

C. Finance Committee

Mr. Fecher, chair, will report on the committee meeting on April 15, 2016.

**Finance Committee
Meeting of April 15, 2016**

Minutes

Present: H. Billing, M. Bridges, D. Fecher, W. Montgomery, R. Pignatiello

Guests: L. Chan, P. Cheng, G. Harris, D. Hopkins, T. Heigel, D. Hopkins, D. Kimpton, N. Lasky, C. Loranger, M. Lowery, K. Ralston, S. Sherbet, T. Sudkamp, R. Sweeney, J. Ulliman, C. Wooley

Mr. Doug Fecher called the meeting to order at 10:40 a.m. and reminded the Board of their duty to ensure that all university decisions are free from any real or perceived conflicts of interest. He asked if there were any conflicts of interest with the agenda or any review of expenditures under discussion and left a standing offer to excuse anyone who identified such a conflict.

Committee Chair Comments

Trustee Fecher opened the meeting with the following comments.

At our last meeting in January, the Finance Committee discussed the university's current financial situation and its causes and discussed a framework for a financial remediation plan for returning WSU to growth in net assets within the coming two fiscal years.

The Board has asked President Hopkins to develop a principles-based financial remediation plan for the university that enhances financial health without sacrificing critical components of the Raider Culture. Dr. Hopkins, in turn, has been working diligently with the university community to create a plan of targeted initiatives for reducing operating expenses and increasing revenues where possible. This recognizes the proper role of the board. We as Trustees establish the "Ends" ... the desired high level outcomes – in this case returning WSU to positive growth in net assets, while the President establishes the "Means" – the best strategies for achieving the desired outcomes in concert with university stakeholders.

We all recognize that trying to correct budget deficiencies in any context, in any organization, will create concern and raise anxieties among stakeholders to the process. Indeed, different stakeholders will have different opinions on where and how best to cut operating expenses. We expect it to be no different in this case and respect all viewpoints as being legitimate. We all recognize this process will not be easy but that decisions must be made.

The most important component of the financial remediation plan is the principles the university has established under Dr. Hopkins direction as foundation for the remediation plan. These principles are based upon WSU's mission of providing an affordable and high quality education to students in alignment with WSU's vision, mission, and values.

In laying the groundwork for today's Finance Committee Meeting, I'd like to emphasize the principles that make up the foundation for our work on the budget and Wright State's financial remediation plan:

- Must be people-friendly and preserve salaries and benefits as much as possible.
- Must support the ongoing quality of WSU's academic enterprise and support student success.
- Must preserve and expand sources of revenue.
- Should not result in indiscriminate hiring freezes or elimination of strategic investments.
- The plan cannot call for across-the-board cuts but instead must focus on targeted reductions.
- It should retain flexibility but eliminate duplication of efforts across business units.
- It should maintain best practices of business services, and it must honor a culture of compliance and stewardship.

The plan Dr. Hopkins' is directing requires university-wide conversation around these guiding principles, but it must result in a meaningful reduction in operating expense. The Board supports Dr. Hopkins vision that while Wright State University may be made up of diverse business units, academic departments, and colleges of learning, we are in the end one university and that the university must remain united in solving our financial issues. Among the Board, administration, faculty, staff, and students, we must be open to the inevitable differences of opinion on how best to address our current situation while working together to solve the problem. We owe as much to our students and the entire university community.

There is no doubt we, as a university, face a challenge. We rely too much on investment balances to pay our bills and these balances continue to decline. Net assets are dropping and unrestricted cash reserves will finish lower this year than they were last, which in turn were lower than the year before.

It will take courage, conviction, and in some cases time to reverse these trends. But the situation is far from hopeless and indeed, as WSU approaches its 50th birthday, we note that this is not the university's first trip down this particular path. It should be an encouragement to all that we've been here before, and every time we've emerged stronger and better positioned to deliver the finest in affordable higher education.

Indeed we face challenges, but we are also encouraged that Wright State is made up of good people from across the university's spectrum – just the kind of people it takes to solve difficult problems like this. With all of us working together, I believe WSU is well positioned to reverse current trends and again take advantage of the opportunities expected of a top performing public research university.

