

**D. Finance Committee**

Mr. Fecher, chair, will report on the committee meetings on March 3, 2017 and April 7, 2017.

**Finance Committee  
Meeting of March 3, 2017**

**Minutes**

**Present:** M. Bridges, D. Fecher, S. Fitzpatrick, C.D. Moore, G. Ramos

**Guests:** C. Bajek, T. Heigel, J. Hensley, D. Kimpton, N. Lasky, K. Ralston, S. Sherbet, T. Sudkamp, R. Sweeney, J. Ulliman

Mr. Fecher called the meeting to order at 9:00 a.m. and offered the following comments.

**Committee Chair Comments**

Let me begin by being candid and frank with you. The University's financial situation remains urgent and has not improved materially from our last meeting. As of today, the year ending cash projection of reserves is just \$26 million. Revenues did not meet expectations in this academic year and some business units continue to overspend their allotted budgets.

A \$26 million reserve level is razor thin and not sustainable. It has to be corrected. As a result, it is critical that this committee forward a budget to the Board of Trustees in June that is a balanced budget with a budgeted surplus for rebuilding critical reserve levels. To achieve such a budget will require approximately \$25 million in reductions in the coming year. Budget reductions must be made while focusing relentlessly on the University's core academic mission. While this does not necessarily mean that academic units can be spared scrutiny, it is true that increased attention must be paid to administrative expenses, which by necessity, must be absolutely lean going forward.

There are hard decisions needed to balance all of the important aspects of our university. The academic mission, the cultural needs of our students, all of the things that we do here as a world class university have to be taken into account, but we cannot continue to overspend budgets. These decisions will be difficult but they have to be made for the best interests of our students and our university. Before the end of this academic year, we must also begin looking for savings and move aggressively to seek savings anywhere we can; eliminating duplication of processes and services that do not add sufficient value to the University's core academic missions. We must make absolutely sure that the application process for prospective students for the coming academic year is processed efficiently and quickly to give every one of those students the best chance at choosing Wright State University as the place they want to go to school, have them matriculate over the summer, and become a part of the Class of 2021.

The fact of the matter is the Board of Trustees is ultimately responsible for the financial security of this institution. The administration is responsible for the financial performance that builds that financial security. We exercise as a Board our financial authority through

this Finance Committee. It is clear that we as a university, all of us, no matter which constituency we represent must come together to solve this issue as one. We must operate with a renewed sense of accountability and discipline to correct these financial issues. While in the long term we will all have an opportunity, together, to set around a table and focus on strategy and opportunities for revenue and how we'll run this University in the future, the fact of the matter is in the short term we have to fix the financial issues. We will find ourselves under new leadership in just a few months and that will give us an opportunity to work together towards building this great university to become an even greater university in the future. But we have to get through the short term financial issues we have first.

Today we will receive updates on our cash position that will highlight what I have just said about our budget performance for this year. I would like to use this meeting to begin talking about the hard choices we will need to make in the short term, especially regarding the upcoming budget.

### **Conflict of Interest Statement**

Trustee Fecher read the conflict of interest statement and reminded the Board members of their obligation and duties.

### **Investment Report**

Mr. Steve Sherbet, university bursar and director of treasury services, reported on the investment reports for the month of February 2017.

There was discussion on liquidity and the impact of rising interest rates on fixed income investments. The Board requested an analysis of holding costs versus conversion costs in terms of lost interest or the potential effect of increased interest rates on investment value.

A project is underway to research various university investment policies and best practices. Dr. Fall Ainina, professor of finance, is overseeing a group of graduate finance students who will present their findings to the Finance Committee later this year.

### **Board Financial Policy**

The Board's Financial Policy was last updated in 2003. A revised draft has recently been completed and will be forwarded to the Finance Committee members and the full Board. The Board plans to then release the document to the University community for input, comments, and suggestions.

Once all comments are received, an updated draft will be presented to the Board for action at the end of this academic year or early next academic year.

Proposed changes to the 2003 policy include more measurement, oversight and ratio

analysis of the University's finances to create an "early warning system" of trends effecting the institution to allow for quicker corrections.

