



WRIGHT STATE UNIVERSITY

WRIGHT STATE UNIVERSITY BOARD OF TRUSTEES

Finance, Audit, Governance and Compliance Committee Meeting
Thursday, September 16, 2021
1:30 p.m. – 4:30 p.m.

Wright State University
Neuroscience Engineering Collaboration Building
Room 101

Minutes

Present: D. Asarpota, D. Fecher, A. Goyal, M. Grunder, T. Gunlock, R. Kejriwal,
B. Langos, R. Peters, A. Platt, B. Whiteside

Guests: D. Borowy, B. Boyd, L. Clapper, S. Culley, S. Edwards, O. Evans, M. Grushon,
B. Kawosa, D. Lamp, S. Mickey-Boggs, G. Sample, M. Stankas, S. Todd

1. **Call to Order**

Trustee Doug Fecher, chair, called the September 16, 2021 meeting of the Finance, Audit, Governance and Compliance Committee to order at 1:30 p.m. and welcomed the board members present as well as the guests.

Trustee Fecher asked the secretary, Shari Mickey-Boggs, to call the roll. There was a quorum (4,0,0).

2. **Proof of Notice of Meeting**

The chair noted that the meeting was called by written notification; a quorum was present.

Chair's Statement was read:

The Wright State University Board of Trustees is a public body subject to the Ohio Open Meetings Act. It operates on a fixed agenda to those attending the meeting. Persons wishing to address the Board in its public session should submit a written request to the Board of Trustees' office 72 hours in advance of the meeting in order to be placed on the agenda. However, all persons address the Board at the invitation of the Board and are subject to time limitations and other guidelines established to maintain the good order of the meeting.

3. Conflict of Interest Statement

Trustee Fecher read the conflict of interest statement.

It is of the utmost importance to ensure that all university decisions are free from any real or perceived conflicts of interest.

Therefore, please be mindful of all obligations with which you have been charged as a Trustee of Wright State University, and take the steps you deem appropriate to perform your duties fairly and impartially.

4. Committee Chair Comments

Trustee Fecher stated that since this was the first meeting of the new fiscal year, he wanted to take a few minutes to welcome everyone to the first meeting of the Finance, Audit, Governance and Compliance committee of the new year and was glad to meeting in-person again. He thanked everyone for wearing their masks. Trustee Fecher thanked Trustee Langos for his leadership of this committee last year, as well as the members of the committee for their work in 2020-2021. With Bruce as chair, this committee made considerable progress in helping the university to strengthen its financial processes. Trustee Fecher welcomed Debra Lamp as the new staff senate representative.

Trustee Fecher stated that Wright State University begins this fiscal year in better financial standing than we have for the past several years. This is thanks to virtual everyone associated with Wright State University. The accomplishments we've been

able to make did not go without mention:

1. New investors service has upgraded the university's credit rating and revised the institutions outlook (rating: Baa1).
2. Successfully refinanced our bond debt. This will pay dividends and lower debt servicing rates for years to come.
3. Investment portfolio received a windfall from alternative investments of \$8 million.
4. Finished 2020-2021 with 183 days of cash-on-hand. Trustee Fecher reminded the committee that in 2017 that was just 27 days cash-on-hand.

Despite the positive outcomes, our work at the university is not finished. We still have much to do to put Wright State University on a sustainable path for serving our students in the coming years. Many of our results from last year were due to one-time events, which are very unlikely to repeat. It safe to say that we still face challenges. Enrollment is clearly our most important goal and we do have some positive momentum. Most notably was the use of data analytics to forecast future enrollment. For this year, data analytics forecast a total headcount of close to 11,000 students. We enter this year with approximately 400 students higher – 11,400 head count. This is certainly good news and reason for optimism. Again, there is still work to do as our new budget calls for a drawdown of nearly \$11 million in reserves to balance our budget. But this drawdown is part of a multi-year plan to bring the university to long-term financial sustainability. We must execute our financial plan with discipline and attention to detail is going to be critical. Trustee Fecher indicated that he will ask the Finance Team to review the governance policy (updated in 2017), for this committee, and make recommendations for any updates that may be needed. Trustee Fecher further indicated that he will be asking the committee members to review the committee's meeting schedule that coincides more closely with the meeting schedule of the Board of Trustees and more closely corresponds with significant financial reporting periods. Trustee Fecher stated that it is critical that we stay true to our financial plan that was established last year.

