



THE OHIO STATE UNIVERSITY

**SENATE FISCAL
COMMITTEE ANNUAL
REPORT**
2020 /2021

Committee Members

D. Michele Basso, Chair – COM, Health and Rehab Sciences, Faculty Council
Morag Boyd – OAA, Libraries, Faculty Council
Belinda Gimbert – Education Studies, Faculty Council
Michael Guertin – COM, Faculty Council
Justin Keiffer – FAES, Faculty Council
Crichton Ogle – Mathematics, Faculty Council
Heather Tubbs-Coolley – College of Nursing, President Faculty Appointee
Harald Vaessin – Molecular Genetics, Faculty Council
Valerie Williams – Dance; Faculty Council
Aryn Hubbard – Arts and Sciences, Undergraduate Senate Member
Tom Liu - Business, Undergraduate Senate Member
Andrew Pierce – John Glenn College of Public Affairs, Undergraduate Senate Member
Seth Williamson - Business, Undergraduate Student Government
Stephen Post – John Glenn College of Public Affairs, Council of Graduate Students
William Vu, College of Dentistry, Inter-Professional Council
Terry Snoddy – FAES, Executive Dean Staff Appointee
Gerhard Raimann – Chemistry and Biochemistry, USAC
Gretchen Gombos – Office of Academic Affairs, SFO, Presidential Staff Appointee
Trevor Brown - John Glenn College of Public Affairs, Executive Dean for Professional Colleges
William MacDonald – Executive Dean for Regional Campuses; Dean of Newark Campus
Karla Zadnik – Executive Dean for Health Sciences; Dean of College of Optometry
Mike Papadakis – Acting Sr. Vice-President & CFO, Office of Business and Finance
Kris Devine – Office of Business and Finance, Central Administration Presidential Appointment
Damon Jaggars – Dean of University Libraries, Central Administration Presidential Appointment
Kay Wolf – Office of Academic Affairs, Provost's Designee

Senate Fiscal Committee
Activities Report
August 11, 2020 – May 11, 2021

Senate Fiscal Committee is one of the largest committees in the shared governance model of the University Senate. The committee has the largest set of duties and responsibilities that entail reviewing budget and financial matters through subcommittee work and make recommendations to University administration.

Support Office Finance Subcommittee (SOFS) Annual Report

Because of COVID, it was expected that SOFS would not entertain any budget requests this year. The committee conducted a review of the funding model for the high inflation rate for library materials. In March 2021, Business and Finance asked that budget requests be reviewed for 6 units. These reviews were completed by May 2021. The review of the HR Service Delivery Rate was carried out by Student Fee Review Subcommittee to insure sufficient time for SOFS to complete the budget request reviews.

College Finance Subcommittee (CFS) Annual Report

The subcommittee was focused on several areas of review:

- FY22 Composite Benefit Rates – Part of Budget
- FY22 Overhead Rates– Part of Budget
- FY22 Regional Campus Service Charge Rates – Part of Budget
- FY22 POM Rates– Part of Budget

Student Fee Review Subcommittee (SFRS) Annual Report

The subcommittee was focused on two areas of review:

- Pharmacy Non-resident Fee Request
- FY22 Differential Fee Requests
- FY22 HR Service Delivery Rates – Part of Budget

Senate Fiscal Committee Recommendations

All recommendations are sent to the Provost and the CFO.

Pharmacy Non-Resident Fee Request (November 11, 2020)

- The Student Fee Review Subcommittee met with Adam Betz, chief administrative officer of the College of Pharmacy on November 3, 2020, to discuss College of Pharmacy's request to reduce the non-resident surcharge for non-resident PharmD students in P2 through P4.
- **Recommendations:**
 1. Reduce the current non-resident surcharge of \$13,013 to \$5 for P2-P4 years beginning AY21/22

FY22 Support Office Budget Requests (May 11, 2021)

- The Support Office Finance Subcommittee (SOFS) of the Senate Fiscal Committee (SFC) reviewed the budget requests for 6 units in March and April 2021. At the time of the review, the amount of PBA and cash available for FY22 was unknown. SOFS prioritized the requests and presented the ordered requests to SFC at the May 11, 2021 meeting. SFC voted unanimously to recommend the budget requests as presented by SOFS.
- **Recommendations:**
 1. SFC recommends funding the specific requests as detailed in the attached report and Appendix according to the availability of central funds. The 6 support offices had 16 budget requests which totaled \$17M in PBA and \$14M in cash.
 2. Last year SFC made additional recommendations to better facilitate budget request reviews but the pandemic disrupted the process. Therefore, these recommendations are made again this year:
 - i Upon receipt of a continuing funding request, FP&A should undertake a review of the support office's existing services and their associated budgets to determine what budgetary tradeoffs might be made; this information should be forwarded to SOFS along with the funding request
 - ii Upon receipt of a cash request, FP&A should examine the equity position of the requesting unit to determine if the request could be funded with existing cash reserves; only requests that cannot be funded in this way should be forwarded to SOFS; and
 - iii Ongoing funding commitments should not be supported with cash unless the unity or central administration is able to identify a long-term funding source

FY22 Composite Benefit Rates (February 19, 2021)

