Budget Planning Council Meeting Agenda

April 18, 2019 • 11:00am – 1:00 pm

Schoonover Center ~ Rm 380

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1. Vote: Off-Campus Graduate Program Fee Requests

2. Student Services Committee Report

3. Balance Sheet & Institutional Budget Planning

OHIO UNIVERSITY

GRADUATE OFF CAMPUS PROGRAMS

(PER CREDIT HOUR)

College	Program - Current Fees	Instructional Fee	General Fee	Program Fee	Special Svcs / Materials Fee	Ohio Resident Total	Non-Resident Fee	Out-of-State Resident Total
Health Sciences	Master of Arts Speech-Language Pathology	505	78	37	-	620	496	1,116
Health Sciences	Doctor of Clinical Audiology	505	78	37	-	620	496	1,116
Health Sciences	Dietetics Internship Masters Program	505	78	15	-	598	496	1,094

College	Program - Proposed Fee Increases	Instructional Fee	General Fee	Program Fee	Special Svcs / Materials Fee	Ohio Resident Total	Non-Resident Fee	Out-of-State Resident Total
Health Sciences	Master of Arts Speech-Language Pathology	505	78	50	-	633	496	1,129
Health Sciences	Doctor of Clinical Audiology	505	78	50	-	633	496	1,129
Health Sciences	Dietetics Internship Masters Program	505	78	30	-	613	496	1,109

College	New Program	Instructional Fee	General Fee	Program Fee	Special Svcs / Materials Fee	Ohio Resident Total	Non-Resident Fee	Out-of-State Resident Total
Engineering	Master of Science in Project Management	505	3	317	125	950	19	969
Engineering	Project Management Graduate Certificate	505	3	312	80	900	19	919
Health Sciences	Masters of Science in Nursing Online (AGACNP Track)	505	3	184	-	692	19	711
Health Sciences	Masters of Science in Nursing Online (PMHNPTrack)	505	3	109	-	617	19	636
Health Sciences	Masters of Science in Nursing Hybrid (AGACNPTrack)	505	78	184	-	767	496	1,263
Health Sciences	Masters of Science in Nursing Hybrid (PMHNP Track)	505	78	109	-	692	496	1,188

Student Services Committee

Review of the Ohio University Graduate College

Report to Budget Planning Council

April 18, 2019

OHIO UNIVERSITY

Committee Charge

- The Student Services Committee is a subcommittee of Budget Planning Council and is charged with reviewing University units that provide services to students at Ohio University
- Evaluated student experiences with Graduate College and the services provided by the unit to primarily graduate students

Committee Membership

- Co-chaired by Student Senate and Graduate Student presidents
- Membership includes representatives from Diversity & Inclusion offices, the Veteran's Center, International Student & Faculty Services, the Senate Appropriations Commission, the unit(s) being reviewed, and the 5 Senates
- Advised by Vice President of Student Affairs- Dr. Jason Pina; and Associate Provost for Academic Budget and Planning- Dr. John Day

Committee Membership

- Maddie Sloat (co-chair)
- Maria Modayil (co-chair)
- Anna-Kaye Rowe: First-Gen Rep
- Hannah Osborn: Graduate College Rep
- Justin Kelley: SAC representative
- Doug Clowe: Faculty Senate Rep
- Marilyn Maher: Classified Senate Rep
- Marjorie Mora: Administrative Senate Rep
- Advisors: VP Pina, Dr. Day

Data Collection

- Received two-hour presentation from interim Dean David Koonce and interim Associate Dean Beth Quitslund of the Graduate College regarding current services provided
- Committee research on IUC/peer institutions' graduate colleges
- Two surveys utilized for student feedback:
  - Graduate Student Senate Climate Survey (from 2016-2017)- 433 responses
  - Graduate College Services Survey (created by SSC this year)- 252 responses

Committee Findings

1. Graduate College's roles and responsibilities in the University community is unclear to faculty, students, staff.
   - Recruitment, admissions, student support, administrative support to departments and colleges
2. Graduate and undergraduate students express increasing need for student services and support through Graduate College.
   - Professional development, career counseling, policies around graduate education, orientation to OHIO, assessment and evaluation data
3. Communication of services available to graduate students.
   - CLDC, CPS, DOSA, D&I, Admissions & Recruitment, Orientation, OIT, HR

Committee Recommendations

- Clearer vision and mission for the Graduate College
- Best practices for graduate education
  - Comparisons with peer and IUC institutions
  - Professional development
- Benchmarking graduate programs, graduate education at OHIO
  - Data collection and reporting
  - Trends in graduate education
  - Recruitment, retention, enrollment information
  - Years to completion data
  - Employment after graduation data

Committee Recommendations

- Better integration of OHIO units and resources to best serve graduate and professional students and avoid duplication
  - CLDC, CPS, DOSA, D&I, Admissions & Recruitment, Orientation, OIT, HR, Alumni Relations
- Internal and External Review of the Graduate College
  - Strategic Consultations through Council of Graduate Schools
  - Last report was in April 2012
  - Services offered and efficiencies
- Alignment with the President's strategic initiatives and pathways
  - Academic Excellence
  - Graduate Student Support

Future Directions

- The complete report including survey results will be provided to the President, the Provost, Graduate College, Vice Presidents, in addition to Budget Planning Council
- Recommendations for the Student Services Committee
  - Committee charge and composition
  - Review of previous units assessed and progress on the recommendations provided
- Request follow up on these recommendations and directions with the graduate student population

Recommendations for the Future

- SSC be co-chaired by the presidents of Student Senate and Graduate Student Senate to be inclusive of the unique perspectives both senates bring.
- SSC-BPC should review previous units assessed and follow up on recommendations provided.
- Student Services Committee start its work early
  - Summer: Review charge of the committee and make changes as appropriate, co-chairs finalize the unit(s) being assessed, contact stakeholders, discuss methods of data collection, scope of the review, review the composition of the committee
  - Fall semester: Recruit committee members in the first few weeks, schedule bi-weekly meetings, initiate data collection
  - Spring semester: End data collection, analyze data collected, make recommendations
- Ideas for student services to be assessed: CPS, Health Promotions, Veteran's Center, Campus and Community Engagement, Athletics, Campus Rec

INTEGRATED FINANICAL PLANNING
Strengthening the Financial Balance Sheet

BPC Presentation – April 18, 2019

How financially sustainable is OU?

