Please stand by for realtime captions.

Monday February first we will do rollcall. [Roll being called] good morning, everyone. All right first up is the report update.

Good morning, everyone.

Good morning. >> I got my handy-dandy clicker. I did want to share a report this morning that we will provide updates on the enrollment for spring 2021 and an update on enrollment plans for fall 2021. Of course the spring semester did officially begin on Friday January eighth which is a bit earlier than past years. The term started earlier as East Texas experienced a bit of snowstorm that closed the campus for a day plus so definitely we probably saw a little bit of interruption and confusion, students wondering what was going on. These numbers were updated as a census date of January 27th so these are updated numbers. The numbers have been updated January 27th so I want to go over a couple of things you will see the headcount is 11,004 28.. The enrollment does reflect a 3.5 decrease from last year or 418 less students. The semester credit hour is reflecting a 2.0 percent decrease or less credit hours, so, what I would like to do is provide a little bit more detail for this spring enrollment breaking it down by the classifications and a couple of highlights and observations that I will share but as you kind of see I do want to mention a couple of things starting with the graduate headcount. The graduate headcount overall increased by 170 students reflecting a 12% increase in headcount enrollment. Two colleges primarily had the bulk of this increase come 80% of it was represented to find arts in education. I also want to share that this increase, it generated an increase in semester credit hour as well about close to 1350 additional which at this time is really critical. It is the last term for the base year camp and so the semester credit hour increased a graduate was there because it definitely can help balance the decline so we will see that in a little bit. I do want to also point out that in regards to the colleges, the College of forestry and agriculture was the only one that had an increase in both undergrad and graduate. I do want to share with that also another point I would like to share is the Hispanic enrollment for the spring term maintaining flat which during some of the ups and downs that we saw I think that was real positive considering Hispanic enrollment is one of the strategic plans I do want to point out on the very top you can see the freshman that 50% of the dual credit enrollment I think it is important to share it did have a drop in that dual credit enrollment primarily is going to be in that freshman classification category. There might be some of that in the sophomore but we do see most of that decrease in dual credit and impact our freshman classification, there was 194 less dual credit students this spring done last spring. I also want to share that the new freshman and then enrolled at this spring, the new transfers that enrolled this spring was actually a slight increase in new freshman, about six. And the transfers can stay flat so for the new, we really saw that we were pleased with that it was a little bit more but it was not a decrease. The reason I wanted to share that is when you take a look at the classifications in the undergraduate having a decrease , that is going to be a big impact that we need to be mindful of the continuing students right now from the spring. Love that as you recall this past fall, we brought in smaller freshman class overall some decrease and that is definitely we are seeing that it is spring. The other thing I do want to note that I think it will be a good segue to our next one is you can see the seniors, we went up to 3041, so write out about the increase, that is when that is exciting but when you take a look at the three classifications or the three classes coming behind it in the issue or the need for recruitment and retention, it is going to be really critical and so I do want to move on to fall because I think that is a good segue but before I do, were there any questions relating to the spring enrollment data?

Miss chairman, so I think I heard you say that if you took out the dual enrollment from the freshman cohort that we were stable or slightly ahead and do we give the dual enrollment.

Yes. We've got 194 students in regards to say the freshman, new freshman, they actually went up six students but freshman classification, there is also continuing students. So they would be in a whole band of freshman as continuing, new and dual. I think it proves a big number of groups.

It is a little less than 400 from year after years of the dual credit didn't account for all of that. What you think, is there a trend underlining that? The drop in freshman?

I think the biggest was the drop in freshman from the fall 2020. It impacts the continued number of freshman that our freshman classification.

Gotcha. And in a COVID year exactly that again as I was interested in these numbers in the fall semester that were posted by, are, for lack of a better word, competitors again I would love to see what their spring enrollment looked like as well when you get a chance. And you may have it but if you don't I would love to see it when you get that information.

We can do that. I have not gathered the spring enrollment from our competitors. But what will be great as all of that and all the adversities have to report that so we will be able to get that. And going to segue over to fall and I did want to make sure I shared kind of as a reminder that our fall 2021 enrollment goals involve both a 5% increase in headcount and a 5% increase in semester credit hours, that just to share and to make sure that everyone that is looking at 631 more students or 7500 in SDH, so, the question might be is that doable? That realistic? How would we get there? I kind of want to share a plan. This discussion has been going on across the campus for each college with student fares votes with particularly our unit with admissions with financial aid, a number of different venues, Dr. Gordon's mantra across our campus oftentimes comes out as all of this that are recruitment and retention agents and this is going to be incredibly essential to carry out throughout not only for fall but also had. So, in regards to this, I will share just a little bit but I want to be kind of mindful that an integrated plan is going to be really important. We are not going to be able to put all of our eggs in one basket for these particular populations. It is going to involve an integrated plan. It needs to incorporate multiple initiatives targeting these. Meaning there's not going to be one secret solution that is going to get us a 5% increase both in SCH and enrollment. So you will see this, and this has been very interesting, I really have enjoyed I've met with each of the college deans and leaders are. What are some of the initiatives taking place in their college, kind of being able to adjust a new partnership for academic adjust the transfers so there is a plan for each one of the colleges fidgeting to this overall enrollment goal. Internally in the admissions office is operating on a 7% stretch goal and so that is important as they have their territory where they are seeing their part as a team is going to be congealing in regards to the freshman and the new transfers and even returning students so I did want to kind of share this it is been really beneficial having a conversation but making sure we are talking about plans, strategies, what is the initiatives and the resources we need? So that has been taking place and there's a number of different things for each of those populations and we continue I think what is really important is that it is not a one time and done conversation. It is going to be an ongoing dialogue and we are going to have to fine tune and adjust as we go so I do want to share this is the headcount. And then have it reflect that 5% goal of SCH as well. A lot of times this is the one. But I did want to -- that is all of my slides but I wanted to ask if there were any questions or anyone would like me to elaborate on any of this?

I have one more. I really do like the approach of decentralizing, you know, the plan to the colleges and establishing goals and I assume they are also establishing individual programs for improvement.

Yes, I will give you an example, the college of education. Of course one of the initiatives is the aviation program they will be looking at bringing 25 students. The program is going to be impacting the college of education probably for new transfers. Working with say the college of forestry. They are looking at more opportunity for new transfers and they are already meeting with our core Nader to take a look at and implement that plan in regards to that. The area that I think is going to be really key as we talked about kind of an integrated plan and multiple initiatives is each of these areas, each college is a little unique so I'm going to take these returners population. These are students who attended SFA and for some particular reason stopped out. It might've been life got in the way, whatever is the situation. We have never strategically reached out and communicated and how to recruit these students to say come on back, that help you finish the bachelors degree so those initiatives are in place. An informal way because we were awarded a grant to identify a very small group of students so we are working on that but then also just across the board four of the six colleges actually have a pretty good population. On average the past few years we've seen about 250 students that are classified as returners so to even target that and actually have a communications plan as an initiative working with each of those colleges, there returners have a little bit different approach that we are going to be needing to work with. I think the communications plan has been really critical. It has been really proactive in how they are wanting to communicate to their particular populations to help them have that tailored communication as well.