5. Disposition of Previous Minutes

Trustee Fecher asked for a motion for the approval of the minutes for the FAGC May 21, 2021 and June 18, 2021 meetings as submitted. Trustee Platt moved to approve the minutes as submitted and was seconded by Trustee Grunder. Trustee Fecher asked for any corrections, deletions or discussion; there being none, the motion was unanimously approved by voice vote.

Trustee Fecher asked Mr. Greg Sample, Executive Vice President and Chief Operating Officer, to begin his report to the committee.

6. Chief Operating Officer Comments

Mr. Sample thanked the chair and added his welcome to the committee as well as those in the audience. Noted it would be fairly routine. Mr. Sample mentioned, “one item of note,” you will recall the recent electrical fire that was sustained in the Student Union, effectively shutting the building down for more than one week. Mr. Sample praised the work that was done by the Facilities Team and their efforts to get the Student Union open as soon as possible. He asked two members of the Team, in attendance, to stand up – Tom Conley and Ryan Fullenkamp, Facilities Services Supervisors, who worked tirelessly and did a phenomenal job of getting the facility back open. Entire room began clapping in applause.

Mr. Sample asked Sommer Todd, Director of University Fiscal Services, to begin the financial reports.

7. Monthly Financial Performance Reports

Finance Reports

FY2021 to 2022 Analysis

FY2021 Operating Year End Actuals

Ms. Todd reported that for fiscal year ending June 30, 2021, actual total revenues were \$2.4M higher than anticipated total revenues reported at the FY 2022 budget presentation in June 2021. The primary driver of the increase was an additional \$1.6M in investment income reflecting gains in the private equity investments. Final fiscal year numbers for Tuition and Fees revenue, Facilities and Administrative, and Sales and Service netted an increase of \$854K.

HERF-changed

Everything else is spot on. Anticipated needing to use 30K of reserves but didn't need to do. 66M to 83M

Actual Total Expenses for FY 2021 were \$10.2M lower than the anticipated total reported in June 2021. The reduction was primarily the result of Higher Education Relief Funds recognized in the final month of the fiscal year. While the University was able to avoid a reduction to reserves for FY 2021, it is important to highlight that it was the result of a reduction in expenditures being larger than the reduction in revenues relative to the prior year. FY 2021 was not a typical year with respect to expenditures. Total revenues for FY 2021 were \$11M lower than the prior year even with restoration of state support. Lower expenses in certain areas due to remote operations and federal and state relief for COVID-19 related expenses significantly helped in the reduction of reported total expenditures.

Tuition and Fees, the primary source of revenues, were down \$11.4M (7.6%) from Fiscal Year 2020 and are projected to decrease by \$8.8M (6.3%) in Fiscal Year 2022.

FY2022 Revenue

Anticipated Tuition and Fee revenue for Fiscal Year 2022 is unchanged from the approved budget based on the most current data for Fall 2021 enrollment. Estimates for other revenue categories are also unchanged from the approved budget.

Total revenues for FY 2022 are expected to be approximately \$15.9M (6.5%) below FY21 actuals.

FY2022 Expenses

There are no changes to the adopted expense budget.

The University is projecting a \$10.9M use of reserves for FY 2022.

Trend

The five-year trend and FY 2022 estimates for enrollment, tuition and fees, operating revenues and expenses demonstrate the continued need for conservative fiscal management.

<i>Fiscal Year</i>	2018	2019	2020	2021	2022 Estimates
<i>Enrollment Change (Total Fall Headcount, year on year) Census Day</i>	-3.7%	-9.0%	-11.7%	-11.6%	-9.4%
<i>Tuition and Fee Change</i>	-\$14.1M -7.5%	-\$10.5M 6.0%	-\$13.2M -8.1%	-\$11.4M -7.6%	-\$8.8M -6.3%
<i>Change in Revenue</i>	-\$17.8M -5.8%	-\$10.4M -3.6%	-\$24.4M -8.8%	-\$11.5M -4.5%	-\$15.9M -6.5%
<i>Change in Expenses</i>	-\$53.2M -16.1%	-\$17.9M -6.4%	-\$7.5M -2.9%	-\$52.7M -26.3%	\$38.4M 19.2%

FY2021 to FY2022 Actual Comparison #4

This report compares the actual results to date as a percent of the annual budget for the current fiscal year. The same calculation is provided for the same time period of the previous year as a percent of the actual annual results of the previous year.