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

Mr. Jeff Ulliman reviewed the cash flow forecast and revenue reports for January. Revenue projections were the same as noted in December with no additional sources of revenue. The first payments have gone out for the Voluntary Retirement Incentive Plan (VRIP) which triggered an expense move from the VRIP line item to the payroll line item for this month. Trend data for other expenditures remained about the same.

All in all, the forecast from a cash flow perspective is just under a \$40 million net outflow. This is above our operating budget expectation to use \$16 million in reserves. The difference in the negative variance is attributed to tuition being down, the cost of the VRIP, the additional capital costs not outlined in the budget, and the variance due to the Debate not occurring.

Enrollment over the last three or four years has been flat. Projections for next year are currently flat, which may even be optimistic.

Trustee Fecher asked for an explanation of the variance between the previously planned use of \$15.6 million and the current expectation of almost \$40 million in reserves needed to balance the budget.

Mr. Ulliman offered the following explanation. Over the last few years, overspending was the driver behind Wright State's current budget situation. The primary areas of overspending were unbudgeted expenditures for personnel, for capital projects, and for initiatives that were expected to grow enrollment. In addition, corrections to reduce expenditures were slow to be made when tuition revenue fell.

A question was raised about the implementation of adequate controls to prevent future overspending. Central oversight controls have been put in place to disapprove expenditures lacking budget support. Work is being done to raise awareness and create a culture of personal responsibility relative to overspending. The Financial Policy revision contains a new directive whereby the University cannot spend unbudgeted funds over a defined level without prior Board approval. Capital project approvals now go through an extensive review process that culminates with final written approval by both the Provost and the Chief Financial Officer.

The Board is looking for assurances that appropriate financial discipline and oversight has been implemented to insure that the University's budget will cover all expenditures and allow for the replenishment of depleted reserves. Provost Sudkamp outlined some of the expense allocation corrections in the budget remediation that have taken place. One correction was the identification and funding of \$11 million in personnel expenditures that were not previously base budgeted. Another correction was earmarking scholarship budgets to support scholarship expenditures that were also previously not funded. Mr.

Ulliman reiterated that processes are now in place to insure that personnel costs remain fully funded when hiring or other compensation adjustments are made.

Mr. Ulliman was asked to describe how the University is making cuts to balance the budget while prioritizing and protecting the core academic mission. Provost Sudkamp and Mr. Ulliman met with the Cabinet and the Council of Deans on March 3<sup>rd</sup> to review a plan that was shared with them earlier. Each vice president or dean will gather data from their colleges or divisions outlining duplicate services, redundancies, potential for mergers, consolidations or discontinuations. Next they will complete an exercise prioritizing services based on the University's mission keeping in mind areas, programs or services to modify or eliminate that no longer support the academic mission of Wright State. From here, each area will each submit two reduced budgets utilizing 5% and 15% reductions. The Provost and CFO will incorporate these submissions into the FY 2018 budget. The Board and the University agree that the preservation of the core academic mission is the number one priority.

The Board asked that a realistic balanced budget be presented at the April 7<sup>th</sup> meeting. Trustee Fitzpatrick reminded everyone that enrollment projections are flat, severance costs need to be incorporated into any budgetary planning, and provisions should be taken to plan for any surprise capital expenditures. EEOC considerations will be taken into account to minimize any disparagement when addressing potential reductions in personnel. Provost Sudkamp discussed this year's budget reduction. Reductions were not across the board but were most heavily weighted towards service units, not the academic units. Within the academic units, reductions were also not across the board. They were based on growth or decrease in student credit hours.

There was a long discussion around the issue of expedience. Time is running out to protect the remaining cash reserves and the University's cash flow. A new president will be named shortly and will be assuming her position on July 1<sup>st</sup>. The Board indicated the importance of having all corrective measures in place prior to her arrival to address overspending, create financial discipline, exercise control, and insure personal accountability. In addition, there needs to be a uniform campus wide understanding of financial metrics and measurements to insure that everyone speaks with the same voice. The Finance Committee agreed to take the lead to improve transparency and assist in reconciling financial metrics to make them cross-referenceable and readily understood by all.