Is much as it is possible an extremely lean but it's budget to incentivize those colleges to achieve a net increase or the threshold of increase that we establish, I would love to see some incentive where college has got, I don't know if it is got more faculty travel dollars if they have a tangible kind of reward for increases I think incentives always matter and bringing those entrepreneurial incentives to light that would be helpful. Whatever the budget would allow but I still think it matters.

So they will hear a little bit later about performance solutions which does an analysis to see where growth is, where pressures are as far as instructional needs and is the program goes, my philosophy has always been the programs that are growing so that will help us to determine who is growing and at what rates and help with that allocation of resources.

Is there any evidence to suggest that a large number of freshman took a year off, took a gap year and they are going to come roaring back in the fall?

I would say kind of an unofficial yes in regards to evidence and let me share a couple of reasons why. In regards to the state of Texas, the enrollment at the community colleges across the state plummet so there was this thought, oh, they are going to stay and go to community colleges they are going to stay close to home. The enrollment in the community colleges did not reflect that. There is not an increase in any of the community colleges as well as four-year universities you say okay, that is where it is. But also across the board and as we shared last fall with some of the competitor information, there were some universities that increased an overall enrollment increase but when it comes to freshman, there were some that the numbers were small. Most of the increase in enrollment last fall was with graduate and dual credit efforts for taking our schools and so taking a look that there is a thought that there were some freshman that set out or they went maybe to their original institution to the four-year but not to a two-year. So, we have definitely come I think even with housing, seeing that I think the family and students want their son or daughter to have a very real traditional experience and with last year, fall being a little bit of unknown of to how housing will work or the delivery or there was a lot of classes across the state on delivery and not sure if their son or daughter would be disciplined or ready for it online, I think that did have some of that in fact. We are seeing students that want to come back and they are wanting to return. The financial impact was probably also one of the key areas. We are excited we are going to get it another wave of CARES Act money to be able to award to students that will financially impacted and I think that is going to be helpful but across the board I don't see official information per se but we've seen little samples that kind of lead to that. Other questions?

What value does the credit program have for the University? I know in the last meeting we discussed a little bit about enrollment or credit coming back from that, I guess enrollment standpoint, do those enrollment numbers, semester credit hours, do they actually help the University? Is that an area that we want to try to increase more than the others? Or is that just part of the overall numbers but you are not putting values on?

So this past fall, they were read at 970 students that represents 7%, a little over 7% of our total enrollment in regards to semester credit, those 970 students generated 4800 SCH. So that is a pretty significant contribution. It was read about 3.4% representation of our SCH , so, it does contribute in regards to value but because the dual credits are taking freshman for sophomore level courses which that's what they are by this bistate allowed to take his courses that contribute toward their high school graduation and the courses, I guess the formula funding is going to be at a low-end in regards to what dual credit generates. But the 4800 SCH I think was an important part for us right now . The increase putting it to 1150 just to share with y'all where that particular client came from is in our SFA InVision plan as to how it is bringing it up back to where the goal was for dual credit within that plan so that is where we are having those 180 students we are on the kind of reassuring them that SFA appears as a dual credit partner, also we are really wanting to make sure we are sharing that we are wanting this to help with their students and dual credit needs so for some students that is taking dual credit at a four-year university and so we want to make sure we are able to meet that need and demand. The other part of dual credit is that we also have an opportunity to introduce a number of students again approximately students to SFA and being able to provide them that good experience can lead to more of the students also saying I want to stay on, so, little bit both of helping them as a dual credit partner but also as a recruitment as well.

To be increase the enrollment fee for the schools or individuals or did we keep them the same?

We have not.

Okay and I guess the third question is there an opportunity to perhaps, with some of these families to introduce maybe can you provide some type of scholarships or can some kind of incentive or foundations help align with the schools some variance obviously don't recognize their children going to the University by themselves and I guess the point was there was funds at a public school and they have students that could entertain the dual credit we could pay for that to get them introduced to University of that is an opportunity you could at that level offer some type of funding for those even though it is small it would be an opportunity.

Along with school districts they do support the dual credit initiatives. I know for example Douglas does. Some schools in Houston County do so there is a certain level of support from scholarship options. We could have a balance of where we target the resources additional students.

I guess I was thinking if you are going to increase that fee, what effect will that have on trying to also increase that enrollment?

We will venture to that. The initial dual credit push we had two years ago, three years ago, the cost was $150 per course and that is required to charge the state tuition. Plus there was a distance fee of $99, $33 per hour so the fee initially what have a push to 249, they were asking you later for 258.

The key to do a credit is that we don't want to be providing subsidized credit hours for other universities, we want these students to come to SFA and so they started last year and developed the program to bring the students onto campus and give them part of the royal treatment and I think also we have to be a little bit more aggressive on what -- to tell us the schools on the families what we have to offer because we have a lot of things without our dual credit such as advising that other places just are not doing. So these are all things we have to kind of continue to raise the bar so that we get the percentage of those students who are coming to SFA consistently rising every year.

That was my last question. Do you have an analysis on the schools versus students coming here? Do they stay here or do they still transfer out?

This past year of the students that are dual credit seniors that enroll here, 16% or 19% the year before, they actually converted in full-time. Three years ago when it was much smaller, like less than 300, that conversion rate was right at 30% so we've gone back out to be a little over 1000 dual credit students. It did go down to 16%. This pastor was at 19% so that is some of the efforts and how we service them is going to play a role in having more indicating you know what my experience with SFA has been good , strong. Uncomfortable here let me continue. So it is a little bit of finding that a balance in the initiatives that are really working.

Let me ask this question. To we talk at some point about the type of credit to students who enroll here? They are dual credit and they gave that enhanced because the retention may be at the end of first semester they are getting credit for the second semester

We can definitely research that a little bit more.

You talk about some kind of program I think.

We threw out a lot of ideas last meeting.

I agree with that.

I remember Scott and I particularly being vocal about --

David, you and I were vocal?

[Laughter]

Really? Okay.

About the concept, the philosophy of subsidizing other schools, eventual graduates.

In me and I want to hear a discussion later about that increase. But again I thought we ought to be looking at that very, very critically to try to determine the all in cost and the all in returns on that program trying to get it as an individualized cost center where we can figure out whether at that rather measly conversion rate it is still a loss leader that we want it to be a loss leader but if it is just a loss, then we need to do something else. The tuition fees for that cohort so that it pays its rate. On the back of storage if they are picking up just a gallon of milk, we are losing. You know what I mean.

I would totally agree with that. You don't want to subsidize if they are going somewhere else which is to some extent what we've been doing but I do, I love that idea. I know we talked about it again I'm sure that was one of them.

Any questions? Thank you.

Okay, now coffee is refreshed.

