

**WEST VIRGINIA STATE UNIVERSITY
FINANCE COMMITTEE OF THE BOARD OF GOVERNORS
MINUTES OF MEETING OF AUGUST 22, 2012**

Chair Larry Salyers called the meeting to order at 3:00 in the Grand Hall of the Erickson Alumni Center. Those Governors attending in person were: Millie Booker, Tom Guetzloff, William Lipscomb, Larry Rowe, Larry Salyers, Tom Susman, Gary Swingle, and Scotty White. Those attending by conference call were John Thralls and Vincent Williams. Absent was Ann Smith. Various administrators and others were also in attendance. Chair Salyers asked for approval of the agenda, the motion was made, seconded, and passed that the agenda be approved.

The meeting was turned over to Vice President for Business & Finance Melvin Jones to report on how the University ended fiscal year 2012 and he presented a spreadsheet cash report for Educational & General (E & G) budget to actual accounts. He noted the following:

- The University achieved 99.9% of projected income.
- Expenditures that show over 100% exceeded their budget, those under 100% stayed within budget.
- Student Affairs is running over budget as has been mentioned previously.
- Administrative Services exists no longer as an administrative area; a note at the bottom of the schedule tells what departments were formerly included in that area.
- Physical Facilities benefitted from having less repairs – they fixed only those things that absolutely had to be repaired.
- Advancement was in trouble all year long and all contracts were eliminated in January of this fiscal year.
- Finance was over budget primarily related to the additional costs of the audits.
- It was noted that T. Susman offered to step out of the room for any auditor questions since his firm has a relationship with the WV Auditor's Office. It was not considered necessary for him to leave.
- The KVCTC paid their contractual agreement in full.
- Expenditures for FY 2012 totaled \$20,422,734, income totaled \$21,037,559, resulting in a surplus \$595,408

Mr. Jones next turned the attention of the group to the Auxiliary Accounts for FY 2012. He noted the following:

- The biggest challenge was the Housing Account (fund #123710). The decision was made to close Gore Hall for the 2012-2013 year – it is the oldest of our dormitories. It was felt that not having to maintain that Hall will abate some of the expenditures.
- G. Swingle asked whether or not Gore Hall caused all of the deficit. M. Jones said it was Gore plus the lack of volume.
- L. Rowe asked how much did we lose on Gore Hall. M. Jones responded approximately 90% of the deficit was the result of Gore Hall.

- The 6/30/11 beginning balance in the Housing account was a deficit of \$737,006 and the projected 6/30/12 ending deficit balance was \$1,269,121; the actual ending balance was a deficit of \$1,193,170 or unfavorable activity (revenues less expenses) of \$456,164 for the year.

In discussion of other auxiliary accounts, the following points were made:

- T. Susman observed that he saw in the newspaper that the University is going to refinance the Student Union bonds. He asked if that would help the Student Union operation.
- M. Jones responded it will be a lower interest rate and will help.
- In the Dining account, M. Jones said they are going to bifurcate the account between student residents and other activities in order to ascertain where the problems are occurring.
- Subway and Taco Bell are under the Student Union Operation account.
- The Faculty Housing account has a positive balance since rental rates were raised to reflect market rate.
- Athletics is another challenged account especially since we are losing 1800 students to the KVCTC (and thus their athletics student fee will be lost).
- The Bookstore account did well in FY 2012 but it is expected to be challenged in FY 2013 with the KVCTC students gone.
- The net effect of the auxiliary accounts is a negative net activity of \$384,265; when that is combined with the E & G surplus of \$595,408 that leaves a net of \$211,143.
- There are 19 KVCTC (Job Corps) students housed in our dorms for FY 2013; last year there were 47 students.
- The question was asked whether or not the coaching staff pays rent on their office house. Jones said they pay \$18,000 from their budget.

M. Jones next directed the attention of the group to the All Funds Budget for FY2012, a budget to actual report on a cash basis.

- The Fleming Hall budget has been isolated from the body of the report and presented at the bottom of the page in order to track what is happening with that building.
- For the row entitled 4611 Tuition and Fees, the ending balance is calculated as Beginning Balance (column A) + Actual Revenue (column C) – Actual Total Expenses (column L) = Ending Balance (column N).
- L. Rowe asked whether or not this was good news and M. Jones responded it was – the University came out \$1,197,442 ahead of their projection on these funds. (For the Tuition & Fees row, calculation is Column A + Column B – Column K = Projected ending balance of \$431,444; actual ending balance was \$1,628,885 or column N, a difference of a rounded amount of \$1,197,442.)
- V. Williams noted in the Grand total row, Supplies & Other Services budget column (H) budgeted \$33,712,378 of expenditures but expended only \$17,696,628 (column I) leaving a difference of \$16,015,750 (column J). M. Jones responded that most of that difference was funds held for the new construction of Fleming Hall.

