



The Peninsula's Community College

Thomas Nelson Community College Local Board
Budget and Finance Committee (Zoom Meeting)
August 13, 2020

Member(s) Present: Mary Bunting

Guest: Dr. Gregory T. DeCinque

College Staff Present: Steven Carpenter, Vice President for Finance and Administration; Gil Gillespie, Budget Analyst; Tim Crittenden, Business Office Manager; and Geraldine Mathey, Administrative Assistant

Mr. Carpenter opened the meeting at 3:05 p.m.

1. May 14, 2020, Minutes. Approval of the minutes was delayed until the next meeting due to the lack of a quorum.

2. FY 2020 :Local Funds Year-end Report. Mr. Carpenter noted the this report is still called the Local Funds Report and that the he and staff are trying to come up with a more appropriate name.

a. Local Funds & General Funds (page 1): Mr. Carpenter stated that the College had a precipitous fall during the third and fourth quarters in commissions because there were no staff or students on campus. Expenses were also down for the same period although the College did try to have as many events for the students as possible. Total revenue for FY 2020 was \$491,069 with expenditures of \$480,157. He noted that the College began the fiscal year with \$2.9M. At the last meeting, the Board forgave the loan payment of \$582,853, which is shown on this page as a reduction to the fund balance. Mr. Carpenter also stated that those accounts which have little to no activity for a number years were closed out and the funds moved into this account; this created a significant increase in assets totaling \$882,479. The FY 2020 net assets resulted in \$3,191,486. Ms. Bunting asked if the state loan payment had been tracking as a receivable; Mr. Carpenter confirmed it had been. Mr. Carpenter acknowledged that the way the report is generated is confusing and has been discussing with Mr. Crittenden how to reformat it so it is easier to understand.

b. Student Activity (page 2): Mr. Carpenter reported the College did not lose much revenue in this account because all the Fall and Spring fees were collected. The year-end revenue was \$280,052 with expenditures of \$223,632. He noted that certain activity fees (such as bus passes and athletics) were not funded because of the pandemic. He also stated that originally the College had requested an increase in Student Activity Fees because we had been historically running a deficit; however, the State Board for Community Colleges recommended no increases for all VCCS institutions. Mr. Carpenter said that at a previous meeting he had addressed the fact that certain commissions had been charged to another account which rightfully belonged here; those funds (\$65,335). This fund ended FY 2020 with total net assets

of \$136,629. Mr. Carpenter said these funds may be sufficient to cover any student activities held this upcoming academic year.

c. Safety, Security and Parking Fund (page 3): Mr. Carpenter noted the revenue is based on student activity fee payments. He stated there were no significant expenses this past year, such as parking lot maintenance/paving or snow removal. He stated the increase in net assets in this fund was \$222,636; however, he said these funds would be quickly expended as parking lot maintenance is expensive. Ms. Bunting asked if the College gave students a rebate or prorating any portion of the student parking fees because of the pandemic. Mr. Carpenter said the VCCS has determined that the parking lot fee is not specifically for a given academic year but is earmarked for parking lot maintenance. Dr. DeCinque asked the term “parking lot fee” could be changed to “parking maintenance fee”, noting this question had been raised at a meeting of college presidents. Mr. Carpenter replied that the current term is one used by the VCCS but he could investigate the possibility of changing it. Ms. Bunting asked if all students pay this fee, even if they don’t have a car; Mr. Carpenter said they do, that it’s part of their activity fee.

d. Construction Fund (page 4): Mr. Carpenter reported that this fund had revenues of \$647,691 with expenditures of \$637,798.

e. Statement of Revenues, Expenditures & Change in Net Assets (page 5): Mr. Carpenter said this page provides a balance of the four budgets noted on the prior pages.

f. Balance Sheet (page 6): Mr. Carpenter said the loan receivable is no longer shown on this page. The loan receivable for Grants (\$300,000) remains; this funds provides seed money for the College’s grants. Once the grant fund is reimbursed, the funds are put back into this line item. Mr. Carpenter said the College is working to get seed money for grants from the Commonwealth rather than using local funds. He said the funds coming in from the localities is indicated as “restricted” so they cannot be used for other expenses.