[Laughter]

Good morning, everyone. Don't mind I'm going to have to pull this mask down. With the southern accent and a mask I have challenged communicating. So, here I will share the good news with you first. If you look at the right column never wanted to see that. Hopefully we will. Last year if you look at the very bottom for that period we have the 4.3 million. And I want to emphasize those things that contribute to that. Are exemptions intact net revenue but if we go to the third column there for tuition and fees we were up 5.3 million but with exemption and weavers 54.5 million or $806,000. So that is very positive. In July 20 we determined to administratively we were going to reduce our budget budget estimate 5% on actual revenue so that was the first step of budget and development. So if you look at all of those --

Is it okay if we do this like a play-by-play and IMV caller?

Yes. Just to kind of set this all straight if you look at spring of 2020, that budget we said, okay, we're going to take 5% less for FY21 and then what we did was say, okay, 5% lower than the actuals for FY 2020, we actually estimated 1.2 million higher. We are very conservative in that estimate so the bottom line, I million dollars of that is conservatively. And there's one more comment on exemptions. The majority of those exemptions and the majority of the dollars are state-mandated. We can't do anything about them. So, when we've shown this, when we have looked at this, the first reaction is, oh man, we are in great shape. And today, this is the good news. The fact that we are budgeting through enrollment for a number of people working together we are not at a shortfall when we were back in FY 2020 but this is just temporary good news. So if we go to the next -- any questions on that?

So the good news is we weren't 5% down from our predicted, we were actually a little bit better than 5% down? Which is positive, right? Two negatives and a positive. >>
We can blame COVID for this because I think that has really impacted our campus. Right now we're at the 53%. So, 53% capacity for enrollment so that kind of gives you a sense of where we are. Our FY21, about 4.2 million and it was down 3.4. Parking is down almost 426,000 four total auxiliary net. so that is the reality in FY21 and where we currently are. What do we do going forward? The next slide is just a very initial snapshot of the budget development. I need to give you the assumptions if you look at the second section that says revenue adjustments the $3.1 million we used as a one time method for filling the revenue gap for FY 2021. The total of all of this was almost $8 million. This is a one time thing. We did not use the money, you know the kind of federal funding that is a one-time grant versus sustained revenue event so the challenge is this, we've got to take it, the funding that we have to the FY21 budget . So again it is a one time thing. We can't do that again. This money we had, we were all for, with the support. These are all one-time initiatives that we can't use again or sit differently. We've got to find revenue your way to fill those gaps. So if you total all of that I mentioned that that we were up, we use that to offset. 6.7 million budget. The other thing that we do in terms of forecasting -- yes or.

Okay, so, the color on this is what you see here for FY 22, we did the same kind of thing one time money for FY21. We did the same thing FY 20. There was a structural issue that if you start looking at the cares money going away and you start looking at other things just not being there anymore like we had I forget how many was it $6 million in unfilled positions that are not there anymore? We have a structural issue that we have to address.

Absolutely. So if we look at 22, we look at some known or projected costs that we have information. We project that it will continue to go up. Most budgeteers we anticipate and the promotions, this has been an ongoing tradition for those that have been for a number of years, you see this every year from so associate to associate. So, the promotions are in there, we added to the regional account coordinator positions. We had the other cabinet members and that is the cost we will have to pick up and FY 22. I think the board is familiar with that. They were investing the Texas A&M system, here is another factual that we will have to plug into the FY20 to budget. So if you look currently, our total expenditure increase is $670,000. That is before we ask departments in the budget process to ask what their needs are. So this is the first snapshot but just want to make sure the board knows we are looking at a mandatory tuition fee.

Enrollment, enrollment, enrollment.

There are other ways to do that but you saw the auxiliary numbers and some bets and so we've got to be aggressive in our recruiting and especially recruiting students for residential.

In terms of crossing our residential hall fees I think we've talked about this a little bit but 53% would be the hotel chain obviously. To what degree are we comparing our own campus residential fee with the private sector apartment market? Because I'm assuming that it is not 53%.

They are. One of the things that happened with COVID and I do think it was the right decision this past fall we suspended the requirement and we did so because as we moved into fall with all of the unknowns with COVID we didn't want to have a force situation where we forced kids to live on campus and then have some kind of an outbreak etc. so we headed up for this year, suspending that policy and that is where we saw a tremendous hit. We have been seeing some decline previously but this was a significant decline and so our new vice president for student affairs who is here today, he will be sitting down with us over the course of the next few weeks and we will be having to make decisions about do we bring that policy back? If we do is a 60 hour policy like it had been? We are going to have to make some decisions on that very soon and also what are we going to do with some of the resident Halls that may be vacant?

And if we're really priced too high for the market in some places, can we make up in volume if we get back with the competitive market? The financial analysis of that.

Yeah. I know the teams do that on a regular basis and we are probably higher than the department but we also have a lot of amenities for residents, assistants, hall directors, programming, tutoring, those kinds of things that are in those residence halls that really they don't get outside.

What percent of our
--

Let me ask this question. Have we looked at which of the resident Halls have a higher occupancy versus others?

Usually when the students, they want the newer Halls and some want the private rooms as well so those are higher in cost versus the other.

But is that down as well?

Yes, across the board.

Some of the students do prefer some of the other Halls.

Some have kitchens, some don't. They talk about a meal plan.

Connecting the dots on all of this for a long time we have focused on semester credit hours and headcount but it seems like there is a special column now that is related to on-campus student because this auxiliary funding is the big issue, so, it is not just semester credit hours and it is not just headcount but it is how many people do we have living in the dorms and paying the fees associated with on-campus. So, in prioritizing what we just saw with our, we see the number of new credit and the new freshman and that is exponentially more important than any of the other numbers. That is the most important number, the new freshman.

Absolutely. That is where we focus for the primary resources.

You said we are 53% occupancy, what is the average normal? 70%? 75%?

It was maybe 70% to 80% each semester. I don't think it went below 70%.

For years, I mean certainly in the fall it was usually 90% plus and there were people on the waitlist to try to get to the dorm for a long time. Spring is always a little different but that's why we need to build a couple of new dorms and we are also in the new process of building another one. I think because of COVID and everything all of that is kind of trashed and burned.

And that was my other question after that if it is at 70%, I know locally several years back there was a push to build new housing apartments. What affected that have on the community when that happened? And was there correlation there as we added the larger facilities in town that you see a drop? As mentioned earlier there is a competitive market out there between the off-campus residency and the University and if we say that even though we tried to enhance the freshman bringing them in, unless you do keep that 60 hour limit, unless the rates are much lower here, you are going to see that competition. We are going to be fighting that other battle as well and I guess the question is at 70%, that what I guess close this loss out to breakeven I'm assuming so we would pick up a substantial increase there.

I think it is safe to say and we've had many conversations, we are going to look at a variety of options, some of which will be outside of the box with partnerships with housing.

I was going to bring up an option for universities that are all over the country doing that.

Usually, we see a drop when they get to that year because we have created that and what we are doing as far as that so we do that throughout the entire four years. That is important I know for some students they might say that I want to live on campus I want to go to this University for that reasons I think that is another area.

