

Ozarka College  
Board of Trustees  
Finance Committee Meeting  
Tuesday, October 8, 2020  
Conference Room – Administration Building  
10:00 a.m.

Item No.

1. Call to Order
2. Approval of Minutes from April 28, 2020
3. Discussion Items
  - a. Refunding of Series 2013 & Series 2015 Bonds
  - b. Workforce Opportunity for Rural Communities Grant
  - c. Welding Lab for Ash Flat Technical Center
  - d. Construction/Renovation/Equipment Reserve Fund
  - e. Cost of Living Adjustment
4. Adjournment

Ozarka College  
Board of Trustees  
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Discussion Item – Refunding of Series 2013 & Series 2015 Bonds

Rationale:

Ozarka College currently has two bond issues outstanding. The Series 2013 has a maturity date of June 2043 with an outstanding principal balance of \$2,500,000 and the Series 2015 has a maturity date of June 2036 with an outstanding principal balance of \$2,615,000. Principal payments of \$75,000 (Series 2013) and \$125,000 (Series 2015) due in December.

Information provided by Crews & Associates indicates that the current interest rates are favorable to provide a savings of approximately \$338,000 should we refund both the Series 13 and Series 15 bond issues. The refinancing calculations are based on current market conditions and a structure that is uniform to the existing structure of each bond issue. This savings would be recognized over the remaining life of the new bond issues.

Board approval is required to recall and refund the Series 2013 and Series 2015 bond issues and take advantage of this savings opportunity.

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Discussion Item – Workforce Opportunity for Rural Communities Grant

Rationale:

Ozarka College was awarded a Workforce Opportunity for Rural Communities Grant through the U.S. Department of Labor for \$1,472,847 in September. The grant cycle runs for a three (3) year period and includes provisions for:

- Salaries/Benefits of \$638,744
  - Technical Center Director
  - Welding Instructor
  - Industrial Maintenance Instructor
  - Administrative Specialist
  - Grant Administrator/Management
- Instructional Equipment of \$341,500
  - Welding
  - Industrial
- Welding Lab Construction/Renovation of \$416,563
  - Professional Fees
  - HVAC/Electrical/Ventilation
  - Construction/Renovation
- Maintenance & Operations of \$76,050

The grant was not included in the 2021 Operating Budget and changes may be necessary due to the receipt of the grant.

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Discussion Item – Welding Lab for Ash Flat Tech Center

Rationale:

Ozarka College is committed to student success in each of our programs. With the receipt of the Workforce Opportunity for Rural Communities Grant, the College will be able to move forward with the plans of adding a welding lab at the Ash Flat Technical Center.

The preliminary projections and amounts for the construction/renovation of the welding lab and the instructional equipment were based on the costs for renovating and equipping the welding lab at the Melbourne campus. As with any construction/renovation these amounts were estimates and may require adjustments after the project gets underway.

Prior to beginning work on the project, Board approval will be necessary for the project and authorization given to proceed with the selection of an architect to provide standard services including the schematic design, design development, construction documents and assistance with the bid process for the general contractor and other professional services related to the mechanical, electrical, and plumbing services associated with the project.

Ozarka College  
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Discussion Item – Construction/Renovation/Equipment Reserve Fund

Rationale:

Ozarka College maintains a construction/renovation/equipment reserve balance. During fiscal year 2020, the Board approved a transfer of \$300,000 from this reserve account to create a welding lab in the Administration Building. The current balance in the account is \$240,235. Of this amount, \$146,880 was designated to balance the 2021 Operating Budget should it be needed. The remaining balance of \$93,355 is undesignated.

It is board policy for any excess funds at the end of the fiscal year (based on the monthly budget report) to be distributed in the following manner:

1. Transfer to the operating reserve balance the amount needed to fund the operating reserve balance at the minimum percentage designated by the Board of Trustees in May of each year for the next fiscal year.
2. After any necessary transfer to fund the minimum operating reserve balance is made, 30% of the remaining balance is transferred to the Construction/Renovation/Equipment Reserve Fund.
3. Any balance remaining after these transfers will be used for unfunded priority needs as agreed upon by the Administrative Council.

At June 30, 2020 an excess funds of \$424,106 was identified in the year-to-date financial report. Because the excess balance is more than the amount transferred from the construction/renovation/equipment reserve fund for the welding lab, we propose that the \$300,000 be returned to that account prior to the normal administrative procedures be applied.

The year end allocation of excess funds would be distributed as follows:

2020 Excess Funds	\$424,106
Less: Repayment of Welding Lab Transfer	<u>300,000</u>
Balance to Allocate	124,106
Amount to Fund Operating Reserve @ 6%	–
Transfer to Construction/Renovation Reserve @ 30%	<u>37,231</u>
Balance Remaining for Unfunded Priorities	86,875

This allocation structure would result in a balance in the construction/renovation/equipment reserve account of \$577,466. Of this amount \$430,586 would be undesignated and available for future projects.

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Discussion Item – Cost of Living Adjustment

Rationale:

At the time the 2021 Operating Budget was prepared, there were many uncertainties due to the Covid pandemic. A very conservative budget approach was taken and not all of the forecasted general revenue funds were included. In addition, a cost of living adjustment for employees totaling \$84,417 was removed to balance the 2021 operating budget. The State of Arkansas ended FY2020 with a surplus and on June 30<sup>th</sup> the funds that had been cut at the beginning of the pandemic were released. In addition, the Governor approved a two percent (2%) COLA for state employees.

The Administration recommends that all eligible faculty, staff, and administrative personnel employed as of June 30, 2020 be awarded a two percent (2%) cost of living adjustment to be retroactive to July 1, 2020. If an employee has been given an increase during FY2021 that resulted in an increase exceeding the 2%, they would not receive the retroactive COLA.