M. Jones next turned the attention of the group to the University's E & G FY 2013 budget/actual expenditures to 7/31/12. He noted:

- These numbers are not representative because the sample is too small. The target percentage should be 8% but we received 9.67% of income.
- Student Affairs shows 9.99% salaries paid because the last Vice President received his accrued vacation pay in July.
- The budgeted numbers include allocation among the administrative areas of the \$903,909 deficit in the FY 2013 budget.
- T. Susman noted the University housed several people following the derecho. He asked whether or not we billed the State for those. M. Jones responded we housed AEP workers and they have paid their bill; we billed FEMA but they have not yet paid their bill.
- The current budget includes the realignment of the Departments: University Relations reduction of \$18,702 in Supplies & Other Services resulted from the KVCTC paying last year's phone bill in July. That went to IT, which now resides in University Relations. The University Relations difference is in benefits paid in Salaries & Benefits results from benefits paid for the former Vice President and the former Assistant Vice President.
- The Net College Wide row resulted from Workers Compensation paid but not distributed to the various departments.
- The President's Office now includes Athletics so there is a reduction in Student Affairs and an addition to the President's Office.
- The differences seen between FY 2012 and 2013 budgets are the result of the changes in reporting structure.

Looking at the Auxiliary Account Activity for July, 2012 shows

- The Bookstore is in deficit because books have been ordered for the fall semester but that semester hasn't yet begun (and thus the books not yet sold).
- Housing & Dining Accounts show deficits and an accountant has been assigned to keep them on track.
- Summer School was budgeted \$50,000 (for the first summer session of 2012) but they spent only \$40,000. Upon inquiry, Provost Byers said enrollment in that session was approximately on track.
- The Parking fund covers some of the Public Safety officers and regularly runs a \$300,000 deficit. The University is at a minimum number of officers.
- G. Swingle asked what is the estimate on Athletics. M. Jones said their budget was increased by \$200,000 to try to shore them up.
- L. Rowe asked if we know whether or not the new athletic conference will increase or decrease our costs. M. Jones said one of the largest expenditures is for insurance on our players. Currently students are not required to carry health insurance – the HEPC is investigating having a system-wide insurance policy for students and the Athletics Department then would only have to purchase incremental insurance on our athletes. Should mandatory insurance be enacted, students will either have to purchase the HEPC insurance or provide proof of insurance to opt out of the HEPC insurance.

- L. Rowe asked whether or not the University has insurance expertise to ensure we are properly covered. M. Jones said the University is covered under BRIM and they audit us for our coverage on property and casualty insurance.
- T. Susman asked whether there is anything that would prohibit the University from entertaining bids on insurance until the HEPC rules on their coverage. He suggested talking to WVU and trying to get a rider on their policy. M. Jones said WVSU will investigate with HEPC whether or not or can go our own way or partner with another University.
- G. Swingle asked what immunity a Board member has. T. Susman said insurance covers us well. L. Rowe said individual Board members may be sued only for the maximum of insurance available to pay. He also said most homeowner's policies have a coverage for unpaid board service.
- T. Guetzloff said WVSU is barely meeting NCAA guidelines for funding of athletics. If the new conference requires greater scholarships, etc., that could pose a problem. President Hemphill said he has a copy of the bylaws of the new conference and WVSU will have to work on its scholarships.

President Hemphill ask what are the questions regarding public safety?

- T. Guetzloff said he doesn't think our number of public safety officers is adequate.
- President Hemphill asked M. Jones what is the industry standard. M. Jones said it is 1 officer per 1,000 students; if we use that rule of thumb, we are overstaffed. But we have two forces 10 minutes from us: Nitro and Dunbar.
- T. Guetzloff said if we have only one police officer on campus, what if we have two incidents at the same time? M. Jones responded we have five officers at the current time and we sometimes do have problems when we have vacations but we use overtime to cover those times.
- President Hemphill asked whether or not we have interagency agreements with those other forces. M. Jones said we don't have written agreements.
- President Hemphill said we are going through challenging financial times but he held harmless tenured and tenure-track faculty and classified staff. He said we are not cutting the public safety force but if we are not out of compliance, we should stay as we are.
- T. Susman said effecting an interagency agreement would be prudent but he suggested the University also investigate the WV State Police as well as Sheriff's deputy and perhaps establish a protocol for whom to call.
- T. Guetzloff suggested we might have student internships for public safety. President Hemphill suggested this could be a work study arrangement and could be investigated.