Trustee Moore asked Mr. Ulliman how we get accountability with "teeth"; meaning that it carries with it consequences for lack of compliance. While there is currently not a process in place, the Board indicated their support for the implementation of such a policy to insure that all budgets are treated responsibly or there would be consequences brought against individuals acting without budgetary regard.

### **Thoughts on the 2018 Budget**

Mr. Fecher thanked Provost Sudkamp and Mr. Ulliman for their frank comments and

asked for insight into the fiscal year 2018 budget plan. To implement a \$25 million reduction will take some major changes. Provost Sudkamp reiterated that the memo recently shared with the Deans and VP's asked for their input on merging or consolidating units and programs and the identification of areas for centralization to create more efficiencies. Priority based budgets will be implemented to better support students and their academic needs while eliminating services or programs "nice to have" but not essential to the mission.

### **International Enrollment**

Wright State lost 400 international students this year which equated to a \$10 million reduction in tuition revenue. Trustee Fecher asked what impact international politics had on this reduction and whether process or policy at Wright State contributed to this decline. Dr. Sudkamp indicated that the majority of Wright State's international enrollment is derived from India, Saudi Arabia and Kuwait. Last year the Saudi government changed their policy whereby they would only support students who were attending the top 50 programs in the country. This decreased Wright State's 2016 Saudi enrollment by 38% (loss of 182 students). The Kuwait government is no longer supporting students at Wright State which decreased Kuwait enrollment by 28% (loss of 50 students). The change in currency in India has impacted the affordability of foreign study for Indian students. Overall, the enrollment from India also fell by 21% (174 students).

Wright State's University Center for International Education (UCIE) is currently under the direction of an interim associate vice president. A national search is underway to identify for a permanent replacement with finalists on campus soon. One of their most important charges will be the development of an international recruitment plan that expands recruitment efforts. The goal is to avoid a concentration of international students from so few countries. Dr. Henry Limouze, interim associate vice president for UCIE, will speak about Wright State's international enrollment at the Committee Day meeting in April.

Wright State's ability to provide a timely response to international student applications was an area of concern. International students expect acceptance and admission information within a 24 to 48-hour window and will look elsewhere if these needs are not met. Dr. Sudkamp indicated that UCIE recently revamped their operations to improve processing and responsiveness. A new CRM system streamlined applications, allows for more personalization, and the accelerated release of I-20's.

Competing for international students is highly competitive and centers around cost. Wright State ranks among the most expensive schools in Ohio for international students based on out-of-state tuition rates for graduate students. Having more funds available to offer scholarships to international students would increase our competitiveness.

### **Moving Forward**

The Trustees indicated that future budgets brought before the Board must be balanced and have sufficient assets to grow and replenish reserves. Mr. Ulliman indicated that the

proposed \$25 million in budget reduction does contain a provision to replenish \$4 to \$5 million in reserves.

Trustee Fecher remarked on the detrimental effect of continuing financial challenges. This budget situation impacts Wright State's brand and reflects negatively on students considering Wright State as the place they want to be. Everyone across the campus community has a part to play in protecting the brand and supporting the budget remediation process. Now is the time everyone must work together to grow enrollment by attracting new students and continue to support our current students. Now is the time to emerge stronger and make Wright State the place to be.

The Board offered their appreciation and thanks to Provost Sudkamp and Mr. Ulliman for all their time and efforts spent addressing the financial challenges. Trustee Fecher reiterated that the administration has the support of the Board of Trustees but it is going to be a different type of support. It's going to be a lot more pointed. He asked that "they prove to us because we hear better than we see. Prove to us that the overspending is going to be put under control. Prove to us that we're going to work on the revenue side and get the processes fixed so that we can capture every student that we can capture. We have to get it done. We have to maintain the core academic mission. We owe nothing less to our students".

The meeting was adjourned at 10:11 a.m.

Respectfully submitted,

Deborah Kimpton

**Finance Committee  
Meeting of April 7, 2017**

**Minutes**

**Present:** M. Bridges, D. Fecher, S. Fitzpatrick, J. Large, C.D. Moore, W. Montgomery, R. Pignatiello, G. Ramos

**Guests:** F. Ainina, C. Bajek, L. Chan, R. Fyffe, T. Heigel, J. Hensley, D. Kimpton, N. Lasky, C. Loranger, C. McCray, K. Ralston, S. Sherbet, T. Sudkamp, R. Sweeney, J. Ulliman

Mr. Fecher called the meeting to order at 8:02 a.m. and reminded the Trustees to be aware of any conflict of interest and take the steps they deem appropriate.