- The College Finance Subcommittee (CFS) of Senate Fiscal reviewed the Composite Benefit Rates for September 1, 2021 through August 31, 2022 at their meetings on January 26, 2021 and February 9, 2021. Discussions with Tom Ewing and Pam Doseck of the Controller's Office focused on the high level of surplus held in reserve that has grown since last year and 3 scenarios to return some of the surplus. The CFS brought their recommendations for a modest approach to returning the surplus to the full Senate Fiscal Committee at their February 16, 2021, meeting where they were discussed. The Senate Fiscal Committee approved the recommendation unanimously for the FY 2022 Composite Benefit Rates at that meeting.
- **Recommendations:**
 1. Approve the request for changes in the benefit including a 26.0% rate for faculty, 34.3% for Combined Staff, 15.9% for Specials, 0.4% for Students, 11.3% for Graduate

Associates in the general university. The benefit for the OSU Health System includes 35.2% for Faculty, 33.2% for Combined Staff, 16.2% for Specials, 0.7% for Students, and 11.6% for Graduate Associates. The Faculty Group Practice benefit is 4.5% for clinical appointments.

2. Approve the request to reduce the cash surplus due to over-collection of benefit charges by:
 - i Returning \$20,000,000 cash through proposed 2021-2022 composite benefit rates
 - ii Returning \$36,000,000 cash to contributing units through fund transfers
 - iii Returning \$7,000,000 cash to faculty/staff via premium reductions in FY2022

FY22 Earnings Overhead Rates (February 16, 2021)

- The College Finance Subcommittee (CFS) of Senate Fiscal held focused discussions with Tom Ewing, Mary Wehner of the Controller's Office and Scott Klute and Randy Wachtel from Business and Finance regarding the impact of removing the Payroll and HR operations from the allocations of central support costs, which reduced overhead costs to be recovered. CFS reviewed the proposed Overhead Rates for FY2021 at its February 9, 2021 meeting. CFS voted in support of the proposed Earning Overhead Rates. The CFS brought their recommendation to the full Senate Fiscal Committee (SFC) at the February 16, 2021 meeting where it was discussed and unanimously approved. However, an error appeared in one of the rates and did not match the rate approved by the subcommittee. Therefore, the full Senate Fiscal Committee reviewed the amended CFS motion and unanimously approved the FY2022 Overhead Rate, electronically on February 23, 2021.
- **Recommendation:** Approve the proposed Earnings Overhead Rates for FY2022 as follows:
 1. Increasing the contribution by the Health System to \$52.7M from \$51.2M in FY2021; decreasing the contribution from Instructional Clinics to 3.5% from 4.4% in FY2021; decreasing all other earnings units to 4.9% from 5.7% in FY2021

FY22 Regional Campus Service Charge Rate (March 2, 2021)

- The College Finance Subcommittee (CFS) of the Senate Fiscal Committee (SFC) reviewed the proposed Regional Campus Service Charge (RCSC) Rate for FY2022, which excluded OHR and Payroll Costs. CFS voted to recommend the rate and brought their recommendation to the full SFC on March 2, 2021. The rate was discussed and approved unanimously by SFC.
- **Recommendation:** Approve the proposed Regional Campus Service Charge Rate of 3.90% for FY 2022.

FY22 Differential Fee Requests (March 2, 2021)

- The Student Fee Review Subcommittee (SFRS) of the Senate Fiscal Committee (SFC) reviewed requests for changes in Graduate/Professional Schools Differential, Clinic, Course Fees, and Tuition Deposits for FY 2022 at its meetings on January 12, 2021, January 26, 2021, and February 9, 2021. The report and final recommendations were prepared and reviewed by SFRS. The SFRS brought their recommendations to the full SFC at its March 2, 2021 meeting, where they were discussed and approved unanimously.
- **Recommendations:**

1. SFC recommended approval of the requested 7 Graduate/Professional Schools differential fee requests: Dentistry – Rank 1; Dentistry – Ranks 2-4; Engineering – Master of Engineering Management; Engineering - Master of Global Engineering Leadership; FCOB SMB-Analytics; FCOB Working Professional MBA Online (new program); Law – JD; Law – LLM; Law – Master in Study of Law (MSL) part-time and full time; Medicine – Ranks 1-4; Pharmacy Rank 1, Ranks 2-4; & Veterinary Medicine – Ranks 1-4.
2. SFC recommended approval of the requested 2 Education Support fee requests: Dentistry – Ranks 1, Ranks – 2 – 4.

FY22 Plant Operations and Maintenance Rates (April 13, 2021)

- The College Finance Subcommittee (CFS) of the Senate Fiscal Committee (SFC) reviewed the distribution of funding for Plant Operations and Maintenance (POM) Rates at meetings on February and March 2021. Focused discussions with CFS of POM rate projections exclusive of utility rates were led by: Kevin King, Peter Calamari, Lindsey McCann (Admin and Planning), Dan Brearley (Fiscal A and P), Brett Garrett, Mark Conselyea (Facilities, Operation and Development) Plant Operation and Maintenance (POM). Scott Potter and TJ Woods led discussion on utility rates from FY23 onward. The CFS brought their recommendations to the full SFC on April 13, 2021 where they were discussed. The SFC approved the recommendations with an amendment to deferred maintenance.
- **Recommendations:**
 1. Approve the request from Facility Operations and Development (FOD) for a \$0.04/ASF in custodial rate.
 2. Approve the request to decrease the rate to \$0.10/ASF for maintenance.
 3. Approve the request to decrease the rate in preventative maintenance to \$0.00/ASF.
 4. Approve a graded increase in the deferred maintenance rate over 3 years, FY22-24 rather than setting the FY22 rate at \$0.00/ASF. FY22 would be set at the lowest rate and then increase successively the next two years, to reach an estimated baseline level to meet need. This graded increase avoids a high rate in FY22 when the effects of the pandemic are still not fully known.

