

C. Finance, Audit and Infrastructure Committee

Mr. Fitzpatrick, chair, will report on the committee meeting of September 21, 2018.

**Finance, Audit and Infrastructure Committee
Meeting of September 21, 2018**

Minutes

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

Guests: C. Bajek, M. Behme, W. Branson, L. Chan, J. Creeden, T. Doom, S. Edwards, J. Hensley, D. Kimpton, N. Lasky, J. Shipley

Mr. Sean Fitzpatrick called the meeting to order at 8:02 a.m. and read the conflict of interest statement.

Chair's Comments

It is a beautiful Friday morning, and it's early, and all of you are here which means you care greatly about this university and our students and the work that our faculty are doing here. I really appreciate everyone joining us. Thank you for getting up and coming in today.

We have just wrapped up our fiscal year and have had a lot of accomplishments this year. We were in a very different position at the end of 2017. In 2018, our operating spending was \$53 million less than it was at the end of 2017 and, while the audit isn't wrapped up, I feel fairly comfortable in saying that we will have operated at a small surplus when all of the money is accounted for this year. That was a huge task and puts us in a much better place.

One of the things that has been extremely important for us as a university is to really get ourselves back on stable footing. We are not there yet but we have taken a huge step in the right direction to get there. We couldn't go on with a massive deficit which is what we were running previously. It's great that we have addressed that. We need to continue to focus on efficiently managing our costs and we have items on the agenda that we'll talk more about that today. We've also got to focus on how do we grow revenue? I am going to turn this over to Walt and if you could, please share with us some of your ideas how we can increase revenue.

- **Vice President's Comments**

Recapping the last few years, Mr. Walt Branson, vice president for finance and operations and chief business officer, indicated that Wright State finished FY17 with a deficit of \$24.6 million and is now ending FY18 with an approximate \$10.1 million surplus. The original FY17-FY18 budget contained \$30 million in spending reductions over the previous year, however, more cuts were necessary resulting in total of \$53 million in spending reductions.

The FY19 budget remains challenging with a shortfall in revenue which appears manageable when projected out over an annual basis. High risk areas for budget deviation are tuition and fees on the revenue side and health insurance on the expense side. The design of the health insurance plan for next year is being explored to contain costs.

One of the impacts of cost cutting over the last few years is the loss of flexibility. Departments are without surplus resources and lack flexibility to incur additional cuts without significant changes in operations.

On the positive side, there is a renewed focus on revenue with a number of initiatives and projects. The president put together a “Growth Mindset Advisory Team” charged with growing revenue and enrollments. Projects coming forward include removing barriers for transfer students, simplifying admissions and transfer processes, and increasing online offerings. Other projects are emerging from the fiscal sustainability plan and the program effectiveness review process.

There was a discussion on challenges to the budget that showed up in the past such as unfunded positions, spending for unbudgeted expenses, and project costs overruns. Over the last year, extensive work has been done to base fund all positions, budget previously not aligned expenses, and institute controls to create accountability. Deferred maintenance areas have also been identified and prioritized with state capital requests. Confidence is high that barring a catastrophic event, significant challenges to the budget have been addressed.

- **Annual Audit Status Update**

Mr. Jim Creeden, audit partner with B.K.D. and Mr. Mike Behme, audit director, provided an overview of the scope and timing of Wright State’s annual financial audit and areas of risk. There is a mandated schedule for focused compliance audits with major federal awards programs and this year BKD will be taking a look at the financial aid cluster as part of their audit process. Also of note are changes to reporting of pension and benefit liabilities on the balance sheet and upcoming requirements under GASB 87 that will reclassify leases in 2020.

As part of reviewing the various GASB requirements, the committee had questions on the reporting effects of GASB on the balance sheet and whether or not they reflect true liabilities. There was a request to schedule a more in depth presentation on this topic at a future meeting.

BKD’s audit process is in process with a final report due to the Auditor of State on October 15, 2018.

