



The Peninsula's Community College

Thomas Nelson Community College Local Board  
Budget and Finance Committee (Zoom Meeting)  
December 10, 2020

Member(s) Present: Mary Bunting (via cell phone), Chair; Michael Kuhns; and Mary Ann Maimone

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

Mr. Carpenter opened the meeting at 3 p.m. Ms. Bunting requested Mr. Carpenter host the meeting as she was participating via cell phone; Mr. Kuhns and Ms. Maimone agreed.

1. October 19, 2020, Minutes. Ms. Bunting certified that the minutes were accurate. Ms. Maimone made the motion to accept the minutes for file purposes; Mr. Kuhns seconded the motion; and the minutes were accepted. Ms. Bunting will recommend the Local Board accept the October 29, 2020, minutes.

2. FY 2021 First Quarter Local Funds Report. Mr. Carpenter stated this first quarter report did not reflect some of the expenses and that the second quarter report would be more detailed. He also reported that in the past these reports reflected quarterly revenue and expenses and Mr. Crittenden has been transitioning those to a monthly basis. He shared that the Local Funds reports would match entries found in the General Ledger.

a. Local Funds and General Funds (pg. 1):

1) Revenue: Bookstore revenue is down as expected. There are no commissions from Subway as that store is currently closed. There may be a small amount of revenue from the vending machines but that is generally reported on a quarterly basis and has not transitioned to the monthly reporting. Mr. Carpenter highlighted the localities' support for the Workforce Center in Williamsburg, stating it had been suggested to move this line item from this section but no decision has been made as yet. Contribution from the localities in the amount of \$40,085 is shown under the Quarter 1 header.

2) Expenditures: Expenses are also down for the first quarter as the result of the pandemic. Mr. Carpenter said there have been some well-received online events as well as a drive-through holiday event for staff. He anticipates the expenses for marketing will be higher on the second quarter report. He highlighted the "State Fund Exp Clearing Acct" actual of \$23,393, explaining that some invoices from the Commonwealth combine state and local expenses; those expenses are split into the two funds and paid using Local Funds, which the Commonwealth then reimburses the College. He noted that this has been done a quarterly basis but is now done on a monthly basis so this line item will not be shown on future reports. Mr. Crittenden stated that these expenses are reflected in the General Ledger and the College

uses a cash basis accounting system; only the fourth quarter report may reflect a modified accrual report.

Mr. Carpenter noted that the College's revenues were greater than the expenses by \$36,058.

b. Student Activity (pg. 2):

1) Revenue: There is no revenue shown because the transfers have not been completed. Mr. Carpenter stated there is revenue from the Student Activity Fees which is a mandatory fee paid by students.

2) Expenditures: The "Wage/Salaries/Fringes" line item does not data as this is reported on a quarterly basis and will be reflected in the second quarter report. Mr. Carpenter said there some student events were held and although the College is preparing for sports in the spring, nothing is confirmed at this time. The first quarter report shows expenses of \$11,525, which is indicated as a decrease but this will change as the year moves forward.

Ms. Maimone shared that some student advocates are requesting these fees be revisited, especially in light of the fact that students are not physically on campus. She feels there may be some scrutiny on how those funds are being used. Mr. Carpenter replied that this is a VCCS-mandated fee and Thomas Nelson does not have the ability to refund the fees. He said it would have to be a system-wide initiative by the VCCS. He noted Thomas Nelson is still hosting events online for students, although not on the same pace as in prior years.

c. Safety, Security and Parking Fund (pg. 3):

1) Revenue: Mr. Carpenter reported that the amounts have not been loaded as of yet, noting that the "Safety & Security Fee" is a mandatory fee charged to students.

2) Expenditures: Mr. Carpenter said the College has taken advantage of the parking lots are not being used and swapped out the parking lot lights in the Lot 7 (parallel with I-64) with LED lights, which will save money in the long term. He highlighted the adjustment of \$17,894 in line item "Signage", stating an expense for the digital sign had been inadvertently charged to the incorrect account; this amount has been moved to Construction.

d. Construction Fund (pg. 4):

1) Fund Sources: Mr. Carpenter noted that many of our localities have submitted their contributions.

2) Expenditures: Mr. Carpenter stated that the College has had expenses incurred for the replacement building. He also pointed out the \$17,894 adjustment made from the Safety, Security and Parking Fund.

Mr. Carpenter reported a loss of \$32,734 but stated this would be covered when the revenue amounts are entered.

e. Statement of Revenues, Expenditures & Change in Net Assets (pg. 5):

Mr. Carpenter said this spreadsheet shows the combined beginning and ending balances for each of the funds. He reported the College had "Liabilities" of \$69,283 which, combined with

“Ending Unrestricted Fund Balance” of \$3,227,544, indicates a “Total Liabilities and Fund Balance” of \$3,296,827.

f. Balance Sheet (pg. 6): Mr. Carpenter said this spreadsheet provides a little more information such as the \$23,393 anticipated from the Commonwealth. He also pointed out the \$300,000 in line item “Loan Receivable Grants” as seed money for grants, which will then be reimbursed following invoicing to the grantor.

