

D. Finance Committee

Mr. Fecher, chair, will report on the committee meeting of September 25, 2015

**Finance Committee
Meeting of September 25, 2015**

Minutes

Present: M. Bridges, E. Broner, D. Fecher, L. Klaben, W. Montgomery, G. Ramos, R. Pignatiello

Guests: P. Cheng, M. Crites, R. Fyffe, A. Golian, G. Harris, T. Heigel, J. Henne, D. Kimpton, N. Laskie, M. Lowery, M. Polatajko, S. Sherbet, T. Sudkamp, R. Sweeney, C. This, J. Ulliman, C. Wooley

Mr. Douglas Fecher called the meeting to order at 10:46 a.m.

Vice President's Report

Dr. Mark Polatajko, vice president for business and finance / chief operating officer, highlighted the current status of the FY15 financials and FY16 budget and offered some key initiatives emphasizing resource optimizations currently underway.

Every 2-3 years the University undergoes a ratings update with Moody's, our bond ratings agency. Our current rating is A1 with a stable outlook. The following information was reported to Moody's. Overall revenues have been on an upward trend over the past three years due to managed enrollment growth of 2% a year. Wright State continues to remain affordable and currently ranks fourth lowest among state universities in terms of tuition and fees.

Funding received from the state, (SSI), has shown a gradual upward trend over the last several years (currently 4.5% in 2015 and 4% in 2016) in exchange for a statewide tuition freeze and efficiency measures going into place next year. Course and degree completions continue to improve and will factor in long term to generate additional SSI funding.

Investment income has been used to fund operating activities at a level of \$8 million per year. However, there is a plan in place beginning with 2016 to incrementally reduce our reliance on investment income for operating purposes to zero by budget year 2020. Auxiliaries have performed well, including Parking and the Nutter Center. Housing is nearing 100% occupancy.

On the expense side, since the loss of nearly \$20 million in operating revenues in the period spanning 2011 & 2012, Wright State has continued to focus on right-sizing the budget to discontinue the use of augmented spending in key areas of one-time funds and carryforward balances. Areas where spending exceeded base budget included Student Access to Success (\$4 million in scholarships and \$3.3 million in support services), research activity (nearly \$1 million through WSARC in support of strategic initiatives), and strategic real estate acquisition and development for campus expansion (over \$4 million). Depreciation expense is expected to increase due to new buildings recently put into service. Another \$7.6 million in one-time funds for salaries and benefits was spent for a variety of short term activities and

initiatives including advising, staffing transitions, program and administrative support, lectureship, etc. in support of the mission.

Under the new CAO/COO leadership model, three key business processes are being re-designed to realign the base operating budget and manage resources as Wright State transitions to a new budget model in 2017. These processes include strategic hiring, space management, and capital planning. As of last year, nearly 13% of our personnel roster, or \$18.5 million in salaries, were eligible to retire. Managing attrition will be key to this base budget balancing strategy.

Resource optimization initiatives include Wright State's partnership with Chartwells' for hospitality services and our consortium with several other institutions under the Enterprise Print Management shared services program. Increases in the cost of healthcare benefits have been managed through strategic plan design changes, premium revisions, wellness, and platform shifts.

Over the next 18 months, several contracts will be coming up for renegotiation. Among these are a current 25 year agreement for campus housing with A.M. Management and a 10 year contract with Pepsi for beverage service. This renegotiation presents opportunities for the University to improve its position and partnership agreements.

Highlights related to the 2015-2016 budget year include the November 1st launch of the shared services salt storage/grounds relocation project and a joint RFP with Clark State Community College for banking services. The university stands to save nearly \$50,000 yearly through improved technology, enhanced service, and reduced bank fees for our operating and payroll accounts.

Campus Auxiliaries and Business Services Update

Ms. Gheretta Harris, executive director of campus auxiliaries and business services, offered an overview of the various units and services that fall under her department. Campus Auxiliaries and Business Services (CABS) is service driven with several functional areas; including strategic procurement, materials management, and auxiliary services.

