

**D. Finance Committee**

Mr. Fecher, chair, will report on the committee meeting of November 18, 2016.

**Finance Committee  
Meeting of November 18, 2016**

**Minutes**

**Present:** M. Bridges, D. Fecher, J. Large, R. Pignatiello,

**Guests:** F. Ainina, C. Bajek, L. Chan, P. Cheng, T. Heigel, J. Hensley, D. Hopkins, D. Kimpton, N. Lasky, K. Ralston, S. Sherbet, T. Sudkamp, R. Sweeney, C. This, J. Ulliman

Mr. Fecher called the meeting to order at 1:35 p.m. and reminded the Trustees of their duty to report and avoid any potential conflicts of interest.

Trustee Fecher invited several campus representatives to participate in the Finance Committee meetings. Mr. Fecher introduced Ms. Connie Bajek, president of the classified staff advisory council, and Mr. Jerry Hensley, president of the unclassified staff advisory council and welcomed their perspective.

**Comments from the Chair**

It's no secret that the finances of the University are at an urgent level. The purpose of the more frequent Finance Committee meetings is to stay closer to the actual financial results as the year unfolds. The start of the year has been disappointing. We projected revenue and expenses at one level. However, enrollment numbers are not as high as expected, which results in decreased revenue. Cash outlays and expenses in some areas have exceeded projections. Again, by holding more frequent meetings, we hope to make the timely adjustments needed to our financial plans.

Several Trustees and I recently attended the State's Trustees' Conference in Columbus and heard the Chancellor of the University of Maryland's System discuss the top strategic issues challenging boards. The number one issue was the "business model for funding higher education"; especially as it relates to state public institutions like Wright State. Not just in Ohio, but across the country, state funding is flat or down and is not likely to come back in any significant way. Tuition increases have become a third rail. The public won't tolerate it, our state legislature hasn't allowed it, and the legislature is not likely to permit tuition increases in the next state budget. More than 80% of our revenue comes from tuition and state support. In addition, we have demands for higher quality and higher graduation rates, all of which serve to increase costs. So in essence according to this keynote speaker, universities all across the country, and in the state of Ohio, are facing a kind of perfect storm financially because of the factors I just raised. All of these challenges here we face as a University.

In the Trustee Conference on Monday, enrollment was also discussed. You heard myself and others say that the one revenue source we have to control here at Wright State is enrollment and retention. We get paid by the state based on the number of

students we have who complete courses and get to the finish line with graduation. To the extent we can increase enrollment and get additional students paying tuition dollars, we can better manage our budget. However, the future of enrollment according to the speaker is also going to be quite a challenge. These are his numbers not mine. Sixty percent of admissions directors across the country report having challenges meeting enrollment targets. The headcount in Ohio high school classrooms is on the decline which decreases the pool of our incoming students. High school enrollment in Ohio is expected to decline by almost 6% between 2012 and 2022. These are challenges we all have to face financially and together.

We have been discussing informally with President Hopkins, Provost Sudkamp, and with Chairman Bridges, campus wide efforts to look at strategies for increasing enrollment because it is the one thing that we control. The fact of the matter is this: we cannot cut our way to prosperity. We also have to focus on the revenue side of things. Now we happen to be in a situation with our cash position today that cuts are unavoidable. And I don't think anybody around this table, or in the entire community, is more sorry to hear that; but it is a fact. But if we don't focus relentlessly on enrollment growth, retention, and strategies to develop them, cuts will become a way of life here. I am hoping that the University's focus on enrollment, retention, and bringing more students to this great University will succeed. We can then get past these budget issues we are facing sooner rather than later and begin moving this University forward to the greatness that I think lies in front of us.

### **Financial Performance Measurement and Reporting**

- **Cash Forecast Report:**

Mr. Jeff Ulliman, vice president of business and finance and CFO, discussed the Cash Forecast report which monitors and forecasts cash flow. The revenue portion of the report has stayed constant over the last few months with an annualized negative variance in tuition and fees of \$7 to \$8 million dollars due to enrollment declines. Next week Wright State will receive notification from the State of the amount of our final subsidy for FY17. We are hopeful it will exceed projections. Foundation support is up due to the hard work of the Rise. Shine Campaign and donor support for the Creative Arts Center and the NEC. Not listed, but anticipated, is revenue of \$350 thousand for the sale of the Yellow Springs property.