Budget-Driven Topics Presented/Discussed

COVID-19 Update Meeting (August 11, 2020)

- Mike Papadakis presented Updates for the Summer Term
 1. Summer enrollments better than anticipated.
 2. The budget cuts from the state were expected to be 20% but that turned out better.
 3. Enrollment was uncertain – today, fall enrollment looks strong. Many more students switching to online, which lowers cost for out of state students.
 4. Philanthropy was ok in FY20, expecting it to be worse in FY21.
 5. Grant availability – hasn't had a bad decrease.
 6. There are fewer unknowns now than earlier this summer
 - a. Still pressures on Student Life, Athletics. But expressed more optimism now, compared to April/May. (Note added by MB Later: The Big 10 football season was cancelled due to COVID risks shortly after this meeting.)
 - b. Ending up between 5-10% cut for most areas on campus.
 7. Expect the State of Emergency for the university to remain for the duration of the pandemic.
- Update from Kris Devine

1. Longer-term issue: students are graduating early, because they come in with more credit hours (“melt”) – less revenue for OSU
 2. When out of state student converts from hybrid to online there is a \$10,900 loss. Therefore there was a lot of revenue loss over the summer. For fall, changed the online surcharge from \$5 to \$1875. Compared online surcharge at other schools including Penn State. Some in Big Ten have full charge for online students. So even with the new surcharge, OSU has about \$9000 loss per student compared to some other schools.
 3. Biggest Question Now: who won't show up; How many upper class international students will come back? Hard to guess now.
 4. Take Away of Tuition Revenue: not terrible but it will be lower than last year.
 5. Managing the Budget for last quarter of FY20:
 - State revenue was 20% cut, but only for last few months of FY20.
 - Provided refunds for some student costs.
 - Put in spending restrictions, no salary increases, budgets cuts for academic units and support offices, travel restrictions, etc. We saved about \$70M in the last quarter, compared to previous year.
 6. Changes In the summer FY21:
 - State: Expected to be flat in FY21. so, likely an overall 5% cut from original projections. This cut could be a bigger if state revenue is lower than predicted. Overall, 4.3% decrease. Other public schools may be losing enrollment, so our share of SSI might go up. Early September: we will re-run everything and recalculate General Funds allocations. Bracing for state cut to be permanent.
 7. Athletics and others will cut their overhead contributions, which impact everyone else
- Questions and answers highlighted that:
 1. Going Fully on-line in fall would result in \$50M loss for tuition, and another \$70M for student life/ semester
 2. Cost of Quarantine dorms will be covered by Cares Act
 3. Long term changes to tuition differential for distance learning is likely. It was originally designed outside of regular education programs but online has to be a major component of the tuition model going forward.
 4. Engie and CampusPark are expected to withstand the downturn due to COVID but CampusPark will be negatively affected. No large increases in rates by CampusParc are expected. The CHP is in progress and has not been delayed.
 5. Most capital projects are paused but the Medical Center construction continues.
 6. The net loss to cancelling athletics is estimated to be \$100M from football.
 7. University-wide furloughs are not planned but may occur in individual areas.
 8. The impact on the medical center was an initial large decrease in volume but hospitals back to 100% capacity now. Ambulatory clinics haven reached full levels yet. CARES act covered most of these losses.
 9. There may be changes to SSI in the future perhaps by weighting degrees based on professions needing employment.
 10. The impact on SFC work is unclear but support office budget requests won't occur this year.

Summer Activity Debrief (September 15, 2020 – Kris Devine, Scott Klute)

- Annual process topics
 - POM Rates
 - No change to the utility component of POM. Rates will continue at a 5% increase through FY22
 - Maintenance and custodial rates were adjusted for no AMCP in FY21.
 - Overall rate decreased by \$0.07 / ASF to \$17.76
 - Overhead Rates
 - The Overhead rates were adjusted for the impact of HR Service Delivery and the Target Reductions in response to the budget impacts of COVID-19 pandemic
 - Regional Campus surcharge remained the same