Mr. Kuhns made the motion to accept the FY 2021 Local Funds Report as presented; Ms. Maimone seconded the motion; and the committee voted unanimously to accept the report as represented. Ms. Bunting will recommend the Local Board accept the FY 2021 Local Funds Report as presented.

3. VCCS Report on Audit for the Year Ended June 30, 2019. Mr. Carpenter shared that the link had been provided to the Local Board. He noted that Thomas Nelson was not included in this audit report but may be audited next year. He stated there are findings contained in the report that Thomas Nelson uses to review internal processes and correct if problems or issues are discovered. One specific issue is removing an employee’s access once he/she leaves the College; he noted the College is doing much better but this seems to be an audit finding every year among all VCCS institutes because employee may have access to multiple platforms. Ms. Bunting asked why it was so hard to get an employee’s access removed. Mr. Carpenter replied that it should not be difficult but that each area of the College has a different process. He said there is an employee clearance form which is presented to particular areas of the College and must be signed by a supervisor in that area to affirm the employee does not have any outstanding debt to the College and would turn in any assigned key(s). Some access, such as AIS, can be removed at the College level while others may require System level action. Ms. Maimone suggested removing an employee’s IT access be job one, based on her past experience; she did not know if this that could be done at the local level. Ms. Bunting recommended addressing this issue with Dr. Brannon so she is aware, and the College work to find a process that would prevent this from being a repetitive audit finding. Mr. Carpenter stated the College has had this as an audit finding in the past and taken steps to ensure employee access is removed from the system as quickly as possible, but agreed that additional improvements could be made. Mr. Gillespie made the observation that a person’s access is automatically removed if he/she has not used that access in three months. He also noted that simply deleting a person’s system log-in does not automatically terminate access to the underlying systems. Mr. Carpenter stated that one continual issue faced within Thomas Nelson and other VCCS institutions involved adjunct faculty, who may teach in the spring and summer terms but not the fall; they remain active in the system and the College does not know if that adjunct is returning or not. Mr. Kuhns made the motion to accept the Audit for the Year Ended June 30, 2019; Ms. Maimone seconded the motion; and the committee voted unanimously to accept the audit report for file purposes. Ms. Bunting will recommend the Local Board accept the VCCS Report on Audit for the Year Ended June 30, 2019, as presented.

4. Statement of Economic Interests and Completion of State Officer and Employee Conflict of Interests Act Training. Mr. Carpenter explained that Board members and certain identified staff are required to complete either Statement of Economic Interests or Financial Disclosure Statement every year and to complete the biannual ethics training. An email will be sent on/about January 1, 2021, from the Commonwealth's Ethics Council to all who need to file. Mrs. Mathey will send out an advance email regarding this required submission. She stated if a Board member is required to complete this filing through their current position, one is not required through the College. If the biannual training is required, a separate email will be sent out; she asked that those completing the training send her an email so the spreadsheet can be updated. Mr. Carpenter said the information was included in the committee's materials and is part of the Board packets for next week's meeting.

5. Open Discussion. Mr. Carpenter had three items to address:

a. Status on Internal Audit Review Recommendations: Mr. Crittenden stated there were just a few items in progress identified during the October meeting and reported that all those identified in the audit are on track to be completed by December 31st. There are some which will extend beyond December 31. These are additional control changes identified by the Business Office and will be completed within the next six months. This will be shared to the entire Local Board at the December meeting.

b. Leased Space for Thomas Nelson Workforce Center: Mr. Carpenter reported that he has been in discussions with Dr. Brannon regarding this leased space in Williamsburg. He said the localities provide funding to pay for the lease. Because of COVID, the space (including the classrooms) has not been utilized. He has spoken with the building owners in an attempt to break the lease but they are unwilling to allow this; they will permit the College to vacate the premises if we can find another entity willing to move in. Because of this situation the College is obligated to remain in the space until August 2022. He said there should be enough space at the Historic Triangle to move the Workforce offices to campus and to look for a different facility which can be used to offer hands-on training. Mr. Kuhns said he had a conversation with Dr. Brannon on the need to more fully utilize the Historic Triangle campus, and asked how the localities would view such a move. Ms. Maimone feels there is great potential on the Upper Peninsula, not just for Dual Enrollment, but also for workforce training.

c. Budget Development for FY22: Mr. Carpenter shared that the College is in strong shape financially this fiscal year based on significant one-time funds coming in from various sources. However, those one-time funds would not be available next fiscal year. He said the College underwent a RIF of 40+ employees late last year and then was impacted by COVID earlier this year and the hiring freeze initiated by Governor Northam. He reported that the College is currently experiencing a shortage in employees, far below what had been anticipated following the RIF. He said the decrease in enrollment further impacts the number of staff that should be hired. He shared a spreadsheet which delineated how the College might hire needed positions and still remain financially sound.