**Comments from the Chair**

Trustee Fecher thanked everyone for attending the Finance Committee meeting and offered the following remarks.

Today the Board of Trustees will take the first steps towards a new process for developing and adopting a balanced budget for the coming year. I will describe the revised process in a moment. First, I'd like to acknowledge again the financial situation we find ourselves in at Wright State University.

It is no secret that the current state of our financial situation is dismal. Reserves are precipitously low, expenses are exceeding revenues, and enrollment and retention figures are below expectations. We are faced with an extraordinarily difficult situation, but it is mostly one of our own making. While there are many reasons for our current situation, and no shortage of blame to go around, I think I like the words our Interim President Dr. McCray used in his first message to the Wright State community two weeks ago, when he described his view of how we got here: bad judgment, lassitude, bad luck, and yes, aspiration – hoping for too much. Dr. McCray is right. All of these contributed to bad decisions and a lack of responsible vigilance over our finances. And now we have no choice but to correct those decisions and begin the long road to repairing our university.

The situation we find ourselves in today did not occur overnight, and it will not be resolved overnight. Indeed, the warning signs have existed for many years, hidden early on perhaps by our robust financial situation at the time. Still, the signs were there, and leadership was lacking by not paying more attention to the clouds on the horizon and making changes much earlier than today. We allowed decentralized overspending to continue on nothing more than promise and hope - hope that the future would bring new revenue and new enrollment which did not occur. In one sense the changes we need to make today are really changes that should have been made in smaller doses over the past several years, but weren't. And now we're forced to make them all at once, with what

should have been an orderly alignment of expenses to revenues now forced into not having much choice at all.

As your Finance Committee Chair I want to acknowledge the apprehension on campus, the low morale, and yes, even the anger and in some cases disgust. These are all deserved. I understand there is a student demonstration planned for today. To be honest, I can't say that that I blame them, and in another day it is likely I would have joined them under circumstances like these. These students are our focus, the reason we all come to work every day, and the reason my fellow trustees and I volunteer to serve. We must keep the quality of our academic mission our first priority and act accordingly. It is time we pay the piper for our inaction and turn this university around. Also, as Dr. McCray has said, the solutions to our problems rest distinctly with us, and nowhere else. There is no entity outside of WSU that can solve our problems.

So let's get started.

We as a board have been working to correct many of the weaknesses that have brought us here. We have implemented new policies, demanded greater transparency, increased our meeting schedule, set stronger expectations, met with constituency groups, and started the process of improving communication. But we have a lot of work still to do.

One aspect we'd like to improve is the process by which the university develops its budget. In past years a final budget was presented to the board in a workshop held each June. For many stakeholders, this was the first look at an extremely important document. The process left little time for comment and debate. It was a hurried process without much room for input and investigation. We look to change that this year.

After we review our standard reports and hear an update on a proposed financial governance policy in the first part of today's meeting, we will begin working on our budget for 2018. The Board of Trustees has asked for a balanced budget for 2018 and one with a surplus of at least \$5 million to begin replenishing reserves. We want the budget to be conservative on the revenue side so that we are better prepared if revenue sources don't meet projections. We want a budget that is realistic in its assumptions. And we want assurances that expenses will be actively managed to be aligned with revenues so we can begin digging out of this hole. Indeed, we simply must stop the overspending of revenues that has built this problem over the years.

Today we will hear from our administration a framework for upcoming budget deliberations. This framework will describe actions and categories for realigning our budget to expected revenues. This gives trustees the opportunity to ask questions, comment, sort through priorities, and help Dr. McCray as he goes about the difficult task of producing a balanced budget for next year. It also gives the community a chance to comment and to understand where we're headed.