- Composite Benefit Rates
 - Due to the budget impacts of COVID-19 pandemic, there will be no increase rates or return of \$17M to surplus
- Fees Summary – Approved at the June Board of Trustees meeting
 - Professional school differential fees
 - Dentistry clinical fees
 - Arts & Sciences tuition deposit fee
 - Vet Med and Optometry non-resident surcharge for ranks 2-4 to \$5.00
- Support Office Summary
 - Due to the COVID-19 pandemic and with limited cash, many of the recommended funds to units had to be revisited. The funded units, were selected to advance current commitments that will also provide future savings and efficiencies such as Enterprise Security, Managed IT Services, Cloud Infrastructure
 - Research Integrity Program was also approved
 - Institutional Equity was approved
- Security Research Transaction – Protects from International Exposure “hacking”
 - One full time position is approved and to be in place by January 1, 2021
 - Three potential systems (one is already paid for) are being piloted to make a final selection
- Tuition and Fees
 - Ohio State evaluates tuition and fees annually and sets rates based on program needs and market data. This summer we sought and gained approval by the Board of Trustees for the following:
 - Non-resident students taking all online course(s) over an entire semester and not pursuing an online degree / certificate program will be charged a non-resident surcharge of \$1,795 (current fee is \$5) per semester
 - Non-resident students pursuing an online degree / certificate program will be charged a nonresident surcharge of \$200 (current fee is \$5) per semester
 - Online students pay a distance learning fee of \$100 in lieu of the student activity, union, recreation, and COTA fees. This fee is used to support and maintain the online experience
 - Changes put OSU in the middle of the BigTen online Prior Year’s Recommendations
- CARES Act for COVID-19
 - Federal Government Support
 - Student Support = \$21.4M
 - Instructional Support = \$21.4M
 - Regional Campus Support = \$285K
 - State Support = \$27.4M
 - Provider Relief Funds = \$143M
 - Other Grant Funds = \$250K
 - COVID-19 Estimated Budget – Fall - December
 - City of Columbus for contact tracing = \$204,696
 - CARES Funding = \$48,889,848
 - Outgoing Spend/Expenses Fall - December
 - Cleaning and PPE ~ \$15,709,500
 - Testing ~ \$35,517,726
 - Teaching/Classroom Updates ~ \$2,115,466
 - Building & Transportation Modification ~ \$4,487,500
 - General College Costs ~ \$7,600,000
 - Net impact before revenue Loss = \$19,776,670
 - Student Life revenue loss = \$50,776,581 (does not include tuition loss)
 - Health System COVID-10 Impacts
 - FY21 is expected to be positive with continued COVID-19 recovery efforts and assumed volume increases. Pre-COVID performance levels are not expected
 - There are more expenses than revenue
 - Unclear if there will be additional funding

- Do not assume reimbursements unless there is specifically allocated funding
- FY21 Financial Plan
 - Strategic Pillars
 - Teaching and Learning – Continue to fund Digital Flagship and Institute for Teaching and Learning
 - Access Affordability and Excellence – Continue investing in Buckeye Opportunity Program, President Affordability Grants and Land Grant Opportunity Scholarships
 - Research and Creative Expression – Continue to fund Discovery Themes
 - Academic Health Care
 - Operational Excellence and Resource Stewardship - \$175M targeted budget reduction, excluding Health System
 - Assumptions: University Sources
 - Tuition
 - Price changes
 - Volume decreases due to decreased continuing undergraduate and graduate students – partially offset by a larger incoming new first year class
 - Mix decreases from larger Ohio resident and reduced international enrollment
 - State Share of Instruction (SSI)
 - 4.38% decrease from FY2021 pre-pandemic state appropriation
 - Exchange Grants and Contracts
 - \$55M in CARES Act funding
 - Modest increases in Federal and private grants and contracts
 - Decreases in state and local grants and contracts
 - Sales and Services
 - 2.5% increase in Housing and Dining for new guarantee cohort
 - No fall sports; no events/concerts during remainder of calendar year 2020
 - Advancement Receipts
 - Continuation of Fundraising Campaign - \$550M in new fundraising activity
 - Investment Income
 - 8% LTIP return
 - 4.5% endowment distribution
 - Endowment is in the \$5 billion range
 - Assumptions: University Uses
 - Salaries & Benefits
 - No merit increases
 - Composite Benefit Rates – flat
 - Student Aid
 - Continuation aid for Land Grant Opportunity Scholarships, National Buckeye program, Buckeye Opportunity program
 - Supplies and Services
 - Pandemic cost containment and continued efficiencies
 - Increased expenses related to COVID-19 response
 - Assumptions: Health System
 - COVID-19 escalated the tele-med by a decade quickly
 - Elective procedures and admissions have recovered well
 - Consolidated Financial Overview – Modified Cash Flow
 - The Health System and OSUP account for 50% of consolidated revenue
 - FY21 Financial Plan by Fund Group
 - Unrestricted funds generate a modest margin of \$16.4M which is mainly used for operating reserves and strategic investments
 - Earning funds generate a negative margin of \$132M due to dedensification of housing and dining, anticipated changes to athletic program revenue due to no or reduced events through calendar 2020
 - Restricted endowment and development funds generate a margin of \$123M mainly due to timing differences between gift receipts and actual spending

- Restricted grants and contracts generate a margin of \$60M due to timing of reimbursements on research projects
- FY21 Columbus UG by Semester – as of 9/11/20
 - Summer 100% Online
 - When comparing to Pre-COVID levels the instructional revenue increased \$5.4M mainly due to students taking more credit hours, however because everything was online, the non-resident surcharge revenue dropped \$10.8M. Non-resident students are charged only a \$5 non-resident surcharge versus the stand non-resident surcharge when fully online
 - Autumn – 48.7% Non-Resident Students Online
 - In anticipation of the impact COVID-19 would have on our international student population early on in February / March the University decided to admit more NFYS. From a revenue perspective it takes 3.3 resident students for every 1 international student
 - Instructional revenue is up \$25.9M due to the larger NFYS but is being diluted by \$36M associated with the more online delivery in response to the continued concerns surrounding COVID-19
 - Spring – 28.7% Non-Resident Students – this would get the University to break-even to Budget, however we are anticipating the Spring to match Autumn more closely from an online percentage and create ~\$20M shortfall