Traditional Metric: Senate Bill 6 ratio analysis as a metric for financial sustainability

Key Question	Ratio	Composite Score Weight		OU FY18 Score		FY18
				Scale of 0.0 to 5.0		
Are resources sufficient and flexible enough to support mission?	Primary Reserve Ratio *(Expendable Net Assets/ Total Expenses)*	50%	x	5.0	=	2.5
Do operating results indicate the institution is living within available resources?	Net Income Ratio *(Operating Surplus or Deficit/ Unrestricted Operating Income)*	20%	x	5.0	=	1.0
Is debt managed strategically to advance the mission of the institution?	Viability Ratio *(Expendable Net Assets/ Long term Debt)*	30%	x	3.0	=	0.9
				OU Composite Score		4.4

SB 6: Limitations

- Ratio analysis captures historical point in time metric
- Viability Ratio measures debt levels but does not assess debt levels in relationship to needed investments in capital
- GASB changes require adjusted ratio calculations

Operating Budget Planning & Impact on Strategic Financial Planning

	Method	Questions to consider:
Preferred Method	A structurally balanced budget: Annual revenues cover annual expenses	➢ How sustainable is this method? ➢ What changes in cash balances have been seen over time?
Less Sustainable Methods	Institution transfers money across funds	➢ Is the general fund subsidizing auxiliary units or other funds at the institution? ➢ Which funds are subsidized and by how much? ➢ Is there transparency into activities (funds) that are self-sustaining?
	Institution utilizes its reserve funds	➢ Does the institution have a reserve fund? ➢ How much is in the fund, relative to operating expenses? ➢ Under what circumstances can reserves be used? ➢ How often does the institution utilize reserves?
	Institution borrows money in the debt markets	➢ How does institutional debt align with long term strategy? ➢ How will additional debt affect the institution's overall credit rating?

Net Assets – What are they?

Ohio University & Ohio University Foundation

(in millions)	FY13	FY14	FY15	FY16	FY17	FY18
Invested in Capital Assets - Net of Related Debt	503.9	542.7	602.6	661.4	653.7	673.0
Restricted Nonexpendable	188.9	201.7	214.7	227.2	236.7	246.9
Restricted Expendable	318.9	368.6	347.0	318.3	343.5	348.3
Unrestricted (Excluding GASB 68 & 75)	290.0	316.1	308.4	275.3	357.7	398.2
Total (Excluding GASB 68 & 75))	1,301.7	1,429.1	1,472.7	1,482.1	1,591.6	1,666.4
Total (Including GASB 68 & 75)	1,301.7	1,429.1	1,107.7	1,110.3	1,179.5	1,210.7

- **Investment in Capital Assets**: Value of Capital Assets, less Debt
- **Restricted Nonexpendable**: Value of Endowment Corpus-permanently restricted funds for which the university *may legally only spend annual draw according to approved spending policy*
- **Restricted Expendable:**
  - Endowment growth from Investment-*university may only spend the annual draw in accordance with approved spending policy;* draw much be used in accordance with donor designation
  - Other Funds (Grants, Agency, Loan)-*may only be used for designated purpose*
- **Unrestricted:** may be used for general obligations of the university

Net Assets: Why are they important?

Preserves Debt Capacity

- Debt Capacity/ Credit Rating
  - Ability to access additional debt (capacity)
  - Maintain credit rating (access/interest rate)

Moody's Outlook (from January 2017 rating report):

> The stable outlook is based on our expectation that the university will sustain steady enrollment and positive operating performance, with future borrowing offset by additional revenue and reserve growth.

  - Debt analysis/ratio's dependent upon
    - Net Assets available to cover debt should the institution need to settle at any given point in time (includes only expendable net assets available for use)
    - Ratio of expendable net assets as compared to total operating expenses: as university budget/operations grows, expendable net assets must also increase

Net Assets: Why are they important?

Capital Planning & Strategic Priorities

- Capital Improvement Plan
  - Cash flow support, recognizing timing on market access
  - Designated funding for reserve accumulation for future projects
  - Auxiliary fund balances support respective capital plans