Dr. McCray and his team will take the information we discuss today and put together a draft budget for discussion at our next Finance Committee meeting in May. This draft will

be a complete budget ... a first look at expected revenue streams and related expenses for the coming year. This will be the board's second opportunity to ask questions, make comments, and offer input. The information gathered will be fine-tuned for a final presentation at the June Budget workshop. By then we will know what our budget will look like, the parts we like about it, and the parts we don't like about it. But we will all know – the entire community. And while I don't fool myself that everyone on campus will agree with the budget decisions the board will make that day, we will have provided a more transparent process so that the campus can at least understand how the budget was created and the thoughts that went into it.

And that leads me to my final opening comment today. It is a theme I've repeated often and one I'd like to advocate for again. That message is this: Please remember we are one university, all of us, all together, no matter which constituency we represent – board, students, faculty, staff, retirees, alumni, or community.

We share the same lofty goals for our university and the life changing difference we can make for our students. Even as our ideas may differ on how best to accomplish this task.

We will most certainly disagree over this budget and the actions called for therein, and with great passion. But I urge that despite our different views on how to move forward, all of us find it within ourselves to respect the process, respect the debate, respect our differences, respect the changes we need to make, and above all respect each other no matter that we won't always see eye-to-eye.

We cannot well survive this difficult time if we retreat to our own corners and stop listening to each other. We must continue to work together in these toughest of times if we are to ever enjoy the successes that come with the best of times. I am open to discussing anything with anybody, to learn their ideas and how they may differ from my own. We must put parochial interests aside and in the end act in the best interests of our students. For if we can do this, we will begin rebuilding trust, and transparency, and collaboration, and all that it takes for a complex organization such as WSU to succeed.

Please remember we are all ambassadors of our university. Despite our financial woes this day, we must remember that Wright State University continues to offer a life-changing educational experience and one of the best values in the State of Ohio. The quality of the education we provide remains second to none. Students and prospective students have every reason to choose Wright State University, and all of us have an obligation towards our university to get that message out. Wright State University isn't going anywhere and we are all in this to succeed and grow.

To close my remarks I'd like to highlight the opportunity I believe our current difficulties may be hiding. We have a committed interim president to help us right the ship. Our next president starts work in less than three months. A new culture of teamwork and transparency is coming into being. A new day lies just beyond horizon if we have the courage to get ourselves there.

You know, I am reminded of a quote by Nathan Rothschild who is reputed to have said: "Great opportunities arise not when the violins are playing in the ballroom, but when the bombs are dropping in the harbor." Our greatest opportunities are likely to be uncovered precisely because we weathered this storm, and we will once again be the kind of university we all aspire to for our students – a university of promise. I believe that with all sincerity and with 100% certainty. I hope you do to.

It's time to get to work. Thank you.

## **Financial Performance Measurement and Reporting**

- **Cash Forecast Report:**

Mr. Jeff Ulliman, vice president and CFO, reviewed the Cash Forecast report. There have been some minor tweaks in the "Student Payments and Other Receipts" line to more adequately estimate the non-student payments. In other lines, not much has changed. The one time funds for the Pepsi pouring rights agreement, ODOT payments for the salt storage facility, and the revenue for the sale of the Yellow Springs property remain the same as noted in March, as does the adjustment for the loss of the Presidential Debate revenue. Overall, revenue is up about \$1 million relative to the March report.

On the outflow side, the expenses for the VRIP attrition have been consolidated into the Payroll Related expense line. Payroll expenses are down about \$1million. However, benefit expenses are higher than expected due to higher health care claims. This increase is being investigated further.

Expenses for operations have declined slightly. Debt service remains constant. Other changes have occurred this month in the category "Presidential Debate and Other" relative to "Other". There was a program review performed about a year ago by the Department of Education. The findings requested the return of some federal financial aid funds which could amount to \$1.6 million in additional cost. This potential liability has been incorporated into the March report.

Construction expenses remain the same with one change. An entry was added for the replacement of the Millett cooling tower. While this expense is covered by a DP&L rebate, the funds were received in FY 2016. Overall the expected cash outflow is a little worse but it is predominately driven by the potential return of federal funds.

Mr. Fecher asked where our cash balance will be at the end of June 2017. Mr. Ulliman said that currently the cash and investment balance is \$26 million. Without the second round of budget cuts, the liquidity balance would drop to \$10 million in July 2017. Continuing further into 2018 without budget remediation, the June 2018 cash and investment balance is projected at a negative \$6 million. This is worst case scenario and will not happen because budget cuts are being implemented.

