

C. Finance, Audit and Infrastructure Committee

Mr. Fitzpatrick, committee chair, will report on the committee meetings held March 29, 2019 and April 19, 2019.

**Finance, Audit and Infrastructure Committee
Meeting of March 29, 2019**

Minutes

Present: M. Bridges, S. Fitzpatrick, S. Green, B. Langos, C.D. Moore, A. Rains,
S. Wenrick

Guests: C. Bajek, W. Branson, L. Chan, P. Cheng, T. Doom, S. Edwards, J. Hensley,
D. Kimpton, J. Shipley, S. Todd, C. Woolley

Mr. Sean Fitzpatrick called the meeting to order at 8:29 a.m. and read the conflict of interest statement.

- **Comments from the Chair**

Mr. Fitzpatrick expressed his pleasure at the progress the University has made in terms of right-sizing and alignment of expenses with the budget. Tremendous progress has been made to close that gap and we are doing much, much better than we were. Having said that, we still have declining enrollment. Declining enrollment means declining revenue and that means we need to do two things; one, further right-size so we don't end up with a gap again and second, drive enrollment to grow revenue so we are not in a position to constantly keep cutting.

- **Vice President's Comments**

Mr. Walt Branson, vice president for business and operations and CFO, introduced Ms. Sommer Todd, who has transitioned from an interim to the role of Director of University Fiscal Services. Reporting to her will be the University Budget Office and the business managers for the university.

Mr. Branson noted that the state just released Wright State's audit report for the last fiscal year. Now that it is finalized, the Ohio Department of Higher Education (ODHE) will complete Senate Bill 6 calculations and soon release all the Senate Bill 6 scores for Ohio institutions of higher education.

- **Monthly Financial Performance Reporting**

Mr. John Shipley, associate vice president and controller, gave a fiscal 2019 budget status update and reviewed changes to the report from what was presented in February.

- **Financial Analysis: Unrestricted Funds Report**

The values in the middle section of the report were changed to reflect the actual revenue and expenses through the end of February. Revenues are generally tracking against the plan with the \$1.3 million shortfall in tuition and fees offset by positive variances in the other categories through the first eight months of the year.

Expenses show a positive variance, meaning they are under budget year-to-date resulting in a higher net position than the estimated budget. Two important items to remember, the budget is an estimate based on the experience of the last two years applied to this year's budget. Since the University does not budget by month, the middle column "Budget" reflects this estimate. The "Annual Budget" column is the original budget approved at the beginning of the year. During the year, funds can be transferred from one budget pool to another to best match expenditures. While it appears that the "Contracted Labor/Professional Services" budget has been exceeded, roughly \$4 million has been transferred from the "Other Expenses" budget for these expenses.

There have been changes to two categories on the projected year-end budget. After review of vacant positions and the projection of savings through year end, the positive variance in "Compensation" was increased to \$4.9 million (salaries and benefits) which reflects an increase of \$3.9 million from the previous month. The second category to note was "Scholarship and Fellowships". Financial Aid awards show a positive variance of \$1.6 million. These two factors improved the year end net position to roughly \$5.8 million which exceeds the budgeted \$3 million surplus planned for this year.

1. **Expenditures \$500,000 and Above**

Mr. Shipley presented 10 contracts for the Committee's review and approval to forward them to the Full Board for consideration. The contracts included electric, water and sewer service, Worker's Compensation premiums, dental coverage, scientific supplies, property and casualty insurance, library services and periodicals, and student health insurance.

Full details of the contract expenditures can be accessed here:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/Mar/meeting/FAI-2%20Revised%20BOT%20500K%20and%20Over%20Mar%201-June%2030%202019.pdf>

Wright State participates in the Inter-University Purchasing Council's Insurance Consortium and through this aggregate of purchasing power secured very favorable rates by pooling our risk with other Ohio universities.

Trustee Langos asked how Wright State's charge for use of OhioLink Library

services were calculated. Ms. Dawne Dewey, head of Special Collections and Archives, indicated that the cost was determined by a formula based on population and on utilization and that these costs are recalculated every 3-5 years. In light of recent decreases in enrollment, Mr. Langos requested that an audit be conducted to make sure Wright State was not overpaying for OhioLink services received.