3. Town Hall Presentation, Monday, August 17, 2020. Mr. Carpenter said he would be addressing the FY 2020 and FY 2021 Commonwealth budgets and their impacts on the College during the upcoming Town Hall, and said he was willing to present the Local Funds Year-end Statement on behalf of Ms. Bunting at next week’s Local College Board meeting.

a. FY 2020 State Budget: For this past fiscal year, Mr. Carpenter reported the College had actual revenue of \$43,607,557 (State revenue of \$21,755,078 and tuition revenue of \$21,852,479), with actual expenses of \$42,313,461 (Personal Services \$32,116,218; OTPS and Other \$9,597,243; and State Load Repayment \$600,000). This resulted in a surplus of \$1,294,096. This surplus was created by unforeseen one-time savings of \$1,092,000, resulting from the local loan forgiveness, the Governor’s hiring freeze, attrition savings resulting from staff leaving, savings from utilities due to campuses being closed, reduction in hours for the cleaning contract, and the timing of severance payments. Mr. Gillespie reported that 22 out of the 23 community colleges have reported a surplus for FY 2020. He also stated that Thomas Nelson ranks 5th in receiving revenue from the Commonwealth but ranked 26th in surplus savings.

b. FY 2021 Budget Outlook. Mr. Carpenter shared a slide that showed preliminary budget estimates as follows:

- Revenue of \$43,700,000, which is comprised of State Revenue (\$40,500,000); the CARES Act (\$1,900,000); and FY20 carry forward (\$1,300,000). This estimate included an anticipated reduction in enrollment of approximately 4% to 5%.
- Expenses totaling \$41,600,000, comprised of Expenses (\$41,100,000) and expenses for COVID-19 (\$500,000). Mr. Carpenter said the COVID purchases include such items as Plexiglas and PPEs, all of which are a one-time purchase.

Mr. Carpenter then presented three scenarios based on enrollment reductions of 10%, 15% and 20%.

a. 10% reduction:

1) For FY21: If enrollment drops 10%, the anticipated total revenue for FY21 would be \$42,500,000 (\$39,300,000 from the Commonwealth; \$1,900,000 from the CARES Act; and \$1,300,000 carry forward from FY20). Total expenses would be \$41,600,000 (\$41,100,000 in expenses and \$500,000 for COVID-related purchases). This would generate a surplus of \$900,000.

2) For FY22: If the 10% enrollment drop remains static, the total revenues would \$40,200,000 (\$39,300,000 from the Commonwealth and \$900,000 from FY31 carry forward). Total expenses would be \$41,100,000, with no expenses related to COVID. This would result in a deficit of \$900,000. Mr. Carpenter said the College is working on ways to manage this deficit. He said Steven Felker feels confident that enrollment should go increase next academic year due to several reasons: (1) with unemployment rates going up, people may be looking for retraining in other fields or earning a degree, and (2) students would be more comfortable with the online learning system. Mr. Carpenter said the College will have a much better prediction once classes start in the next week or so. Ms. Bunting asked if the 10% reduction was based on the whole academic year, whereas enrollment may go up if there are in-person classes; Mr. Carpenter confirmed the numbers were based on the whole academic year.

b. 15% reduction:

1) During FY21, with a 15% reduction, revenue from the Commonwealth would be \$38,200,000, but the remaining revenue funds would be the same, resulting in total revenues of \$41,400,000. Expenses would be the same at \$41,600,000. This scenario would result in a deficit of \$200,000. Mr. Carpenter said this would be a management amount.

2) If enrollment remains at the 15% reduced level into FY22, the total revenue would be \$38,200,000, which is composed entirely of state revenue. The expenses would remain at \$41,100,000, with a resultant deficit of \$2,900,000.

c. 20% reduction:

1) For FY21, the revenue from the Commonwealth would be \$37,100,000; adding the funds from the CARES Act and the FY20 carryforward, the total revenue would be \$40,300,000. Expenses would remain the remain. This scenario indicates a deficit of \$1,300,000.

2) For FY22, should enrollment remain at the 20% reduced level, the only revenue would be \$37,100,000, with expenses remaining at \$41,100,000. This would result

in a \$4,000,000 deficit. Mr. Carpenter said this scenario would require the College to formulate ways to mitigate the deficit, starting in mid-year. He said there are already some steps that have been instituted, such as a hiring frost with only those positions with funds in transit being filled. Those positions needing new funding have been placed on hold.