Efficiency Overview (September 29, 2020 – Kris Devine)

- In 2012, McKinsey Consultants conducted a reviewing looking for efficiency opportunities to reduce spend and expand non-tuition revenue
 - \$300M in efficiencies (support functions, procurement, benefits, and medical center support)
 - \$250M in new resource generation
- McKinsey's update (2015-2017) identified additional efficiency opportunities and innovative revenue
- Cumulative total exceeds goals
 - \$1.5B in administrative efficiencies thru FY20 targeted to increase to \$1.75B through FY21
 - \$2.1B in new revenue generation –Energy, Parking, Infinity deals i.e. Nike & Coke

FY2020 University Financial Overview (September 29, 2020 – Kris Devine)

- Consolidated Financial Summary / Overview
 - Overall financial position remains strong. Our size, diversity of operations, and discipline enabled us to retain fiscal strength during the unprecedented disruption
 - FY20 cashflow was outpacing historical trends until March 2020 when campus shut down due to COVID-19 and Wexner Medical Center shifted to address the pandemic health care needs of the community
 - Federal stimulus funds of \$170M helped offset increased cost and provided \$15 million of emergency student financial aid. (overall, we received \$21.4M of emergency student financial aid and remainder will be spent in FY21).
 - Financial controls were implemented, including a hiring pause and business-essential only spend, curtailed 4th quarter cash outflows
 - Dramatic shift to tele-medicine mitigated some revenue loss and provided needed services at the Wexner Medical Center.
 - 90% (~18K) of our full-time University employees (21K) shifted to work-from-home essentially overnight without a degradation in services
 - Liquidity continues to be strong and continues to be monitored

- The fiscal year ended with a positive net cashflow of \$248M – predominantly by the Med Center
- AA/AA/Aa1 bond rating indicates financial strength is solid
- Pension / OPEB have an impact on our expenses and ending net position
- Wexner Medical Center revenue shortfall offset by CARES Act funding of \$143.3M
 - Net patient revenue decreased due to COVID-19, with impact to the volume in admissions, patient days, surgeries, and outpatient visits
 - Operating expense increases were primarily due to higher cost of drugs and COVID-19 related supplies and services
- OSU Physicians revenue shortfall offset by CARES Act funding of \$12M
 - Experienced growth year over year, trending ahead of prior year by \$47M through March, then revenues declined in the 4th quarter
 - Operating expenses increased primarily due to increases in the number of staff and physicians (+14%) representing investment in growth of healthcare services. Expense mitigation efforts began in April in response to the rapid decline in revenue
- Long-Term Investment Pool Discussion (LTIP)
 - Market value as of June 30, 2020 - \$5.3B
 - Contains more than 5,900 endowments funded private gifts, strategic investments, and long-term savings to protect the financial health of the university and medical center
 - 64.7% global equities; 27.7% global fixed income and 7.6% real assets
 - Challenging year for LTIP due to underperformance with one-year return of 1.07% versus benchmark of 4.63%
- Annual LTIP distribution is determined based on a seven year average
 - FY20 distributions: \$231.2M and represents 4.5%

Career Roadmap Update (October 13, 2020 – Rob Prisbey)

- Created new job catalog for 30,000 FTEs and about 4000 positions are below the minimum range established by the market
- The majority of positions have salaries within the market-based ranges but
 - 900 positions are above the maximum range
 - 4000 positions are below the minimum range
- No adjustment of low salaries will occur; raises will be instituted when the position is vacated. Senate Fiscal discouraged this approach because it perpetuates inequities potentially in women and/or people of color, creates parity among co-workers wherein new hires are paid more than people with more seniority.

HR Service Delivery Update (October 13, 2020 – Kim Shumate)

- Transformative redesign of the HR services in support of the institution; The objective is to streamline processes and deliver high quality service. Expect HR staff to reduce from 500 to 200.
- Launched September 2020 and had good productivity; able to manage large case-loads with a high close rate
- Funding model allows units to keep savings and over-collections will be returned to the unit – to reinvest in strategic initiatives
 - The model uses a Made-Whole concept so affected units wont be charged more than they were currently spending on HR functions.
 - The funding model will be monitored by SOFS for the first few years to see if it is functioning as intended.

FY21 Capital Investment Plan (October 27, 2020 - Jake Wozniak, University Treasurer, Amy Burgess, Sr. VP Admin & Planning)

