

Report for the Budget & Finance Committee Meeting of Jan. 18, 2024

The Budget & Finance Committee last met on Dec. 7, 2023.

1. MEETING CALLED TO ORDER: E. KONDRATIEFF (3:45 pm).

Attendees:

Eric Kondratieff, Chair (PCAL)
Kurt Neelly (At-Large)
Sean Kinder (Libraries)
Jeremy Maddox (OCSE)
John Erickson (GFCB)
Julie Shadoan (PCAL)
Faculty Regent Shane Spiller (non-voting)
Provost Bud Fischer (non-voting)
Susan Howarth (Guest - EVP)
Renaldo Domoney (Guest – Budget-Finance)

Absent:

Daniel Boamah (CHHS)
Ben Dinan (At-Large)
Martha Day (CEBS)
Tanner Blood (SGA)

Positions currently unfilled:

Alternates for CEBS, GFCB, PCAL, S

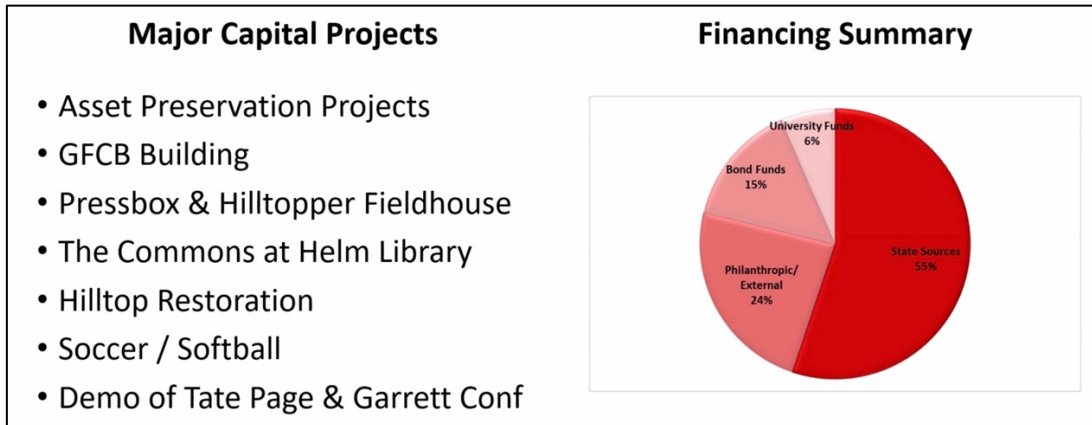
2. CHAIR REPORT – E. KONDRATIEFF

A. Minutes from 12/07/2023 meeting – approved.

3. NEW BUSINESS: Guest Speaker **Susan Howarth**, Executive Vice President for **Strategy, Operations and Finance (SOF)** gave a **slide presentation** providing an **overview** of personnel and budgets for units under **SOF**.

A. **MAJOR CAPITAL PROJECT FINANCING:** Part of the presentation was to respond to B&F Committee request for information re: funding of major capital projects.

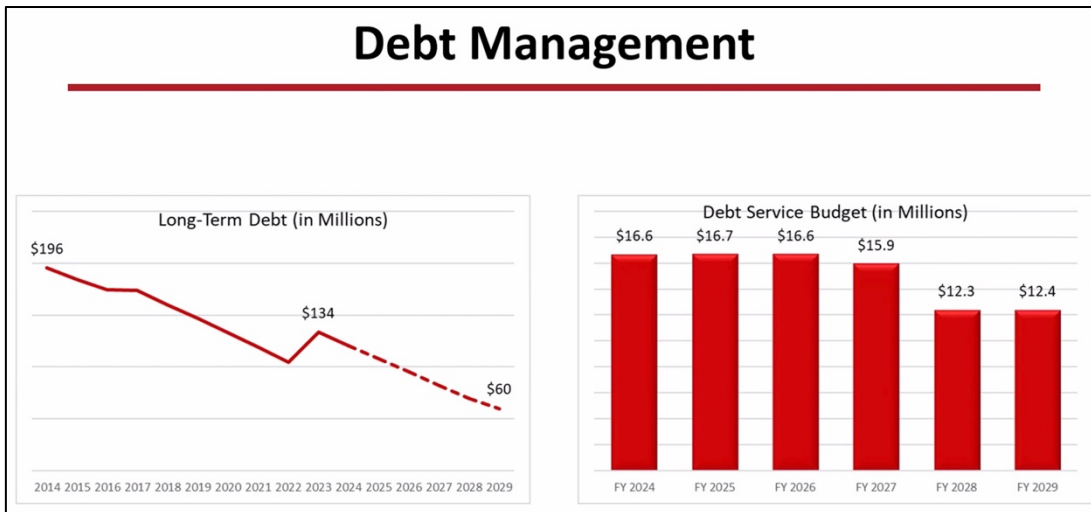
- (1) **NB:** While typically WKU match 15% to state funds, Gordon Ford College building is 100% state funded.
- (2) Overall, the major projects (see slide below), 55% of major capital project funding is from State funds, 24% from philanthropic / external funds, 15% from Bond funds; only 6% of the funding for all of these projects comes directly from WKU.