This process will take increased attention and accountability on our part as Trustees. Our role is to perform our fiduciary responsibility and provide guidance in returning the

university to fiscal soundness so that we may continue pursuing the lofty goals we share as an institution.

Those are my comments to open our meeting and we will now move to the Vice President's report.

Vice President's Report

Mr. Jeff Ulliman, vice president of finance and CFO, outlined the work to date on the financial remediation plan. The creation of the plan involved meetings with key stakeholders and the distribution of financial data to the colleges and divisions for review and planning purposes. These entities were then asked to undergo a "what if" exercise to reach an 8% budget reduction on base funding. Faculty and staff all across campus were also asked to submit suggestions for revenue enhancement and other ideas for collaborations between units and/or the elimination of duplications of efforts. This process is ongoing and will culminate on May 2nd.

To realign our revenue and expenses with our base budget, it is anticipated that \$19.7 million will be needed. Attrition and strategic hiring will still be a key component of the plan. Through a reduction in overspending, other reductions in expenses, and a budget realignment and reallocation based upon growth and priorities, we should be able to reduce 2/3 of the deficit in FY17 and the remaining 1/3 in FY18.

1. Alternative Retirement Plan Amendment

The Alternative Retirement Plan (ARP) is an alternative to traditional defined benefit pension plans like OPERS or STRS. The ARP is a defined contribution plan much like a 401K plan. Wright State's plan follows Ohio State's volume submitter plan.

The changes being presented for consideration include:

- An updated definition of "compensation" to match the definition used by OPERS and STRS.
- The change in the "normal retirement age" from 65 to age 59 ½
- Roll-over contribution clarifications as it pertains to property
- Further restrictions on reversion of contributions to the university
- And error corrections within the plan

Since the change in retirement age deviates from the Ohio State plan, Wright State is filing for its own tax determination letter. The effective date specified of January 1, 2016 is required because of the volume submitter process.

The following resolution is being presented for appropriate action by the Board.

RESOLUTION 16-

WHEREAS, Wright State University (the "University") maintains the Wright State University Alternative Retirement Plan (the "Plan").

WHEREAS, the University reserved the right in Section 8.3 of the Plan to amend the Plan at any time.

WHEREAS, the Board of Trustees of the University (the "Board") desires to amend, restate, and adopt the Plan in its entirety, effective January 1, 2016, in order to (1) comply with the requirements of the Internal Revenue Service ("IRS") regarding the periodic restatement of qualified plans, (2) to qualify the Plan under current federal laws and regulations, and any other applicable laws, regulations, and administrative authority, and (3) to reduce the normal retirement age to 59 ½ years of age; therefore be it

RESOLVED, that effective January 1, 2016, the Board adopts the Plan in substantially the form as attached hereto, which shall supersede any prior Plan documents; and be it further

RESOLVED that the Board hereby authorizes and ratifies the actions of the Vice President for Business and Finance in executing the above-mentioned restatement, within the time period prescribed by the IRS, and authorizes appropriate administrators of the University to execute other instruments, documents, or conveyances necessary to effectuate the amendment and restatement; and be it further

RESOLVED that said officers, in carrying out this resolution, are hereby authorized and empowered to take any and all further and future actions as deemed necessary or desirable to carry out the above resolutions and any future amendments and adjustments permitted by law.

I offer this motion:

Do I have a second:

Roll Call Vote:

2. Approval of Contracts over \$500,000

- Ms. Gheretta Harris, executive director business services administration, presented contracts \$500,000 and above for Board review and approval.