Total revenue percentages are tracking similarly overall from 2021 to 2022. Expenses are at 7% of the 2022 adopted budget versus 9% in 2021.

Revenues

Revenues are tracking similarly to the prior year. There is a percentage variance of note in Sales and Service due to the higher budgeted amount for FY 22 in anticipation of improvement in revenue.

Expenses

Expenses are also tracking similarly to those in FY21 through July. There is one variance of note. In Other Expenses, there are timing differences for the University Library periodicals through Elsevier and EBSCO and outside data processing through OCLC Online Computer Library.

There will be significant variances in most expense categories as the University returns to normal operations compared to remote work, the travel freeze, HEERF reimbursement of expenditures, and other one-time impacts in FY21.

FY2021 to FY2022 Single Month Comparison #5

This report presents the results for the month of July for the current and previous fiscal year.

The Tuition and Fees revenue variance is in line with the expected 6.3% revenue reduction for the year. Negative variances are observed during tuition billing periods. A reduction of 9.4% in enrollment and 6.3% in revenue are forecasted for FY2022.

Compensation has a slight negative variance given that specific salaries were reallocated to a grant in the prior year.

Cash Investments

Mr. Borowy began discussing typical cash forecasts and looking at July. Working capital balances decreased 29.6M to 83.2M; decrease was due to deposit for bonds. Timing difference because got money back upon refinancing.

Days cash on hand is 127 days vs. 111 days last year; better picture from last year.

Looking at full year, forecasting 10M use of reserves. Different from what Sommer showed due to accounting gap and cash differences. Looking at graphs, representation shows August and January are typically high points because when getting heavy inflow of tuition and fees collections.

Mr. Fecher reminded Board that a positive is university has not kept a heavy debt load. No plans to borrow and refinanced on term of debt. Expecting to save about 7.8M over the next ten years.

Mr. Borowy continued noting 11K of income for month. Also, shared portfolio holdings and added bank balances to the schedule because holding money at bank and wanted to show the liquidity.

Last schedule was SCI one month return was negative primarily a venture investments having a negative return; came in at a loss as expected.

8. Approval of Contracts \$500,000 and Over

Trustee Fecher noted we will move on to approval of contracts of 500,000 and over. These will be looked at today and move them forward if we agree to the board for approval tomorrow.

Mr. Sample noted there was one contract which would require full board action. This is our health insurance relationship with Anthem Blue Cross Blue Shield. It is in the amount of \$46 million. You'll know that our annual spend in this area is typically 21 to \$22 million. This is reflective of entering into a two-year contract with Anthem. Further, it includes both claims and administrative fees. Mr. Sample noted this is managed by human resources department and Shari Mickey-Boggs is going to provide more detail.

Ms. Mickey-Boggs noted that this contract was previously approved, but we had two possible One-Year extensions each and we have combined them now for a better arrangement with Anthem over the next two years. She reminded the Board that we are self-insured and that we pay our claims as they come in. About 94 percent of the contract amount is for claims. The rest is admin cost, which is combined in two ways.

One is the administration fee we pay to Anthem to process our claims and then our stop loss insurance. Ms. Mickey-Boggs noted the university is looking at approximately a 6.8% renewal that is still slightly lower than trend. She conveyed that we have a medical advisory group that discusses the issues around renewal and that two new partners were added from the Finance Team: Sommer and Burhan. This advisory group includes members of both Staff and Faculty Senate and AAUP. The group helps to evaluate what kinds of changes should occur relative the renewal.

And this year, the recommendation from the Medical Advisory Group was they preferred not to see a lot of plan design changes. They were really interested in having costs carried into premium increases. We did have to move our deductibles in both the PPO and HDHP only. In addition, the university would be resetting the established 20 percent employee cost share at our average tier level. This would also require a premium increase based upon the renewal adjustment.