Particularly in the freshman year that is the most important year but they are looking at not only the freshman but also the sophomore year.

I remember I was going to ask the question about different categories, which are the most important and we all recognize freshman if you are not trying to get a laser focus that is where you build it up because one you are going to keep them here and hopefully they will use the residence as well and if that is the case then you need to go back to the dual credits and ask how do we enhance that number to get the freshman coming in as well?

In the recruitment of those freshman, continuing to be very intentional of target improvement efforts with the mark markets, the new populations would have to be on campus. Our new freshman from East Texas may have an option because they live in a particular area that would allow them to do that. We take a look at that for consideration and what it means for population so we can be strategic.

If you can incentivize either the recruiters or try to get the freshman in that seems to be the biggest opportunity.

So this is the current projection. One of the things I want to point out is we did have a decrease and you remember the state energy conservation plans, it goes back to offset the deficit so looking at $8.5 million budget there. When you look at the tuition fees, that is to add to the auxiliary deficit and then we have almost $16 million, that is the bad news. The good news is we have done some things . Again, we are in the game. We just have some challenges head-on. So, what could we do initially? This is an option. At this point in time we've been made aware that we've been awarded about $17 million in the higher education emergency relief fund within the CARES Act. Soy got 17 million there. We are required by the law to award no less than 5.62 million for student aid, which we've awarded before for student aid. We can award or use no more than 11.8 million so we could -- yes there.

Just so everybody knows, the last stimulus funding, the institutional portion had policy changes every other day coming out, so, we don't know, we will have to follow the federal guidelines and use of that institutional portion, we just don't know how it will change over the next month or so. So, could we use all of it? Maybe. But we also might be restricted to how much we could use and for what by the federal market.

Could we offset or use some of this grant portion to offset grants that we otherwise would make from our own funds or is there an opportunity to rob Peter and pay Paul?

In most cases, the grant funds that we have we look at that as an expenditure if we could. So let me go back. So we are looking at we would use $11.8 million to build the budget. Here's our problem. [Captioners transitioning]

Which is what I would

For the enrollment enrollment five, heads and beds heads and beds.

As a state agency there's one other revenue source we haven't mentioned. So, we assume, that revenue source is going to stay stable is an opportunity, is there an opportunity but, the state will understand, >> The entire sector has as its top, every institution in the sector top of the legislature, getting the 5%, in base budget back, that would help absolutely it would help.

Prospect at this point.

Better than they were eight months ago, very tenuous situation just don't know.

That was my question I have a long list of, have we had any conversations with, any of our legislators at local or federal level, that, or in conversation about what could possibly any relief we have --

26 of them, chair of the finance committee presume chair of the finance committee resume chair of the higher education committee. It's obviously no one can predict what's going to happen. The comptrollers reports are a little bit better, than what was expected, but it's kind of like, we didn't lose by 50 points we lost by 48. Type of situation so, it's wait-and-see, I'm going to be heading to Austin, and a couple of weeks, 30 minutes, face-to-face time, but, virtually. But it's also, very good to have face-to-face time, without the virtual, set up so, I, given the fact that, every single institution, has taken a lot of what they requested kind of, off the table and said, 5% is key for us. It's going to carry a lot of weight. I know today, the college presence, chancellors, have a special meeting to talk about, the, regional comprehensive University, and, another good thing is, the large systems, tech A&M and UT, have, been very vocal in, desire to have, the regionals be, a focus. Better financial situation, but, again, I'm optimistic very cautiously optimistic.

Sinking ship, and, somewhere those two need to get close together.

Of the state mandate 60 hours, of on campus level the playing field?

I don't see that happening.

It could but probably, out of Texas.

Question?

Know, kind of wrapped it up, thank you.

That's all we have, okay, thank you very kindly. Appreciate that. Let's take a quick seven minute rake. All right? Seven minutes.

Seven minutes. [Indiscernible - overlapping speakers] 5:00
>>.10:00 yet, don't get the next wave of food till 10:00.

This is a dessert.

Not like --

[laughter]

Thank you Mr. Chairman, Rounds committee constitute this corner of the building down here, Scott, and Judy. The committee, so, where strategically placed, of course, X -- Member, we have, handful of items to consider along with some, policy revisions that will, wrap up the meeting with, but, start with agenda item 11, which is, on page 29 in my book. And, Danny is going to present on the, project budget and closeout. >> With his side commentator Dr. --

Thank you Mr. Chairman first item we have, student building final project, closeout, background about this, we have, policy, that, directs us to come to the board, project development, project, approval. Budget approval, all of our construction projects, and, as you see here in this item, closing in our project, also have a requirement, we bring you, a closeout, enclosing out so, after, various successful completion of the facility, were asking you to, approve final budget, 47 million to 3502, a little background on that, proceeds, authorized, 26,400,000 in addition to that however, we had a, additionally 800 thousand dollars, invested earnings, brought that back to the board, approved the project budget then, to incorporate this invested earnings, 47 million, 257,000 projection edition of 70,000, project. So, at that meeting. October 28 approved a, project, 47 million, 300,000. So at that point in time, projected interest earnings, not have -- As we closed out, just this past few weeks. Actually, invested earnings, 919,000 $48 and $.79. Which are $961.41 this is what we have earned, are projected. In addition, we have, $5196 and $.14, transferred from cost account. Into the project, leaving us with again, total, 924,000 $235.02. In addition, to the initial 26,000,400 -- What we’re asking is that you approve, final project budget, 344, $235 cost -- You will find that, the, closeout for, the project. --

Right, recommendation, on, give my committee members, any questions or comments.

Good to go.

We are good.

Any other questions building project?

Let me ask this, one of this question, before. When we have an initial project, cost of $46 million. We know when we sell bonds interest earnings. And so, we have we happened to be, the money, for the project. Interest earnings. What we have on top of, the initial project to project cost. So, when we talk about increasing total budget and cost of interest earnings. We expanded, the budget cost. Are we absorbing the thinking, or what we're spending, interest earnings

Yes, what we do, with project like this, we have, what we refer to as alternates. Those alternates. Would be, funded from savings, project, or they, in this case, additional revenue, as an example, that was one of our alternates. Also the, roundabout, that was one of our alternates. So, what we've been able to do, additional revenue, alternate project.

Because when you think about, if this is the cost, budget for this, other, alternates we have already approved identify, become available. Take advantage of it.

You know, let me add something to just again, commentary sorry about -- I will say, in all the years that we, you know, have been doing this, or at least that I've been involved in I don't know of one, we ever came out, on the negative side. I can't think of one, that, I mean in all the projects we have done, is a budgeting and everything else, we've always, got construction company or whatever, back always come out just because a really conservative, budgeting going into it. So, a lot of places we go into, oh, my gosh were overbudget by whatever that has never happened in the last, 15 years.

I don't think so.

I don't think so either

Giving a kudos to the administration. For management of this project, at a point where it's ever been, never had to come back and say oh, my gosh we screwed up, we need another, that, they don't work that way. Really want to, give them a little pat on the back for that.