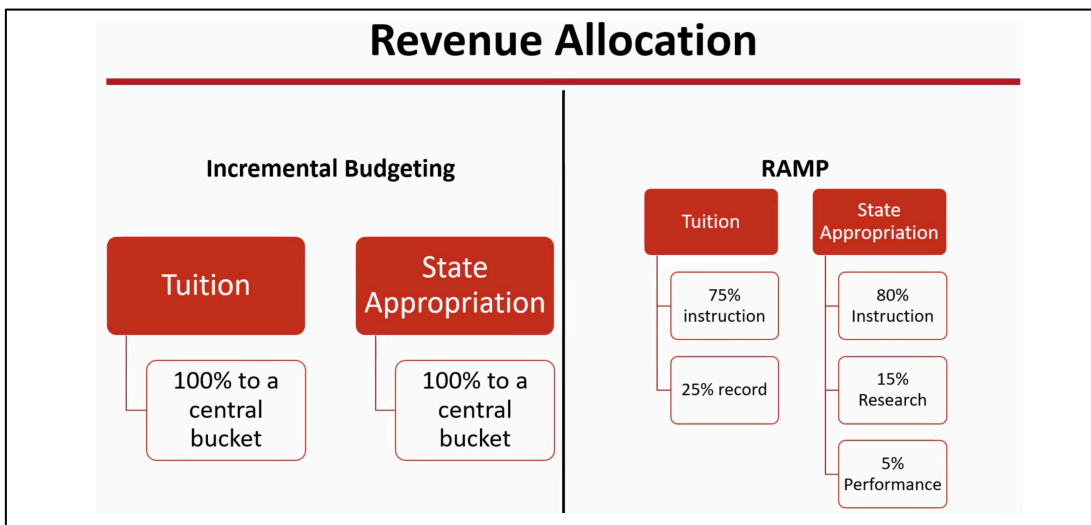
B. **DEBT MANAGEMENT:** Long term debt that WKU is servicing has seen a general decline in the decade from 2014-2023; it is projected to continue declining by more than 50% from the current level over the next five years.

- (1) **Renaldo Domoney** explained that the slight increase in long term debt servicing in 2021-23 was due to the issuing of bonds for the Hilltopper fieldhouse and pressbox. The KY State budget proposal issued in January currently includes funding to construct a new building for CHHS. There is also a \$30 million set -aside for asset preservation involving Cherry Hall (potentially a 3-5 year project).
- (2) **J. Maddox** (OCSE) asked for clarification on where WKU’s 15% “match” for the \$30 million set-aside for Cherry Hall’s preservation will come from. The answer is that quite a bit can be “credited” to WKU for funds already and recently spent on some major repairs to Cherry Hall.

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- C. **RAMP MODEL review:** Howarth provided a comparison of the older, centrally-driven, incremental budgeting and the current RAMP model which decentralizes and distributes decision-making for much of the budgeting and spending to the various deans.
- (1) **Neelly** asked for clarification of how RAMP is designed to enhance academic entrepreneurship; **Provost Fischer** provided explanation based upon number of students.
 - (2) **Revenue Expense Allocation** overview provided (see slide below).



