

**Finance, Audit and Infrastructure Committee
Meeting of May 22, 2020**

Minutes

Present: D. Fecher, S. Fitzpatrick, M. Grunder, T. Gunlock, B. Langos, W. Montgomery, A. Platt, G. Ramos, S. Wenrick

Guests: D. Bertso, L. Chan, L. Clapper, J. Conley, S. Edwards, J. Hensley, B. Kawosa, D. Krane, D. Leaman, L. Luehrmann, S. Mickey-Boggs, K. Paul, S. Polanka, D. Radford, B. Rando, G. Sample, S. Sherbet, L. Sidor, S. Todd, C. Woolley

Mr. Marty Grunder, committee chair, called the meeting to order at 9:03 a.m., welcomed everyone and read the Conflict of Interest Statement.

Committee Chair Comments

Mr. Grunder thanked the finance team for their help and diligence during the COVID-19 challenge and advised the University to stay positive. Working together is better. Mr. Grunder announced that Ms. Sommer Todd, Director of University Fiscal Services, will discuss the good news of several million dollars being eliminated from the budget. The big focus is FY2023 where the University has stability and can thrive.

Chief Operating Officer Comments

Mr. Greg Sample, Executive Vice President and Chief Operating Officer, stated the approval of contracts today by the committee will not result in their execution but populate them into the budget prior to approval by the full board. Conversations and formal meetings have been initiated with the AAUP, Teamsters and FOP to provide them a look into the budgetary situation and financial challenges. Those conversations have been very productive and will continue as the University moves forward to a stable budget by 2022-2023.

Monthly Financial Performance Reports

Ms. Sommer commented that previously the University was looking at an \$11.5M deficit. Now, a \$1.5M deficit is being reported and, possibly, a break even or slight surplus budget on June 30.

Mr. Sample underscored that the University reduced a potential deficit of \$11.5M down to \$1.5M from thirty days ago. This phenomenal result was due to the entire University community coming together and ceasing the use of procards, freezing expenditures at all

levels, not filling positions, and all divisions and colleges stopping doing everything not absolutely needed. With 45 days to go, it is fairly reasonable to move from a negative to a positive by the year's end. Mr. Sample expressed his appreciation to the Wright State community.

Ms. Sommer reported that with the anticipated CARES Act money covering refunds to students for housing, meals and parking, revenue is back up to \$150M. State appropriations from the Ohio Department of Higher Education (ODHE) announced a 3.8% reduction instead of the anticipated 5% reduction, so that amount is up about \$1M. Research is looking better. Sales and Service and Other Revenues are lagging due to refunds still coming in.

Expenses are all down related to the spending savings that the University has helped with. If compensation continues to track down by about 5%, a net operating deficit of \$1.5M is expected. There is nothing significant to say about the other two reports.

Mr. Sample communicated that the University has to move infrastructure spending from approximately \$260M - \$270M a year to stability by FY23 in the amount of \$200M a year. The next couple of years are going to be deficit budgets. The budget that will be presented to the Board for approval for FY21 will draw upon our reserves in order to balance the budget. It is crucial that those losses be mitigated to allow the University to get to the point of stability. This is hugely important to Wright State's success and future.

Mr. Jerry Hensley, unclassified staff advisory council member, asked the question whether the savings from the voluntarily reduction of time by staff was factored into the report. Ms. Sommer replied that the compensation savings for June has not been calculated yet. President Edwards added that based on the current list of reductions the rough estimate of savings for June is around \$250,000. Dr. Edwards thanked all those staff participating in that particular enterprise.

Financial Reports Summary:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2020/May/meeting/FAI%201%20Cover_Summary_Financial%20Reporting%20through%20April%202020.pdf

Investment Reports

Mr. Sherbet, University Bursar & Director of Treasury Services, gave an update on the cash forecast. Cash Inflows or sources of funds was \$274M through April; and Cash Outflows or uses was \$257M. Comparing inflows (tuition and state subsidy) this year vs. last year, a decrease of about \$19.5M is expected, and a positive outflow spending of \$13M less than last year. More revenue was lost than cost savings primarily because of the trend of enrollment decreases and COVID-19. The multiyear budget plan projects the expense structure in alignment with a reduced revenue going forward.

Under Illiquid Investments, unrealized Investment Income for the month of April is \$728,000, about \$500,000 due to an unrealized gain in Venture Investment Associates private equity investments and \$228,000 from an unrealized gain through a recovery of our Raider Asset Management account. On the SEI investment, there was a Capital Call of \$178,000 contribution, a distribution of almost \$445,000 and a net distribution back to Wright State of about \$267,000. Total capital calls projected through the end of June of \$356,000 vs. distributions of almost \$2M equals the \$1.62M that was moved from the restricted investment to the Working Capital. A positive balance of \$74.6M is expected for total Working Capital on June 30, 2020 vs. last month when a \$65M ending reserve was reported.

Mr. Sherbet continued reporting that the investment balance for reserves is trending slightly above last year, forecasting \$75M for June 30 compared to \$72M last year. Cash on Hand is now forecasted to be 92 days at year end.

The SEI Investment Report indicates returns are lower because of the short-term interest rates being so low. While still positive, meager investment earnings will continue to be the trend over the next few months. Under Total Fixed Income, the two bond funds have recovered and the Raider Asset, the student-managed portfolio, had a great recovery with a one month return of over 18%.