Ms. Mickey-Boggs reminded the board that since the university had not had raises in a few years, the university tried to keep premiums more stable and the 20% had slipped.

Additionally, she discussed wellness and that a tobacco surcharge would be implemented mid-year (July 2022) and university was adding a disease management program called Hello Heart. In 2023, the university will be implementing a premium

structure that incorporates a greater wellness focus. She did comment that the Health Management Incentive would remain this year although new requirements will be added to continue our efforts for employees to practice healthy behaviors. Trustee Goyal inquired about vaccination incentives or surcharges and she noted that President Edwards had asked that this be evaluated and that HR was working with Horan's compliance department to evaluate this option. Trustee Grunder inquired asking how competitive our plans are to others. She noted benchmarking can be challenging depending upon who and what your look at for comparisons but that we remain competitive in particular with Sinclair and UD in terms of deductibles and OOPM and ensuring at least a 20% cost share is more aligned with companies. Also, noted these are the exact things the Medical Advisory Group is informed about. Mr. Fecher asked that the resolution be read.

Resolution 21-

Whereas in order for the university to conduct business on an ongoing basis and provide products and services in a timely manner, purchasers must be made. And whereas these expenditures may exceed 500,000.

Therefore, be it resolved, that authorization is granted for the accompanying contract.

Now, before the Board of Trustees be and hereby approved.

Mr. Fecher asked for a motion to accept the resolution and motion made by Dr. Goyal and seconded by Mr. Platt seconded.

A roll call vote was called and vote passed unanimously. (4,0,0)

The resolution will be moved to public session for approval.

9. Discussion of contracts \$150,000 to \$249,000

Mr. Fecher indicated approval of contracts from \$150,000 to \$249,000 was next on the agenda which were just for administration to report and committee review.

Mr. Sample shared that there were four contracts for review in front of the committee today. They all are under \$200,000 each.

- The first is for transport services. With regard to our school of medicine, we launched an average transport service.
- And this is what the visitor provides that service. The second is with the City of Celina, which provides utilities to the Lake campus. We pay those directly.
- Third is Treasurer of the State of Ohio. The university also directly pays its utility tax to the State of Ohio instead of paying it through a third-party provider.

Because we avoid the administrative charge in that relationship, it saves us around \$6,000 a year to have made that switch and do that direct payment.

- And then finally, Johnson Controls Fire Protection services for some of the safety services.

Mr. Fecher sought any questions regarding those expenditures. Hearing none, he asked Mr. Sample for any new business or other business for board consideration.

10. Other Business

Mr. Sample stated there were two items. The first to talk about here in public then the second item will ask for the board to convene into executive session but return for action.

First is related to Crawford Hoying, and the Board heard earlier today that this is the university's new housing provider. The image was shared on the screen to give perspective. He pointed to where Crawford Hoying would like to construct some student amenities that includes a pool, a restaurant, a clubhouse and some other facilities. The reason that we're talking about it today is because Crawford cannot do that independently. The property upon which they want to build is owned by Wright State University. They already have a lease in place, so they already have an ownership, if you will, over the land and the management of the land. But in order to construct something, they need a license agreement from the university. Mr. Culley and Mr. Sample have been working with Crawford Hoying and reviewed the existing agreement as well as another affiliated entity in terms of Chartwells, our food service provider. The food service provider may be a little nervous when they hear that the housing provider wants to construct a restaurant. Administration does not have any legal reason to prohibit Crawford Hoying from moving forward with the restaurant.

Mr. Sample indicated that he personally met with the folks from Chartwells and briefed them on this and provided the detail and they were comfortable. This facility will not be up and running until 2023, which is about the time that our Chartwells contract will come up for expiration, and there was agreement that we can represent this discussion in that new contract language if we would renew the contract with Chartwells.

He asked for the patience of the committee and stated they have invited the folks from Crawford hoping to make a presentation to the board. They will be at the full board meeting tomorrow to ensure every board member the opportunity to hear them.

Asking for FAGC to simply pass this resolution on to consideration for the full board tomorrow. At that meeting, Crawford Hoying will make a presentation to the full Board. You'll be invited to ask as many detailed questions as you like and staff can answer those as well.