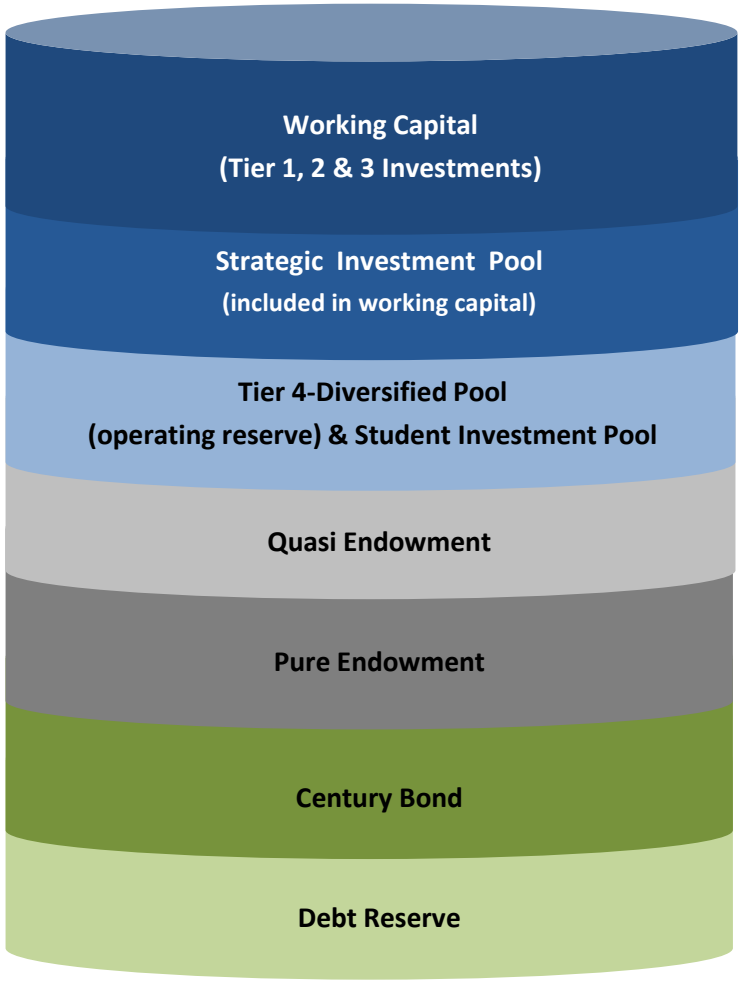
- Uncertainty/volatility of the higher education business model*
  - Decrease of state support; increased volatility in support
  - Declining high school (traditional freshman) demographics
  - Tuition caps
  - Technology/infrastructure needs

*These are the underlying factors for the negative outlook of Higher Education as a sector

Net Assets: Why are they important at OU?

Supporting OU's Central Bank

- Capitalize central bank
- Balance CIP cash flows & market timing
- Manage cost of capital



Summary of Net Assets

Supporting the OU's Debt Capacity, Capital Planning & Strategic Priorities

- Why are they important?
  - Debt Capacity/Credit Rating
  - Supporting Capital Improvement Plan
  - Funding of Central Bank
  - Volatility/uncertainty of higher education business model/revenues
    - Support investment and strategic priorities
- Ongoing/future risks and challenges/opportunities
  - Change in traditional, undergraduate student population with decline in high school population
  - Continued pressure on state funding-potential impacts of Governor's budget/Legislative initiatives
  - Tuition/SSI increases (decreases) significantly less than HEPI
  - Requires investment in growth strategies to enhance revenue diversity and decrease dependency on state funding
    - Strategic priorities (Strategic Opportunity Reserve, new programs, and delivery methods)
    - Capital Campaign/fundraising

How is OU balancing its FY20 Budget?

	Method	Questions to consider:
Preferred Method	A structurally balanced budget: Annual revenues cover annual expenses	➢ How sustainable is this method? ➢ What changes in cash balances have been seen over time?
Less Sustainable Methods	Institution transfers money across funds	➢ Is the general fund subsidizing auxiliary units or other funds at the institution? ➢ Which funds are subsidized and by how much? ➢ Is there transparency into activities (funds) that are self-sustaining?
	Institution utilizes its reserve funds	➢ Does the institution have a reserve fund? ➢ How much is in the fund, relative to operating expenses? ➢ Under what circumstances can reserves be used? ➢ How often does the institution utilize reserves?
	Institution borrows money in the debt markets	➢ How does institutional debt align with long term strategy? ➢ How will additional debt affect the institution's overall credit rating?

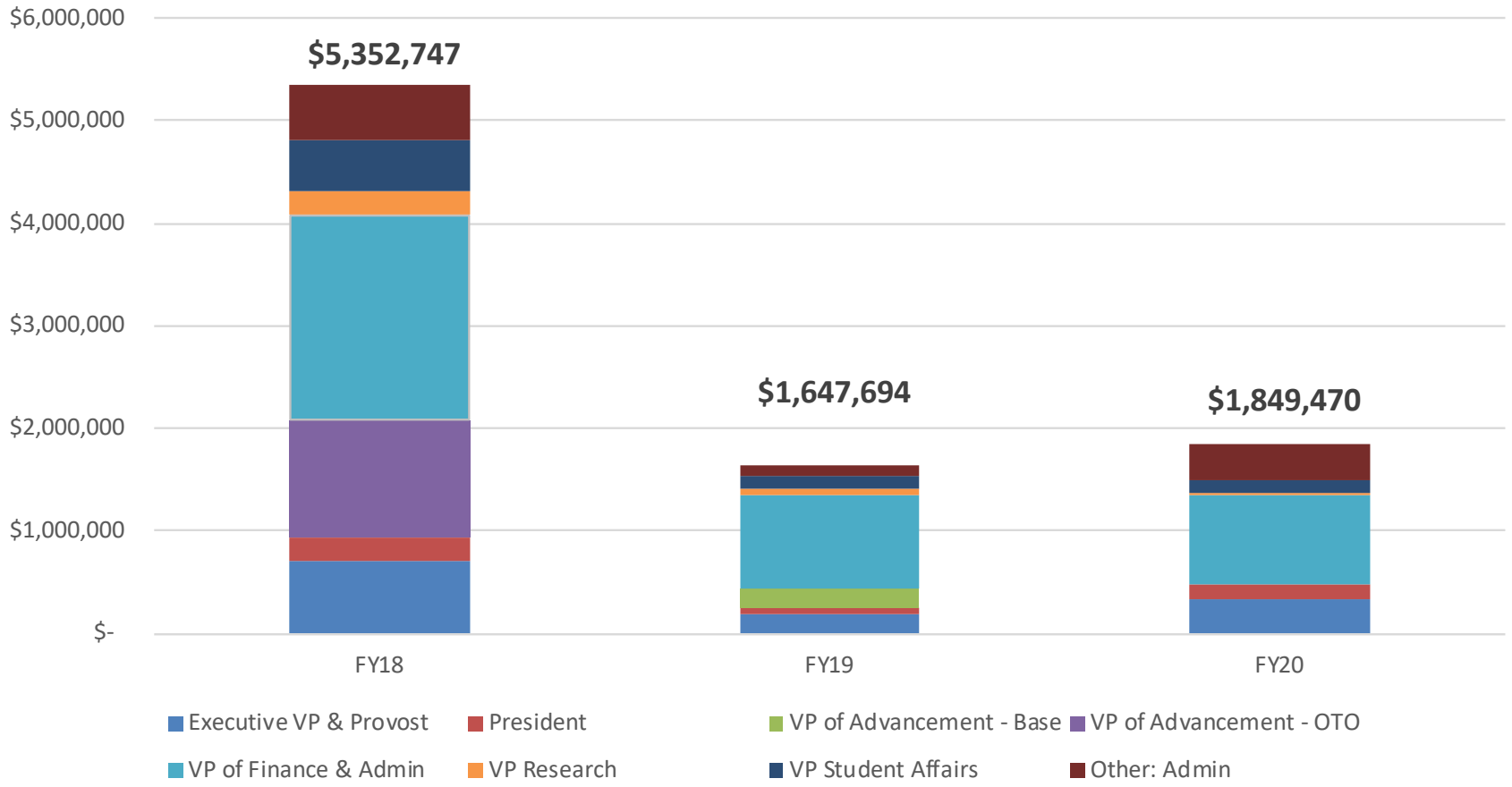
Goals:
Develop a structurally balanced budget