RESOLUTION 16-

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:

Do I have a Second:

Roll Call Vote

<u>Vendor</u>	<u>Description of Services</u>	<u>2016-2017 Contract Amount</u>	<u>2015-2016 Contract Amount</u>	<u>Term of Contract</u>
DPL Energy Retail	Electricity Generation Service	\$2,750,000	\$2,750,000	3/1/15 – 3/1/17
Dayton Power and Light	Electric Distribution and Line Charges	\$975,000	\$800,000	7/1/16/ - 6/30/17
Bids Currently Under Review	Natural Gas	\$550,000	\$808,000	9/1/2016
City of Fairborn	Water and Sewer	\$700,000	\$700,000	7/1/16 – 6/30/17
Delta Dental	Dental Insurance for Employees and Dependents	\$1,836,000	\$1,800,000	1/01/16 – 12/31/19
Minnesota Life	Group Life Insurance and AD&D	\$663,000	\$650,000	7/01/12 – 12/31/17
EBSCO Publishing	Periodical Subscription Services	\$950,000	\$875,000	9/01/15 – 8/31/16
Alpha & Omega	Custodial Services	\$967,000	\$932,000	7/01/16 – 6/30/17
Chartwells	Hospitality –Food Services	\$1,500,000	\$1,200,000	7/01/13 – 6/30/19
Anthem	Medical and Prescription Insurance	\$34,385,625	\$31,259,659	1/01/14 – 12/31/16

<u>Vendor</u>	<u>Description of Services</u>	<u>2016-2017 Contract Amount</u>	<u>2015-2016 Contract Amount</u>	<u>Term of Contract</u>
Marsh USA Inc.	Casualty and Property Insurance for the University	\$600,000	\$600,000	7/01/2016
Ohio Bureau of Workers' Compensation	Workers' Compensation Premium	\$500,000	\$500,000	7/01/16 – 6/30/17
Wright State Physicians	Professional Services	\$6,700,000	\$6,352,436	7/01/16 – 6/30/17
Ellucian Company LP	Banner ERP System	\$700,000	\$647,000	10/01/14 – 9/30/19
Pomeroy IT Solutions	Computer Purchases	\$1,500,000	\$1,500,000	7/01/16 – 6/30/17
Callos Resource LLC	Temporary Staffing	\$738,000	N/A	4/1/16 – 6/30/17
Xerox	Printing Services and Equipment	\$2,000,000	\$2,700,000	2/01/14 – 1/31/20
The Ohio State University	OhioLink	\$2,000,000	\$2,000,000	7/01/16 – 6/30/17
Academic Partnerships LLC	Recruiting Services	\$500,000	\$750,000	5/30/12 – 5/30/17
Barnes and Noble	Student Bookstore Purchases	\$700,000	\$750,000	1/31/16 – 1/31/21
Chartwells	Hospitality – Food Services	\$5,500,000	\$4,800,000	7/01/13 – 6/30/19
AMS-Y Ltd Partnership	Residence Housing	\$1,000,000	\$1,000,000	3/6/1991 – 6/30/2017
College Park Ltd Partnership	Residence & Housing	\$1,500,000	\$1,500,000	3/6/1991 – 6/30/2017

<u>Vendor</u>	<u>Description of Services</u>	<u>2016-2017 Contract Amount</u>	<u>2015-2016 Contract Amount</u>	<u>Term of Contract</u>
Group Housing LLC	Residence & Housing	\$3,600,000	\$3,600,000	3/6/1991 – 6/30/2017
Pine Hill Acres Apt LLC	Residence & Housing	\$1,500,000	\$1,500,000	3/6/1991 – 6/30/2017
The woods Development LLC	Residence & Housing	\$5,000,000	\$5,000,000	3/6/1991 – 6/30/2017
United Health Care	Student Health Insurance	\$3,300,000	\$3,300,000	7/01/16 – 6/30/17
United Health Care	School of Medicine Student Health Insurance	\$780,000	\$706,248	7/01/16 – 6/30/17

Report of Expenditures \$250,000 - \$499,999

- Ms. Gheretta Harris, reported on expenditures greater than \$250,000 and less than \$500,000 to the Board. No action was required on this matter.

<u>Vendor</u>	<u>Description of Services</u>	<u>P.O. Amount</u>
Armcorp Construction	Construction Services	\$338,050
Michael Schuster Associates Inc.	Construction Services	\$433,285

Investment Report

- Mr. Steve Sherbet, university bursar and director of treasury services, briefed the Board on the February and March 2016 investment reports.

The meeting was adjourned at 11:38 a.m.

Respectfully Submitted,
Deborah Kimpton