Realized that, always more needed, ask for. So you building, alternates, you're going to need. Hoping that, the investments of the monies, when you deposit them, for the invoices come through. Revenue, allow you to, either enhance our product. Or, further alternates that we have, that's good.

Will plan to, bring this action item to the board, tomorrow morning. We will move on to agenda item 12, your, also, update us on the basketball performance facility, budget increase. This helps us a little bit to Scott's point we have to, increase the budget, we accommodate some of the -- Yes, this is very similar situation, very cautiously in my opinion we have, we have earned, at this point in time 738,000 $845. Basketball performance facility so. As with other projects, we have, embedded within, planning. Incorporate invested earnings allow us to do that. So, what we're asking here, is to, increase project budget, on 28 million $500,000 29,000,200 and 32 thousand $45, in order to, expand those, earnings. Always is, alternates, always plans, for, additional support for these just allows us, to do so. In order to do it, approve it to the extent that, you all right, thank you. Scott or Judy, any questions or comments regarding this item?

No sir.

I think it applies in K-12, cannot be used for salaries. Correct?

We don't raise the salary.

Cannot. When I ask earnings, it's a one time -- We can't do it one time, revenue expenses. Can't use capital funds for it, staffing.

Earnings come from, that bond.

That particular, project. >> Restricted as to what we can use. The money for, we could use, available bond proceeds, or even interest earnings, we have in the past. But, as a project has our content has been to -- The project.

Restrictive on how we can use the resources.

Don't want a loss and thus, nothing to --

Now, 5:00 >> Give you two points.

Any other questions?

A member of the board, construction report update also on, the basketball performance facility later, that the agenda item could move on to agenda item 13. 1878 / Avenue, pedestrian improvement project. She met Mr. Chairman hard to believe it's been close to 2 years ago, but, two years ago July 23rd 2019, meeting. We brought you a set of projects, that had been, applied for, various kinds of campus improvements. When we talked a lot about, was, -- Trail, project, extended their campus, about, East college all the way through, campus, across campus, projects,

one will bring it to you, this morning, one of the ones we talked about. It's a, tech stock, former 1878, it's a project, enhance pedestrian, just tell you where it extends.

Over to -- Boulevard, presents Helmut Clark that area. Down, extending along, that side of the road. All the way down, too, University Drive. Extending University Drive, too, -- Hartl .

Will it extends across University Drive, too, a street, just across, close roads cleaners, this is a sidewalk project, really enhance our pedestrian walkways. It's a project, that will allow, students, I'm sure they can bike it as well. Six foot wide project, initially, Association with tech stock print, hundred and 26,000, $767. Lack of projects, so much, they assume, for the project asked us, simply and only, $13,282. Now, if we put a pencil to, the stretch of sidewalk improvement, from Park Boulevard, all the way to University Drive, certainly would be, $13,000, we see this, certainly part of campus, $13,000 to be donated to, designated funds.

>>

We originally approved that hundred and 26,000 number didn't we?

Approved the submission,

All right

You allowed us we have not, approved any actual dollar amount on this project yet. It is nice to only be having to approve 10.5%, of what we had anticipated, we would approve so. Sure asking you with this, item to approve the project, for us, and to approve, to support --

Any questions Scott or Judy?

Any other member of the board? All right I think we will, figure we've got a lot of bang for our buck on this one. So, with that, those are the agenda items, besides the, policy revisions were bringing to the board tomorrow morning. But, on the construction report, Denny I believe you're up for that as well starting on page 32. Steve XO, construction report, I would, once you facility. Which is project, one. -- Page 35. 2 keep going. >> This is again, as I mentioned, action item, project budget -- 324,000 to 3502, the committee, too, tomorrow session, the next page Nick -- Please, closeout, what we're doing this final project closeout, is, this various, contracts, different groups, engineers, consultants, CMR, Wilson. Architect consultant, and other, activities that occurred within, project costs. Next page, continues that, and, also shows that, punchlist we had a, completed, considerations, that we determined in the analysis, closeout. And, also a survey. Users, there we go. Just shows, the survey, responses, users, get their feedback, project development, improving service, so, that, does closeout, any questions on budget, the closeout, that information? If not, Mr. Chairman I will quickly move through these, you've seen most of these. Approved again, space realignment, $3 million,

cover space, changes, space committee.

On campus. Association with the national plan, also, consulting group. Programming, and consultant. Working with that, proposal. Completed the project, building. As you know the final expansion, moving quickly. Facility. -- So what's going on, there, you have, a, back in October, facility or, condition -- Been XO, were obviously excited, Benny had a chance to walk through, on Saturday, and, certainly will come the opportunity to take anybody else, certainly like to go. Looking right now, mid July. Completion date, and, hopefully get that -- Right now were going through our, making sure that everything we need from, the equipment standpoint moving forward, we are excited about it, but a great already in recruiting. Really good moving forward. Coaches are excited players are excited great addition for us, it's really good really started to take shape, look at it now, just the outside, everything moving forward had a chance to take yesterday. Walk him through, really excited about it, CFO, was there, really impressed, and certainly excited about it, just, need to hurry up and get in it other than that. Mr. Chairman, those are the additions I wanted to point out to you. Any questions about, projects, many of them, talked about them before.

The big new stories, nationwide is the, rapid, increase in, cost of construction and building materials, pretty well insulated from that do you think with their timing on the fine arts and, basketball practice facility, seeing pressures there,

Have to look and see, if I can confirm that. But, I am aware, the cost GNP, contractor, that protects us. From that -- But again, 2 and then, I noticed a survey on the facility, had, faculty and students, I think maybe, another, category or two. Any insights there you found, revealing that would be, lesson learned or helpful,

Must the ratings were very good,
distance of -- No complaints from --

Noticed there was a, ordinary, and I, haven't been on the questions there, classrooms or ordinary that doesn't maybe speak well for -- The rest of the campus. Brand-new facility, I would disagree with that description of ordinary Pete

I would to, Amber part of that -- Heavier, any other questions of the construction report.

Relocation of, is that on, Einstein bagel is that on -- Or, moving forward, with that, 2 currently on hold right now,

As to whether that would change, what, food server was in there, with continue, the project.

Bull.

Project -- And, I just, I do an awful cover that later, I am curious on that, particular topic weather, you know, a pandemic, obviously wasn't contemplated, when we made that other, contract contingencies we need, in the contract with our food service provider for, this is off the building ground, certainly we want to consider that, at this particular point I know you all are I just wanted to clear that up. Thanks, any other questions on the construction report?

I thought of something else, not the report I just wanted to -- Construction, about to begin, project. Mr. Chairman, thank you, staff had a chance to go through that, about to engage that project. It will extend from powerplant one, which is just right around the circle.

Next page project 12 if we want to advance to that point,

Yeah, extend from, that area of campus, a long way -- Connect with our finance project. You will had approved, year or so ago, that project so, it will change, the situation, about to send a message to campus, just to make you aware. Closed about, 5 to 6 months.

Behind this building.