1) For FY 2021 a total of \$3,000,000 was received as one-time funding. This brings the College's total revenue to \$41,502,171. Budget expenses for this fiscal year as of late spring/early summer was \$30,500,000 for Personnel Services and just under \$11,000,000 for OTPS, for a total of \$31,238,210. In addition, the College has \$300,000 for COVID-related expenses such as masks, PPEs, etc. With the impact of COVID the actual expenses for Personnel Services is approximately \$28,700,000, bringing the College's expenses to \$38,639,810. After deducting the COVID-related expenses, there is an anticipated surplus of \$2,562,261 at the end of FY21. Mr. Carpenter stated that the Commonwealth allows the carryover of a specific percentage of surplus funds; last year they doubled the amount in preparation for COVID-related expenses. He is hoping the Commonwealth will do this again this year but he does not anticipate being able to carry over the entire \$2.5M. Using these figures the College is considering hiring for the positions in greatest needed; Mr. Carpenter pointed out this hiring would impact not only this year but future ones as well.

2) For FY 2022, using a revenue amount of \$41,177,161, deducting the one-time COVID funding of \$300,000, and then adding the carryover of \$2,562,361 gives the College a possible revenue of \$40,734,532. Anticipated expenses (Personnel Services and OTPS) total \$38,459,810 and deducting the \$1,100,000 state loan (which will be paid back this year) leaves a year-end balance of \$37,359,810. This would result in a surplus of \$3,374,722. However, actual revenues for FY22 would be approximately \$38,172,171 without the carryover surplus. A more realistic surplus would be \$812,361.

Using these approximations, Cabinet members have discussed how many positions could be filled this year and still survive in the coming years. The spreadsheet allows for "what-if" calculations. For example, using \$100,000/full-time employee to include fringe and benefits, if Thomas Nelson hires the 25 positions desired, the College would overspend by \$2,927,639. Mr. Carpenter said the Cabinet is looking to fill about ten (10) positions, which would equate to about \$1M. This would result in the College overspending about \$687,639, or about 3.22% enrollment. He said the College is currently down 12% in enrollment. He said one way to make up the revenue deficit is to increase enrollment, which would be do-able if the College returns to face-to-face classes. He stated that he and the Cabinet are confident that the dollar amounts on the spreadsheet and with expected increases in enrollment, the budget as envisioned is a viable one. Ms. Bunting asked if the majority of the positions to be filled are instructional and, if so, could those be filled using adjuncts. Mr. Carpenter replied that the majority are not instructional and he did not think any of the 25 identified are instructional. He did state that some of the positions were academic, such as a Dean for STEM or associate Deans, but no classroom teaching positions. He said he is in need of a person to work with Student Accounting to ensure integrity in the positions. He said there are a number of positions that are vital and need to be filled. Ms. Maimone was concerned about employee burnout and employees have to do multiple jobs; Mr. Carpenter agreed, stating this is one reason for the push to hire new employees. Ms. Bunting commended Mr. Carpenter for his foresight in creating this worksheet and especially for looking beyond the current and next fiscal years. Mr. Carpenter said the numbers in this workbook could be adjusted each month, depending on the most current data, and projections could be moved up or down accordingly.

Mr. Kuhns noted that the College talks about increasing enrollment but needs to increase those efforts. He said it may be time to move away from institutional marketing and hire an outside firm. He asked if increase in marketing was included in the calculations. He also asked what would transpire if Thomas Nelson changed its name and what funds would be required to change the name on all documents, signs and miscellaneous items. Mr. Carpenter replied that the funds for marketing are not included in these calculations, although he noted that the College has not expended the budgets amounts provided for marketing; he also stated that there may be additional funding available if there was a need. He said he was anticipating Dr. Brannon's arrival on campus and share her expertise on increasing enrollment as that was her area of expertise. He applauded the Board for selecting her as the new President. Mr. Kuhns said it might be feasible to approach the Thomas Nelson Educational Foundation for some seed money to explore ways to rebrand the College; this would not burden existing dollars. Mr. Carpenter agreed. Dr. Brannon also agreed that marketing needs to receive more emphasis in the effort to increase enrollment. Ms. Bunting and Ms. Maimone stated the communities are not aware of the various resources available at Thomas Nelson and these need to be brought to their attention. Mr. Carpenter stated that marketing funds are provided by local funds and because of the drop in bookstore and vending commissions, that funding may decrease and the College may need to look at other sources for marketing dollars. Ms. Bunting pointed out that there is a healthy fund balance and the Board could be approached to use some of that to pay for the rebranding campaign if necessary and the needed marketing. Mr. Carpenter agreed using that fund balance is ideal for this effort.

Mr. Carpenter asked Mr. Kuhns how much of the information presented in this budget development worksheet should or could be shared with the whole Board. Mr. Kuhns agreed the information should be presented but recommended not going into a lot of detail regarding the number of positions and how that affects the budgets. He feels the Board would be energized by the information presented and would be willing to approach community leaders and businesses to partner with the College. Dr. Brannon agreed that a condensed version would work best and that what Mr. Carpenter has presented is financially sound. Ms. Maimone feels the College will receive a lot of support from the localities.

There being no further business, the meeting adjourned at 4:19 p.m.