BKD Audit Planning Communication:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Sep/meeting/FAI1_Wright%20State%20University%20Planning%20Letter.pdf

1. **Affordability and Efficiency Report**

Dr. Dan Krane, chair of Wright State's taskforce on affordability and efficiency, presented a draft of Wright State's 2018 Affordability and Efficiency report to the committee. This report satisfies an ODHE requirement to outline ways in which institutions are saving money or doing things more efficiently. Recently, additional emphasis has been on reducing costs for students or creating synergies of programs that cut across units.

Wright State's 2017 report received favorable attention for our data recovery centers and for our affinity partnerships and sponsorships. Highlights of the 2018 report that may garner similar attention include work being done to enhance textbook affordability with inclusive access, adoption of open resources and the auto adopt policy.

Submission of the report is due to ODHE on September 28th with provisions for any subsequent changes should the Board so desire. Mr. Fecher moved and Ms. Green seconded a motion to move the report to the full Board for approval. A resolution is before the Board today:

AFFORDABILITY AND EFFICIENCY REPORT

RESOLUTION 19-

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 September 28, 2018 each state institution of higher education shall submit the reports required under this section to the Chancellor of the Ohio Department of Higher Education either approved or pending approval by the institution's Board of Trustees of; 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:

2018 Affordability and Efficiency Report:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Sep/meeting/FAI2_FY18%20WSU%20Affordability%20and%20Efficiency%20Report_final.docx.pdf

- **Monthly Financial Performance Reporting**

Mr. Branson introduced Mr. John Shipley, interim associate vice president and controller, who is assisting Wright State with financial matters until a permanent solution can be implemented. Mr. Shipley offered the monthly financial performance report.

For conciseness and understanding, the format of the monthly reports have been changed and three new reports have been developed.

B. Financial Analysis: Unrestricted Funds Report

The financial analysis revenue and expense report captures prior year results, current year performance to date, and the anticipated or projected performance through year end of unrestricted funds.

Year-end actual for FY2018 showed a net surplus of \$10.1 million in unrestricted funds. The FY2019 compared the first two months of revenue and expenses to budget, and the year end June 30th projection showed a decrease of \$2.4 million in revenue. Mr. Shipley indicated the revenue deviation was reflective of a \$1.2 million decrease in revenue collection for Fall which would then carry over adding an additional \$1.2 million decrease for Spring. However, early projections for year-end despite the revenue decrease are targeting a \$3 million surplus. When asked his confidence for this projection, Mr. Shipley indicated that based on the size and complexity of the budget and the number of levers available to address the revenue shortfall, it should be entirely possible to attain this goal.

There was a discussion focused on levers available for budget modification; with concern being expressed by Mr. Jerry Hensley, unclassified staff advisory council representative, that layoffs might be the only option. Proposed levers offered included the use of continued vacancies or extending the hire date for positions slotted to be refilled. There was a suggestion that staff meet with administration and share their own list of lever ideas to arrive at mutually supported ideas and Mr. Hensley agreed.

C. FY2019 Budget to Actual Report

This report featured a pull out of the middle section of the previous report and offered no new information. After discussion, the committee suggested that this report be discontinued.

D. FY2018 to FY2019 Actual Comparison

Mr. Shipley indicated that this report showed where the university is year-to-date against annual budget compared to last fiscal year-to-date against actual year end. Early indications are the budget is right sized and on track with 42% of revenue collected against last year's 43%. Expenses are running 21% of the budget for this year against 22% for last year.

Questions were asked about the variance in travel from year to year. Further details will be identified. A suggestion was made to add a narrative postscript to the report for any areas of significant variance that are noted.

E. FY2018 to FY2019 Monthly Budget to Actual Variance

This report offered a comparison of the single month of August budget to actual for fiscal years 2018 and 2019. Of note was compensation. There were three bi-weekly payrolls in August this year where last year this cycle occurred in September. The result of the calendar cycle was compensation numbers are higher in August than last year.

The expense category for debt showed no entries because debt transfers for the year occurred in July. The "Other Expenses" category is made up of capital equipment, cost recoveries, credit card discounts and library periodicals among other things that do not fit neatly in other categories.