Used to parking, back there like kind of enjoyed parking back there, campus board meetings. You'll, have a, -- To park in. Any other questions,

on the construction report then, movement the plan maintenance report. Still have the floor. This particular report is one, each January. Very high-level, report, one at that detail, but, it has some, information. This in my view, is make the board aware, of the significance, that we have two, deal with in terms of our current infrastructure. Projected names, those needs come to you in the form, capital budget, so, you may not, see exactly the same amount, sent to you, in this report. But trying to plan out, five years, institutional needs are, may come back to the, capital requests. Come back auxiliary request. This report is a sense where our projected needs are, if you could take us to, slide too

-- Okay so, this is a project summary, which shows that, throughout this entire analysis. Five year period, looking at, $95 million. This simply shows, one group PNG I think educational general, our state building, it is our state buildings. Either the, -- Buildings, or the academic support buildings. So our ENG needs, which could be funded with -- There listed out, categories, cap, administrative architectural, HVAC, air conditioning system, we have these laid out, necessities, and, auxiliary, and then, which is all -- Roads. Other kinds of improvements, and, HVAC possibly, following that. Plumbing and electrical. For a total, of, in this case,

hundred 98, 165, 195. If we could go back. 95 million refers to, completed -- New construction. Which is -- Okay. So if you go to the next slide, the, totals, ENG, auxiliary, infrastructure. Five year period hundred 98 million 165,000 $95. Projections, on a single point in time, analysis of where we are, where we think we might be, this can change obviously, as we go through each budget, go to the next page, breakdown, ENG, et cetera. For example, ENG, mechanic shop, plan for that. FY 23, again, change. These are, so, what this list. Projected means, go to the next slide. Continue ENG, Ferguson, Nick slide,

you see others, move on to, slide ENG. Auxiliary. Here's campus -- Campus . Building, issues you need, address. Approval, construction issue coming up, have to address, services. Parking, this is, all-encompassing, analysis. Garage, this, report is designed, to encapsulate, all of the infrastructure, renovation -- Campus from this, plan, capital budget.

Thank you, 30 13+ million 13 .5 million electrical and plumbing and electrical, trying to find that, in the southern sheets you remember what that was, but that was for?

I can find out.

I know, maintenance is, something that, very costly to defer, but, question is are there any, I know, Keith is a separate category also, you can't, mix, category and expenses, revenue sources and expenses, to what degree, is, a sharp analysis, or, you know, even cutting the budget, is that, that possible, help to your overall budget? Problem, or is that something just, multiple of if we defer it. >> I can be as specific as, our approach, is to take a look at, or projections. Isolating here. Determine, with the highest power because, to your point talk about 13 million there, allocation, just over 11 million. So we have to be very very judicious. How we, allocate that. In some cases, it is, deferring something that, well, in all cases deferring something critical. You didn't ask for this, what we've been talking, with campus about, is that, money, is designed, it's not, operation. Proceeds and salaries. Can you see your salaries. Can you seek money, cost. So, in my view. This is really designed to -- A scope of what we’re working with. How we budget. I will --

Well, certainly, you, which we all know, or should know. Not, you can't, fund categories, from one source among other, nonrelated, areas. So, we understand that. So, to keep those funds in the silo but, you know, I know Dr. -- Going to do this outside of the box exercise, I, so, won't worry about that anymore today I just wanted to ask a question. Any other questions regarding information here not action item. Have any questions,

Mr. Chairman.

Page eight as you flip forward to page 12. You will see, infrastructure category $50 million, we are in 2026. That must be a specific item, have such a -- >> Any detail you cannot? Looking at $50 million, 2026. Wondering it must be specific, item that's thought of in the category.

Find exactly what it is, guess today would be, has to -- Projects. We have some TRP, that of Don -- What we've tried to do, look ahead, forecast anything need to be aware of. I will find out. We're all under architectural right now, I assumed it was kind of,

It would be a combination, other projects, my guess again, it would be, really influenced by the two projects. Any other questions depending on any of these, spreadsheets? All right. We will move, forward to the remaining, action item on our agenda. Which is, these, seven policy revisions two of which are actually deletions, petitions and handbills and signs and exhibits, being deleted, but their contents folded into the new, duly named expressive activities. 16.4. But, except for that one, even that one to some degree our, revisions current, policies so I don't have anything, do you have anything you want to mention, specifically about any of those or Danny, either one pushback

Expressive activities policy brought that to you I guess a year or so ago now to make changes to the legislature required the intent was to eventually get around a folding them all into one, you didn't have to go to 3 different places for it. We just ran out of time, the last time to bring it to you, and to folded and, will to be truthful one morning I woke up and decided I was just going to go ahead and combine that morning so I did. Now you've got them.

Any questions from any other committee first? Bob or Judy regarding any of these?

No. >> Anybody from the board have any questions about these policy revisions that I don't think there is anything, particularly, new, and, novel in any of these so, we will plan to advance these to the full board. Tomorrow morning as well. If there aren't any other, items, that are committee should consider Mr. Chairman, we are, finished with our agenda.

Thank you very much, go ahead and continue, with our activities, --

Okay, thank you. We will -- Let's you. Want to remind everyone, that the, academic and student affairs, committee is, myself, and David alders, Jennifer Winston. -- And, our first update, is going to come, concerning the Western athletic conference affiliation. And, Dr. --

Thank you, and, you may recall, there was a specially called meeting on, December 17, 2020. Where, authorized, the president to, not speaking in third person. Authorized the president to, accept the invitation effective, July 1st, 2000 22. Just, some so happens upon notification to the top and conference of our, withdrawal date, on the conference, remaining members of the conference, voted to renew the institutions that, referred to as the Texas for not, July first 2022 but rather July June 30th, 2021. A year earlier. And, the WAC, our new friends, agreeable to, allow us to join, the conference when you're earlier than anticipated, so, what we are asking the board, is to, tomorrow, too, allow the administration, too move forward with during the Western athletic conference effective July 1st, 2021. And, President the authority to negotiate final terms and conditions, related to the, conference affiliation agreement.

Any questions or concerns? With that? I hope everyone had the opportunity to watch, all the press conferences, told Dr. Gordon and, we were, very very well represented. And, that was a very proud moment, for university, I think you all did a great job, with the press conferences, and, the pre-, announcement, blitz of information, and then, everything, it was just, it was a great moment.

Ryan's team obviously, creative team, he has, wonderful job at building the hype, and, continuing to do, a good try building the hype. To be a great, great conference to be in, and, great partners.

I agree there's lots of, let the really positive out there. Very exciting. With no other questions, concerning that, we will, move forward with that recommendation. And, our second, agenda item, is, agenda item 10 which are the, academic and student affairs policies, and revisions. And, I have spoken with Dr. -- And, with, and, these are pretty routine, does anyone have any questions or concerns about any of these? Regular updates to the, policies and revisions? Anything y'all would like to point out?

Not from me.

Okay, that being the case, we will, make the recommendation, for these policies, and, provision, improvements as presented. And, with that, we shall adjourn, the, academic and student affairs committee meeting.

