

**Finance, Audit and Infrastructure Committee
Meeting of October 26, 2018**

Minutes

Present: D. Fecher, S. Fitzpatrick, B. Langos, A. Rains, G. Ramos, S. Wenrick

Guests: A. Barnhart, W. Branson, L. Chan, P. Cheng, T. Doom, J. Hensley, D. Kimpton, S. Mickey Boggs C. Schrader, S. Sherbet, J. Shipley, A. Steele Middleton, C. Woolley

Mr. Sean Fitzpatrick called the meeting to order at 9:02 a.m. and read the conflict of interest statement.

Chair's Comments

In the interest of a full agenda, no comments were offered.

- **Vice President's Comments**

Mr. Walt Branson, vice president for finance and operations and chief business officer, introduced Ms. Lora Sidor, who was recently promoted from Internal Audit to assistant university controller and is charged with Accounting and Payroll.

Mr. Branson informed the committee that the BDK financial audit for the University has been completed and has been filed on time with the Auditor of State.

- **Monthly Financial Performance Reporting**

Mr. John Shipley, interim associate vice president and controller, offered the monthly financial performance reporting.

- A. Financial Analysis: Unrestricted Funds Report**

The financial analysis revenue and expense report captures prior year results, current year performance to date, and the anticipated or projected performance through year-end of unrestricted funds.

As mentioned before, the year-end actual for FY2018 showed a net surplus of \$10.1 million in unrestricted funds. The revenue to expenses actual showed a positive \$45 million which mirrors last year's October report.

A downward variance of almost \$100 thousand in tuition revenue was noted reflecting courses dropped and an issuance of student refunds. While this may be unusual at other schools, historically students at Wright State readjust their Fall course loads triggering a decrease in revenue.

Mr. Shipley discussed other revenue variances which were mostly attributable to timing, pass through accounting, or unrealized gains in investment income recognized as revenue, not spendable, and subject to market fluctuations.

On the expense side, compensation showed small savings on salaries due to position vacancies. Supplies were under budget by \$600 thousand due to the inadvertent non-posting of purchasing card charges prior to month end. Departments continue to be very frugal by removing telephones and curtailing facilities or copier usage. No change in annual projection over last month was noted.

B. FY2018 to FY2019 Actual Comparison

This report compares budget versus actual for FY19 and actual versus year-end for FY18 and tracks where the University is now compared to year-end last year. Indications are that the budget has been right sized and continues tracking as expected with 45% of revenue to budget collected against last year's 45%. Expenses are slightly lower (29% of the budget) for this year against 31% for last year. This difference may be a factor of several budgets like strategic initiatives having just been allocated and not yet spent.

C. FY2018 to FY2019 Monthly Budget to Actual Variance

The report offered a comparison of the single month of September budget to actual for fiscal years 2018 and 2019. There were no items of note other than the tuition and fee variance previously discussed which reflects differently in FY18 Actual for September due to the movement of the cancellation from September to August this year.

Trustee Fitzpatrick asked about medical claims and how they were tracking. Mr. Shipley indicated that claims activity was relatively flat against expectations.

D. Cash Forecast

This report has been modified to pull working capital or cash apart from non-liquid restricted investments. An additional tracking measure was added to show monthly the number of "days of cash on hand". September's level showed 93 days of cash on hand which is projected to be 56 days in June. This shows improvement over June 2017 when the level was 27 days. The University continues to work towards a target level of 3-6 months of cash on hand.

E. Cash and Investment Income Activity

The Monthly Cash and Investment Balance graph now includes a second representation charting "days cash on hand" by month over the last three years. This visual representation shows the progress made on a yearly basis

since 2017 to increase cash on hand. The graph in this report does not include the recent sale of real estate.

Trustee Langos asked what levers are in place to address the \$2.4 million projected shortfall in enrollment revenue. Mr. Branson indicated his plan includes the use of excess carryforward from last year as well as recovered savings from vacant positions.

