

B. Finance, Audit and Infrastructure Committee

Mr. Fitzpatrick, chair, will report on the committee meetings held on October 20, 2017 and November 17, 2017.

**Finance, Audit and Infrastructure Committee
Meeting of October 20, 2017**

Minutes

Present: M. Bridges, D. Fecher, S. Fitzpatrick, S. Green, B. Langos, A. Rains, G. Ramos

Guests: C. Bajek, W. Branson, L. Chan, P. Cheng, T. Heigel, J. Hensley, D. Kimpton, N. Laskey, G. Sample, T. Sudkamp, J. Ulliman, C. Woolley

Mr. Fitzpatrick, committee chair, called the meeting to order at 9:01 a.m. and read the conflict of interest statement.

Committee Chair Comments

Mr. Fitzpatrick greeted the University liaisons to the Finance, Audit and Infrastructure Committee and offered the following comments.

The leadership team here has done a good job towards making progress on balancing the budget, improving oversight and more effectively prioritizing investments and putting the University back on the path of fiscal health. I commend all of you on your efforts along this difficult path. We are finding our way through the woods but we are not through the woods yet. Much work is yet to be done and the stakes are high. Among other things we must deliver a high quality education to our students, attract and retain top talent across the organization, and deliver on our research mission while at the same time facing the challenges of declining enrollment, reduced state funding, and flat tuition. It is a challenging task but the Board has full confidence in President Schrader and her team to deliver. Today we will hear remarks from Mr. Branson and cover a variety of other items. Now, I will turn the floor over to Mr. Branson.

Vice President Comments

Mr. Walt Branson, vice president for finance and operations and chief business officer, offered brief comments on several areas of focus for FY19. One of those areas is maximizing net tuition revenue. Net tuition is the amount of revenue gained after discounts or financial aid awards are subtracted from gross tuition charged. Net tuition is an important metric used in figuring Senate Bill 6 scores and is vital to control when maximizing tuition revenue.

Preparations are also underway to submit Wright State's Capital Budget request to the state by year-end. The focus of this request will be on repair and renovation projects to address areas of deferred maintenance.

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

Mr. Ulliman presented the following contract for Committee review and approval. Mr. Fitzpatrick moved to approve, Mr. Langos seconded and the Committee unanimously approved the contract.

<u>Vendor</u>	<u>Description of Services</u>	<u>Current Contract Amount</u>	<u>Previous Contract Amount</u>	<u>Term of Contract</u>
Children's Care Group	Professional Services	\$450,000	N/A	7/1/17 – 6/30/18

Monthly Financial Performance Reporting

- **Budget to Actual Forecast Report**

Mr. Branson reviewed the budget to actual forecast report and highlighted the areas of budget deviation. Three shortfalls were identified. The \$4.8M deficit in tuition and fees remains unchanged from last month, as did the budget shortfall of \$2.2 previously discussed. A new deficit amounting to \$3.5 million in scholarship and fellowship expenses has been identified. An underlying factor for this deficit occurred because, per written policy, tuition waivers for graduate students working on grant-funded projects that received the full "F&A rate" are automatically expensed to the University instead of to the grant.

A discussion ensued about fee waivers that exceeded actual budget allocations and steps to alleviate the overage. An amended written policy whereby all waivers, where appropriate, will be expensed against grants is under review in the Faculty Senate. Moving forward, for all non-reimbursable waivers requested, there will be a priority ranking and "budget against actual" accounting to avoid overspending the available waiver budget. The Committee supported these changes.

Follow-up discussions included protecting the graduate student research experience and the need to preserve and maximize net tuition revenue as Wright State already ranks among the most affordable tuition in the state.

A \$10.5 million budget remediation plan was presented. The plan included \$1M in net savings from Summer teaching expenses, \$1M in discretionary budget reductions, and \$8.5M in compensation savings to be realized

through the elimination or delayed filling of vacant positions.