Thank you very much for that, and, in view of the items for the next, committee were going to take a quick break. Come back eight minutes had, so, will take about a 6.5 minute break. [laughter]

Look at the screen, -- The shards side showing.

>> S, reconvene. Back into, our meeting, go to our -- Thank you Mr. Chairman. The, finance committee, called to order. We will introduce, if our members, region Florence. Chair, moved to our, third

-- Business, be the report on, the investment report, on the, Texas A&M University -- Results. And, Dr. Mr. -- Not here today.

He was outside.

>> Is on the screen.

Oh good he is by remote.

Can you hear us okay?

Dr., where in the, first item of business, investment report, our,

Investment report, we have, joining us, today, Texas A&M system, and I believe, got that, ready for us,

Dave can you hear us okay?

It looks like we are on mute.

>> Can you hear us? Hello? [laughter]

Item 2, report is also,

Still on mute.

You are on mute. Dave.

Let me try how about now?

There you go.

Okay

All right, perfect. All right guys, if you've got the presentation, in front of you, I think is supposed to advance the slides I can see you all that I can see the presentation. So I will, directly, conversation to slide too will you so, we have a, short presentation there, I just wanted to pre-Facebook comments I think that, my trip up there, last February was, my last trips before all this craziness started I hope to be with you all, next year. In terms of, markets as well it's been a crazy year, so if we, shift to, slide too. In terms of that concentration pull, you will see, in terms of the tenure numbers, 7%, over the past 10 years. Versus the benchmark return, of 6.3%. I was the last year was a very strong year, as well with a one-year return of, 15 9%. Driven by some very returns, from public equities. So, this is the cash concentration pull which is, operating pool. Primary focus here is obviously, safety, and preservation of capital, since these are the dollars that are used for, the operating purposes. Since inception, we've got a return of 7.5 percent, just under seven .5, versus long-term benchmark return of 6.5% that is, almost a, 26 year history. On that pool. Very long track record there as well. Shifting to slide three, in terms of where we are positioned now, you can see that, firstly all of the, allocations are pretty close to targets. In the case of fixed income, for the operating pool. Just under 35%. Current allocation is 32.6%, on the equity side, 21.7%, is the -- And, you know were just that as well. See overall in terms of what were invested in it's a very diversified pool, and, we are pretty close to targets, across the board despite the market, rally. That something, we monitor constantly. And we are, adjusting her allocations as -- Shifting to slide four, talking more about, the dollars. That are, in the pool. On behalf of SFA you can see that, the, starting from the bottom, on the market value, as of 12:31 was it just under, 65 million. The book value, corresponding to that number, was, 51 4 million. And there was about 13.2 million, of unrealized, appreciation there as well. So, shifting to slide five, which, shows you, sort of the, similar picture, but for the you can see that, market value there was a .1 million as of 1231, and the book value, but value was about six point 4 million. They are. So that is, the cash concentration pool. Shifting to the system endowment fund which is the, presently endowed assets you can see that, if we could just, skip to slide six, yes, thank you system endowment fund is, the objectives here a little bit different, these are permanently endowed. We are looking to, appreciate over time, and maintain our purchasing power. The returns here, have been strong as well. On a tenure basis. Typically we like to focus on a longer-term because, on a one-year basis, when you have strong markets, numbers look good, and, what we really focus on, instead are the 10 and 15 year numbers. Looking at the tenure numbers as an example, the fund itself is up 7.8 versus the benchmark return of, six point 3% and that is, an attractive return, overall. And, certainly, in line with, the ability to continue to maintain stable and growing cash payouts. Moving to the next line which shows you, the asset allocation system endowment fund. The that generally speaking, our allocations are, broadly in line with targets. I think when, I spoke to you last year I mentioned, we have, increased our allocation to private equity. And so that is, the reason for that gap, in terms of, target versus actual, private equity that is something that takes time to build. And, so we are actively looking for managers, that, can add value, in that area. The other, point to note here is real assets a star next to it, that is, timber, mainly its real estate and energy. You can see that, we have an allocation of just north of 11% for, real assets much of that was driven, some of the pull back on the energy side. And so, beyond that, I think broadly speaking, the allocations are, in line. Shifting to slide, eight. You will see, talking more about dollars here. Market value, of the SFA endowment, was, 14 .8 alien, these are, done on fiscal quarters, that's why you have, November 30th, never there. Payout for this year expected to be, 665,000 and, $173. And so that, should continue to pick up because it's based on, a 20 quarter average. That so that's a quarterly payout based on the 20 average that if you move to, the next light you can, basically see how we, do the payout. At a high-level, it is, 5% of the past, 20 quarters how we do the calculation. So, if you move to slide 10. You will see a chart of how that, quarterly payout has looked over the past, six fiscal years this will your 2021, quarterly payout is, as shown on, the slide there. Then finally turning to slide 11. Just to summarize, at a high-level, performing as expected. 2020 calendar 2020 at least was a very, volatile year. Equity markets, their loans, in March. Since then, have rebounded due to a combination of, fiscal, stimulus, as well as monetary stimulus. I think there is also some, light at the end of the tunnel in terms of, vaccines and therapeutics becoming more available. So I think generally speaking, markets have been, more positive in town, our job is to, irrespective of market conditions, maintain a, look on the long-term, and, so in terms of the target allocations here on this last slide you can see, in terms of the system endowment fund, the only difference you will see is that, because it is, permanently endowed assets you are getting exposure private equity, the reason those are not in, the cash concentration pool operating pool operating pool, only has, investments in, liquid investments. Liquid opportunities they're not invested in, anything private, maintain, their liquidity. Finally, in terms of the, cash concentration pool just to highlight, the objectives there, are, meeting the operating needs preserving capital, growing, the pool, in a stable manner, and then on the endowment pool, really, the payout maintaining the payout, increasing the value, then also, maintaining, the purchasing power of that, original, gift as well. That the summary in terms of, both pool happy to, answer any questions that, you all may have as well.

Any questions? Questions anybody else remember?

Excellent return.

Thank you.

Thank you we appreciate it very much.

A report.

Thank you,

Not her investment changed,

[laughter] well, private equity, okay well, that is, our report, from, our investment returns, and, will go to contract monitoring. And Dr. plant. Do that please?

Mr. Chairman this is the fourth, board meeting, and to update you, on contracts, University has had, this, has to do with a, incentive bill, for,

may for this before, but, has to do with bills, required, state institutions, entities, too, be able to report to their respective boards. Contract certain level so this is just, a, update item, housekeeping item. Requires no action, first contract this is on page 170. Of 1000 page, 170 106 -- This is, construction company, has to do with contract, cafe, this particular, aggregate amount for, fiscal year 21, was made 31,700 $30. Next contract report to you, is, if you look, at an audio, that page, fiscal year route, $930,792, total, estimated 28,000 245 -- Next contract is with, construction services, Texas. This has to do with the power plant upgrade, utility system, that particular, this particular contract, this is your amount. 592 $394 $.19. Which is, as well. The next contract, is, and Wilson.