The Strategic Procurement area provides the university with contract procurement, contract management, and enhanced pricing coordination with IUC shared services. Materials Management oversees the delivery of mail services, shipping and receiving, lab stores, and surplus management.

Hospitality Services encompasses approximately 17 campus venues including dining services and other retail food outlets. One unique area is the Reynolds "Rey-Rey" café and coffee shop which is a student managed retail outlet. Designed as a student retail learning experience, it provides students with opportunities to gain practical hands on skill development in all areas of finance, marketing and retail management.

Wright State also has partnership agreements for auxiliary services with Barnes and Noble for bookstore and Xerox for print services that are managed under CABS. Transportation Services and Parking Services are also key areas within CABS.

Am. Sub. HB 64

Dr. Polatajko updated the Board on three efficiency related provisions of the biannual state budget bill, Am. Sub. HB 64, Section 369.540 relates to the Efficiency Advisory Committee and an institutional report that is required by December 31st of each year outlining revenue enhancements, reallocations of resources, expense reductions and cost avoidance.

Section 369.560 and 590, originally referred to as the Governor's Executive order - created the Ohio Task Force on Affordability and Efficiency to prepare a report for the Governor by October 1st detailing recommendations for cost and efficiency savings. Subsequent to this report, all board of trustees will need to complete their efficiency review by July 1, 2016 and prepare a report for the Department of Higher Education on measures they have identified to comply with recommendations from the Task Force report by July 31, 2016.

Lastly, section 369.600, the Reducing College Costs Initiative, requires institutions to identify ways to create a 5% reduction in the cost of tuition and fees for undergraduate in-state students. Today the Board heard details of the plan Wright State has developed.

Approval of Expenditures over \$500,000

Ms. Gheretta Harris, presented contracts exceeding \$500,000 for Board consideration and approval.

<u>Vendor</u>	<u>Description Services</u>	<u>Contract Amount</u>	<u>Term of Contract</u>
Miami Valley Research Foundation	Real Estate Lease	\$2,500,000	7/1/15 – 6/30/25
Siemens Industry Inc.	Technical Service Agreement	\$643,463	7/1/15 – 6/30/17

The following resolution is presented for Board approval:

RESOLUTION 16-

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

Purchases between \$250,000 and \$499,999
 April 1, 2015 through August 31, 2015

<u>Vendor</u>	<u>Description of Services</u>	<u>P.O. Amount</u>
Environmental Demolition Group LLC	Asbestos Abatement	\$495,000
Greenville City Schools	Reimbursement	\$492,500
Unum Life Insurance Co. Of America	Insurance Premium	\$420,000
Yankee Book Peddler	Books	\$400,000
Sibson Consulting	Consultant Services	\$394,000
Vision Service Plan	Vision Insurance	\$370,000
ABM Building & Energy Solutions Inc	Chemicals, Services and Maintenance	\$368,444
Treasurer, State of Ohio	Ohio Federal and Military Jobs Commission	\$350,000
Wright State Applied Research Corp.	Ohio Federal and Military Jobs Commission	\$340,000
Student Legal Services Inc.	Legal Services	\$325,000
State of Ohio Attorney General's Office	Collection Services	\$300,000
Vectren Energy Delivery	Natural Gas Service	\$300,000
Hightowers Petroleum Co.	Gasoline and Diesel Fuel	\$260,000
Unum Life Insurance Company of America	Insurance Premium	\$260,000
Wright State Applied Research Corp.	WSRI CLEAT	\$255,000
Children's Medical Center	Reimbursement	\$344,750

No action of the Board is required.

Investment Reports

Mr. Ulliman gave the university's investment report for the period ending August 31, 2015. Reports have been shared with the Board and will be filed with the written record.

The meeting was adjourned at 11:50 am.

Respectfully Submitted,
Deborah Kimpton

