

Budget Planning Council Meeting Agenda
April 17, 2009
10:00 am – 12:00 Noon
Baker Center 235

In Attendance: Bill Decatur, Jeff Fulk, Kathy Krendl, Kent Smith, Joe McLaughlin, David Thomas, Ann Tickamy, Sergio Lopez, Betty Sindelar, Brenda Noftz, Hugh Sherman, Michael Adeyanju, Peter Wickman

Absent: Chuck McWeeney, Dennis Irwin

Staff: John Day, Katie Quaranta, Dawn Weiser, John Demmler, Craig Cornell, Becky Watts, Rebecca Vazquez-Skillings

Guests: Steve Flaherty

- I. General Fee Report: Postponed until May 1st meeting
- II. Financial Ratio Analysis – KPMG ratios first for private institutions and then rolled out for public
 - a. Trends & Insights
 - our ratings have improved over the last year in an absolute sense and many of our peers have declined
 - we were one of two institutions in Ohio that actually improved their SB6 ratios – our lowest score of the 5 years was in 2006; SB6 is a state measurement and if scores fall too low the institution is put on fiscal watch – has only happened to Central State so far; this year could be a challenge and the state is watching to see how the universities fair
 - we are taking many positive steps to improve our ratios...building reserves, we had been minimizing debt issuances and continuing to pay \$10-14 million off per year – that will change with the next set of SB6 ratios due to recent HDL debt and upcoming IT debt issuance
 - our low expendable net assets has restricted our ability to incur debt; debt could have been used strategically in the past to improve housing stock and possibly improve our competitive advantage in housing
 - the facilities ratios and trends reflect a decreasing level of state investment and lower amounts of monies for capital investment and maintenance overall – due to the age of our buildings and budget cuts we see OU trending down – our higher levels of maintenance spending could reflect older facilities as well as our commitment, although diminishing in past budget cuts, to campus upkeep
 - b. Peer Institution Listing – includes the national aspirational peers and Miami, UC, and Kent
 - c. Review of Key Ratios – Ohio and Peer Group
 - Reflects definitions, calculation explanation, some discussion of each ratio, trends and two tables showing where we stand in comparison to peer institutions and 3 Ohio institutions – Kent, Miami, UC

- Ratios are used by rating agencies – Standard & Poors and Moody's; both agencies were here last week to rate us before our next bond issuance
 - OSU is AA rated; Miami and OU are A1; rest of Ohio institutions are A2; OU could drop to A2 due to the economic environment and the rating agencies taking a harder look at everything given the economic environment
- d. Summary - overriding messages
- OU rankings have improved
 - Conscious decisions in budgeting improvements in expendable net assets and changes in carry forward policy are aimed to improve ratios
 - Manage debt
 - Use debt strategically
 - Will continue to report and monitor trends in ratios
 - It would be helpful to present this information to campus in a way that is understandable – it does show that some of the sacrifices of the past have been fruitful in improving our ratios and relative standing
 - possibly another 'budget summit' format
 - use the trend lines to make decisions and then pull out and refer to regularly to reflect progress; the board has requested to be informed regarding the impact of decisions on our ratios

III. Managerial Reserve

- a. Discussed use of managerial reserve as part of the FY10 healthcare budget . This would create a one-time reduction of premiums for employees – this would shift c. \$700K to the university share of the budget to recover the lower employee contribution loss but c. \$6.3M could flow through to fund balance
- b. the next year employee portion will return to the prior level plus any increase projected in health benefits
- c. claims runout reserve is set aside to manage catastrophic health benefits claims
- d. some risk in using the managerial reserve in its entirety because we took the lowest claims inflation projection number from Milliman knowing this reserve was available, so we may not want to allocate the entire managerial reserve in one year
- e. general discussion indicated using the reserve in this manner was a good idea – will discuss again at next BPC

IV. Discussion

- a. question on whether BPC had a discussion in Fall about the SIS fee being charged to undergraduates only – no members of the group recalled having that discussion
 - when fees were first calculated there were discussions about which students to include – all groups were determined to benefit from the SIS / infrastructure improvements – grad, undergrad, regional – no determination was made that any group would be exempt – all students benefit at least equally. Members acknowledged that graduate students would benefit greatly from improvements in the network infrastructure.
- b. next meeting we will hear from the General Fee committee

V. Next Scheduled Meeting: May 1, 2009, 10 – noon, Baker 235