OWENS COMMUNITY COLLEGE
BOARD OF TRUSTEES
FINANCE COMMITTEE MEETING
January 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 Ed Nagle 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, Ed Nagle, Rich Rowe, Dee Talmage and Tom Uhler (5). Trustee Tonya Rider was also present.

Attendees – The following administrators, staff or guests were in attendance for all or part of the meeting: President Mike Bower, Patricia Jezak, David Cannon, Steve Robinson, Betsy Johnson, Jack Witt, Laurie Sabin, Jennifer Fehnrich and Jared Meade. Guest: Jim Bennett, Vice Chancellor, Finance and Data Management, Ohio Department of Higher Education. Introductions were made around the table.

Approval of Minutes – The minutes of the December 3, 2015 meeting were circulated, and hearing no corrections, Trustee Nagle declared the minutes approved as submitted.

REPORT OF THE TREASURER
Monthly Finance Report and Statements **–** Dave Cannon, Vice President/CFO/Treasurer, presented the financial report for the period ending December 31, 2015 and also made brief remarks in reference to the financial report for the period ending November 30, 2015, which was released earlier in advance of the meeting. He commented on the projected total FY 2016 net gain, $1.2 million, for December, which was improved from $988,442 for November and from $862,339 for October. He commented on the improvement of the net gain, which may be due to better estimates and better information. He noted on the FY 2016 All Funds budget that projected operating gain (loss) after depreciation has improved to ($2,137,041), but is not meeting the target. Trustee Nagle provided a brief background of the Board's acceptance of a FY 2016 budget with a loss of ($2 million) due to the financial challenges and the target of a break-even budget for FY 2017. *(Attachment - reference for these minutes, the Board Secretary has attached the June 29, 2015 memo from the Finance Committee Chair to the Board of Trustees.)*

Mr. Cannon commented on beginning to see the effect from changes made on the YTD 2016, and although December was a 3-payroll month, the College continues to control expenditures. The December financial statements reflect the adjustments for the December Board-adopted tuition and non-general fees, and the bad debt expense was netted out due to the adjusted tuition/fees that exceeded the original Fall Semester balances for some students. In response to a question from Trustee Uhler, Mr. Cannon commented on the bad debt expense decreasing due to fewer students and the collection process that occurs after a 60-day period when it is turned over to the State Attorney General Office. Mr. Cannon provided a handout of Revenue Projections from Tuition, General and Non-General Fee Adjustments, which reflected a revenue-neutral position. Mr. Cannon commented on the continuous analysis of non-general fees and anticipates at the end of January to have a more informed outlook of the tuition/fees revenue. In response to a question from Trustee Rowe, Mr. Cannon commented that fees of neighboring universities and community colleges have been reviewed and will continue to analyze the costs to the College. Trustee Nagle commented on the objective of incremental non-general fee increases toward the goal of covering the College's costs of providing services to students. Mr. Cannon commented on a lowered revenue projection of $77,452,673 for December, from the November estimate of $77,978,304, and he is watching trends for enrollment based on student population. Trustee Nagle commented on the conservative approach taken to estimating revenue/expenses and asked for the treasurer's comfort zone of a percentage to continue on-track toward reaching the targeted goal of operating gain/(loss) after depreciation of ($2,000,000) by year-end, which Mr. Cannon replied, at 95 percent. Mr. Cannon commented on an important factor -- capital draws due to construction in progress, which the Kingsley Hall project is now going out to bid. He noted that January will be a key month on payroll projections and that everything else is in good shape of being under budget due to the departments' controlling costs.

Mr. Cannon noted the projection of the Senate Bill 6 composite score of 1.7 for the end of December, which slightly improved from the 1.4 November projection. Vice Chancellor Bennett commented on the importance of controlling expenses and building up expendable net assets for the improvement of the Senate Bill 6 composite score. At Trustee Nagle's invitation, Mr. Bennett provided feedback of the full support of the Chancellor of the College's financial recovery, and he said that the Chancellor has requested for Mr. Bennett to be engaged and to continue to be informed of the College's progress through Mr. Cannon. Mr. Bennett noted that the submitted financial recovery plan has been reviewed and much of the credit is due to controlling expenses, as the revenue side is difficult to predict, but Owens Community College is on the right track with putting policies into place to guide decisions; and, a financial recovery will take time.

Mr. Cannon commented on the auxiliary operations and that the communications chargebacks with the departments will be adjusted due to the reduction in the revenue projection toward actual costs. He noted the anticipation of a break-even operation for the Findlay Child Care Center and two grant awards supplementing the operation. In the FY 2017 budget development, an analysis of rates and usage of the child care operation is continuing. The Findlay copy center rates and usage will also be reviewed.