With a motion from Mr. Fitzpatrick and a second from Ms. Green, the Committee moved the following resolution to the Full Board for consideration:

Approval of Expenditures \$500,000 and Above

RESOLUTION 19-

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:

Is there a Second:

Roll Call Vote:

- **Report on Stipends, Bonuses, and Allowances**

The Financial Governance Policy requires that the Board receive an annual report on stipends, bonuses, and allowances paid by Wright State. Mr. Shipley presented the report that includes a comparison of 2017 to 2018. Over the last few years, emphasis has been placed on reducing the amount and number of stipends, bonuses and allowances paid.

A stipend is a payment for extra duties that are not intended to be a part of a permanent base salary. When the duties are completed, the stipend is removed. Examples include administrative duties such as a dean or chair position that are added to a faculty member's existing duties. Eighty-five percent of the stipends noted in the report are related to academic faculty. The report showed 97 fewer stipends paid in FY2018 compared to FY2017 with a net cost decrease of \$428 thousand.

Awards are usually given for special recognition such as a teaching award or a distinguished professor award. A bonus is usually a contractual commitment for payment if a performance goal is achieved. An example of a contractual bonus could include achieving NCAA tournament status. Bonus payments have

increased in the last year as Wright State had 2 teams in the NCAA tournament and one in the NIT.

An allowance is a payment to offset heavy business use of someone's personal property such as a car or cell phone. Car allowances have decreased over the last three years from 20 in 2017 to 10 for 2019. Cell phone allowances were reduced from 82 to 2.

The full report can be accessed here:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/Mar/meeting/FAI-3%20Stipends%20Bonuses%20and%20Allowances-March%202019.pdf>

Mr. Langos requested further explanation on the potential increase in housing allowance and an updated report offering additional detail on the number/type of stipends expensed.

A discussion ensued about the merit of car allowances over mileage reimbursement or whether it was more cost effective to maintain a motor pool or utilize rental cars. A point was made that in order to be competitive, some positions may carry the expectation of a car allowance. The Trustees would like the budget office to explore the cost structure of these various options to determine the best use of university funds moving forward.

- **The Budget Planning Process**

As Wright State has already begun the planning process to establish the budget for FY20, Mr. Branson gave the Committee an update on what things are being worked on, what is planned for the June budget meeting, and the university's longer-term initiatives and projects.

The University is working to develop a comprehensive enrollment plan. The development of additional online courses is ongoing. Work has begun to improve the transfer student admission process and new four-year articulation agreements are being negotiated with 2-year institutions. Wright State is optimizing the use and awarding of scholarships to have them awarded sooner and with maximum benefit. The Provost has also been working on continuing education programs and micro-credentialing to help students gain recognition for skill attainment.

Planning for next year's budget has begun much earlier than in previous years and has developed into a very detailed and involved process to analyze the various sources of revenue and determine the needs of the various departments and colleges.

Mr. Shipley outlined some of the ways the budget development process has been enhanced. New computer models on enrollment and revenue have been developed and input has been sought from Institutional Research, Enrollment

Management and Financial Aid to better understand the enrollment mix and how this relates to revenue expected. Having the budget managers reporting to the Budget Office has allowed for the standardization of reporting from the colleges and units. Each area has been asked for a year-end report as well as their anticipated budget for next year including areas of strategic emphasis and opportunities for cost reductions. Vacant positions continue to be evaluated for need and workload adjustments are being explored.

As another step towards the University having its first 5-year plan, Mr. Shipley indicated that the effects of the collective bargaining contract are being modeled out in terms of implementation of the retirement plan, raises, and health care costs built into the agreement. Budget managers are working with their deans or vice presidents to develop 5-year projections and meetings are occurring with the Provost and Mr. Branson to review the budgets.

Mr. Branson spoke of the enrollment plan and how the use of predictive data analysis has been adopted to evaluate the enrollment mix and course enrollments as they relate to revenue generation and SSI funding. Previous enrollment plans relied more on meeting targets and were much harder to convert to accurate revenue predictions. Integration between Enrollment Management, the Budget Office, Institutional Research, Financial Aid, the Administration, and the colleges and divisions has also improved the quality of information upon which decisions are based.

Mr. Shipley indicated that the first year of the 5-year plan may require some strategic investments that are not currently budgeted but yearly financial benchmarks will be established to ensure fiscal sustainability and replenishment of reserves. Details of this plan will be shared in June.

Mr. Branson outlined additional details of the growth initiatives underway at Wright State. The Provost plans to review all the academic areas over the summer as a way of enhancing efficiency and effectiveness through the use of data analytics.