Following this, the full board will be asked to act on the license agreement. Trustee Fecher asked and Mr. Sample clarified that this is not an expense for the university. Madam Secretary was asked to read the resolution.

Resolution 21-

Whereas the university operates several on campus student housing facilities in collaboration with Crawford Hoying; and

Whereas representatives of Crawford Housing have asked for an opportunity to brief the board on their organization and discuss their plans for certain capital projects, and

Whereas Crawford Hoying has requested the university's consent to the construction of an on-campus amenity facility, which they believe will make on campus student housing more attractive to current and prospective students.

Now, therefore, the following is adopted as the resolution of the Wright State University Finance, Audit, Governance and Compliance Committee.

Resolved that the committee finds that a briefing by Crawford Hoying will be of interest to the full board and resolve the committee recommends to the Full Board Act upon the appended consent.

Mr. Fecher stated that before calling for motion, that he will be recusing himself from this vote as his company also does business with Crawford Hoying, and does not want there to be any implication at all.

Upon a request for motion made by Trustee Platt and seconded by Trustee Dr. Goyal.

There was a roll call vote (3,0,1 recuse)

Mr. Culley noted that the university owns a segment of its broadband spectrum under the PBS program, the Educational Broadband Service. That spectrum license has been since at least 2005. It's under a long-term lease beginning early this year, however, the university began to receive correspondence from a company that was interested in purchasing that spectrum from us. Initially did not respond to them because of limitations in our lease with T-Mobile. Eventually, they sent the university an unsolicited offer, a copy of which you have in your pocket. Due to some of the conditions that are in the lease with T-Mobile, the plan is to brief the board further.

Mr. Fecher asked Secretary, Mickey-Boggs to please read the resolution.

Executive Session Resolution 21–

RESOLVED that the Wright State University Board of Trustees' Finance, Audit, Governance and Compliance Committee agrees to hold a Special Executive Session on September 16, 2021; 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 federal law or regulations or state statutes per R.C. 121.22(G)(5).
- To conference with an attorney for the Board concerning disputes involving the University that are the subject of pending or imminent court action per R.C. 121.22(G)(3).

Trustee Fecher offered the motion and it was seconded by Dr. Goyal.

Roll call vote occurred (4,0,0). Motion passed and committee moved into Executive Session.

Upon return from Executive Committee, Trustee Fecher stated they discussed the legal issues surrounding the potential sale of broadband services that are owned by the university, and he had a resolution to put on the floor of the committee and ask for a motion and a second.

Mr. Fecher made the motion and that the committee authorizes the president to explore a sale of the university broadband spectrum and report back to the committee with the results of that exploration. He asked for a second and that was Trustee Grunder.

Upon request of roll call vote (4,0,0) the motion passed.

Other Business continued:

Upon closure, Trustee Fecher stated that he would like to reach consensus with the committee on future meeting dates and provided a little bit of history as to once the university began to descend into the financial issues that they increased the meeting frequency in order to keep grater tabs on things, they moved to a meeting cadence of nine per year and that it was the appropriate thing to do at the time. Given the data that FAGC would expect to see in October would be the same data as of today's meeting, he proposed delaying until November and he asked Mr. Sample and his team to come back with a suggested meeting schedule for the future; one, in conjunction with quarterly Board of Trustee meetings and two, at other times as such

may be necessary during the year, right after substantial financial kind of events. (Example might be the receipt of the August tuition, the receipt of the spring tuition) He also suggested that part of that might be some between interim meeting communication of cash position, which is obviously public. Other Trustees expressed agreement of this idea.

Mr. Fecher asked if there was anything for the good order and just before adjourning he thanked the finance team for all their hard work noting it can be a thankless job and yet they are appreciated.

Finally, he noted Eric Corbitt, Director of Student Campus Recreation and Erin Sherrets, Outdoor Recreation Program Management Manager, would be outside to give newer Trustees a campus tour.

Adjourn

There being no further business to discuss, Trustee Fecher motioned to adjourn; seconded by Trustee Grunder and was unanimously passed by voice vote.

Respectfully submitted,
Fran Keeley & Shari Mickey-Boggs

Approved by the FAGC on December 9, 2021; Motion made by Trustee Fitzpatrick and seconded by Trustee Conway and passed with unanimous voice vote.