- **Wright State Budget Report:**

This report compares the adopted budget to actual revenue receipts and actual expenses reported to date. Variations between budget and actual highlight overspending and areas for budget remediation.

Looking at the revenue side of the report, the University has collected all expected tuition and fees for the year. With the decrease in international enrollment, there is a \$9.4 million shortfall compared to the original budget expectation. Wright State received \$3.2 million in state appropriations beyond the initial budget and grants are expected to come in as budgeted. Investment income is performing well despite the decrease in the portfolio and is projected to finish over expectations. The impact of the Debate cancellation left a shortfall in projected revenue.

The Budget Report shows that revenue projections are down roughly \$13.2 million which is predominately driven by the shortfall in enrollment previously discussed.

Looking at the expense side, compensation expenses are expected to exceed budget by \$7 million. The driver for this overage is the full cost of the VRIP payouts expensed in this calendar year even though structured payouts will occur over the next two years. Contracted labor/professional services are higher than predicted mostly due to legal expenses. Other expense areas are tracking well and scholarships/fellowship expenses are less than budgeted.

Overall, the Profit and Loss report shows a net negative variance from budget of about \$14.8. This, combined with the projected \$15.6 million use of reserves stated in the original budget, equates to a shortfall of about \$30 million.

A question was asked about the systems of accountability for units that exceed their budgets. Wright State's decentralized system makes it difficult to oversee every aspect of spending. However, budget checks have been implemented at the central level for procurement. For personnel expenses, the strategic hiring committee and the emergency hiring committee have control and oversight over hiring. Credit card purchases are being monitored on the department level.

Trustee Bridges indicated that the Board is looking for assurances that once the FY18 budget is finalized and approved, there will be no further overspending or disregard of budget parameters. Mr. Ulliman indicated that there has been a culture shift with recognition of the severity of the financial problems and a campus-wide commitment through budget managers and others to adhere to rigorous controls to stay within budgets. Dr. McCray and Provost Sudkamp reiterated the full support of the administration and a commitment to hold Dean's or Vice Presidents accountable for budgetary oversight in their areas.

Trustee Moore spoke about two "big knobs" to turn; namely, revenue and compensation. Revenue is derived from enrollment. Employee compensation accounts for 70% of the budget. Managing these both of these areas is imperative.

## **Board Financial Governance Policy**

The draft Financial Policy complete with comments received from faculty, staff and administrators was shared with the committee. The Finance Committee would like to set up a Finance Committee workshop open to everyone to discuss the draft Financial Policy. Mr. Fecher invited the campus community to review the current draft and send additional comments to Mr. Ulliman for incorporation into the committee's review.

## **Investment Report**

Mr. Steve Sherbet, university bursar and director of treasury services, updated the Board on the February 28, 2017 investment report. The report was distributed to the Trustees and will be filed with the written records.

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

Mr. Keith Ralston, associate vice president for financial and business operations, presented contracts over \$500,000 under consideration and answered Board questions.

The Board had a discussion about the use of temporary personnel, especially in terms of pending layoffs, and what role temporary personnel play in supporting the University. Contracts dealing with temporary personnel were tabled pending a review of the prioritization and utilization process for temporary staffing.

The University enters into contracts through an outside bid process and is part of the Inter-University Council (IUC) to aggregate university buying power across the state.

Moving forward, Trustee Fecher called for a reevaluation of the contracting process. The Board is requesting a tighter process and more details to manage the appropriate level of scrutiny and control over what they are approving.

The following contracts are before the Board for approval.