The Committee debated the merits of a total hiring freeze versus a “hiring frost” which identifies health, safety, compliance, or “mission essential” personnel for rehire. Trustee Fitzpatrick requested that the Committee receive monthly tracking with total balance to remediate per category, balance yet to remediate pro-rated by month, and total of savings per month and YTD as well as the recalculated total left to remediate per month and YTD. Trustee Ramos reminded everyone to be mindful of diversity and inclusive hiring both on the Strategic Hiring Committee and in the hiring process.

Across the state, enrollments are down and have showed declines for some time. The next big reporting milestone will be tuition and revenue numbers coming out in January. To balance the budget, Wright State needs to meet its Spring revenue targets and continue to avoid overspending.

1. Ohio Department of Higher Education Affordability and Efficiency Report

In 2015, Governor Kasich created a taskforce to address Ohio’s affordability and efficiency in higher education. Beginning in 2016, all institutions of higher education were required to prepare an annual report for the Ohio Department of Higher Education outlining their efforts in 23 specific areas. This year’s report needs final Board approval and was due October 13, 2017.

Dr. Dan Krane, chair of Wright State’s taskforce on Affordability and Efficiency, briefed the Board on Wright State’s 2017 report. The 37-page report addresses four areas of concentration; namely, efficiencies, academic practices, policy reforms, and redeployment of savings. Several areas of note under “Academic Practices” include the work being done on textbook affordability and the move to cap degree programs at 120 hours wherever possible.

Trustee Fitzpatrick commended the taskforce on their efforts and the quality of their report. He reiterated the need to continue tracking savings and assigning accountability metrics to monitor progress.

After questions and discussion, the Committee accepted the report and recommended that a section be added outlining potential savings in the area of Nutter Center management. With this modification to the report, the Committee moved the following resolution to the full Board for approval. The report presented today, as outlined at the November 17, 2017 Committee meeting, does contain the modification requested.

RESOLUTION 18-

WHEREAS, Am. Sub. H.B. No. 64, Section 369.560 requires that all Boards of

Trustees for each state institution of higher education shall develop an efficiency review of the institution based on the recommendations of the Ohio Task Force on Affordability and Efficiency; and

WHEREAS, the review considers:

- (1) Efficiencies;
- (2) Academic Processes;
- (3) Policy Reforms; and
- (4) Cost Savings, Redeployment of Savings, and Tangible Benefits to Students; and

WHEREAS, not later than October 13, 2017, the Board of Trustees of each state institution of higher education shall submit the reports required under this section to the Chancellor of the Ohio Department of Higher Education; and

RESOLVED that the attached Wright State University Affordability and Efficiency Report as submitted to this meeting be, and the same hereby is endorsed.

I offer this motion:

Is there a second:

Roll Call Vote:

- **Consulting and Professional Services Contracts**

At the request of the Trustees, the report outlining consulting services over \$50,000 paid out in FY17 was expanded to include professional services, contract beginning and ending dates, and total contract amount. Mr. Branson, with the aid of Mr. Ulliman, presented the amended report for review and answered contract related questions.

Trustee Green asked about the process whereby consulting and professional services contracts are created. Mr. Ulliman explained that the procurement department is staffed by four individuals who assist requesting departments with the bid process over \$25,000. A minimum of three bids are required; from which a decision is made. Departments receive the names of vendors from the IUC consortium approved list of state contracted vendors as well. Under the \$25,000 limit, departments can obtain their own quotes. Contracts under consideration are reviewed by the General Counsel's office and approved by the Contracts office and the system checks for available funding in the department's budget. The department has the final decision on which consultant or vendor best addresses their needs.

The process for amendments or renewals varies depending on the individual circumstances and the needs of the department. Trustee Ramos expressed concern about amendments or renewal contracts to one vendor, in aggregate,

exceeding Board approval thresholds when renewed in subsequent years.

The Committee members asked for a report on how the procurement process for hiring consultants and professional services could be better managed, costs reduced, and the renewal/amendment process better supervised. A timeline was established for late winter, early spring to deliver recommendations to the Finance, Audit and Infrastructure Committee.

