

**Finance, Audit and Infrastructure Committee
Meeting of April 19, 2019**

Minutes

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

Guests: W. Branson, L. Chan, P. Cheng, S. Edwards, J. Hensley, D. Krane,
D. Kimpton, C. Schrader, G. Sample, J. Shipley, B. Webb

Mr. Sean Fitzpatrick called the meeting to order at 9:00 a.m. and read the conflict of interest statement.

Enrollment Update

Provost Sue Edwards offered highlights and goals of an upcoming 5-year enrollment plan. Building on the state's priorities to attract, retain and graduate students that meet the workforce needs of our region and the state, Wright State has set out to achieve five goals; namely

1. Sustained undergraduate enrollment growth
2. Improve student retention
3. Develop new programs, enhance existing programs to provide a qualified workforce to the region
4. Expand online offerings
5. Develop aggressive institutional and program-specific marketing plans that strengthen our distinctive identity as a student-success driven public university

Facing a nationwide decrease in the number of direct from high school (DFHS) students, Wright State has added new initiatives to increase Wright State's proportion of this student population. Additional emphasis on increasing the number of transfer students include removing barriers for credit transfers and the creation of articulation agreements and 4-year graduation plans.

The enrollment plan includes 5-year metrics and targets for enrollment, retention and graduation rates. Initiatives are underway to utilize analytics to tailor support services to underprepared or at risk students to assist with their academic readiness and success.

The Provost is working with the Deans to review their college program offerings and identify areas of growth that can meet the future needs of the region. Fully online programs and degrees can now be developed since the conversion is almost completed to allow core coursework to be taken completely online.

The Committee offered support for the draft plan and asked for regular updates on metrics and progress. Mr. Langos requested that revenue expectations driven by this plan be shared with the Budget Office for their consideration in crafting and monitoring the university budget. An updated plan will be shared on June 14, 2019. There was a general discussion on first year experiences with Wright State being the only institution in Ohio that does not have a mandatory first year requirement.

Trustee Ramos asked about efforts to support minority student's recruitment and success. Provost Edwards indicated that the incoming class has the highest level of minority representation over previous cohorts. Success efforts such as "Retain the Nine" and the identity centers are in place to help minority students find a home at Wright State and be successful with their academic studies.

- **Monthly Financial Performance Reporting**

Mr. John Shipley, associate vice president and controller, gave a fiscal 2019 budget status update and reviewed changes to the reports from what was presented in March.

- A. Financial Analysis: Unrestricted Funds Report**

The values in the middle section of the report shows actual revenue and expenses through the end of March. While not a lot of change from the previous month, revenues improved by \$147 thousand over February due to collection of miscellaneous fees such as application and transcript fees. Other revenue categories combined exceeded the budget and total revenue is under budget by about \$1 million.

No further tuition and fee collections are expected this budget year leaving a shortfall of \$1.8 million. A one-time adjustment to Wright States' share of State Appropriations due to a change in the formula is expected to result in a surplus of \$900 thousand for the year. Overall, total revenues are expected to be under budget by \$1.1 million.

Expenses show a positive variance, meaning expenses are under budget year-to-date resulting in a higher net position over the estimated budget. Compensation is the driver for the positive net position with a surplus of \$4.9 million primarily derived by unfilled positions. Other categories are harder to compare since departments have the ability to move funds between categories as spending needs change. Overall, the year-end surplus is projected to be \$6.2 million which is \$3.2 million over the planned budget.

B. FY2018 to FY2019 Actual Comparison

This report compares this year's actual year to date as a percent of budget to where we were last year as a percent of year-end. Total revenues are at 90% of the budget and should end the year at 99% of the budget. At this time last year, revenue was at 91% of year-end.

Expenses currently are at 78% of the budget compared to 82% in FY2018. This shows that expenses are definitely under control. The expenses are under budget in all categories except maintenance which is \$50 thousand over budget; basically even. As compared to last year, Mr. Shipley indicated that Wright State is definitely on track and on target for a surplus for year end.

C. FY2018 to FY2019 Monthly Budget to Actual Variance

This report compares the month of March against the budget and also against the month of March in 2018. Mr. Shipley highlighted areas of deviation between last year and this year. Tuition and fees were lower this year by \$22 thousand compared to last and State Appropriations are running ahead due to the change in formula.

Sales and service declined over last year from \$960 to \$661 thousand. Some of this change is a true reduction in revenue and part is based on timing. Compensation is under by \$5.7 million. Last year there was a one-time charge of \$5 million for fringe benefits that will not occur this year.

Mr. Fecher asked about the status of medical claims and how they are tracking to budget. Since Wright State is self-insured, unexpected medical claims can be a large budget disruption and are being tracked closely. Mr. Shipley indicated that the University has budgeted \$550 thousand per week for medical claims and actuals are running around \$500 thousand. While there is not a reserve pool of funds set aside for excess claims payment, Mr. Branson mentioned this is something the university is looking into establishing.

D. Cash Forecast

The beginning year balance for cash and investments was \$10.6 million higher than the beginning balance of FY2018. Ending cash and investments as of March 31, 2019 were \$86.9 million, an increase of \$20.2 million over March 31, 2018. For the fiscal year, the ending cash and investment balance is projected to be \$58.2 million as compared to \$51.6 million for June 30 last year, an increase of \$6.6 million.