Returning to discussion of the FY 2013 E & G budgets by VP areas, M. Jones said the VP areas Total Year Budget for expenditures (rows 6-14) includes an allocated reduction to absorb the \$903,909 budget plug. He also said an additional 3.5% or 5% reduction may be in order.

- L. Salyers asked the implications of the FY 13 budget vis-a-vis enrollment?
- It was reported that as of that morning there are 2,471 students enrolled, 147 fewer than this time last year. T. Susman said this was better news than he had feared.

- L. Rose said we had budgeted based on 2,827 students, or flat enrollment growth. It was noted that approximately 200-300 early enrollment students are not yet included in this enrollment number.
- Interim Vice President for Student Affairs and Enrollment Management Katherine McCarthy said we are currently making sure we have reports that build benchmarks on a going-forward basis. We are trying to obtain confirmations from accepted students about whether or not they will enroll – this will be helpful for budgeting purposes going forward.
- M. Jones said we will know whether the 3.5% or 5% cut will be implemented once we have our firm budget numbers – which are due on August 24.
- President Hemphill said the “cut” amount will be segregated and held until January to see how enrollment is running and if the enrollment rises, we will release some of the “cut” back to the area budgets.

T. Susman said that given the 7.5% budget decrease the State of WV has asked for for FY 2014, even if we get enrollment up, we need to be conservative about our budgets because the \$750,000 goes away.

- President Hemphill said we have submitted \$4.5 million supplemental appropriations request.
- M. Jones said the 7.5% isn’t really accurate. The State doesn’t normally touch financial aid so that translates to an 8.72% cut in general revenue.
- L. Rowe asked with the 8% tuition increase, is their financial aid covering their tuition & fees? M. Jones said it is because we are the cheapest institution in the state.
- President Hemphill said we recognize that if this cut occurs, the public institutions likely will increase tuition above the 5% benchmark.

L. Salyers asked if there are any other budget impacts to be considered.

- M. Jones said regarding Fleming Hall, there was a pre-bid meeting on August 7 and all questions are due in on August 23.
- Questions will be taken back to the architectural firm and they will consult with the University; we will respond by August 30.
- Bids will be opened and analyzed on September 6, at which time we plan to award a contract and start the work.
- G. Swingle asked whether or not we are on schedule to use the money as stipulated. M. Jones said we believe we will have 85% of the money spent as stipulated by August, 2014.
- T. Guetzloff said the cost was projected to be \$17 million – are we raising money for the remainder of the cost?
- President Hemphill responded we are looking at opportunities for performance contracts where the savings will be reaped over the number of years of operation returned to the contractor. If that doesn’t work, he said, we will look at the refinancing savings but that is the absolute last resort since he would rather use the refinancing savings of \$3 million for academic buildings deferred maintenance.
- G. Swingle asked if there is a prepayment penalty on the bonds. M. Jones said there is a small one but it is not prohibitive.

- L. Rowe said he had passed on a letter from KVCTC President Badgley in which he asked to be involved in the refinancing discussions and asked what had happened to that. President Hemphill said they are concerned about access of their students to certain services. Even if the bonds are refinanced, the CTC will still have a residual obligation.

Regarding new residence hall construction, M. Jones said questions were due August 5 and our responses went out that day (August 22). The bid opening and selection of the contractor is scheduled for September 18; it will be a year beyond that before construction will commence.

- T. Susman asked whether or not the University has to put up any of the money. President Hemphill said the contractor has to put up all the money but he wants a buy-back clause on the building as well as a statement of how the revenues are handled in transferring the money to the bondholders, etc.
- M. Jones said the Board of Governors will be involved in the contract because there is a land-lease involved.
- L. Salyers asked whether or not we have an occupancy benchmark for the new dorm. President Hemphill said one will be written into the agreement.
- G. Swingle asked will the new bonds pay off the old bonds. President Hemphill said no, they will be refinanced.
- T. Susman asked in terms of the refinancing, might there be some things that should be done to Dawson Hall? M. Jones said there are not. It is the newest and best dorm we have and students are happy there.
- T. Guetzloff asked whether or not there will be a penalty to refinance Dawson Hall. M. Jones said there may be but it will be minimal, especially in regard to the savings.

The Board did not feel at this time they need to monitor cash balances.

With the business of the meeting concluded, the meeting adjourned at 4:55 p.m.

Respectfully submitted,

Patricia M. Shafer, M.B.A./C.P.A.
Office of Academic Affairs