- **University Deferred Maintenance**

Universities struggle with staying ahead of their building maintenance needs, especially with aging infrastructure. Spending a dollar in preventative maintenance typically saves two to three dollars down the road in repair costs. Mr. Branson indicated that historically Wright State has had very small resources for preventative maintenance and one of his operational goals for FY19 is to begin building a Facilities budget to address this issue.

The Facility Condition Needs Index (FCNI) is a good benchmark for tracking deferred maintenance. This index accounts for the age and value of buildings and can be used to compare the level of deferred maintenance at Wright State against peer institutions. Mr. Branson and Mr. Sample are working to prepare a report on Wright State's FCNI for presentation at the next committee meeting.

Mr. Greg Sample, chief real estate officer, presented Wright State's Facilities Deferred Maintenance report. The report outlined the inspection and review of all campus buildings and the prioritization of deferred maintenance needs. Mr. Sample recognized the efforts of Mr. Javan Conley, construction administrator, to develop the process whereby a true picture of Wright State's needs could be captured. Their report is a fluid document and defines three priority levels based on "risk posed by not taking corrective action". Priority 1 level requires immediate attention.

Moving forward, Wright State will submit a capital request to the state of Ohio for biannual 2019-2020 capital project funds to begin addressing Priority 1 needs. Based on the level of support received, the University will then identify ways to prioritize funding within the University budget to address the challenge over the next 2-3 years.

- **Other Follow-Up Items**

Provost Sudkamp highlighted several areas under exploration to enhance revenue. The decline of international students over the last two years was predominately concentrated within three countries. Wright State is now expanding and diversifying its international recruitment efforts. In addition, Wright State has entered into a partnership with Edison State Community College to provide synchronized classroom transmissions originating from Wright State to reach underserved areas of second year students saving them the expense of onsite

instruction. This audience should open a new revenue stream for Wright State.

Mr. Ulliman reported that Wright State's investment firm, SEI, has agreed to a reduction in their contracted fees when approached to make concessions. After careful consideration, it was decided to retain the alternative investments currently in the portfolio until the expenses to be incurred with liquidation are much lower.

The meeting adjourned at 10:52 a.m.

Respectfully submitted by
Deborah Kimpton

**Finance, Audit and Infrastructure Committee
Meeting of November 17, 2017**

Minutes

Present: M. Bridges, D. Fecher, S. Fitzpatrick, S. Green, B. Langos, J. Kingsley, A. Rains, G. Ramos

Guests: M. Behme, W. Branson, L. Chan, P. Cheng, J. Creeden, T. Doom, T. Heigel, J. Hensley, D. Kimpton, G. Sample, C. Schrader, S. Sherbet, T. Sudkamp, J. Ulliman

Chair's Comments

Mr. Fitzpatrick, committee chair, called the meeting to order at 8:06 a.m. and offered the following comments.

The mission of this University is not to have strong finances but strong finances are the foundation upon which that mission sits. Said another way, without strong finances we cannot deliver on our mission and our vision for this university. Through a number of factors; including not only challenges faced by other institutions similar to ours around the nation, but also some poor leadership and financial mismanagement, we ended up in a very challenging financial situation and this university, quite frankly, was headed toward insolvency if significant actions were not taken. We have now begun to take those actions and we must move quickly and carefully away from the edge. I am very pleased to see the progress that we are making and the seriousness and commitment of our leadership team towards addressing these challenges. We must remain committed to our efforts to return this University to a strong financial position and I am confident that together we can achieve that goal.

Mr. Fitzpatrick started the meeting by reading the Conflict of Interest Statement and reviewing the agenda.

Vice President's Comments

Mr. Walt Branson, vice president for Finance and Operations and chief business officer, highlighted the University's continued efforts to focus on budget remediation and financial analysis. At the same time, the University is honing in on the revenue side with financial aid and net tuition and their role in stabilizing the budget. The Strategic Hiring Committee's efforts to "restrain hiring to absolutely essential positions" is of continued importance to this process.

A goal under development for 2019 is to return the strategic decision making focus to the unit leader level and away from the centralized control of priorities and expenditures.