This triggered a discussion on the importance of long-range modeling or proforma budgets that can project various scenarios and solutions. Mr. Shipley indicated the university previously has not had a long-range budget planning process and he is working to develop a 3-year model which will be shared with the Trustees when completed.

- **Approval of Expenditures \$500,000 and Above**

Ms. Shari Mickey Boggs, associate vice president and chief human resources officer, spoke about Wright State’s healthcare vendor contract.

Following a competitive bid process, Anthem Blue Cross and Blue Shield has been selected to continue as the University’s medical plan administrator and stop loss provider. The rebid process resulted in a 5.3% reduction in administrative costs for the new three-year contract over the current contract level.

The committee heard high cost claims have decreased over last year’s level and the University’s stop loss will remain at \$400 thousand. During open enrollment, informational meetings are being held to educate subscribers about their plans, ways to reduce expenses, and about the use of “live health” online doctor visits.

Wright State University is self-insured for healthcare expenses. A suggestion was made to look at ways the University could enhance insurance cost savings. One idea he mentioned was to move away from 90/10 plans to 80/20 plans and a single high deductible PPO plan.

The University has realized cost savings over the last two years by increasing deductibles and shifting some of the premium expenses to subscribers. Mr. Jerry Hensley, representing the Unclassified Staff Advisory Council, cautioned against using business norms for comparison as it unfairly shifts burdens to staff who are compensated at a lower level in academia than in the private sector.

With a motion by Mr. Fitzpatrick and a second from Mr. Fecher to bring the expenditure forward, the following resolution is before the Board for approval.

Vendor	Amount
Community Insurance Company dba Anthem Blue Cross and Blue Shield	\$99,300,000.00

Details and explanations of the expenditures:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Oct/meeting/FAI8_BOT%20500K%20and%20Over%20Sept%201-30%202018.pdf

Approval of Expenditures \$500,000 and Above

RESOLUTION 19-

WHEREAS, in order for the university to conduct business on an on-going basis, and provide products and services in a timely manner, purchases must be made; and

WHEREAS, these expenditures may exceed \$500,000; therefore be it

RESOLVED that authorization is granted for the accompanying contracts now before the Board of Trustees be, and hereby are approved.

I offer this Motion:

Is there a Second:

Roll Call Vote

• **Approval of Contracts \$250,000-\$499,999**

Mr. Shipley presented a contract between Wright State University and Barnes and Noble bookstore for pass through expenses related to inclusive access textbook affordability measures instituted by the University. Barnes and Noble purchases the books in bulk, the students receive them the first day of class, and the cost is included in the tuition and fees paid by the student.

The Finance, Audit and Infrastructure Committee reviewed the details of the expenditure and approved the following resolution on October 26, 2018.

Vendor	Amount
Barnes & Noble	\$450,000.00

Details and explanations of the expenditures:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Oct/meeting/FAI10_BOT%20250K-500K%20Sept%201-30%202018_0.pdf

RESOLUTION: Approved by the FAI Committee

WHEREAS, in order for the University to conduct business on an on-going basis, and provide products and services in a timely manner, purchases must be made; and

WHEREAS, these expenditures may amount to greater than \$250,000 and less than \$500,000; therefore be it

RESOLVED that authorization is granted for the accompanying contracts now before the Finance, Audit and Infrastructure Committee of the Board of Trustees be, and hereby are approved.

Mr. Fitzpatrick moved for approval, Ms. Ramos seconded, and the motion was unanimously approved by the Finance, Audit and Infrastructure Committee.

- **Approval of Contracts \$150,000 to \$250,000**

Mr. Shipley reviewed two contracts between \$150,000 and \$250,000 with the committee and answered questions. No committee or Board action was required.

Vendor	Amount
Interpreters of the Deaf, LLC.	\$160,000
Walter Haverfield, LLP	\$150,000

Details and explanations of the expenditures:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Oct/meeting/FAI12_BOT%20150K-250K%20Sept%201-30%202018_0.pdf

- **Investment Reports**

Mr. Steve Sherbet, university bursar and director of treasury services, presented the SEI investment report for August 2018. Wright State has a conservative portfolio geared towards cash preservation and is heavily weighted in cash and liquid accounts. As requested last month by the Trustees, the SEI GNMA bond fund has been liquidated and the proceeds transferred to the Star Ohio fund to reduce risk.