FY20 Budget Strategies:

- ✓ 3-Year Admin Unit Budget Reductions
- ✓ Extended the budget planning period from four to six years including **FY20-25**
- ✓ Development of institutional strategies to balance the budget including targeted enrollment growth, net revenue growth, and expense reductions

Administrative Unit Strategies

- Fund Balances no longer accrued by administrative units
  - Sustain/Grow unrestricted fund balances
  - Ensure central reserves are allocated to highest priorities within the context of strategic investments
- 7% Administrative Unit Reductions **($8.3M Total**: $7.2 Base & $1.1M OTO)

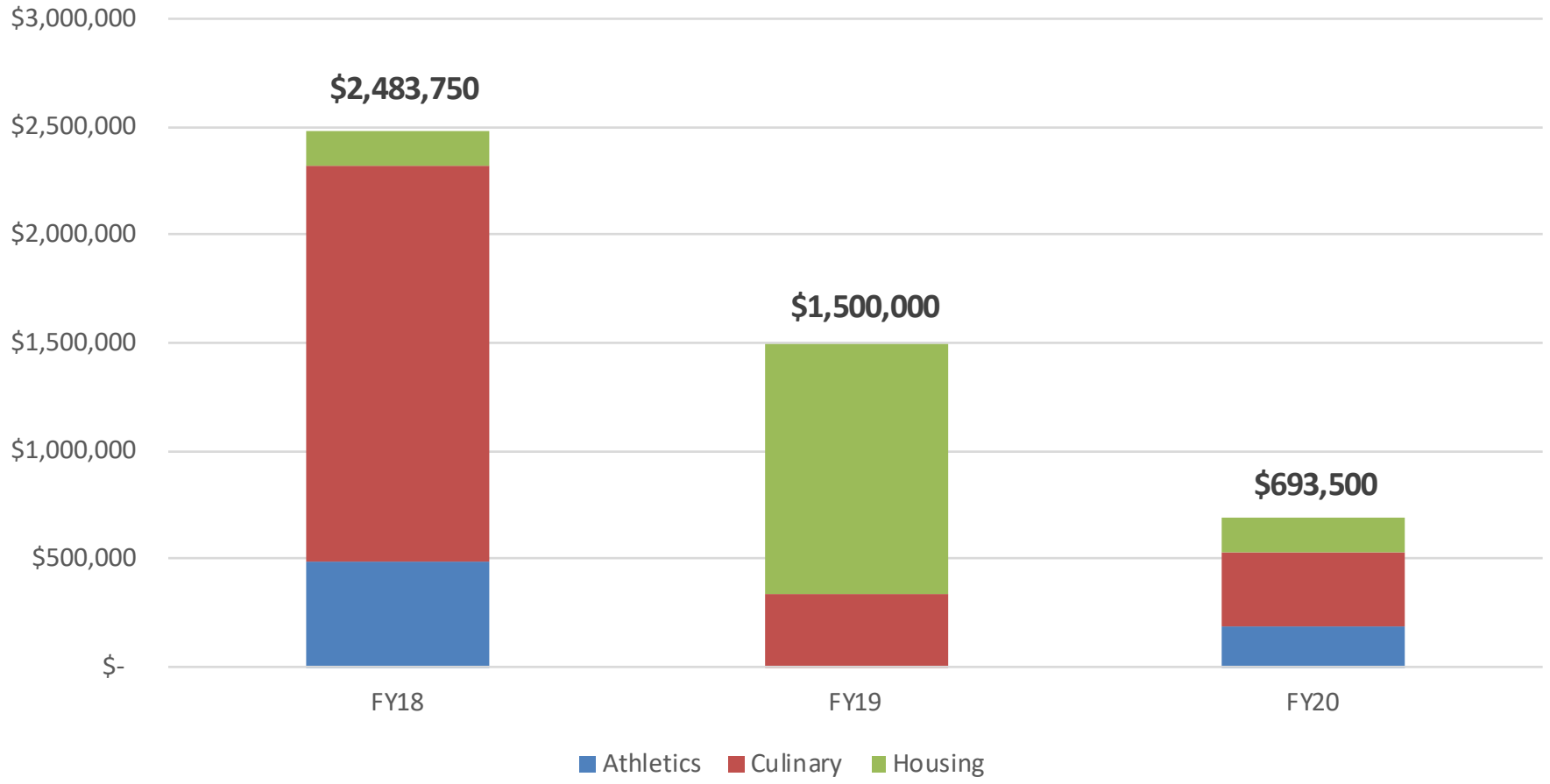


Budget Challenges:
Above & Beyond 7%

- Declining enrollments reduce revenue available for maintenance and custodial staff
- Change in capital plans reduces external revenues that support existing staff

