

**DELAWARE TECHNICAL COMMUNITY COLLEGE
BOARD FINANCE COMMITTEE
The INN at Canal Square, Parkview Room**

October 10, 2019

Attendees: Jeanne DiAmico, Daniel Ehmann, Scott Green, Bob Hagerty, Michael Hare, Scott Iseman, Kathy Janvier, Brian Keister, Lolita Lopez, Gerard McNesby, Paul Morris, Melissa Rakes, Michael Ryan, Justina Sapna and Judi Sciple.

Ms. Lopez called the meeting to order at 3:03 p.m.

1) REQUEST FOR APPROVAL OF MINUTES

Ms. Lopez moved to approve the minutes of the June 17, 2019 Board Finance Committee meeting as submitted. Mr. Hare made a motion and Mr. Hagerty seconded the motion. The motion carried unanimously.

2) RESULTS OF OPERATIONS FISCAL 2019

Mr. McNesby reviewed the fiscal reports for the fiscal year ending June 30, 2019 along with reports on Tuition & Fee financial activity and the 15% Test calculation as follows:

1. General Fund: Expended 100% of our \$83.8 m in General Fund.
2. Tuition Fund: Credit tuition revenues of \$39.3 m increased 2.7% while expenses were down 1.9%.
3. Personnel Costs: Personnel costs account for 82% of the combined General Fund and Tuition Fund budgets of \$118.5 m. These costs also decreased 0.5% over Fiscal 2018.
4. Carryover: All campuses exceeded their carryover projections for Fiscal Year 2019. The final carryover figure of \$35.9 m exceeds the \$31.2 m projected for the fiscal year; and
5. The final 34% college-wide figure from the 15% Test calculation exceeded the projected 29.2% for Fiscal Year 2019.

Mr. McNesby noted that all of the campuses exceeded their carryover targets for the year and offered his kudos on a job well done to the staff responsible for monitoring revenue and expense activity. Ms. Lopez also offered her thanks on another successful year.

3) REQUEST FOR APPROVAL OF THE RESTRICTED INFRASTRUCTURE FUND POLICY

Mr. McNesby provided some historical context for the Restricted Infrastructure Fund (RIF) policy request by reviewing the College's efforts to address its aging infrastructure. He noted five instances when tuition was increased to support capital improvements as well as the recent efforts surrounding Senate Bill 50 which provides a budgetary commitment from the State for capital planning purposes. Mr. McNesby also reviewed how the 15% Test calculation was initiated several years ago as a means to create a reserve for any unanticipated decrease in revenues, increase in expenses or a combination of both. These funds currently exceed the 15% mark.

The Restricted Infrastructure Fund (RIF) policy would be established by capturing the excess collected through the 15% Test calculation and converted into a reserve or sinking fund for one-time minor capital projects or support for unfunded or underfunded projects. Mr. Hare stated that he likes the concept of an emergency funding source as outlined in the policy for emergency repairs and one-time shortfalls on existing projects-to-completion. Mr. Hagerty and Ms. Lopez asked how the percent allocated by the RIF policy would differ from the 15% Test calculation. Mr. McNesby explained that the initial 15% Test calculation funds would continue to be reserved for its purpose as an operational reserve fund. The RIF would be funded with a percentage of the excess of the 15% Test calculation. Mr. Hare suggested the current policy draft be refined to specify the period of allocating the percentage transferred to RIF, the exact percentage being transferred and designating the annual meeting at which the Board Finance Committee will review and approve the transfer of funds.

Ms. Lopez asked for a motion to approve the policy with suggested edits that would be shared with the Board of Trustees members; both Mr. Hare and Mr. Hagerty supported the motion.

For FY20, Mr. McNesby requested an allocation of 25% of the overage of the 15% Test calculation which is approximately \$1.9 million. Ms. Lopez called for a motion and both Mr. Hare and Mr. Hagerty supported the motion which was passed.

4) REQUEST FOR APPROVAL OF FY20 OPERATING BUDGET

Mr. McNesby shared the proposed Fiscal 2020 Operating Budget of \$196.8 million in projected revenues and \$196.0 million in expenses. As in the past, funding from the General Fund (44%) and revenues from tuition and fees (26%) generate the majority of the College's operating revenues. These revenues support 1,153 full time and 1,762 part time positions. In terms of expenses, personnel costs (60%) and financial aid (18%) account for 78% of the College's total operating budget. Overall, the College is projecting a slight surplus of \$866.6 K or 0.44% of total operating revenues. Mr. McNesby noted that this operating budget approval process was new for the committee. Mr. Hare asked about the best timing of this budget approval since the College is reliant on the June 30th legislation for the bulk of its operating budget. Mr. McNesby felt October was appropriate because it was the first Board Finance Committee (BFC) meeting after the passage of the State budget. Mr. Green asked if a draft operating

budget could be shared at the June BFC meeting to demonstrate the College's diligence to the process to both the public and legislators. Mr. McNesby agreed to discuss a draft operating budget with the Directors of Business Services for next June's meeting.

Ms. Lopez called for a motion to approve the FY20 Operating Budget. Mr. Hagerty made a motion, Mr. Hare seconded it and the motion was approved.

5) REVIEW OF AUGUST 31, 2019 FISCAL REPORT

Mr. McNesby reviewed the fiscal reports for the two months ending August 31, 2019 along with reports on Tuition & Fee financial activity and the 15% Test calculation for the first two months of Fiscal 2020 as follows:

1. General Fund: Expended 18.3% of our \$84.9 m in General Fund support 17.0% through the fiscal year.
2. Tuition Fund: Credit tuition revenues of \$3.9 m are down 27.7%. This decrease is due to the timing of the Financial Aid payment being received in September versus August.
3. Carryover: The carryover figure is \$29.6 m, which is less than the \$37.4 m projected for the fiscal year
4. 15% Test: The current 33.1% collegewide 15% Test calculation is less than the projected 35.4% for the fiscal year.

A motion was made by Mr. Hagerty and seconded by Mr. Hare to approve the fiscal reports as submitted. The motion carried unanimously.

6) UPDATE REGARDING FISCAL 2021 BUDGET REQUEST

Mr. McNesby reviewed the FY2021 budget request submitted to the Office of Management and Budget. He shared that a positive budget target meeting was held on September 10, 2019. Dr. Brainard stated that the main priority would be to continue addressing the compensation gap for Salary Plans A, B and C in an effort to be competitive with the school districts, other state agencies, the private sector and other institutions of higher education. Mr. Hagerty suggested focusing the gap comparison at the entry level positions, especially for information technology positions. Mr. McNesby noted that the College's FY21 budget hearing before the Director of the Office of Management and Budget would take place on November 5, 2019.

7) OTHER BUSINESS

Mr. McNesby stated that the Governor's Recommended Budget would be published in January 2020 and the Joint Finance Committee hearings would commence in February 2020.

There being no further business to discuss, Ms. Lopez requested a motion to adjourn which was made by Mr. Hare and seconded by Mr. Hagerty. The meeting adjourned at 3:40 p.m.

Respectfully submitted,
Amy Tucci
Assistant to the Vice President for Finance