EXECUTIVE SESSION

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

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

REPORT OF THE TREASURER

Senate Bill 6 with Preliminary FY 2015 Score Projection – Mr. Cannon presented a spreadsheet tool of how current financial condition, combined with certain financial assumptions may change the SB 6 projections for FY 2017, such as enrollment, SSI and operational expenses. He commented on the objective of building reserves, controlling expenses and building a solid foundation toward fiscal health. In response to a question from Trustee Uhler, Dr. Robinson commented on a potential change to the College charter being a game changer for the growth of the College.

Cash Flow Projections – Mr. Cannon presented a handout graphing the cash flow projections.

Report of Budget Transfers – Mr. Cannon presented a handout of budget transfers that will be recommended for the Board of Trustees regular meeting, February 2.

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

ATTEST
Patricia Jezak
Secretary to the Board of Trustees

Approved 02-18-16

Attachment to the Minutes

To: Owens Community College Board of Trustees
From: Ed Nagle, Chairman, Finance Committee
Re: Budget Procedure and Comments
Date: 06/29/2015

Coming into our special meeting July 15th where we present the budget for our financial recovery plan, it is exceedingly important that we all understand the proposed budget and the reasons behind some of the key concepts that we need to maintain in order to return to financial health.

From this point moving forward, it would be wise to document the decisions we are making and the thoughts behind them. Pat does an excellent job with documenting the Board decisions, but we typically haven't recorded the thought process that went into those decisions. We are the ones ultimately responsible for the success or failure of the College, especially during Fiscal Watch. In the unlikely event of a failure where the "State" would be performing their due diligence on the Board and any possible connection that we had as being "responsible" for that failure we want to make sure we are protecting ourselves and preserving the approach that we took.

There are three key elements that are being referenced here regarding the 2015-2016 budget. The first one being our acceptance, as a Board, of a budget that predicts a loss. Typically that would be considered highly irresponsible.

At the end of 2014-2015 budget we were looking at a $3.9 million loss. Fixing essentially a $4 million dollar gap in one year would be almost insurmountable with the other steps the administration has already taken. Therefore the Finance Chair was amenable to recommend to the full Board that we accept a budget with a $2 million dollar loss this year then (in the worst case scenario) a break-even budget the following year.

The second item centers on depreciation expense in the determination of net income from operations. I was asked the question why we should take into account depreciation as the buildings and equipment (primarily building for this conversation) were paid for by the state and that we do not owe anything on them.

The initial reason is this "gift" by the state was actually an investment in the college and our community by Ohio tax payers. We are expected to maintain those investments and replace them when their useful lives have concluded. The way in which you do that is building up enough cash to make sure you can perform those things. The way you build up cash is making sure operations produce enough income to cover those future expenses. We have an obligation to our stakeholders and "investors" to make certain we can meet those obligations.

The same reasoning is applied to equipment, technology, and all other capital investments.

Last, a situation arose in determining the 2015-2016 budget regarding income. At the end of the budget process, we became aware that the state was not going to allow a tuition increase (which would have provided us approximately $370,000 in additional revenue). Rather the Senate has proposed an increased amount of SSI funding in excess of what the tuition increase would have been. The current discussion is for SSI to be increased to $700,000 - $750,000 for 2015-2016 and 2016-2017 fiscal years over what the House and/or the Governor has proposed.

As of this memo, the last budget we received represented a $2.9 million dollar loss or almost $1 million short of what the Finance Committee expected. Reluctantly we accepted that budget recommendation because we were out of time, knowing the administration had another month to correct the budget to a $2 million loss before we filed it as part of our financial recovery plan.

When asked by staff if the whole amount of the increased State Share of Instruction of approximately $750,000 could be included, I replied no, as that number has not been carved in stone, so we could not count on it. Knowing that we would receive something, it was suggested that $370,000 be applied (that would have come from a tuition increase) which requires administration to come up with an additional $530,000 of cuts from the $2.9 million proposed loss to get to a $2 million loss.

The only leniency that could be permitted would be presenting a budget AND a plan to get to $2 million loss this next year. Sometime between October 2015 and January 2016, the State should finalize an absolute number that we will be receiving for SSI. Only at that time when the amount is set should we recognize that income amount (in excess of the $370,000 that we would have received from a tuition increase) towards income for the remaining FY 2016 budget period.

The greatest rationale was if the full amount doesn't come through then we get stuck with a greater loss in the end because we haven't fixed the fundamental cost problems; and if we cannot reduce the loss beyond $2.9 million this year (FY 2016), we are faced with having to find almost $3 million in cuts next year (FY 2017). Quite honestly, if we can cut almost $3 million in one year then we have the fiduciary responsibility to do that in the first year (FY 2016).