On the expenditure side, there is an anticipated increase in payroll related costs due to payouts attributed to the Voluntary Retirement Plan (VRIP). From an operating cost standpoint, we are projecting a decrease in expenses. Debt service is the same. Other operating disbursements (cash disbursements funded by legacy gifts not yet received for construction, capital project overruns and life safety projects) are higher than budgeted for 2016.

Wright State needs to focus on revenue growth and the President and others are reexamining overall plans to see if other measures need to take place. Cash

flow is very tight. The original budget projection called for the use of \$15.6 million in reserves and this Cash Forecast projection is utilizing almost \$41 million.

Trustee Fecher explained that cash is the safety net. If you spend more money than you take in, you have an operating loss and it comes out of cash reserves. Under more normal times with healthier reserves a university can tolerate that for a year or two as you put plans in place to reverse the operating loss. However, the situation we face at Wright State University is those cash funds are getting precipitously low.

Last month the Board approved an additional allocation of funds for roof repairs on the Russ Engineering Building. It was hoped that this expense could be covered by state capital funds. Mr. Ulliman reported that state funds will cover this outlay.

- **Cash and Investment Income Activity Report**

The Cash and Investment Income activity report projects the monthly cash and investment balance for investments to be \$25 million as of June 30, 2017 with the majority of this balance in non-liquid investments.

There was considerable discussion on strategies to manage reserve depletion, the impact of the VRIP and attrition on the 2017 and 2018 budgets, and the importance of raising the reserve balances to improve Wright State's financial ratios and financial stability.

- **Wright State Budget Report and Budget Variance Report**

The reasons behind our current financial situation are many including cuts in state support, enrollment decline, over spending, and cost overruns. This report compares current spending to the beginning operating budget.

Mr. Ulliman said that there are two items in revenue that show variances from the original budget; one is tuition and fees with an approximate \$7-8 million dollar negative variance. The other is the Debate. We had \$7.5 million in revenue budgeted for the Debate and have realized \$400 thousand resulting in a negative variance of \$7.1 million.

On the expenditure side, the Debate was projected at \$5 million in expenses which have been reduced to \$2.7 for a favorable variance of \$2.3 million. Scholarship expense is estimated to be down due to lower enrollment numbers; while VRIP expenses have pushed up compensation expenses. Overall, between revenue and expenses, the net budget variance is a negative \$12 million.

Mr. Keith Ralston, associate vice president, financial and business operations, explained how the state determines the State Share of Instruction (SSI). In early spring, the state requests an estimation from all universities of course completions and graduation. The state then projects a preliminary amount of support based on an aggregate of all reported institutions for the three year cycle. In September institutions report their actual course completions and graduate numbers back to the state and the state reviews and issues a final determination of payment in late November.

**FY16 Financial Statement Review**

Ms. Tina Heigel, university controller, reviewed the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows as reflected in the draft financial statements which have been submitted to the State for fiscal year 2016. This marks the last year in the audit cycle with Crowe Horwath.

**Board Financial Policy / Senate Bill 6**

Mr. Keith Ralston reported on Wright State University’s compliance with the Board’s financial policy and with the state’s Senate Bill 6 ratios.

**Contracts for Approval \$500,000 and Above**

The following project expenditure is before the Board for approval.

<b>Vendor</b>	<b>Description of Services</b>	<b>Contract Amount</b>	<b>Term of Contract</b>
To be determined	Disaster Recovery Storage Project: Library Annex and Ohio University	Cost of project not to exceed \$600,000	To be determined. Funding would come from State capital funds.

**RESOLUTION 17-**

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:

**Contracts from \$250,000 to \$499,999**

No expenditures were presented in this range.

**Investment Reports**

Mr. Steve Sherbet, university bursar and director of treasury services, reviewed the University's investment report for the period ending October 31, 2016.

The meeting was adjourned at 3:10 p.m.

Respectfully Submitted,  
Deborah Kimpton