F. Cash Forecast

As mentioned previously, cash is up \$10.1 million over FY2018. The projection is for cash to increase modestly based on a targeted \$3 million surplus for year end.

G. Cash and Investment Income Activity

While reserves are still very thin, there has been a positive movement with reserve levels higher for fiscal 2018 than they were for fiscal 2017. This change shows a reversal of the continued declines in reserve levels that have taken place since 2012. The key to long term improvement, however, is sustained revenue growth.

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

The following contracts or one time purchases were reviewed and approved by the Finance, Audit and Infrastructure Committee. No further action is needed.

Vendor	Amount
TouchNet Information Systems	\$420,000
Baker and Hostetler: Legal Services	\$450,000
Collegiate Enterprise Solutions	\$265,000
Dinsmore and Stohl: Legal Services	\$430,000

Details and explanations of the expenditures:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Sep/meeting/FAI10_Contracts%20250K%20up%20to%20500K-amended%209-18-18.pdf

Approval of Expenditures \$250,000-\$499,999

RESOLUTION: Approved by the FAI Committee

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 amount to greater than \$250,000 and less than \$500,000; therefore be it

RESOLVED that authorization is granted for the accompanying contracts now before the Finance, Audit and Infrastructure Committee of the Board of Trustees be, and hereby are approved.

Mr. Fitzpatrick moved for approval, Ms. Ramos seconded, and the motion was unanimously approved by the Finance, Audit and Infrastructure Committee.

- **Approval of Contracts \$150,000 to \$250,000**

Mr. Shipley reviewed ten contracts or transactions between \$150,000 and \$250,000 with the committee and answered questions. No committee or Board action was required.

There was a discussion on the use of outside rental property to house university departments. The committee requested the utilization of university owned property wherever possible. Questions were asked about WSARC's utilization of Wright State's Human Resources department for hiring purposes and what challenges this might present. The discussion was tabled to be addressed in the Board Governance and Compliance Committee meeting later in the day.

Vendor	Amount
State of Ohio Attorney General's Office	\$193,000
Wright State Applied Research Corp.	\$175,903
Johnson Controls Fire Protection	\$150,567
AT&T	\$164,000
Celina Municipal	\$186,000
Wright State Applied Research Corp.	\$156,674
I-Supply	\$155,000
Pomeroy	\$150,069
Treasurer, State of Ohio	\$150,000
Minnesota Life Insurance Company	\$170,000

Details and explanations of the expenditures:

http://www.wright.edu/sites/www.wright.edu/files/uploads/2018/Sep/meeting/FAI12_Contracts%20150K%20up%20to%20250K.pdf

- **Investment Reports**

Mr. Steve Sherbet, university bursar and director of treasury services, presented the SEI investment report for August 2018. The portfolio is heavily weighted in cash and liquid accounts and has been performing at an annual return of about 4.2%. This is a conservative portfolio geared towards cash preservation.

- **Executive Session:**

At 9:49 a.m, the Finance, Audit and Infrastructure Committee moved to go in to executive session with a motion from Mr. Fitzpatrick and a second from Mr. Fecher to discuss:

- Matters to be kept confidential by state or federal law

Committee Members Present:

Sean Fitzpatrick
Bruce Langos
Grace Ramos
Shaun Wenrick

Committee Members Absent:

Other Trustees Present:

Douglas Fecher
Stephanie Green
Austin Rains

Other Trustees Absent:

Michael Bridges
Anuj Goyal
William Montgomery
C.D. Moore

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 a Special Executive Session by offering the following resolution:

RESOLUTION 19-3

RESOLVED that the Finance, Audit, and Infrastructure Committee of the Wright State Board of Trustees agreed to hold a Special Executive Session on Friday, September 21, 2018 at 9:49 a.m. in the Wright Brothers Room, Student Union; and be it further

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

- Matters required to be kept confidential by state or federal law

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

The Executive Session adjourned at 10:11 a.m. and the trustees returned to Room 156, Student Union for the continuation of Committee Day.

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

Respectfully Submitted,
Deborah Kimpton