An increase in online course offerings has been viewed as a significant source of future revenue. Work continues to make available to students, all academic core courses online. Having online Core Courses is a critical step to being able to offer complete degrees online.

A discussion ensued about the target market for online courses and the challenges of ramping up online course offerings while ensuring high quality. Mr. Branson indicated that an institution's brand and visibility attract students to online courses. Wright State offers online options allowing students to meet their individual needs while knowing their credits will work with their program. Trustee Langos countered that to make online courses truly revenue enhancing, Wright State would need to become a recognized presence in the online market.

Dr. Travis Doom, Faculty Senate president, recognized both viewpoints as valid and explained that Wright State lacks the resources to compete with online leaders like Arizona State. However, Wright State may find success by offering a select number of excellent programs online and remaining flexible with online course options for current students. These targeted programs would highlight where Wright State is known for their expertise.

Questions were raised about prepackaged content and who owns course content when a course is developed. Provost Edwards indicated that “canned content” has not proven successful and generally when a faculty member is paid to develop content, that work product remains with the university. However, content is continually refreshed as the course is offered.

Provost Edwards also spoke to some of the new micro credentials and workshops being developed to offer area businesses and their employee’s opportunities for skill enhancement or educational growth.

Mr. Branson concluded the discussion by outlining the upcoming Budget Presentation on June 14th which will include the presentation of Wright State’s budget for FY20, a new 5-year budget, a 5-year enrollment plan, and additional details of new initiatives. Trustee Fitzpatrick requested that the presentation of initiatives include metric drivers such yearly goals, current metrics, the percent change expected, and who has the responsibility for the initiative.

- **Good of the Order**

A question was raised about Faculty Senate’s involvement in the budget process. The Faculty Senate Budget Committee continues to receive materials and has met with Mr. Branson to have questions addressed. Dr. Doom indicated that while there is always room for improvement in receiving the budget earlier for evaluation; the overall communication, involvement, and transparency have greatly improved over the last two years.

Mr. Fitzpatrick asked if an internal calculation of Wright State’s Senate Bill 6 score had been done now that the audit report has been finalized. Based on the audited data, Mr. Branson indicated that the preliminary score would be a 2.2 which is much improved over the previous .8 SB6 score. This change is tied to the amount of reserves as the reserve portion of the formula is weighted at 50%.

The meeting was adjourned at 9:46 a.m.

Respectfully Submitted,
Deborah Kimpton

**Finance, Audit and Infrastructure Committee
Meeting of April 19, 2019**

Minutes

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

Guests: W. Branson, L. Chan, P. Cheng, S. Edwards, J. Hensley, D. Krane,
D. Kimpton, C. Schrader, G. Sample, J. Shipley, B. Webb

Mr. Sean Fitzpatrick called the meeting to order at 9:00 a.m. and read the conflict of interest statement.

Enrollment Update

Provost Sue Edwards offered highlights and goals of an upcoming 5-year enrollment plan. Building on the state's priorities to attract, retain and graduate students that meet the workforce needs of our region and the state, Wright State has set out to achieve five goals; namely

1. Sustained undergraduate enrollment growth
2. Improve student retention
3. Develop new programs, enhance existing programs to provide a qualified workforce to the region
4. Expand online offerings
5. Develop aggressive institutional and program-specific marketing plans that strengthen our distinctive identity as a student-success driven public university

Facing a nationwide decrease in the number of direct from high school (DFHS) students, Wright State has added new initiatives to increase Wright State's proportion of this student population. Additional emphasis on increasing the number of transfer students include removing barriers for credit transfers and the creation of articulation agreements and 4-year graduation plans.

The enrollment plan includes 5-year metrics and targets for enrollment, retention and graduation rates. Initiatives are underway to utilize analytics to tailor support services to underprepared or at risk students to assist with their academic readiness and success.

The Provost is working with the Deans to review their college program offerings and identify areas of growth that can meet the future needs of the region. Fully online programs and degrees can now be developed since the conversion is almost completed to allow core coursework to be taken completely online.

The Committee offered support for the draft plan and asked for regular updates on metrics and progress. Mr. Langos requested that revenue expectations driven by this plan be shared with the Budget Office for their consideration in crafting and monitoring the university budget. An updated plan will be shared on June 14, 2019. There was a general discussion on first year experiences with Wright State being the only institution in Ohio that does not have a mandatory first year requirement.