Ms. Bunting asked if any of the scenarios take into consideration any expected changes from the Commonwealth revenue sources or has the Commonwealth provided any clarity on what they will or won't do. Mr. Carpenter said they do not include any reductions which could potentially come from the Commonwealth. He said the College's revenues are dependent upon the Commonwealth's budget outlook, which does not appear to be as hopeful as originally expected. He also noted that the \$41,100,000 expense includes the \$1.1M loan repayment to the Commonwealth; he noted that repayment will go away next year. Dr. DeCinque asked if removing that repayment from the FY22 expenses would drop the deficit; Mr. Carpenter said it would, to \$2.9M.

Ms. Bunting asked if there was a threshold as to the number of students required for a class to be held. Dr. DeCinque said Dr. Susan English had given a presentation at the meeting yesterday regarding class size. She and Steven Felker had provided a scoresheet by program and by discipline and how those cost the College. He said in response to Ms. Bunting's question, there has always been a minimum class size, which is on average 12 students. If enrollment is less than 12, the class may be cancelled; however, the class may be held if it is required for a student to fulfill the requirement and graduate. He asked if Mr. Carpenter or Mr. Gillespie have seen the report; Mr. Carpenter said he has not. Dr. DeCinque recommended both get a copy of that report. He said the number of sections offered have remained the same but the enrollment has gone down significantly, which immediately drives up the costs. He noted that if fewer sections were offered it could impact the number of students enrolling because they would not be able to find classes that fit their schedules. Ms. Bunting said she understands the complexity of scheduling classes for students and how fewer students impacts the overall budget. Dr. DeCinque suggested Mr. Gillespie run some scenarios with reduced sections and how those reductions could impact the budget. Mr. Carpenter said he had met with Mr. Felker on this subject but had been unaware that he had compiled this document; he looks forward to reviewing the information. Mr. Crittenden asked if a class was being offered online, could more students be enrolled in that class and if that would affect the number of faculty. Dr. DeCinque replied that research has shown that more students in an online class creates more work for the instructor, such as more emails than would be generated for a face-to-face class. He said Thomas Nelson, as with other institutions, has been conscientious about the number of students in an online class. Dr. DeCinque mentioned AdAstra, the software the College is using to schedule classes; he said this program provides information on the number of sections and the number of students in a class, thus giving the College better data.

4. Open Discussion:

a. Ms. Bunting asked Dr. DeCinque if there were any plans for a direct marketing campaign to draw students in. She used William and Mary as an example, noting they would be opening to students in the next week or so, and wanted to know if there might be time for

Thomas Nelson to advertise to increase enrollment. Dr. DeCinque said he had a meeting with Marc Vernon, the new Financial Aid Director, who has identified 3-4 different groups that the College could go after immediately. He reported that Financial Aid has already instituted methods to entice students who may need aid to enroll. He also stated that Dr. Kris Rarig continues to reach out to the local high schools and the College has new Dual Enrollment coordinators who are connecting with high school students. He said the only thing the College cannot do at this time is ask the high schools to provide student mailing addresses so we could mail information. He said Mr. Vernon's efforts have resulted in an additional 100 students enrolling at Thomas Nelson. Mr. Carpenter said the College runs enrollment cancellation for those students who enrolled in classes but have not paid their tuition. As of last week enrollment was down approximately 10%; enrollment cancellation was done Sunday night and resulted in a drop of 30%, the biggest decrease within the VCCS; as of this morning the numbers are down 19.8%. He said that the other colleges had not yet run their enrollment cancellations but their numbers may change as well. He said Mr. Vernon, Dr. Rarig and their staff are working to re-enroll those who were dropped and trying to find financial aid for them. Mr. Carpenter shared that Mr. Vernon has been part of the VCCS and understands the system, and is working extremely hard to increase enrollment.

b. Ms. Bunting recommended asking Mr. Mike Kuhns about appointment another member to this committee. Mr. Carpenter said he certain Mr. Kuhns would be doing that, and there was an orientation planned Monday for the newest Board member. He said it was possible that the new member, replacing Dr. Showalter and representing York County, would be named to this committee.

There being no further business, the meeting adjourned at 4:00 p.m.