- Overview of Annual Capital Planning Cycle focuses on projects over \$200,000. New projects are considered based on the 5 year's worth of spend and the long term strategic Capital Plan on the 7-10 yr horizon.
- Financial Considerations
 - Funding sources (Department, state, fundraising, University)
 - Short and long term commitment impact
 - Impact to university's long term crediting rating and liquidity position
 - Overall university risk mitigation
- FY2011-25 Capital Plan Approved by BOT in August 2020 = \$3.9B
 - New projects in Fy2021 total \$1.912M
 - Prior commitments remaining: \$2.053M
 - 40 projects were deferred due to the pandemic
- The State Capital Bill for ~\$84M was not introduced this year due to the pandemic. None of the deferred projects will be done until the bill is voted on and it is unknown when it will be considered. The types of projects that will be impacted include:
 - Renewal and renovation projects on Columbus Campus
 - Major capital projects on Columbus Campus
 - Projects for regional campus and FAS Wooster
- Board Oversight & Project Approval Process
 - Projects less than \$4M are approved by the Board
 - Projects \$4M and less than \$10M per policy can be approved by the Board, but can seek outside professional services
 - Projects over \$10M+ require two approvals
 - Projects that go over 10% of the budget, go back to the Board for approval of the additional funding
- Debt Policy
 - Changed so that projects do not move forward if all funding sources are not identified.
 - Financial safeguards are in place to ensure the projects have their funding source identified before professional services and construction begin i.e., ensures that a backstop is in place if fundraising goals are not met or cost increases occur
- Due to the pandemic all capital projects went through an evaluation to determine if the project should go forward, be modified, be paused, or moved to the next milestone.
 - \$580M in projects was deferred in March 2020 due to COVID; some projects have already been approved to restart
 - \$170M worth of capital spend will be reviewed in the future for restarting or continuing to pause
- The following projects represent some of the major projects that are moving forward:
 - Interdisciplinary Health Science Center including College of Medicine, Optometry, Nursing and School of Health and Rehabilitation Sciences
 - School of Music
 - Interdisciplinary Research Facility on West Campus
 - Engie Advancement Center
 - Outpatient Care West Campus
 - Inpatient Hospital Project which includes Tower, visitor garage, Central sterile supply building.

Capital Projects Update (October 27,2020 – Scott Potter, TJ Wood)

- FY20 Capital Spending Plan Partnership in three categories
 - Lifecycle – Major repairs, maintenance i.e., keeping the lights on
 - Expansion – New projects that expand the utility system
 - Energy conservation Measures – New projects that reduces campus energy consumption. We only undertake projects that have a positive return on investment (ROI)

- FY20 Capital Expansion (CAPEX) forecasted at \$146M
 - Actual \$102M due to the delay in OSU/OSEP project schedules due to the pandemic
- Current Projects Update
 - Smart meter deployment is over 75% complete
 - Efficiency is ahead of expectations – Target reduction is 25% by June 2028
- Lifecycle
 - Approved CAPEX; \$33.7M (FY18-FY21)
 - Largest projects
 - McCracken Boiler Controls & Equipment Replacement
 - McCracken Plant Electrical Equipment Upgrades
 - McCracken Structural Upgrades
 - Campus Natural Gas Pipeline Upgrade – gas regulators into buildings were identified by inspectors for problems; there is multi-year plan to fix the problem and avoid a finding of noncompliance at inspection
- Expansion
 - Approved CAPEX: \$81.8m (FY18-FY21)
 - Largest Projects:
 - College Road Infrastructure
 - Cannon Drive – Phase I & II
 - Postle Hall
 - Health Science
 - North West Utility Expansion (Waterman Farm) Kenny and Lane Avenue
- Energy Conservation Measure (ECMs)
 - ENGIE required as part of the concession agreement to improve efficiency at least 25% in first 10 year of operation – have seen improvements in efficiency each year (see Efficiency section above)
 - Building Energy System Optimization (optimizing HVAC)
 - Phase 3 of this project – begin by designing optimization for 60 buildings and by the end of Phase 3, 140 buildings will be optimized
 - District Heating and Cooling (DHC Optimization) – Converting standalone buildings systems and moving to the regional Chillers and heating system – more efficient to move steam to water
 - South Campus Central Chiller Plant Heat Recovery Chiller – Installation of Heat Recovery Chiller that captures heat to be used to heat water in the new medical towers and other buildings up 12 Avenue
 - This project is expected to yield the largest conservation of 2.5 -4%
- Combined Heat and Power (CHP) Plant
 - Approved CAPEX: \$277.7M
 - Located on corner of John Herrick and Tharp
 - Construction began in October and completion by mid-2022
 - Estimated commodity savings of \$20M/year
 - Will provide 85% of campus heating load
 - Will provide Over 50% of campus electricity load
 - The CHP will provide electricity support for all buildings connected to the OSU substation on Cannon Drive (which includes the Arts District and almost all new buildings on campus). Once Cannon Drive – Phase II is complete the CHP will also provide heating support for all buildings currently connected to the central steam systems
- DISCUSSION POINTS
 - The Burns McDonald Model used to estimate the total utility fee increase as part of the new CHP included many inaccurate assumptions. It didn't consider Operation and Maintenance synergy and the size of the plant was incorrect; therefore, the model doesn't fit the actual data. The increase in the utility fee is significant. The facility cost increased to \$280M and is projected to be cash positive before 10 yrs.
 - The POM rate will change to a pay what you use model but there isn't a different rate for buildings receiving power from the CHP – the cost for energy will be the same across the university. The cost differences will come from building efficiencies (EUI).

Current Enrollment Update (January 19, 2021 – Scott Klute)

FP&A monitored student enrollment coming into Spring Semester due to financial implications of taking classes in person or on-line.

Autumn – Non-resident undergraduate students took approximately 49% of classes on-line which reduced tuition costs from \$10,992 from in person classes to \$1,795 on-line.

Spring – Continued dilution for non-resident students that have gone on-line. Current enrollment is down 5% relative to Autumn.

