, based on an investment back into the College, to be presented to the Board of Trustees. Ms. Russell commented that the life safety items, priorities #1 and #2, are not negotiable; the question is when will it be funded and with what resources? Mr. Ganues commented that he supports an investment back into the plant, operations and maintenance, and he commented on the end of the fiscal year process and that some of these will be addressed this fiscal year. Mr. Ganues commented that an \$8 million investment (low range cost of priorities #1 and #2) back into the plant would put pressure on the bottom line, and would the Board allow College administration not to break even for the operating gain (loss) after depreciation line item? Mr. Nagle commented that it would be a good conversation to have, as well as other impacts that such a significant investment into plant may have on the bottom line and on the SB 6 ratios. President Robinson summarized Mr. Nagle's suggestion: as an outgrowth of the facilities index and the deferred maintenance priorities that the vice presidents should do an analysis with scenarios based on investments into the plant, operations and maintenance and how it would affect the bottom line, SB 6 ratios, over one to two years, like a financial pro forma? Mr. Ganues recommended that such a financial pro forma be built into the next fiscal year budget, to be reviewed with the Finance Committee in April and May, which Mr. Nagle and Ms. Russell replied positively with this suggestion.

LOCAL FUNDS FOR CAPITAL PROJECTS UPDATE

Mr. Ganues provided an update of the project costs for the Dana Advanced Manufacturing Training Center. Phase I is completed for a total \$4.1 million project cost, which reflected an increase from the initial projection by \$133,083 for Phase I. He noted that Phase II bids came in lower than the initial projection and the construction work is now in progress. He commented that the projection includes contingencies but will not know if there are any issues until demolition work is completed; or if there may be any funding issues for equipment. There were no questions with the updated projection for the project at this time.

Mr. Ganues provided an oral update of the voice over internet protocol/telecommunications project. He noted that the system is 18 years old, and the equipment is obsolete. The project is a priority and cannot wait to be included in a state capital appropriation. The IT/Operations team is developing a request for proposals to be locally funded. Preliminary project estimate is about \$1/\$1.5 million. The new Chief Information Officer will begin employment in mid-February, and this project will be a priority. In response to Ms. Russell question on IT deferred maintenance priorities, Mr. Ganues commented that the new CIO will need to develop priorities, however, immediate priorities are switch, fiber loop, separate grids for Buckeye, VOIP.

DECEMBER - FISCAL YEAR 2020 FINANCIAL STATEMENTS

Mr. Ganues commented on the financial statements for the period ending, December 31, 2019. He reviewed the major trends on page 2 of sales & service revenue decrease from prior fiscal year due to end of Arrowhead sublease, timing of Rossford payment received, Findlay child care, and bookstore commission. Maintenance agreements under expenditures flattened out for the month of December. Capital appropriations are at \$2.7 million. On page 3, he noted that spring FTE enrollment is pending 14th day and administrative drops for nonpayment; overage from summer/fall to be determined. Bottom line and reserves were in compliance. On page 5, financial walkthrough, there was nothing new, and he commented on Mr. Nagle's request from the last meeting to include the "After Depreciation" amount into the financial walkthrough, which he explained as not feasible, which Mr. Nagle agreed with Mr. Ganues' observation. On page 13, statement of net position, there was large increase to accounts receivable and accounts payable due to capital appropriations. Mr. Ganues reviewed the updates to the investments, and he closed the report by noting that the bank reconciliations (page 14) are available for review.

OTHER

There was a brief discussion of the separate processes for projecting enrollment and financials; volatility of SSI, and other real-time variables that make it difficult to project out for multiple years. President Robinson commented on the Ohio Department of Higher Education work in progress of developing employer metrics and other legacy effects of the State Share of Instruction funding formula.

President Robinson commented on meeting with the Rossford Superintendent and their positive experience at Owens, and the importance of continuing the relationship with the school district. Mr. Nagle commented on eventually seeing a positive college enrollment impact as the Rossford students graduate.

Adjournment – As there was no further business, Mr. Nagle declared the meeting adjourned at 12:20p.m.

ATTEST

Patricia M. Jezak

Secretary to the Board of Trustees

Approved 5-26-2020