- (3) **Central Funding, Subvention pool** – **Provost Fischer** explained that monies are allocated (one-time, non-recurring) to units in the red as well as rewarding colleges and units that are achieving and profitable.
 - (4) **Neelly** asked Provost Fischer what avenues faculty have for recourse if they don't feel that their Dean or unit heads are effectively using the revenues allocated to them (de-centralized).
 - (5) **Provost Fisher** suggested first make a case with department heads to discuss with Dean; if this fails and faculty believe that funds are being grossly mis-spent, it should be brought to his (the Provost's) attention.
- D. **OPERATING BUDGET:** Revenues were outpaced by expenses, an \$11 million gap.
- (1) **Provost Fischer:** Current year spending is being scrutinized monthly to prevent a recurrence. Measures (currently) include hiring freezes/pauses in SOME colleges (not all); the Provost's office approving new faculty positions; monthly examinations of budgets in all aspects of academic affairs; and having Deans work on increased efficiencies in scheduling, classes taught, etc., to make sure spending equals revenue (NB: Some colleges, like Ogden, must frontload expenses early to prep labs and materials for classes, so will appear to be

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overspending early on, but are not actually overspending over the course of the year). Different Deans and units can handle budgets differently; not all will be under a hiring freeze, as the decisions are de-centralized.

E. OVER-SPENDING IN FY 2023 @ 101.5% of budget:

- (1) **Maddox:** Is the remediation of the overspending fairly and appropriately placed on ALL units?
- (2) **Howarth:** Each unit is being treated equally and asked to adhere to its individual numbers, it is NOT a blanket policy or statement for all units. Recruitment overspent somewhat; Athletics 1X overspent on their football trip to Hawaii; Facilities faced inflation on expenses; IT experienced incredible inflationary increases (e.g., software subscriptions) resulting in overspending in FY 23 and IT continues to experience challenges. We are looking again at our contract with Sodexo to see if continuing with them or bringing their services back in house makes more sense; also, at software maintenance contracts for software that may no longer be used much, etc. And we spent over a million last year on the one-time inflation subvention to employees under a certain salary level (and that was unbudgeted); 2 years of periodicals subscriptions was paid for in 23 when it should have been spread over 22 and 23; \$700k lease payment for First Year Village restaurant; and a transit bus refurbishment cost over \$500k.
- (3) **Kondratieff:** In addition admin. provided a \$1 million subvention in 2023 to our self-funded health insurance program to keep employee contributions unchanged while keeping the minimum reserve funding at its appropriate level (as in several previous years).
- (4) **Howarth:** “So what we are doing is revising our spending downward to what our actual revenues are. We've given all the unit leaders, the Deans and Vice Presidents, revised spending targets we're allowing them to manage. As Budd said, at the unit level.”
- (5) **Howarth:** Measures to address the increase in expenditures (last slide):

FY24 Operations

- Revised FY24 budgets to actual expectations

- Unit leaders have received spending targets for FY24 to ensure expenses do not exceed revenue
 - Plans are being managed at the unit level
 - Unit leaders have submitted plans to President, Provost, EVP

- Measures to address the increase in expenditures:
 - Monthly monitoring
 - Biweekly meetings with President, Provost, EVP, VPs, and Deans
 - Weekly meetings with budget managers

4. FACULTY REGENT – SHANE SPILLER

- A. Board of Regents Meeting tomorrow (Jan. 19)
 - (1) Presentation on 6 month budget status (46% of budgeted spend for academic year) –
 - (2) Personnel action reports to look very different, from Budget and Finance Committee. Reports will no longer be as detailed as the details are NOT legally required. Additional privacy issues will be implemented and not provide as much financial information associated with named employee.
 - (3) Lots of academic affairs items on the Board Agenda.

5. PROVOST – BUD FISCHER

- A. Deferred many comments to earlier budget discussion with EVP Howarth. Thinks Academic affairs is doing very well from budget perspective, a few areas struggling, but majority doing well.

6. OLD BUSINESS: N/A

7. BEC REP – NEELLY: No report. . . Meeting Adjourned at 4:58 pm.