Auxiliary Unit Strategies

- Athletics: 7% Administrative Reductions totaling $677K
- Culinary and Housing: Increasing support for UG Scholarship



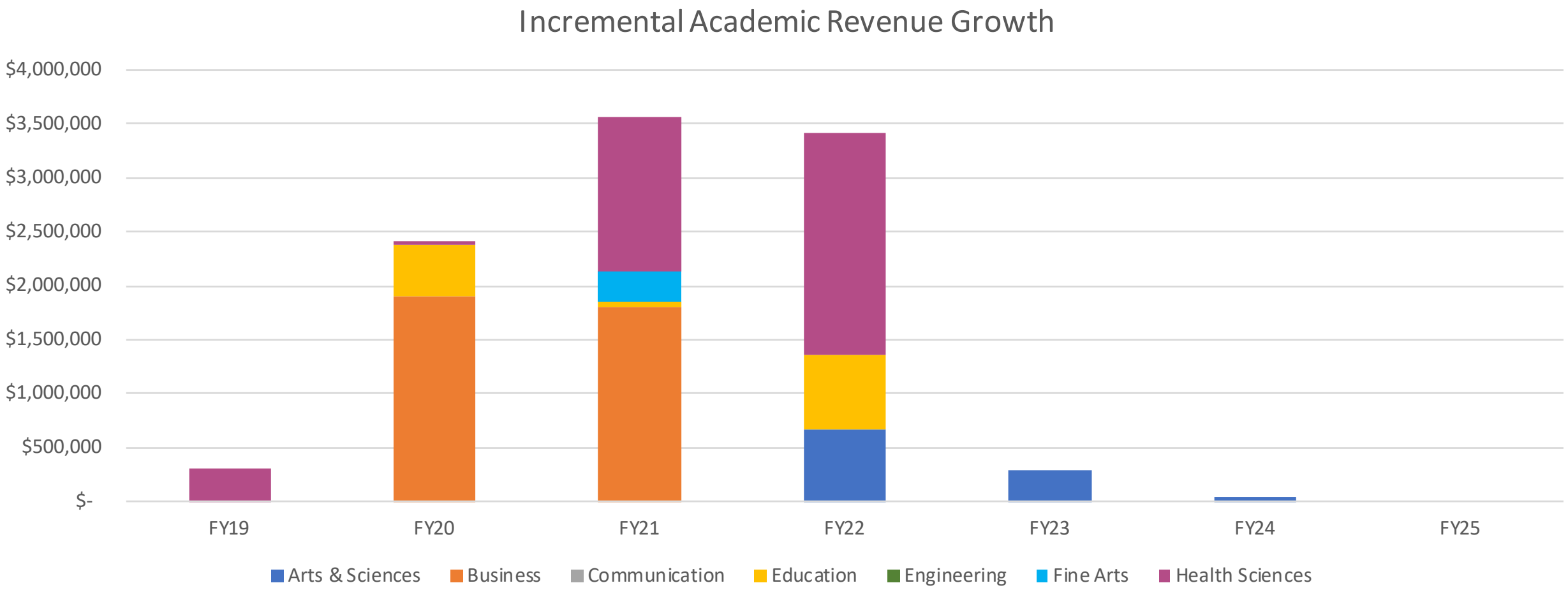
Future Factors:

- Declining enrollments require analysis of incremental revenue and resource restraints
- University's 6-year CIP is requiring reevaluation of capital plans and projects