Financial Aid & Enrollment Plan Update (February 2, 2021 – Stephanie Sanders, Amy Wheeler)

- Stephanie discussed how the goals for 2021 admissions were affected by the pandemic.
 - Due to the anticipated loss of international students, 1,000 additional students were admitted to offset this loss. During this time, applications were in and denial letters had been sent
 - Additional admissions came from the remaining pool of students, which caused the quality matrix for admissions to go down slightly
 - The average ACT scores went down from 29.5 to 28.8.
 - Enrollment of Non-R esident and First-Generation students went down
 - Pell and Diversity student numbers increased
 - Enrollment transfers for 2 and 4-year students and transfers from Columbus State went down
- Proposed Autumn 2021 Goals
 - Applications are up and normal size classes from Ohio and Non-Ohio Resident students planned
 - Unsure on International student enrollments due to U.S. travel restrictions – applications are down
 - Maintain First Generation and Pell recipient students
 - Increase Diversity
 - Increase ACT to >29
 - Increase number of students in top 10% and 25% of their graduating class
 - President Johnson has requested a 3-year Admission plan to be made available this spring
- Affordability Initiatives 2020-2021
 - Four categories of financial aid were discussed
 - President's Affordability Grant - \$135M investment awards need-based grants to our low and moderate-income students, including regional campus students
 - Tuition Guarantee – Holds tuition, mandatory fees, housing and dining rates flat for four years for each entering class of new first-year undergraduate students from Ohio on all campuses.
 - Land Grant Opportunity Scholarships – Increased from a full-tuition scholarship to a full cost of attendance scholarship for two students from all 88 counties in Ohio
 - Buckeye Opportunity Program – Full cost of tuition and mandatory fees for all Pell-eligible students, including regional campuses. Aid consists of grants and scholarships from federal, state and institutional resources. 7700 students have benefited this program over the last three years
- CARES Act – Emergency funding to higher education
 - Portion set aside for students in the form of emergency financial aid grants to help students struggling with financial challenges related to the disruption of campus operations due to COVID 19 i.e., food, housing, course materials, technology, health care and childcare
 - Pell-eligible students were most affected.
 - \$20,989,051 CARES Emergency Funds went to 17,787 students

Special Topics / Reports

Enterprise Project Update (September 29, 2020 – Holly Ross, Andrea Ward)

- Enterprise Project is on track for Workday HR and Payroll “go-live” Jan 3, 2021 followed by Workday Finance and Supply Chain “go-live” Jan 7, 2021.
 - Workday student, including graduate students, will be adopted in future release dates
- Key Activities related to readiness, security, training, defect resolution have been completed.
- Training materials are in preparation and Faculty training will deploy the first week of December.
- Dress rehearsal – final practice run or the entire move to production deployment plan.
- Workday will use “evergreen” approach
 - Workday will have 2 major releases /year and regression testing to avoid adverse impact.
 - Little downtime for these releases – they will be deployed during regularly schedule downtime.

Mercer Report Review in Joint Meeting with Faculty Compensation and Benefit Committee (Dana Renga, FCBC Chair, November 30,2020)

- Reviewed faculty salaries by unit, faculty rank, and gender and diversity designations. Assistant Professors had salaries within 15% of the market but Associate and Full Professors were below market on average.
- FCBC will develop a proposal to reduce inequity for higher ranks, gender and diversity designations.

Parking Concession Update (February 16, 2021 – Jay Kasey, Beth Snoke, Susan Boiarski-Markle)

- Parking Concession in its 7th year
- Original value of Parking Concession was \$483M, FY20 value \$555.2M which is down from FY19 \$573.1M
- Endowment established and uses
 - \$200M – Faculty & Research hired Discovery Theme faculty
 - The provost contribution to Discovery Themes is being cut but the CampusParc contribution will continue.
 - \$83M – Student Scholarships
 - Eminence Fellowship Scholars, Student Research Grants, Research Symposium Travel Grants, Stipends, OIA Study Abroad Programs, Diversity and Inclusion Summer UG Research Experience
- \$50M – Arts District Development
 - Renovation of Sullivant Hall
 - Further Arts District projects
- \$150M – Transportation & Sustainability
 - Maintenance of CABS transportation system
 - OSU Awarded \$15M grant from Ohio EPA to repower aging diesel buses with 6 natural gas-powered buses
 - OSU developed natural gas station which city of Columbus and SWACO also use
- \$6M - Transportation & Parking Projects
 - Legal fees, snow removal, permit price difference, garage fencing
- CampusParc Customer Satisfaction Metrics & Quality of Service
 - Call showed improvement with less calls suggesting the new website enhances communication
 - However, SFC noted that communication was in adequate regarding reimbursement for parking passes or temporary stopping staff payroll deductions due to campus closure for the pandemic
 - SFC recommended that emails and not just phone calls be monitored for customer satisfaction
 - Initiated new policy that first violation is a warning rather than a ticket

- COVID Challenges & Actions were extensive
 - Permits in 2020 down 18%
 - Citation collections down \$344,000 from 2019
- Concerns over parking privileges, availability and adequate supply in right location for a reasonable cost and performance of enforcement software
- Two new medical center parking structures are funded by the Medical Center and no permit revenue will to CampusParc
- Moving forward with a 2 year pilot program for zoning system for staff needs

