

**Finance Committee
Meeting of August 12, 2016**

Minutes

Present: D. Fecher, C.D. Moore, G. Ramos

Guests: T. Heigel, D. Kimpton, N. Lasky, S. Sherbet, T. Sudkamp, J. Ulliman

Mr. Fecher called the meeting to order at 8:30 a.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.

Committee Chair Comments

Trustee Fecher presented a proposed calendar of 2016-2017 Finance Committee meetings. The Finance Committee announced a change in schedule given the current financial condition of the university and the need for careful planning of university finances. The Committee will meet 9 times (monthly) by adding five additional meetings to supplement the four regularly scheduled Committee Days.

The Finance Committee has an ambitious agenda for fiscal year 2017 – an agenda highlighted by a few important items. Our agenda for the year includes working with the Administration on the following:

1. Developing a means for measuring financial performance on a monthly basis to ensure the university does not overspend its revenue sources.
2. Enhancing transparency of WSU's financial position by making financial information available more frequently to university stakeholders.
3. Reviewing and revising, as appropriate, WSU's Financial Governance Policy, created in 2003. The current financial policy was approved in 2003 and is in need of updating. An effective financial policy should provide guidelines for ensuring a sound financial base is in place to support the university's academic mission.
4. Reviewing and revising, as necessary, WSU's Investment Policy Statement. Although the Finance Committee will consider a change to the Investment Policy at today's meeting, the Finance Committee still intends to conduct a

comprehensive review of the policy in FY2017 to ensure it meets the challenges of a changing financial environment.

Mr. Ulliman and the Budget Office have been asked to develop new tracking methods and reports to further enhance financial performance measurement and reporting. Today's agenda includes the presentation of those report templates and a review of Wright State's current investment and financial policies.

Financial Performance Measurement and Reporting

Mr. Ulliman, vice president for business and finance and chief financial officer, introduced the new templates and reports that have been developed.

The first template is a "Budget Analysis and Reforecast" report. This report is a condensed profit and loss statement comparing revenue to expenses. Starting with the 2017 adopted budget, it provides a look at what the "projected budget is to date" compared to actual. The projection was built taking into account prior year benchmarks and timing. Deviations between budgeted and actual that occur can be addressed with budgetary revisions or new forecasts as needed. The strength of this report lies in incremental tracking offering the potential to make budget course corrections when appropriate versus delaying to year end to determine the overall impact of positive or negative budgetary changes.

Various factors can influence revenue and expenses for 2016-2017 such as changes in enrollment numbers, a positive or negative investment market, and the costs associated with the Voluntary Retirement Incentive Plan. Mr. Ulliman reported on a one-time year end charge off of \$4.5 million attributed to Wright State Applied Research Corporation (WSARC) that will affect this year's profit/loss statement. This expense is an accumulation of underfunded personnel costs at WSARC dating back to 2010 due to contracts created with less than full overhead rates. All WSARC contracts are now based on full overhead rates to alleviate any further reoccurrence.

The second template discussed is the "Budget Analysis and Reforecast Budget to Date" report. This report is a cash flow monitor that will be tracked on a monthly basis. A newly developed "Cash Flow Forecast" report compares expenses and revenues in fiscal year 2017 to the same "month" and "year to date" in 2016. This report tracks expense and revenue cycles and is used to match available cash on hand to meet expenses without the need to access reserves.

Unanticipated expense disbursements or revenue gains; not planned for in the operating budget, can impact cash flow and the bottom line. Mr. Ulliman outlined several such disbursements that will impact 2016-2017. These include life/safety projects, replacement of the Russ Engineering building's roof, additional capital constructions costs associated with the Creative Arts Center, and the loss of anticipated revenue associated with the cancellation of the Presidential Debate. On the revenue side, the Ohio Department of Transportation (ODOT) will be making a payment to Wright State for use of the Salt Storage facility and pledge payments tied to the Creative Arts project should begin shortly.

Mr. Ulliman presented the investment reports for June 30, 2016 to the Board for review. This report will be filed with the written records.

1. Review of Investment Policy

Mr. Steve Sherbet, university bursar and director of treasury services, presented proposed changes to Wright State's Investment Policy governing Investment Funds. The proposed modifications are to broaden-out asset allocations and shift the portfolio to more conservative investments with the goal of asset protection. With Wright State's current level of reserves, it is important to manage risk with a conservative investment strategy.

After review, the Finance Committee recommended bringing the following resolution to the Board for consideration.

RESOLUTION 17-

WHEREAS, the University has a current investment policy for its Investment Fund that is designed to maximize returns while maintaining an acceptable level of risk and the ability to meet cash flow needs, and

WHEREAS, the University in conjunction with its external investment advisor has performed a review of this policy for the purposes of lowering risk to preserve capital; broadening the Fund's asset allocation ranges to accommodate changes to the University's cyclical cash flows; provide flexibility by repositioning funds to more stable investments; and adjusting policy language to obtain certain administrative updates to the policy, and

WHEREAS, the University has identified certain modifications to the non-endowment investment policy as described in the attached modified policy that reflects the foregoing, therefore be it

RESOLVED that the attached Investment Policy Statement dated August 12, 2016 as amended in this meeting be approved, and be it further

RESOLVED that this resolution supersedes Resolution 15-7.

I offer this Motion:

Is there a Second:

Roll Call Vote:

Review of Board Financial Policy

Trustee Fecher commented on Wright State's current Financial Policy dated June 13, 2003. He compared a financial policy to a set of highway guardrails. Guardrails are designed to keep motorists from deviating too far from safety whereby financial policies help universities steer through complex financial decisions. Based on the multitude of changes impacting higher education over the last fourteen years, his recommendation is for the Board to take the time to review and revise the current policy to reflect the changes to higher education and guide future financial decisions. This review should include a look at best practices and consideration of the size and complexity of Wright State University as it currently stands. The Finance Committee is recommending that the review and revision be undertaken.

The meeting adjourned at 9:31 a.m.

Respectfully submitted by

Deborah Kimpton

2. Special Executive Session

Call to Order

The meeting of the Finance Committee of the Wright State Board of Trustees was called to order by Mr. Douglas Fecher, chair, on Friday, August 12, 2016, 9:45 a.m. in the Wright Brothers Room, Student Union. Dr. Robert J. Sweeney, secretary to the Board of Trustees, called the roll:

Present

Douglas Fecher
Grace Ramos

Absent

Vacant position of yet unnamed Trustee

Proof of Notice of Meeting

Mr. Bridges reported that this meeting was called by written notification and a quorum was present.

Executive Session

In accordance with amendments to the Ohio Open Meetings Law, the Board, after a majority of a quorum and by roll call vote, determined to hold an Executive Session by offering the following resolution:

RESOLUTION 17-4

RESOLVED that the Wright State University Board of Trustees has agreed to hold a Special Executive Session on Friday, August 12, 2016; and be it further

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

- Purchase or sale of property
- Negotiation plan

Mr. Fecher moved for approval. Ms. Ramos seconded and the motion was unanimously approved by roll call vote.

Adjournment

The Special Executive Session adjourned at 10:20 a.m.