

**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 how fee waivers were allowed to exceed actual budget allocations and what steps are being implemented to discontinue this practice. 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.

Protecting the graduate student research experience and the need to preserve and maximize net tuition revenue since Wright State already ranks among the most affordable tuition in the state were follow-up discussions.

A budget remediation plan of \$10.5M 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 targets only essential health, safety, compliance, or “mission essential” personnel for rehire. Trustee Fitzpatrick requested that the Committee receive monthly tracking listing 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.

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

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 years’ 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.

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 or 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 takes into account 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 to minimize the effects of global political decisions or monetary policy changes. In addition, Wright State has entered into a partnership with Edison State Community College to provide synchronized classroom transmissions from Wright State to reach underserved areas of second year students without 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