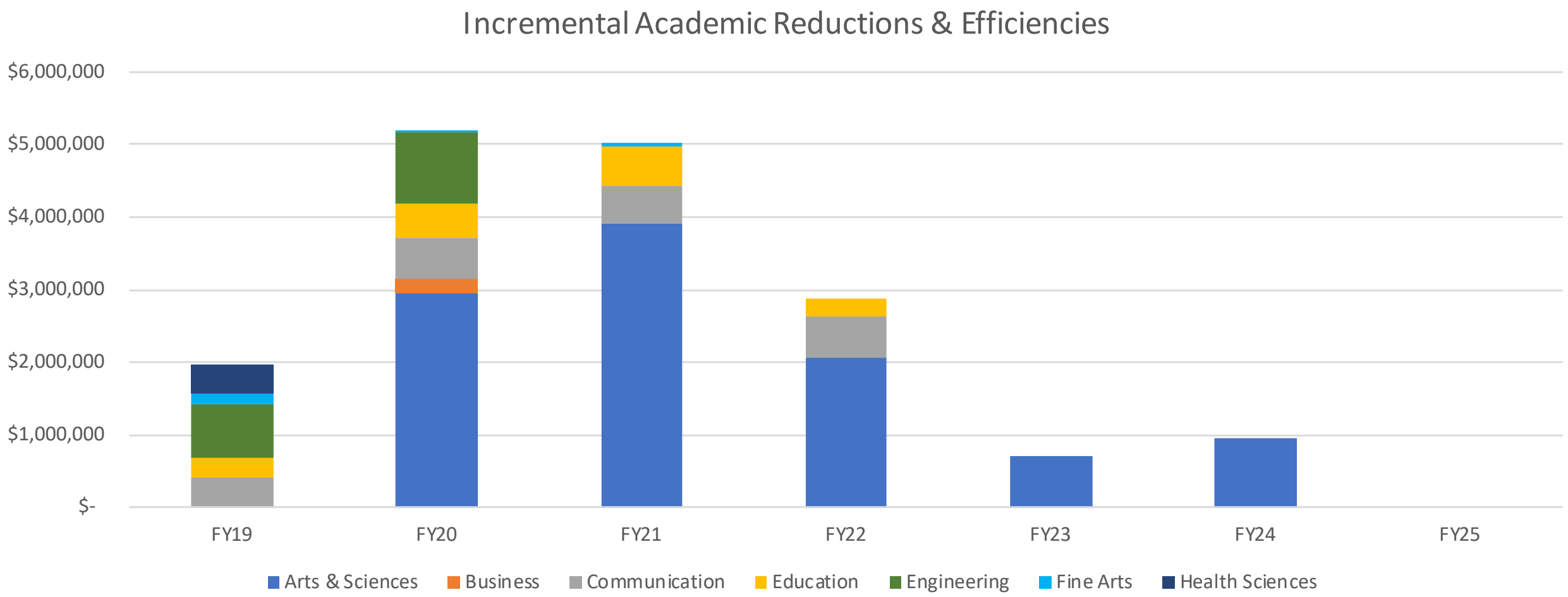
FY20 Academic Planning Unit Strategies

- **Revenue Growth** (*preferred)*
- **Expense Reductions** *(when credit hour and revenue growth not viable);* can be replaced with revenue growth
- Strategic use of **fund balance** to preserve operating reserves between FY20-25

Academic Planning Unit Strategies

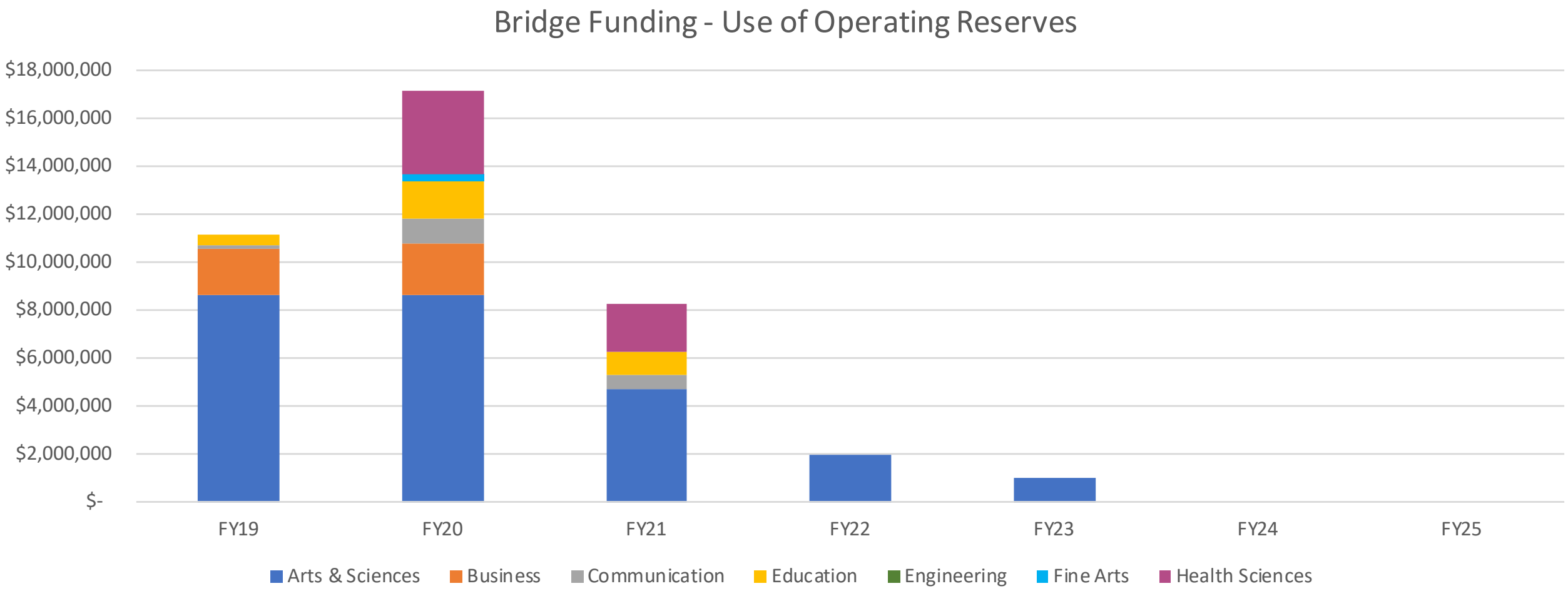


Academic Planning Unit Strategies



Note: University College, Global Affairs, Honors, and Voinovich School are responsible for maintaining a balanced budget and enhancing revenue. HCOM and RHE not included above but are working with the Academic Budget Office to achieve their respective budget goals.

