

C. Finance Committee

Mr. Fecher, chair, will report on the committee meeting on January 22, 2016.

**Finance Committee
Meeting of January 22, 2016**

Minutes

Present: M. Bridges, E. Broner, D. Fecher, W. Montgomery, C.D. Moore, G. Ramos

Guests: D. Kimpton, N. Lasky, C. Loranger, S. Sherbet, K. Sobolik, T. Sudkamp, R. Sweeney, C. This, J. Ulliman,

Mr. Fecher called the meeting to order at 2:07 p.m. and read the following conflict of interest statement.

It is of utmost importance to ensure that all university decisions are free from any real or perceived conflicts of interest.

Therefore, please be mindful of all obligations with which you have been charged as a Trustee of Wright State University, and take the steps you deem appropriate to perform your duties fairly and impartially.

Statement from Vice Chair Doug Fecher

Trustee Doug Fecher, chair of the finance committee, began the meeting with the following comments:

As Board Members we are obligated to oversee the University's ongoing financial condition and work with the administration to ensure a prudent plan is in place for providing the financial resources required of a world class public university.

We are all aware that WSU's financial condition has declined the past two years as indicated by recent operating deficits and corresponding reductions in reserves. Our balance sheet remains strong, however, which positions us to take appropriate and measured action to return to growth in net assets. I am confident that the framework of a financial plan is in place and that the University understands the importance of implementing a prudent and effective plan for reversing financial trends of the last two years.

It is important to understand the reasons for recent deficits. The primary cause is that revenues fell relatively quickly while reductions in operating expenses have not kept pace. Specifically:

- In 2012 the State of Ohio cut \$15 million in state support, resulting in an immediate reduction in revenue. In addition, in-state undergraduate tuition rates are frozen for the current biennial budget.

- Investment returns in the most recent fiscal year declined from \$17 million to \$4 million due to market conditions, a reduction of more than \$13 million.
- A lingering downward impact on revenue from the conversion from quarters to semesters from a few years ago. This is because many students accelerated their studies to graduate prior to the conversion. WSU receives state support based upon an average of the previous three year's graduation rates, and the high level of pre-conversion graduation has now fallen out of the formula thereby impacting the graduation averages upon which state support is calculated.
- The poor economy during the Great Recession resulted in an increase in enrollment as people who had lost jobs sought training and education to find new employment. However, many of those students did not stay in school to earn a degree. Tuition from these students declined as they left school, resulting in downward pressure on revenues we are now just recovering from.
- Finally, the university chose to invest in strategic projects designed to increase long term enrollment and graduation rates. Examples include strategic real estate purchases to accommodate growth and investments in student success initiatives. These investments were thoughtfully made but payback in increased enrollment and graduation will take years to develop.

As a result of operating deficits the last two years, the Board has requested a comprehensive financial plan from the Administration and as mentioned, a framework for such a plan is in place – Mr. Ulliman will provide us with more details in his Vice President's report.

It is important to understand, however, that returning to operating surpluses will likely take some time due to the nature of the university's revenues and expenses. It is likely that the university will realize operating deficits for the next two fiscal years and maybe three before returning to positive growth in net assets.

The framework of the administration's financial plan has several elements. These include:

1. Growing enrollment and graduation. Higher enrollment produces increased tuition even at today's frozen tuition rates, and higher graduation numbers result in increased state support over time. This is why the 4% increase in the number of graduates in 2015 was an encouraging result, and I encourage Trustees to pay particular attention to growth in enrollment and graduation rates as a primary indicator of future revenues.
2. Strategic Hiring. Employment is about two thirds of WSU's base budget and the plan calls for a higher degree of diligence around staffing decisions, particularly as positions become vacant due to retirement and other departures.

3. Centralized space planning will enhance space utilization and reduce costs through greater space efficiency.
4. Tighter requirements for approving funding for new projects will ensure the majority of funding is in place prior to beginning capital projects; and
5. Tighter financial and contract controls. This means scrutinizing university expenses to align actual spending with available resources. This aspect of the financial plan may require deferral of some projects and perhaps even the elimination of others until the university returns to positive growth in net assets.

In addition to the financial plan, the university has discussed the following financial goals:

1. That by fiscal year ending 2020, it is our goal to fund the base budget without relying on income from investments.
2. That the university's financial policy, developed in 2003, will be updated in 2016 to reflect the current environment. The revised financial policy will be presented to the Board of Trustees yet in 2016.
3. That the Board of Trustees will review and monitor a budget for the 2016 Presidential Debate and that the cost of the debate will be funded 100% via fundraising and thus have a minimal effect on the current base budget and associated reserves.
4. That the university's business and finance group, under Mr. Ulliman's direction, will provide the Board with better ways of measuring the university's financial progress. Measurements will be provided in several areas, including measurements of Senate Bill 6 compliance, measures of long term financial trends, and interim measures of financial performance during the fiscal year.