Trustee Ramos asked about efforts to support minority student's recruitment and success. Provost Edwards indicated that the incoming class has the highest level of minority representation over previous cohorts. Success efforts such as "Retain the Nine" and the identity centers are in place to help minority students find a home at Wright State and be successful with their academic studies.

- **Monthly Financial Performance Reporting**

Mr. John Shipley, associate vice president and controller, gave a fiscal 2019 budget status update and reviewed changes to the reports from what was presented in March.

- A. Financial Analysis: Unrestricted Funds Report**

The values in the middle section of the report shows actual revenue and expenses through the end of March. While not a lot of change from the previous month, revenues improved by \$147 thousand over February due to collection of miscellaneous fees such as application and transcript fees. Other revenue categories combined exceeded the budget and total revenue is under budget by about \$1 million.

No further tuition and fee collections are expected this budget year leaving a shortfall of \$1.8 million. A one-time adjustment to Wright States' share of State Appropriations due to a change in the formula is expected to result in a surplus of \$900 thousand for the year. Overall, total revenues are expected to be under budget by \$1.1 million.

Expenses show a positive variance, meaning expenses are under budget year-to-date resulting in a higher net position over the estimated budget. Compensation is the driver for the positive net position with a surplus of \$4.9 million primarily derived by unfilled positions. Other categories are harder to compare since departments have the ability to move funds between categories as spending needs change. Overall, the year-end surplus is projected to be \$6.2 million which is \$3.2 million over the planned budget.

B. FY2018 to FY2019 Actual Comparison

This report compares this year's actual year to date as a percent of budget to where we were last year as a percent of year-end. Total revenues are at 90% of the budget and should end the year at 99% of the budget. At this time last year, revenue was at 91% of year-end.

Expenses currently are at 78% of the budget compared to 82% in FY2018. This shows that expenses are definitely under control. The expenses are under budget in all categories except maintenance which is \$50 thousand over budget; basically even. As compared to last year, Mr. Shipley indicated that Wright State is definitely on track and on target for a surplus for year end.

C. FY2018 to FY2019 Monthly Budget to Actual Variance

This report compares the month of March against the budget and also against the month of March in 2018. Mr. Shipley highlighted areas of deviation between last year and this year. Tuition and fees were lower this year by \$22 thousand compared to last and State Appropriations are running ahead due to the change in formula.

Sales and service declined over last year from \$960 to \$661 thousand. Some of this change is a true reduction in revenue and part is based on timing. Compensation is under by \$5.7 million. Last year there was a one-time charge of \$5 million for fringe benefits that will not occur this year.

Mr. Fecher asked about the status of medical claims and how they are tracking to budget. Since Wright State is self-insured, unexpected medical claims can be a large budget disruption and are being tracked closely. Mr. Shipley indicated that the University has budgeted \$550 thousand per week for medical claims and actuals are running around \$500 thousand. While there is not a reserve pool of funds set aside for excess claims payment, Mr. Branson mentioned this is something the university is looking into establishing.

D. Cash Forecast

The beginning year balance for cash and investments was \$10.6 million higher than the beginning balance of FY2018. Ending cash and investments as of March 31, 2019 were \$86.9 million, an increase of \$20.2 million over March 31, 2018. For the fiscal year, the ending cash and investment balance is projected to be \$58.2 million as compared to \$51.6 million for June 30 last year, an increase of \$6.6 million.

Working capital earnings were \$174 thousand for the month of March. While the quarterly mark to market report for the private equity funds has not been received, that report was included in last year's total.

E. Cash and Investment Income Activity

The working capital cash on hand was calculated at 102 days as of March 31. While expenses will continue to year end, no significant additional revenue will be collected. Cash on hand is projected to decline to 64 days by the year end June 30, 2019. This is an improvement over FY2018 year-end of 53 days but still short of the goal of 180 days cash on hand.

2. Expenditures \$500,000 and Above

Mr. Shipley presented seven contracts for the Committee's review and approval prior to forwarding them to the Full Board for consideration. The contracts included electricity generation, Pepsi vendor contract, Xerox contract, vision insurance for employees, services provided by Wright State Physicians, lease payments for Double Bowler Properties, and a pass through contract for student textbooks with Barnes and Noble Bookstores.