External Auditor Post-Audit Review

Mr. Jim Creeden, partner with BKD accounting firm, and Mr. Mike Behme, auditor, presented their post-audit report to the Board addressing a recent audit of Wright State University. The management letter outlined the results of the 2017 financial statement audit, various internal control matters, and other required communications.

Wright State received an unmodified, or “Clean” opinion issued on the Financial Statements for the year ended June 30, 2017. The full report can be accessed below:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2017/Nov/meeting/FAI1_BKD%20Board%20Report.pdf

The audit was submitted to the Auditor of State for Ohio for their review and acceptance on November 6, 2017. Notification of acceptance should occur in the next 3-6 weeks.

FY17 Financial Statement Review

Ms. Tina Heigel, university controller, presented a summary of Wright State’s Financial Statements for the fiscal year ended June 30, 2017 and commented that the services of BKD were secured through a competitive bid process.

The financial statements presented are not considered final until the acceptance of the external audit by the Auditor of State.

GASB68 requires universities to show net pension liabilities (OPERS and STRS) on their financial statements which make it difficult to track changes in net position from year to year due to fluctuations in pension accruals. The financial statements reported upon were also presented without the GASB68 entries to facilitate comparison between FY16 and FY17.

The changes from prior year highlighted reflected the University’s use of reserves for operational expenses, the decrease in revenue driven by lower enrollment, and the effects of the \$10 million in Voluntary Retirement Incentive Program (VRIP) expense reported and accrued in FY17.

Wright State’s Senate Bill 6 Composite Score for FY17 was calculated at .80 which is below the state minimum required 1.75 score and below the 2.10 score reported in FY16. With the projected addition of \$6 million to expendable net assets, the composite score for FY18 should be above 1.75.

Trustee Fecher asked for a report that would compare Wright State’s administrative expenses to other Ohio peer institutions. Questions continue to linger on whether or not administrative expenses are higher at Wright State versus other state institutions and what

the ratio is comparing instructional expenses to administrative expenses. This report should address those concerns and offer an ongoing benchmark against peers.

- **Monthly Financial Performance Reporting**

Mr. Branson, reviewed the monthly financial performance metrics and introduced several new reports.

- **FY18 Financial Forecast Reports**

As reported in October, between tuition shortfalls, the need for additional budget to cover scholarship and fellowship expenses, and the FY17 budget shortfall necessary to generate the \$6 million surplus, there is a need to remediate \$10.5 million. Mr. Branson presented a new report to the committee that charts progress by month on the remediation plan. In addition, it projects whether or not the goal of a \$6 million surplus will be reached. Based on remediation actions to date, the University is still short by \$2.5 million. This will be achieved between now and the end of the fiscal year.

Mr. Branson discussed plans to address this shortfall. Trustee Langos requested a list of these and other potential actions that could be implemented should they become necessary.

Mr. Branson handed out a second newly created report that charts historic spending trends by month against projected monthly measures derived using that historic trend data. The report showed the University ahead of its goal of a \$6 million surplus by \$5.5 million in August, by \$5 million in September, and by only \$3.5 million in October. While the majority of this decrease was for payouts of vacation and sick leave for terminated positions, it is important for the university to remain diligent in controlling spending and expenses to real its goal of a \$6 million surplus.

- **WSU Budget Report**

The Budget Report lists the budget for FY18 and offers a year to date comparison of spending for FY18 against FY17. While revenues are down \$12.5 million, expense spending has decreased by \$20.5 million over this timeframe last year. This significant reduction highlights the efforts the campus community have made, and continue to make, to curtail expenses.

A question was raised about where personnel cuts have occurred and whether they were across the board. Mr. Ulliman indicated that most faculty reductions occurred through attrition and unfilled vacancies whereas staff did experience more terminations or elimination of occupied positions. Mr. Branson shared that personnel headcount as of November 1, 2017 was 897

FTE faculty and 1,264 staff (363 classified and 902 unclassified). Unduplicated student headcount stands at 17,108.