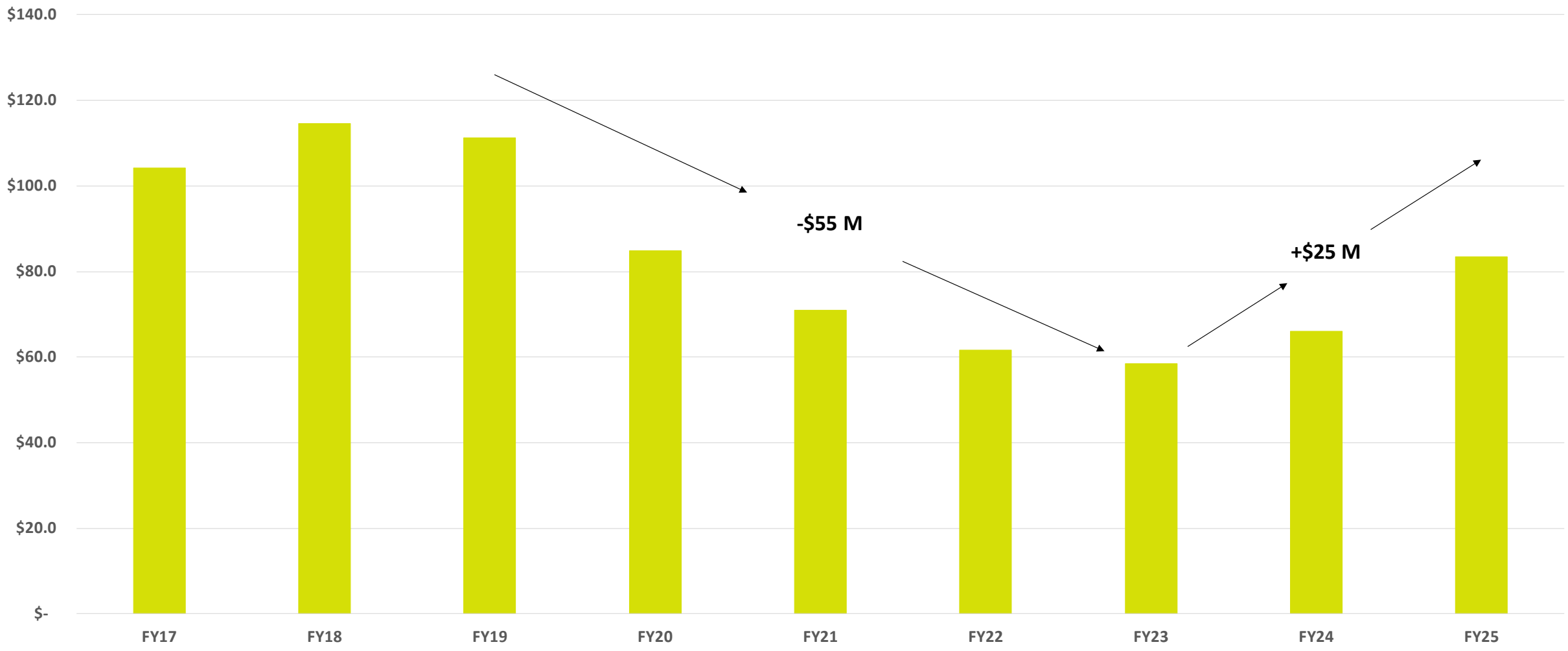
Academic Planning Unit Strategies



Note: FY20-25 College Budgets include additional planned uses of reserves, not reflected above, for a total of $55M.

FY20-25 Academic Operating Reserves

In millions



College Budget Rebalancing

March 2019

Ohio University's projected base budget deficit for FY20 is $19.3M. We are aggressively pursuing plans to close the deficit over the next two to four years by strategically using reserves in the short term as we launch new (and/or increase existing) revenue opportunities. To close this deficit and to focus on retaining existing students while reaching new student populations, we are urging colleges to reimagine programs and reallocate funding to successful and essential programs. Colleges are asked to rebalance budgets over the next four years through revenue growth, but if growth doesn't occur, each college must have contingency plans to achieve a balanced budget that may include cuts. Current plans include solutions based 40% on revenue growth and 60% on cost efficiency but this mix will evolve across the years.

Across the university, budget goals are differential by college and are not across the board. Within colleges, investments and reductions are differential by department and program in order to support programs that are performing effectively and efficiently.

Arts & Sciences	8,000,000
Business	2,000,000
Communication	1,500,000
Education	2,000,000
Engineering	1,000,000
Fine Arts	300,000
Health Sciences	3,500,000
HCOM	1,000,000
Regional Campus	3,300,000

* University College, Global Affairs, Honors, and Voinovich School do not have specific goals other than enhancing revenue and maintaining a balanced budget.

Budget Planning Council Meeting Notes
April 18, 2019, 11:00 AM – 1:00 AM
Schoonover 380

BPC Members in Attendance: Deb Shaffer, Joe McLaughlin, Madison Sloat, Sarah Helfrich, Tim Epley, Joe Shields, Jason Pina, Randy Leite, Maria Modayil, Dale Masel, Matthew Shaftel, Amanda Graham

BPC Members Absent: Faith Voinovich, Susan Williams, Hans Meyer, Chaden Djalali

Non-voting Members: Katie Hensel, Kayla Righter, Jennifer Cox, Jim Sabin, Dawn Weiser, Austin McClain, John Day, Craig Cornell, Lydia Ramlo-incoming Student Senate President, Jessie Holtz-shadowing Jason Pina

Vote: Fee Requests – Off-Campus Graduate Program Fee Requests

- **Jason Pina moved to recommend the graduate fee requests per today's handout to be effective Fall 2019; Tim Epley seconded the motion; the recommendation was unanimously approved.**