Full details of the contract expenditures can be accessed here:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/Apr/meeting/FAI%208%20%24500K%20and%20over%20-%20April%2019%20BOT.pdf>

The Committee discussed a provision of the Pepsi contract that provides a cash payment to the university and where this payment typically is applied. The Committee is recommending the payment be applied centrally rather than on a unit or department level.

Wright State is part of the Inter-University Council of Ohio (IUC) which negotiates preferred vendor contracts using the buying power of 14 Ohio universities. The vision contract under consideration is at the IUC rate. The committee requested that Wright State also conduct independent bids on future shared services contracts to make sure to receive the best rates possible.

Wright State Physicians is an affiliated entity of Wright State. Physicians in this group are paid by the Boonshoft School of Medicine to teach medical students and provide clinical practice experiences. A question was raised about how compensation is determined for these services. Ms. Kim Paul, chief administrative officer for the Boonshoft School of Medicine and CEO of Wright State Physicians answered that payments are the actual cost plus benefits for services rendered. Wright State's Medicine and Health Committee of the Board has been reviewing this relationship and through the Affiliated Entity process and an audit by BKD, the compensation and relationship question will be further refined.

Double Bowler Properties is a real estate holding company for the university. Before the Committee was an annual renewal for real estate lease payments on property utilized by Wright State. Wright State is currently reviewing existing and future space needs and looking to further define how these properties are utilized.

The Barnes and Noble contract is a pass-through for payments made by students for course materials under the textbook affordability plan and for funds on their Wright One Card used at the bookstore.

A question was raised about student account write offs and if the University pays Barnes and Nobles if a student account is unpaid. Mr. Shipley indicated that the vendor is paid and the University collects from the student if the materials were received. This led to a discussion on bad debt and its effect on the university. Mr. Sherbet shared that Wright State works closely with the Ohio Attorney General's Office to collect bad debt and net write offs run around \$500 thousand a year.

With a motion from Mr. Fitzpatrick and a second from Mr. Langos, the Committee moved the following resolution to the Full Board for consideration:

Approval of Expenditures \$500,000 and Above

RESOLUTION 19-

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:

Is there a Second:

Roll Call Vote:

- **Contracts \$250,000 to \$500,000**

Mr. Shipley shared details on six contracts before the Committee for approval and addressed questions. Contracts included special counsel legal services, natural gas delivery, HVAC technical services agreement, payments for pediatric teaching experiences, unemployment insurance payments, and a pass-through for student legal services and for payments to the WOEF Board for Lake Campus housing.

The full report can be accessed here:

<http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/Apr/meeting/FAI%209%20%24250K%20-%20%24500K%20-%20April%2019%20BOT.pdf>

To strengthen our immigration processing, Wright State has outsourced responsibility for H1B Visa oversight to special counsel on an ongoing basis.

The Committee reiterated the need to have Lake Campus housing completely self-sustainable without any supplementation of university funds.

The Finance, Audit and Infrastructure Committee approved the following resolution:

Approval of Contracts between \$250,000 and \$500,000

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. Mr. Fecher seconded, and the motion was unanimously approved by roll call vote of the Finance, Audit and Infrastructure Committee.

- **Executive Session**

Mr. Fitzpatrick requested that the Finance, Audit and Infrastructure Committee enter into a Special Executive Session for the purpose of:

- **Ohio Revised Code 121.22 (G)(5), Matters required to be kept confidential by federal law or state statute, 121.22 (D)(2)**

In accordance with the Ohio Open Meetings Law, the Wright State University Board of Trustees' Finance, Audit and Infrastructure Committee, after a majority of a quorum and by roll call vote, determined to hold a Special Executive Session by offering the following resolution:

RESOLUTION 19-51

RESOLVED that the Wright State University Board of Trustees' Finance, Audit and Infrastructure Committee agreed to hold a Special Executive Session on April 19, 2019; 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 state statute, 121.22(D)(2)

Mr. Fitzpatrick moved for approval. Mr. Fecher seconded, and the motion was unanimously approved by roll call vote of the Finance, Audit and Infrastructure Committee.

The Finance, Audit and Infrastructure Committee entered into Executive Session at 10:40 a.m. and held their meeting in the Double Bowler Conference Room.

V. ADJOURNMENT

The Committee returned to Public Session at 12:51 p.m. and the meeting was adjourned.

Respectfully Submitted,
Deborah Kimpton