Working capital earnings were \$174 thousand for the month of March. While the quarterly mark to market report for the private equity funds has not been received, that report was included in last year's total.

E. Cash and Investment Income Activity

The working capital cash on hand was calculated at 102 days as of March 31. While expenses will continue to year end, no significant additional revenue will be collected. Cash on hand is projected to decline to 64 days by the year end June 30, 2019. This is an improvement over FY2018 year-end of 53 days but still short of the goal of 180 days cash on hand.

1. Expenditures \$500,000 and Above

Mr. Shipley presented seven contracts for the Committee's review and approval prior to forwarding them to the Full Board for consideration. The contracts included electricity generation, Pepsi vendor contract, Xerox contract, vision insurance for employees, services provided by Wright State Physicians, lease payments for Double Bowler Properties, and a pass through contract for student textbooks with Barnes and Noble Bookstores.

Full details of the contract expenditures can be accessed here:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/Apr/meeting/FAI%208%20%24500K%20and%20over%20-%20April%2019%20BOT.pdf>

The Committee discussed a provision of the Pepsi contract that provides a cash payment to the university and where this payment typically is applied. The Committee is recommending the payment be applied centrally rather than on a unit or department level.

Wright State is part of the Inter-University Council of Ohio (IUC) which negotiates preferred vendor contracts using the buying power of 14 Ohio universities. The vision contract under consideration is at the IUC rate. The committee requested that Wright State also conduct independent bids on future shared services contracts to make sure to receive the best rates possible.

Wright State Physicians is an affiliated entity of Wright State. Physicians in this group are paid by the Boonshoft School of Medicine to teach medical students and provide clinical practice experiences. A question was raised about how compensation is determined for these services. Ms. Kim Paul, chief administrative officer for the Boonshoft School of Medicine and CEO of Wright State Physicians answered that payments are the actual cost plus benefits for services rendered. Wright State's Medicine and Health Committee of the Board has been reviewing this relationship and through the Affiliated Entity process and an audit by BKD, the compensation and relationship question will be further refined.

Double Bowler Properties is a real estate holding company for the university. Before the Committee was an annual renewal for real estate lease payments on property utilized by Wright State. Wright State is currently reviewing existing and future space needs and looking to further define how these properties are utilized.

The Barnes and Noble contract is a pass-through for payments made by students for course materials under the textbook affordability plan and for funds on their Wright One Card used at the bookstore.

A question was raised about student account write offs and if the University pays Barnes and Nobles if a student account is unpaid. Mr. Shipley indicated that the vendor is paid and the University collects from the student if the materials were received. This led to a discussion on bad debt and its effect on the university. Mr. Sherbet shared that Wright State works closely with the Ohio Attorney General's Office to collect bad debt and net write offs run around \$500 thousand a year.

With a motion from Mr. Fitzpatrick and a second from Mr. Langos, the Committee moved the following resolution to the Full Board for consideration:

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:

- **Contracts \$250,000 to \$500,000**

Mr. Shipley shared details on six contracts before the Committee for approval and addressed questions. Contracts included special counsel legal services, natural gas delivery, HVAC technical services agreement, payments for pediatric teaching experiences, unemployment insurance payments, and a pass-through for student legal services and for payments to the WOEF Board for Lake Campus housing.

The full report can be accessed here:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/Apr/meeting/FAI%209%20%24250K%20-%20%24500K%20-%20April%2019%20BOT.pdf>

To strengthen our immigration processing, Wright State has outsourced responsibility for H1B Visa oversight to special counsel on an ongoing basis.

The Committee reiterated the need to have Lake Campus housing completely self-sustainable without any supplementation of university funds.

The Finance, Audit and Infrastructure Committee approved the following resolution:

Approval of Contracts between \$250,000 and \$500,000

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. Mr. Fecher seconded, and the motion was unanimously approved by roll call vote of the Finance, Audit and Infrastructure Committee.

- **Executive Session**

Mr. Fitzpatrick requested that the Finance, Audit and Infrastructure Committee enter into a Special Executive Session for the purpose of:

- **Ohio Revised Code 121.22 (G)(5), Matters required to be kept confidential by federal law or state statute, 121.22 (D)(2)**

In accordance with the Ohio Open Meetings Law, the Wright State University Board of Trustees' Finance, Audit and Infrastructure Committee, after a majority of a quorum and by roll call vote, determined to hold a Special Executive Session by offering the following resolution:

RESOLUTION 19-51

RESOLVED that the Wright State University Board of Trustees' Finance, Audit and Infrastructure Committee agreed to hold a Special Executive Session on April 19, 2019; and be it further

RESOLVED that pursuant to the Ohio Revised Code 121.22 (G), the following issues may be discussed in Executive Session:

- Matters required to be kept confidential by federal law or state statute, 121.22(D)(2)

Mr. Fitzpatrick moved for approval. Mr. Fecher seconded, and the motion was unanimously approved by roll call vote of the Finance, Audit and Infrastructure Committee.

The Finance, Audit and Infrastructure Committee entered into Executive Session at 10:40 a.m. and held their meeting in the Double Bowler Conference Room.

V. ADJOURNMENT

The Committee returned to Public Session at 12:51 p.m. and the meeting was adjourned.

Respectfully Submitted,
Deborah Kimpton