- **FY18 Consulting and Professional Services Contracts:**

Mr. Shipley presented a report outlining expenditures over \$50,000 paid for consulting or professional services provided to the University during fiscal 2018. This report is a requirement of the Board's Financial Governance Policy adopted in June 2017 and tracks the use of consultants and other outside entities offering professional services to the University.

The report can be accessed below:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Oct/meeting/FAI16_FY18%20BOT%20Combined%20Svcs%20FY18%20%2450k.pdf

- **Fiscal Sustainability Plan:**

An in-depth review of the new Fiscal Sustainability Plan for the University was presented to the committee by Mr. Branson and Ms. Amy Barnhart, assistant vice president and director of Financial Aid.

Fiscal Sustainability Plan:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Oct/meeting/FAI17_Fiscal%20Sustainability_priority%20projects_bot_0.pdf

The plan consists of 10 priority projects and numerous additional project plans. Priority projects are categorized as enhancing revenue or improving operational efficiencies.

The first project under revenue enhancement is the development of a comprehensive enrollment management plan for the University, which also includes marketing and retention efforts.

Centralizing the administration and awarding of scholarships is the focus of the second project. Ms. Barnhart explained that there are pools of scholarship funds administered across campus, which can lead to students missing opportunities to apply. Centralizing the availability of scholarship dollars offers more equitable support, better utilization of foundation scholarships, and a more comprehensive aid package for students.

The third project focuses on shortening the transcript evaluation process for transfer students. Optimizing class scheduling across campus to make courses available when needed for timely degree completion is the goal of the fourth project.

The fifth project supports the strategic use of a “waitlist” to enroll students in closed classes when someone drops a class and it adds the ability to monitor classes with waitlists for opening additional sections.

Improving student retention is the focus of the sixth project. A task force is working to enhance advising and outreach for students at academic risk to offer needed resources and support.

The last four projects center on creating operational efficiencies. Project 1 is the performance of an effectiveness and efficiency review of all programs and departments to evaluate their strategic alignment. With continuous improvement in mind, this process is ongoing.

Project 2 is bringing together decentralized units into a central organizational structure to reduce duplication and improve efficiencies. Examples include the centralization of career services, advising, and IT services.

Ongoing organizational restructuring and reorganization is the focus of Project 3 and reviewing and optimizing financial support for graduate students rounds out Project 4.

Several trustees requested the inclusion of quantifiable goals for each project, the addition of target metrics, and the assignment of individual accountability. Mr. Branson agreed to incorporate the request into the format of the projects.

A question was asked whether the plan included a growth initiative around online courses. Mr. Branson indicated that a campus-wide project is underway to offer more online core courses with a release in 2019 and the College of Business has recently offered more online MBA courses for Spring semester. This led to a lengthy discussion about resources and the need to adopt a high quality production standard to insure high-level coursework is developed.

Dr. Doom, Faculty Senate President, reminded everyone that there are two definitions of quality, namely, academic rigor and production quality. Accreditation standards insure academic quality while available resources combined with training and production expertise drives production quality. Trustee Rains suggested seeking student input to determine offerings and satisfaction levels.

President Schrader clarified that a comprehensive online program also means delivering an online laboratory experience done well. Replicating an in-person lab experience is much different from an online presentation.

The development of additional online courses, including the conversion of core and required courses to online offerings, and the development of new and innovative online courses, are a part of the Strategic Plan. The committee reiterated that making sure that there is a centralized plan in place to guide strategy, outcomes, and responsibilities is very important as online course development is expanded.

Good of the Order:

Trustee Fitzpatrick summarized the University's priorities in three areas. The three priorities include revenue growth, continued expense management, and the maintenance of liquidity and further enhancement of the University's reserves.

The meeting was adjourned at 10:37 a.m.

Respectfully Submitted
Deborah Kimpton