<b><u>Vendor</u></b>	<b><u>Description of Services</u></b>	<b><u>Current Contract Amount</u></b>	<b><u>Previous Contract Amount</u></b>	<b><u>Term of Contract</u></b>
Wright State Physicians	Professional Services	\$7,400,000	\$6,700,000	7/01/16 – 6/30/17
Dayton Power and Light	Electric Distribution and Line Charges	\$925,000	\$975,000	7/1/17 – 6/30/18
Interstate Gas	Natural Gas	\$650,000	\$550,000	10/1/16 – 9/30/19

City of Fairborn	Water and Sewer	\$700,000	\$700,000	7/1/17 – 6/30/18
Delta Dental	Dental Insurance for Employees and Dependents	\$2,000,000	\$1,836,000	1/1/16 - 12/31/19
Securian (formally Minnesota Life)	Group Life Insurance and AD&D	\$640,000	\$663,000	7/1/12 – 12/31/19
Marsh USA Inc.	Casualty and Property Insurance for the University	\$600,000	\$600,000	7/1/17 – 6/30/18
Alpha & Omega	Custodial Services	\$932,000	\$967,000	7/1/16 – 6/30/19
Wright State Physicians	Professional Services	\$10,000,000	\$7,400,000	7/1/17 – 6/30/18
Ohio Bureau of Workers Compensation	Worker's Compensation Premium	\$500,000	\$500,000	7/1/17 – 6/30/18
Ellucian Company LP	Banner ERP System	\$765,000	\$731,095	10/1/14 – 9/30/19
Chartwells	Hospitality – Food Service	\$750,000	\$1,500,000	7/1/13 – 6/30/23
Pepsi	Pepsi Products	\$600,000	\$1,500,000	7/1/16 – 6/30/26
Xerox	Printing Services and Equipment	\$1,260,000	\$2,000,000	2/1/14 – 1/31/20
The Ohio State University	OhioLink	\$2,000,000	\$2,000,000	7/1/17 – 6/30/18
EBSCO Publishing	Periodical Subscription Services	\$950,000	\$950,000	7/1/17 – 6/30/18
Double Bowler Properties	Leased Properties	\$2,200,000	\$2,200,000	7/1/17 – 6/30/18
To Be Determined	Construction of Agriculture/Water Quality Building, Lake Campus	\$0	\$3,073,000	5/1/17 – 6/30/18
Barnes & Noble	Student Bookstore Purchases	\$700,000	\$700,000	1/31/16 – 1/31/21
Chartwells	Hospitality – Food Services	\$5,500,000	\$5,500,000	7/1/13 – 6/30/23
AMS-Y Ltd Partnership	Residence & Housing	\$1,000,000	\$1,000,000	3/6/1991 – 6/30/2018

College Park Ltd Partnership	Residence & Housing	\$1,500,000	\$1,500,000	3/6/1991 – 6/30/2018
Group Housing LLC	Residence & Housing	\$3,600,000	\$3,600,000	3/6/1991 – 6/30/2018
Pine Hill Acres Apt LLC	Residence & Housing	\$1,500,000	\$1,500,000	3/6/1991 – 6/30/2018
The Woods Development LLC	Residence & Housing	\$5,000,000	\$5,000,000	3/6/1991 – 6/30/2018
United Health Care	Student Health Insurance	\$3,300,000	\$3,300,000	7/1/17 – 6/30/18
United Health Care	School of Medicine Student Health Insurance	\$875,000	\$780,000	7/1/17 – 6/30/18

**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:

**Report of Contracts \$250,000-\$499,999**

Mr. Ralston presented contracts between \$250,000 and \$499,999. No action of the Board is required.

<b><u>Vendor</u></b>	<b><u>Description of Services</u></b>	<b><u>P.O. Amount</u></b>
IATSE Int'l Alliance Theatrical	Professional Services for Nutter Center	\$255,780
Cadre Computer Resources	Computer Security	\$434,478
Unum Life Insurance Co. of America	Insurance Premium	\$420,000
Yankee Book Peddler	Books	\$400,000
Vision Service Plan	Vision Insurance	\$370,000

Student Legal Services, Inc.	Legal Services	\$340,000
Siemens Industry Inc.	HVAC Service	\$326,486
Compass Group USA, Inc.	Wright1 Card Reimbursement	\$325,000
State of Ohio Attorney General's Office	Collection Services	\$280,000
Unum Life Insurance Co. of America	Insurance Premium	\$275,000
Vectren Energy Delivery	Natural Gas Service	\$250,000
Push Inc.	Marketing Services	\$268,570

### **2018 Budget Realignment**

Dr. Curt McCray, interim president of Wright State University, referenced the importance of Mr. Fecher's opening comments and thanked the Board for reasserting and reaffirming their fiduciary responsibility and role in governing the institution. He mentioned that humans make mistakes and that is why we protect and mitigate human frailty with systems and controls. When we fail, we have the obligation to reassert those systems and that's where Wright State is now.