Energy Concession Update (April 13, 2021 – Scott Potter

- OSU entered a 50 year partnership with ENGIE-Axium) in 2017 with a \$1.2B upfront payment
- Successes of FY20 were:
 - All Key performance indicators (KPI) targets met or exceeded
 - Academic collaboration comments met
 - Commenced 18 new and continued 22 existing energy improvement projects
 - 3rd consecutive year of Columbus Campus energy efficiency improvement
 - Smart meter deployment ahead of schedule
- Projects Funded from LTIP Endowment decided by:
 - A list is developed by the provost and concessionaire
 - Input on distribution of various endowments is with the President, Provost and Central Administration
 - Endowment is approved by the Board of Trustees
 - Strategic Initiatives

SOFS Report on University Libraries Materials Inflationary Costs (May 11, 2020 - Heather Tubbs-Cooley, Review Chair)

- Sources: University Libraries internal financial records, benchmarking from University of Wisconsin, University of Illinois, University of Michigan
- Compared to these Big 10 peers, OSU University Libraries is chronically and systematically underfunded by the university central budget
 - Running a significant structural deficit for its collection budget (-\$680,000 for FY22)
- Currently, OSU allocates 2.6% of indirect costs (IDCs) to libraries but there is an ongoing funding gap due to inflationary rates for materials.
- SOFS sub-committee recommends:
 - Permanent increase in PBA to bring University Libraries fiscally in line with some of the Big 10 peers
 - Nominal increase in IDC of not more than .5%
 - Consider additional revenue sources including:
 - Trademark funds
 - A student library fee to support acquisitions for teaching and learning purposes
 - Address dynamic of escalating subscription costs by working with OSU faculty to reconsider promotion and tenure criteria (e.g. journal impact factor and other cultural considerations that drive demand for high-cost publications)
 - Added by SFC in discussion: Allocate a portion of SSI revenue associated with student courses for research training
 - Undergraduates 4998, 4999 courses
 - Graduate students 7998, 7999
 - Added by SFC in discussion: Consider drawing support from patents, licensing revenues since these discoveries are likely supported by library materials.

Charge From Senate Steering Committee / Reports

Review of Rule 3335-5-04 “04 Rule” Change Regarding non-trivial financial fraud (September 22, 2020)

Submitted Report: The Senate Fiscal Committee recognizes the need for extensive revision to the 04 Rule and supports the expedient processing of the ad hoc committee 04 report for a formal vote. We support the initiative for a compliant, clear and robust process that addresses misconduct in order to protect the financial and reputational standing of the university. From a process standpoint, Senate Fiscal Committee recognizes that much of the content of the new changes fall outside the purview of our committee and, instead, require direct consideration by CAFR, Rules, Research and Hearing Committees.

Pertaining to Non-Trivial Financial Fraud, the Senate Fiscal committee found:

- The definition of non-trivial financial fraud (pg 11) to be clear and appropriate
- The distinct pathway for determination of sanctions for this type of fraud to be appropriate
- The sanctions themselves were appropriate.

The Senate Fiscal Committee also considered the financial implications of the new 04 process.

- It seems likely that there will be greater financial cost to execute the proposed 04 process due to added training of current department chairs, current deans, all new administrators as well as faculty members to serve on review committees.
- All complaints will route through the vice provost for academic policy under the new plan which may overwhelm the current financial and staffing resources of the office.
- Specialized training will be required to conduct financial fraud investigations. Presumably, this expertise is already in place at OSU (ie Internal Audit) but if additional expertise is needed, greater costs will be incurred.
- Substantial legal fees and settlement costs may result but are difficult to anticipate and budget for.

Recommendations for further consideration by the appropriate members or committees of the Senate:

- Develop a template or framework which establishes the threshold for whether a complaint of non-trivial financial fraud moves forward. This will help ensure an identical process occurs across departments and colleges at the university.
- Preventative training for fraud should occur, recognizing that it incurs greater costs and resources.
- Thinking particularly of graduate students, findings of misconduct by the mentor could/will jeopardize assistantships (GTA/GRA) and grant support. Without the availability of other financial support, the loss of graduate students may occur, harming the students and the academic reputation of the program.

While beyond the charge to our committee, details about the make-up of the college committees (D.1) will be important to ensure a uniform review process across campus. Clarity of membership on these college committees from Rules will be helpful.

Review USG Resolution to Reduce Carbon Footprint of CHP (January 10, 2021 Scott Potter, TJ Wood)

Submitted Report: The SFC supports the overarching objective of the USG Resolution to reduce the carbon footprint of OSU. The reliance on carbon capture poses several limitations that appear counter to that objective at least in the short term. To operate the carbon capture system, an additional 35MW of electricity is required which would increase the campus electricity load by a 1/3. The demand for natural gas at the current McCracken plant would also increase (~192 MMBtu/hr) and the steam load would almost double from current levels. More land is needed to use a carbon capture system. The CHP sits on 1 acre but the carbon capture system would need an additional acre (total of 2 acres) which isn't available at the current site. The future use of hydrogen fuel represents an interesting option because the CHP is capable of switching very quickly and without changing equipment. However, there are no operational hydrogen plants in



the US - although one is under construction and another is planned. Storage and pipelines and substantial infrastructure costs will be required before hydrogen fuel will be feasible.

The fiscal implications of using carbon capture will require additional capital expenses of \$120 million and annual operational/maintenance costs \$17.4 million (including \$15 million in increased electricity costs). The resolution suggests that reallocating funds from energy savings would cover the added expenses. However, there is no income generated. Rather, the energy savings result in lower energy rates paid by each unit through the Plant Operation and Maintenance (POM) rate.