Student Services Committee (SSC) Report – Maddie Sloat & Maria Modayil co-chairs

- Student Services Committee is a subcommittee of Budget Planning Council, comprised of representatives from constituent groups and senates, and is charged with reviewing University units that provide services to students at Ohio University
- Graduate (Grad) College was reviewed this year
  - Dean Koonce and Assoc Dean Quitslund met with committee and IUC / peers' graduate colleges were researched
  - 2 surveys regarding Grad College and their services were used to evaluate based on the student feedback
  - Committee findings indicate that the unit's roles and responsibilities are unclear, that some peer services and supports are not offered by OHIO's Grad College, and that students report there are needs not being met
  - Recommendations include
    - setting a clear vision and mission for the Graduate College
    - Graduate College should advertise/communicate their services more broadly
    - benchmark peer programs; implement best practices for the array of services provided; improve data collection and reporting
    - integrate and coordinate with other OHIO units to avoid duplication and deliver best services
    - initiate internal and external peer reviews of the Grad College
    - align efforts with Presidential pathways for academic excellence and support
  - University leadership, the Graduate College and BPC will be provided the report
    - SCC is requesting a follow-up on prior recommendation actions to reflect progress and actions taken
- Recommendations for the SSC overall include
  - the committee should be co-chaired by Student Senate and Graduate Student Senate presidents
  - the work of SSC should start earlier in the academic year to allow time for survey development and responses
- OHIO's Graduate College is serving a growing population in a period of budget reduction
  - May be able to pull from other university units which collect or can assist in gathering relevant data
  - Graduate students rely on and get much of their information through their 'work' departments
    - *How to inspire grad (any) students to become more involved in their senates?* Problem with all groups!
    - Better information sharing with and for graduate students is a focus in UHR also

Balance Sheet & Institutional Budget Planning Presentation – Katie

- *How to measure the institution's financial sustainability*? The State of Ohio has the SB6 composite which is a measurement of 3 key ratios – Viability Ratio, Primary Reserve Ratio and Net Income Ratio
  - OHIO's score is 4.4 out of 5.0 indicating a sustainable organization

        - As a point in time calculation, SB6 is not a predictor of future financial sustainability – there are limitations to the calculation
            - Currently two SB6 versions are run by state – with and without the impact of recent GASB pronouncements to record the unfunded liabilities for pension and OPEB
            - Failing scores result for all institutions when the GASB adjustments are included
- Balanced annual budgets, levels of and restrictions on reserves / net assets, institutional transfers across funds, debt usage are all factors considered when measuring an institution's financial health
- Net Assets – portions of net assets have restrictions which limit their availability to address volatility in the higher education business model; unrestricted net assets are those available to meet the obligations of the University
- The University's Central Internal Bank model is funded by Net Assets and is used to manage debt reserves, Century Bond proceeds in support of future capital plans, endowment corpus which spins-off spending for university departments, and working capital necessary to meet short-term obligations and the daily operations of the university
    - Restricted funds are earmarked for their longer-term purpose within the Central Bank model
    - Maintaining healthy net asset balances supports the CIP, impacts debt capacity and credit ratings, shields against volatility

Balanced Budget is the goal:
- For FY20 -> 3-yr Admin reductions of $8.3M wrap up in FY20 budget; planning horizon has been extended from 4 to 6 years to FY25; working strategies to grow resources through new enrollments, tuition and fees, or cost containment
- Strategies implemented to date
    - Administrative units no longer have 'fund balances' to absorb overspending – must live within annual budgets
    - $8.3M (7%) admin budget reductions were taken FY18-20
        - Revenue reductions due to lower enrollments and the reduced capital plan spending are impacting levels of funding, translating to reductions in operations such as custodial and maintenance
    - Auxiliary units – Athletics took 7% admin reductions; Culinary & Housing are contributing additional support for UG scholarships
        - Auxiliary units are also directly impacted by lower enrollments – off-line residence halls and staffing reductions – RAs, custodians, food service, etc.
    - Academic planning has included revenue growth and expense reductions; along with limiting use of fund balances to bridge strategies over 2-4 years
        - $19.3M in academic unit reductions
        - Revenue growth occurs over a period of years
            - Comprised mainly of off-campus graduate and professional programs, eLearning, certificates
            - Revenues will not be immediate and require some bridging to ramp up
        - Reduction and efficiency strategies are also developing over time and layered into projections; reduction strategies can be replaced in future years with revenue growth as new plans are developed
        - Operating Reserves are being used to bridge-fund the strategies that won't produce immediate new revenues or reduction projections - $55M in reserve use through FY23 with a return to positive net results

<u>Discussion</u>
- Deb shared that the Standard and Poor's credit review of the University's balance sheet and financial stability took place this week; S&P affirmed the University's strength and solid financials
- Athletics is looking to generate revenues through fundraising for capital needs; marketing contract proceeds are being used to payoff internal debt and free up university working capital / reserves
- Jason Pina reviewed several revenue opportunities being explored by Auxiliaries – conference services, camps, printing and culinary are looking to expand their customers outside the university, making rooms available as a cost-effective option for incoming grad students who choose to locate on campus, making rooms available for summer programming, Housing is managing room and building inventory to consolidate custodial, maintenance and RA staffing / expenditures

- Administrative and Auxiliary unit reductions totaled $8.4M from FY18-20; VPFA has also taken additional reductions due to slowing down the capital program, staff reductions in residence halls pulled off-line, etc.; VPFA list of $1.5M is available
- The change from the prior hybrid RCM budget model to the current model which focuses on 'contribution margin' has changed the campus budget conversation
    - subvention / administrative cost allocation is now contribution margin
- Students and faculty discussed the value of understanding the current budget issues and sharing how the budget has evolved
    - This is not mismanagement at the University, but rather the evolving and compounding issues around
        - decline in state funding
        - lower enrollments due in part to fewer high school graduates; traditional population declining
        - cost increases typically higher than CPI
        - the inability to increase revenues through tuition increases and new programming is slow to ramp up

Next Meeting – TBD