Dr. McCray came to Wright State three weeks ago at the invitation of the Board to assist Provost Sudkamp and CFO Mr. Ulliman in the development of a plan for the 2018 budget to trim \$30 million in spending and begin to replenish reserves. Moving forward, the University must adhere to a balanced budget while staying true to their mission of providing the best education for students.

Mr. Ulliman provided a review of last year's \$28 million budget realignment and those factors that make up the current budget shortfall. Wright State's actual sustainable revenues at this time are probably just less than \$300 million dollars and best estimates include a further decline in enrollment next year.

All the divisions and colleges have prepared budget scenarios utilizing a 5% reduction and a 15% reduction to their budgets. These have been shared with the Provost and Mr. Ulliman and will be incorporated into the 2018 budget plan. Mr. Ulliman presented the broad categories under consideration for reductions where spends are great enough to effect change. These categories will be further refined through additional conversations with the administrative heads of the colleges and the divisions.

Categories under consideration include:

<b>Category</b>	<b>Range</b>	<b>Estimated Savings</b>	<b>#Personnel</b>
Current Vacancies	\$3-\$5 million	\$4 million	30-50 positions
Currently Filled Positions	\$6-\$8 million	\$7 million	80-120 positions
Operations	\$7-\$10 million	\$8 million	

BSOM / Lake Campus		\$4 million
Net VRIP Savings 2018	\$6 million	\$6 million
Attrition/ non-VRIP	\$2 million	\$2 million
Grad Research Waivers		<u>\$1 million</u>
	<b>Total Estimated Savings</b>	<b>\$32 million</b>

Mr. Ulliman indicated current vacancies are positions held open by the Strategic Hiring Committee which have helped mitigate the loss of currently filled positions. When evaluating currently filled positions, efforts are being made to identify redundancies and non-essential services.

The Boonshoft School of Medicine and the Lake Campus operate under separate budgets. They are being asked to make a contribution back to the University in the neighborhood of \$4 million. A net savings of \$6 million is expected for 2018 from the VRIP. The University presently covers the cost of graduate assistant research fee waivers on grants. Shifting these actual costs to the grants for funding would save the University about \$1million in 2018. All of these categories total \$32 million in savings.

However, this is only part of the story. The state of Ohio requires certain financial metrics and liquidity measures. To reach, and maintain, these metrics in 2019 and 2020 will require intentionally rebuilding University reserves.

Direct spending is another area being curtailed to reduce expenses. An email went out to the campus community outlining operational reductions or eliminations in travel, catering, business meals, memberships/dues, replacement of computers and furniture, consulting, and cell phone allowances. Other temporary measures under consideration include the inability to spend release time for other than instruction, and as a last resort; furloughs.

Different ways of doing business are being reviewed. These include consolidations, mergers of units, and restructuring of colleges. As mentioned before, we cannot cut our way to prosperity. Enrollment is our life blood and we are working hard to attract and retain students. Mr. Ulliman thanked everyone for their patience and support as we work through this process and indicated that refined plan details will be released by the end of May.

Dr. Sudkamp also extended his thanks for everyone's hard work with the budget scenarios and outlined additional opportunities to enhance the University. Ways for the University to emerge better and stronger are being explored. Ideas being considered include reconfiguring academic units, creating new programs to attract students, and centralizing academic advising, marketing, career education/development, and student success. Enrollment and retention remain critical components. "Students First" is the basis for all decisions.

Trustee Ramos reminded the Board of the importance of the total student experience both inside and outside the classroom. Trustee Bridges spoke about Wrights State's mission to meet students where they are and our continued commitment to student

success. Trustee Fecher recognized the students in attendance today and invited them and others to be a part of this process and dialogue moving forward. He challenged everyone to share out Wright State's story for transforming the lives of students and the communities we serve.

The meeting was adjourned at 10:00 a.m.

Respectfully Submitted,  
Deborah Kimpton