Trustee Bridges reminded everyone that the raw personnel numbers include not only employees of Wright State University but also of the Dayton Regional Stem School and the Wright State Applied Research Institute and care must be taken when making comparisons.

Further discussion occurred around span of control and whether or not any formal administrative studies have been done. Dr. Schrader indicated that while no formal studies have been done, every effort has been made to allow various units and departments the autonomy to make the decisions that work best for their areas. In addition, everyone is working hard to keep budget cuts and personnel changes from impacting the academic enterprise.

Trustee Langos reiterated that while spending levels are being managed, the focus needs to be on increasing enrollment to prevent a return to budget reductions. Trustee Bridges expressed optimism that Wright State will emerge stronger from this experience and our lessons learned in budget management may become a model for other institutions facing similar challenges.

- **Wright State Cash Forecast**

Mr. Jeff Ulliman, vice president for business and finance, reviewed the cash forecast report and indicated there will be about \$1million less in cash and investments at June 30, 2018 than there was at June 30, 2017.

A question was raised about accruals and what funds are set aside for contingencies such as litigation expenses or fines. Accruals are in place for the VRIP payouts, the Department of Education return of funds, vacation/sick leave payouts, and for capital projects funded in prior years.

1. **Tuition Guarantee Program**

The tuition guarantee program allows Wright State to create a cohort group of incoming undergraduate degree seeking freshmen or transfer students and increase their tuition by 6% in exchange for a guarantee that their tuition will not increase again over the next four years. Subsequent cohorts would not face an additional 6% but would have their tuition increased by a formula that incorporates the rate of inflation and any other permissible increases as passed by state legislation. The program would impact about 2,500 students and could net \$1.4 million in additional revenue the first year.

Coming off of state mandated tuition freezes over the last four years, the administration is recommending the adoption of this program. Ohio University, Miami and Ohio State have already implemented it and most of the remaining four-year institutions are looking to join in Fall of 2018. Even with this projected increase in tuition, Wright State remains among the most affordable institutions in Ohio.

President Schrader detailed advantages for students inherent in this program which include enhancement of degree progress, an increase in graduation and retention rates, and the element of predictability for families when budgeting tuition expenses. After committee discussion, Trustees Fitzpatrick and Langos offered a motion and a second to bring the resolution to the full Board.

The following resolution is before the Board for approval.

RESOLUTION 18-

WHEREAS, the University wishes to adopt the Wright Guarantee Tuition Program, which will provide fixed in-state instructional, general, housing and dining fee rates for eligible undergraduate students for four years of attendance, to become effective Fall 2018; and

WHEREAS, the Wright Guarantee Tuition Program will provide students and their families with predictability as they plan for a four-year education; and

WHEREAS, Revised Code Section 3345.48 authorizes this Board to establish an undergraduate tuition guarantee program by adopting rules for the governance of the program that must be submitted to the Chancellor of the Ohio Department of Higher Education for approval; and

WHEREAS, the Wright State University Board of Trustees proposes to set the initial pricing for Cohort Group 1 by increasing both the Dayton Campus and Lake Campus part-time and full-time in-state tuition rates by 6%;

NOW THEREFORE,

BE IT RESOLVED that the Board of Trustees adopts the accompanying principles for the governance of the Wright Guarantee Tuition Program, attached as Exhibit A; and

BE IT FURTHER RESOLVED that the Wright Guarantee Tuition Program approved by the Board of Trustees is contingent on the approval by the Chancellor of the Ohio Department of Higher Education and shall be implemented beginning with the 2018-2019 academic year; and

BE IT FURTHER RESOLVED that the initial pricing for the Wright Guarantee Tuition Program for Cohort 1 is approved by the Board of Trustees subject to a final review by the Chancellor, Ohio Department of Higher Education; attached as Exhibit B; and

BE IT FURTHER RESOLVED that the Residence Services Proposed 2018-2019 Room Rates for the Wright Guarantee Tuition Program for Cohort 1 is approved by the Board of Trustees subject to a final review by the Chancellor, Ohio Department of Higher Education, attached as Exhibit C; and

BE IT FURTHER RESOLVED that the proposed 2018-2019 Meal Plans for the Wright Guarantee Tuition Program for Cohort 1 is approved by the Board of Trustees subject to a final review by the Chancellor, Ohio Department of Higher Education, attached as Exhibit D; and

BE IT FURTHER RESOLVED that the university is authorized to make future modifications to the Wright Guarantee Tuition Program principles to provide for the effective and efficient administration of the program, subject to compliance with the requirements of the Ohio Revised Code Section 3345.48.

