Finance, Audit and Infrastructure Committee
Meeting of May 24, 2019

Minutes

<u>Present:</u> D. Fecher, S. Fitzpatrick, B. Langos, A. Rains, G. Ramos, S. Wenrick

<u>Guests:</u> L. Chan, P. Cheng, J. Hensley, D. Krane, D. Kimpton, C. Schrader, S. Sherbet, J. Shipley,

Mr. Sean Fitzpatrick called the meeting to order at 9:02 a.m. and read the conflict of interest statement.

- **Vice President Update**

  In the absence of Mr. Branson, Mr. John Shipley, associate vice president and controller, updated the Board on the federal government's recent decision to cancel the Perkins Loan Program and recall the funding used to make loans to students with demonstrated financial need. As a result of this decision, Wright State will be returning a total of $8 million dollars which has been loaned out to students and they are repaying to the university over ten-year's time.

  Nationally, institutions making repayments will be offered a, yet to be determined, timeframe to return the funds but are now required to show the full amount due as a liability on this year's balance sheet. The inclusion of this liability on Wright State's balance sheet will decrease net assets and change the current Senate Bill 6 calculation from a 2.2 to a 1.8 score.

- **Monthly Financial Performance Reporting**

  Mr. John Shipley, offered a financial status update for the university through April 30, 2019.

  A. Financial Analysis: Unrestricted Funds Report
  There has been little change in revenue from the previous report. Minor adjustments of $78 thousand to balance out the accounting for Summer have been made. As discussed last month, the one-time adjustment to SSI funding has been applied to "State Appropriations" revenue which should end the fiscal year $900 thousand over budget. With revenue decreases in "Tuition and Fees" and "Sales and Services", year-end total revenue is anticipated to be $1 million under budget.

Overall between revenue and expenses, a year-end net surplus of $6.2 million is expected which would be $3.2 million over the planned budget surplus of $3 million.

Mr. Shipley shared that plans are underway to rework the financial reports to better track expense spending against anticipated monthly budgets. Report formats will also be enhanced to eliminate redundancy.

The financial impact of the elimination of the Perkins Loan program was discussed. Currently, student repayments made to the university on Perkins Loans total about $3.2 million. Instead of being loaned out again, these funds will need to be returned to the Department of Education (DoE). Moving forward, as payments are received they will also be funneled back to DoE.

Mr. Steve Sherbet, university bursar and director of treasury services, offered a historical perspective of the Perkins Loan program and answered questions on default rate and repayment schedules.

B. FY2018 to FY2019 Actual Comparison

This report shows where the university is tracking for FY19 against budget compared to last year's actual to year-end. Revenue is right on the mark compared to a year ago and expenses continue to track lower as a percent of total (84% of budget this year versus 89% last year).

C. FY2018 to FY2019 Monthly Budget to Actual Variance

This report compares the revenue and expenses for the month of April against the budget and also against April of last year.

As mentioned, the one-time state SSI payment triggered by the formula adjustment has been posted. Also posted were Nutter Center entries not allocated in March which drove "Sales and Service" up $400 thousand over last year.

There were questions about revenues for Summer semester and whether they were included in this report, as well as measures underway to insure enrollment targets are met. Mr. Shipley indicated that Summer revenues are not part of the FY19 budget but instead post to the FY20 budget.

President Schrader spoke about enrollment. Summer and Fall enrollments are being closely monitored and student outreach as well as other measures are underway to strengthen enrollment. Mr. Fitzpatrick remarked that the creation of next year's budget involves two facets, namely, a detailed projection of anticipated revenue and an expense plan to underspend revenue to allow for a surplus. Details of the proposed budget will be shared on June 14, 2019.

D. Cash Forecast

The total ending cash and investments as of April 30, 2019 were $77.9 million, an increase of $21 million over April 30, 2018. For the fiscal year, the ending cash and investment balance is projected to be $58.5 million as compared to $51.6 million for year-end June 2018, an increase of $6.9 million.

Working capital earnings were $147 thousand for the month of April. There was a distribution on illiquid investments of almost $534 thousand that was offset with a capital call of $356 thousand leaving a difference of $178 thousand that was moved to cash. April's total investment income was about $500 thousand which included mark to market and interest earnings.

Mr. Fecher inquired about the status of the university's remaining alternative investments. This type of investment no longer aligns with the conservative investment strategy adopted by the Board. There was a discussion about current fund performance versus the cost to liquidate which would include transaction costs and a discount loss of 5-10%. The committee requested that a full proposal of cost versus benefits be presented at the next FAI committee meeting.

E. Cash and Investment Income Activity

Day's cash on hand for the month of April was 90. The projection for day's cash on hand at year end was 64. This was an improvement of 11 days over 2018. The university continues to make progress towards their goal of maintaining 180 days cash on hand.

1. <u>Expenditures $500,000 and Above</u>

The University has maintained a long term relationship with A.M. Management for the majority of campus housing. Mr. Shipley presented pass through contracts for reimbursement of student housing fees to the various entities making up A.M. Management's contractual relationship.

Full details of the contract expenditures can be accessed here:
http://www.wright.edu/sites/www.wright.edu/files/uploads/2019/May/meeting/FAI%207%20Expenditures%20%24500%2C000%20and%20above.pdf

This approval represents an extension of a one year contract with A.M. Management and sets commission paid to the University at 8.5% to cover management of the properties. Plans are underway to move away from the year to year contract structure and to make a long term strategic decision on university housing.

With a motion from Mr. Fitzpatrick and a second from Ms. Ramos, 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:

- **Investment Reports**

Mr. Sherbet reported on the April 30, 2019 SEI Investment report outlining the cumulative and annualized return on investments. A positive trend in investment earnings reflected in a projected investment income of $2.6 million for the year. The committee discussed the durations of the holdings and reiterated their goal of maximum yield with the safest possible investments.

The meeting adjourned at 9:55 a.m.

Respectfully Submitted,
Deborah Kimpton