I would like to finish by acknowledging that the Board of Trustees and Administration understand that there are no shortcuts to remediating the university's financial situation. Options on the revenue side are limited: Tuition rates are frozen which puts a premium on growth in enrollment. In addition, an emphasis on helping students reach the finish line of graduation faster is also critical because of graduation-based state support.

But the real answer lies in our careful management of and stewardship of operating resources. The university is working to craft a financial plan that addresses both revenue and expenses, but clearly these plans must be weighted towards careful control of operating expenses as the most expedient course to financial success. The role of the Board of Trustees is to work with the administration to help monitor financial performance and provide oversight and support for the administration's efforts to control operating expenses.

I would make one last point as chairman of the Finance Committee. WSU is rightfully proud that it offers a high quality education at one of the lowest levels of tuition in the state. However, to be the "best university for the world", as our President often says, we need to invest and spend for growth in enrollment and educational quality, while making

the absolute most of our financial resources. We are a great university, with a great faculty, strong administrative staff, a deserving student population, and an indelible reputation throughout Raider country. Prompt attention to long term financial health will enable this university to serve each of these stakeholders long into the future, and the entire university community must be united behind putting its shoulder to this task. I am confident that this is exactly what we as a Board can expect.

Vice President's Report

Mr. Jeff Ulliman expressed gratitude for his new role as Vice President for Business and Finance and welcomed this new opportunity to contribute to the future improvements and successes of the university.

Mr. Ulliman offered the Board a review of the key financial metrics used by the University to monitor and assess its financial health. Annual Financial Metrics are reported in November and incorporate University reserve levels, operating performance and debt levels to compute the various ratings, composite scores, or ratios. The Board also receives and reviews Board Financial Measures and Interim Financial Metrics as part of their oversight process. All 2015 measures provided were without the effect of the recent pension standard. This practice is consistent with the State of Ohio's view and will be maintained until new standard measures are developed that better incorporate the financial impacts of the pension reporting changes.

As part of a university emphasis on controlling operating expenses, Mr. Ulliman described the strategic hiring process. The goal of the strategic hiring process is to utilize attrition to strategically reduce the personnel budget and ultimately fund all the highly prioritized positions at the university not currently base budgeted. Under this process, when a department or division makes a decision to hire they provide the strategic hiring committee metrics and rationale for the position which include current staffing levels, benchmarking, and programmatic priorities. While natural attrition is neither controllable nor predictable, the strategic hiring process is showing success with aligning staffing levels at the appropriate level and lowering costs.

Other initiatives in place to control expenses include utilization of the Centralized Space Planning and space review process to maximize utilization of space and to guide capital expenditures. Monitoring is in place for non-personnel spending and for review of large pockets of expenditures such as student employment, fee waiver scholarships and procurement card expenses. All of these areas are being analyzed for cost savings.

Calendar Year 2015 Annual Investment Performance

Due to weather cancellations on the east coast, Mr. J.P. Cavaliere from SEI was unable to be in attendance to update the Board on the year end investment report. The briefing has been rescheduled for February.

1. Approval of Expenditures over \$500,000

Ms. Gheretta Harris, executive director business services, reviewed the expenditures over \$500,000.

Vendor	Description of Services	Contract Amount	Term of Contract
Good Samaritan Hospital	Real Estate Lease	\$895,353	8/1/15 – 7/31/25
Perkins and Will	Update the University Master Plan	\$650,000	Until 1/31/16
Push, Inc.	Brand Identity and Marketing Services	\$522,200	Until 12/31/16

Trustee Broner noted a potential conflict of interest with the approval of the contract with Good Samaritan Hospital and elected not to participate in the discussion or approval process.

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;

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:

FY16 Efficiency Initiative Update

Ms. Tina Heigel, university controller, reviewed highlights of Wright State's FY16 Efficiency Initiative Report. The Chancellor of Ohio Education has appointed a standing Efficiency Advisory Committee to request annual reports from each state institution outlining their efforts to optimize efficiency and create cost savings. Preparations for Wright State's report included the collection 238 responses from academic and administrative units across campus showing an aggregate value of almost 12 million

dollars in efficiencies or cost savings. Out of 40 categories of efficiencies captured in the state report, Wright State had 6 efficiencies selected to be highlighted in the final state report because of their new or unique approach to best practice.

The meeting was adjourned at 2:57 p.m.

Respectfully Submitted,
Deborah Kimpton