I offer this Motion:

Is there a Second:

Roll Call Vote:

2. **Signatory Authority**

The following resolution is before the Board to clarify and establish the appropriate signatory authority for University financial instruments.

RESOLUTION 18 –

Resolution of the Board of Trustees to delegate Signatory Authority on University Financial Instruments including Checks, Remittances, and other types of Commercial Paper or Negotiable Instruments, to the President, Treasurer, Chief Business Officer, Chief Financial Officer or their respective Designees

WHEREAS, Pursuant to Ohio Revised Code §3352.03, the Board of Trustees of Wright State University is tasked to do all things necessary for the successful and continuous operation of the university;

WHEREAS, Pursuant to Ohio Revised Code §3345.05, the Board of Trustees is empowered to receive all fees, deposits, charges, receipts, income and revenue received by the institution to be held and administered by the Board;

WHEREAS, From its statutory authority to oversee University operations and finances the Board desires to delegate signatory authority on University financial instruments including checks, remittances, and other types of commercial paper or negotiable instruments, to the President, Treasurer, Chief Business Officer, Chief Financial Officer or their respective designees as may be established by appropriately dated, executed, and witnessed written designations;

WHEREAS, Previous Board Resolutions 78-19 and 81-40 addressed in part, signatory authority for expenditure vouchers, checks, notes, drafts and orders; and

WHEREAS, As to signatory authority on such expenditure vouchers, checks, notes, drafts and orders, the Board desires to rescind such provisions and implement a new signatory authority in lieu thereof and as set forth herein.

NOW THEREFORE,

BE IT RESOLVED, that the Trustees hereby delegate signatory authority on University financial instruments including checks, remittances, and other types of commercial paper or negotiable instruments to the President, Treasurer, Chief Business Officer, Chief Financial Officer or their respective designees as may be established by appropriately dated, executed and witnessed written designations;

BE IT FURTHER RESOLVED, that as to signatory authority on expenditure vouchers, checks, notes, drafts and orders referenced in previous Board Resolutions 78-19 and 81-40, such provisions are rescinded to be replaced with the current signatory authority as set forth in the current Resolution herein.

I offer this Motion:
Is there a Second:
Roll Call Vote:

Contracts between \$150,000 and \$250,000

Mr. Ulliman presented the following expenditure to the Finance, Audit and Infrastructure Committee for review. No action is required.

Vendor	Description of Services	Current Contract Amount	Previous Contract Amount	Term of Contract
Ohio Department of Job & Family Services	Insurance Payments	\$150,000	\$150,000	7/1/17 – 6/30/18

Investment Report

Mr. Steve Sherbet presented the October 31, 2017 SEI Investment report. To insure stability and reduce volatility, the majority of Wright State's holding are currently in cash or cash equivalents. The university's investments are on track to realize the projected \$1 million budgeted for investment income.

Fifteen years ago, Wright State established an investment fund to use as a "learning lab" for students. Mr. Sherbet recognized the student management efforts of the Raider Asset Management fund which, since inception, has out-performed industry benchmarks.

A question was asked when the contract with SEI is up for renewal. Mr. Sherbet indicated that we are currently on a month to month and SEI has reduced their management charges.

Affordability and Efficiency Report:

Mr. Branson indicated that the requested updates were made to the Affordability and Efficiency report and its required submission was made to the state pending final full board approval in December. The report is on the December 15, 2017 meeting agenda.

The meeting adjourned at 9:58 a.m.

Respectfully submitted by
Deborah Kimpton