Total Investment Income projection through April is just over \$2M fiscal year-to-date, with earnings of \$797,000, primarily made up of those unrestricted investments. Due to market conditions in February and March, some unrealized investment losses are expected, which will bring projected overall earnings down to \$1M for the unrestricted portfolio or with the restricted portfolio added in, about \$1.2M in total investment income. There is a ninety-day delay in recording, so updated valuations for our private equity investments for March won't be available until early July.

Reviewing the asset allocation, Mr. Sherbet emphasized the Cash Pool and Liquidity Pool, roughly 87% of the portfolio, is in safe, highly-liquid investments. The Diversified Pool is made up of those two alternative investments plus the Raider Asset Management account. Total investment portfolio balance is projected at \$83M but does not include our operating cash in our commercial bank accounts.

Trustee Fecher inquired about the structure of the debt Wright State carries and if there was any opportunity to refinance as low as interest rates have gone. Mr. Sherbet responded that two or three bond issues remain on a tight repayment schedule until pay off around 2030 to 2035. Once Wright State develops a three-year budget plan that aligns projected revenue with projected expenses and develops new strategies to grow enrollment and increase retention, conversations with Moody's and the underwriting agency can be initiated, possibly, in the Fall.

Monthly Cash Report Summary:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2020/May/meeting/FAI%20Monthly%20Cash%20Report%20Narrative%20through%20April%2030%2C%202020.pdf>

Contracts \$500,000 and Over

Mr. Sample presented contracts for the Committee's review and approval prior to forwarding them to the full Board for consideration. Points of contact have gone back to vendors to renegotiate the contracts. Contracts included custodial services, gas and electric services, Pepsi pouring rights, Double Bowler Properties lease payments, OhioLINK library electronic information, legal services, IUC risk management, Wright State Physicians services and student housing fees. Pass through contracts were noted for Barnes and Noble Bookstore and student health insurance and are not included in the budget.

Trustees asked questions about the increase for legal services. Mr. Chan, Vice President for Legal Affairs and General Counsel, explained additional invoices were received recently for the AAUP strike negotiations from Baker & Hostetler for legal services performed in 2019.

Mr. Sample also explained the contracts with A. M. Management for student housing fees for next year are included only with the understanding the contracts are currently being negotiated due to the COVID-19 pandemic.

Full details of the contract expenditures can be found here:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2020/May/meeting/FAI%2011_9.%20Contracts%20and%20Expenditures%20%24500%2C000%20and%20Over.pdf

With a motion from Mr. Grunder and a second from Mr. Lagos, the following resolution was moved to the full Board for approval.

RESOLUTION-20

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 to \$499,999

Mr. Sample presented eleven contracts before the Committee for approval and addressed questions from the Board. Contracts included electronic journals, unemployment insurance premiums, Worker's compensation premium, payments for pediatric teaching

experiences, HVAC technical services agreement, sewer and water services, natural gas delivery, IT Service Management tracking service, Oracle database, and pass-throughs for payments to the WOEf for Lake Campus student housing fees and for student legal services.

Ms. Shari Mickey-Boggs, Chief Human Resources Officer, requested that the Ohio Department of Job and Family Services (ODJFS) contact approval amount be amended from \$250,000 to \$490,000 to cover unemployment insurance premiums in light of the University's decision to consider SharedWork Ohio as well as providing some flexibility depending on any permanent headcount reduction.

Full details of the contract expenditures can be found here:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2020/May/meeting/FAI%2013_11.%20Contracts%20and%20Expenditures%20%24250%2C000%20to%20%24499%2C999_0.pdf

With a motion from Mr. Grunder and a second from Mr. Platt, the following resolution was unanimously approved by the Finance, Audit and Infrastructure Committee. No further action is necessary.

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.

Approval of Contracts \$150,000 to \$249,999

Mr. Sample presented three contracts to the Committee. Contracts included the IEEE resource for the electrical engineering and computer science programs, court ordered judgment and legal services. This reporting is for information only. No further action is required.

Sue Polanka, University Librarian, answered Trustee Fitzpatrick's question with respect to the IEEE Spectrum contract. Content was added back into the contract that previously had been temporarily cut.

Full details of the contract expenditures can be accessed here:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2020/May/meeting/FAI%2015_13.%20Contracts%20and%20Expenditures%20%24150%2C000%20to%20%24249%2C999.pdf

Executive Session

Mr. Grunder requested to meet with the Finance, Audit and Infrastructure Committee in executive session to discuss matters required to be kept confidential pursuant to federal law or state statute and pending or imminent court action, and

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 20-60

RESOLVED that the Wright State University Board of Trustees Finance, Audit, and Infrastructure Committee agreed to hold a Special Executive Session on Friday, May 22, 2020 at 10:02 a.m.; 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 Pursuant to Federal Law or State Statute
- Pending or Imminent Court Action

Mr. Grunder moved for approval. Mr. Platt seconded, and the motion was unanimously approved by roll call vote. The Finance, Audit and Infrastructure Committee entered into Executive Session at 10:02 a.m.

The Committee reconvened the Public Session at 11:51 a.m., and the meeting was adjourned.

Respectfully Submitted,
Teresa Bedwell