This particular contract, current fiscal year, 41 million hundred and 59,000 $676.37. For the total, estimated aggregate amount, of 67 million 730,000 $786 and $.88. And, those are the, five reports, contract --

Thank you Dr. Glenn. Any questions, on, any of the contracts? Sure I do have a question. On the Richards Carlsberg contract, I see that contract period ends by, 531 21, would that be the completion of our services, with them?

Yes, I believe so, Joe, we're yes, that is correct. Extension was, not any new, business -- They were working on, that was the only -- Okay. Thank you.

Any other questions? Any board members, we will move into, report involuntary separation, programs.

Mr. Chairman we have, this morning. Associate vice president, services Joubert deliver that report to you. Indicated, regular basis, program, Judy and, members of the finance team, project,
get close to a year now?

Close. It's been, along effort. She's got some, information to share with you.

Very good.

Okay.

Am I controlling it or,

First line is just information get started, estimated projected savings of, our voluntary separation program, final participation, December the first, 2020, and, at this point, in addition to working with each everyone of these folks getting them retired properly, our main focus is on, analyzing positions replacements, as well as, developing continued reporting, of the results. We will be, reporting to our cabinet, on a monthly basis. We are, developing
and then, quarterly. Of course, -- Okay our final participation, and the program, 61 South, total of 974 -- Payout for these nine -- Include, payroll taxes, 3.5 you'll recall that, to this date, approved the payout, amount of 4 million. Looking at the total, estimated payroll costs, there involved in this program, if you add that, there, total is 6.5, benefits, to get to an 8 million update actual, total, payroll costs, for the participants in the program. And what we have done, you've seen a lot of modeling, to this point where we model, FTE replacement, our goal is to, eliminate 50%, of the payroll, costs, however were going to manage this. And, going through the program you realize that, we need to allow, hour, VPs to make decisions, that are strategic in not just had to replace a specific position or under the specific position, or to be more strategic going forward. What we’re doing is where allowing, 3.27 million, which is half of salaries, in the program. For, a pool of salary costs that you can go in now, and replace up to that, amount. Dr. Gordon is working on, analysis of how much of that will be allocated for faculty how much will be allocated for, staff. Dr. Bullard and Dr. will champion that, decisions on, so, to calculate our estimated program savings on annual basis. Took the 8 million we reduced it by the amount, of the salaries, estimated other replacement, were going to make. Advertised are payout amount of 3.5 million, over the five-year project. So that reduced, it by 705,000 $726, in addition to that, we are, required to continue paying for the retirement insurance for these, employees, deducted that to get a 2.588 in a project sales. Take that over a five-year period 12.98. Now, and, in administering the program, you realize that, when you're reducing 50% of these positions roughly 50 positions there's going to be some

structuring involved absorb the workload be strategic with that, so, what we've done is we've allocated in our model, you, Hannah found 50% replacement, the 25%, reinvestment, of salaries, that we go forward, into restructuring, or strategic initiatives. So, by allocating bats. Which is, 400 55 891. That means that, we have an opportunity, to .5 2.1 million, find out's, whether that's revenue shortfall, discussed earlier, or, to build our fund amounts. So, by allowing us to reinvest, 465 per your total projected, estimated savings, is 10.6 million.
Have questions?

I have a question. How did you get the, benefit estimate 30%? I know that's typical, a lot of people use that number, look at your, statement of revenues, and, expenses the last couple years, because of -- 75 it is, expanded greatly, closer to 50%, do you think 30% is accurate, is that number actually on the low side. We're it is, our budget, target, so we budget, when we budget our budget, it's a 30%. The problem is, there's such a wide spectrum of salaries. In here. We have, vice president down -- That, the actual percent, hard to estimate though, decided to go back with our budget, we, actually believe, for this type of pool it could be a little concerning. That's because of a letter faculty, paid with, legislative funds. And for those faculty, legislative funds, a large portion of, their insurance. So, it is a, still feel like it's conservative, but, that is kind of what --

There's been a variation, there is a variation, some employees are, employee only. Families, so, 30% over time, just projected.

On the, -- Cost of retiree insurance, is that locked in, annual recurring, cost right?

It's one of those pools that, kind of drops off as people come onto it right, just financial institution. We are billed by the state. [Captioners transitioning] they can retire as employees spouse. Going forward. Those rates are return ERS. Entity that carries our insurance. >> Does insurance cost historically gone up?

Yes. It has been stable for the last two years . We haven't had increases in the last two years. Obviously, overtime dish

Objection right now. Slide increase ERS which is employee retirement system. Objection.

Saving summary will look different every year as cost , as the years allow.

This is our best projection. We believe it is conservative. Certainly, my view is this is , my recommendation would be we don't replace any positions unless they are needed. We have to keep our eye on $60 million government . The president is committed to this. We are committed [Indiscernible - low volume] it's going to very.

I believe we can commit . I think we have ability and how we can stay with that number. Obviously the 465 the project is discretionary. That is the funds he has discretion over this model. He can allocate. Allocate some back to staff. There is opportunity for contingency.

This number may not be the same as the budget , and other words, are you budgeting are you budgeting accruals on an annual budget basis? Not depicting a savings summary. Are we budgeting for those kinds of accruals , retiree insurance for example?

We fully budget for the retiree insurance. That would be -- 705, what will happen is when we pay out the 3.5 in payout, it will come from fund balance. Then over a five-year period we will be replacing that.

This is not what , if you look up at the third section, we took benefits . Retirement benefits. That represents , as far as the accruals,

did that answer your question? We are not accruing anything here. We are going to use the as it takes place in June.

>> My request is back to Robert's about the accrual for pension and benefits. Insurance and pension.

I am really confused on that aspect. Looking at the financials for the last several years and obviously looking at your expenses overall, some that are going up greater than others. You focus on salaries and wages and those are the ones control the standpoint, I know the least about because I can't understand how those numbers, how you arranges numbers and what areas they come from. That will be a later question I will have. I was focusing looking at the salaries and wages for the last 10 years and they tracked 30% and the last two years because of [Indiscernible] 75 and having to book those and changes the dynamic. Payroll day costs are significantly higher. I was trying to figure out if that 30%, and I project is part of this or am I looking at two different lines.

A couple of things. One is the 6875 related to projections from ERS. It is what we have to plug in ski. What we have here is benefits either actual or projected based on specific people. We are looking at a cash situation , 6875 looking at the projected. There is a relationship. This is more specific , I don't know how we captured this information.

That is, 6875 would be in addition to this projection here. It's an obligation.

This should be embedded. What we see here probably part of the status, 68 and 75. The problem we have is they do their actuarial analysis and say here is what you had before. It is difficult for us.

That will change from time to time depending on the headcount of our faculty and staff.

What I would Do, Mr. Chairman, get together and examine what we represented here is conservative. Over five years. We can certainly drill down. A group of us sitting down together and talk.

I think I would like to that. I assume these individuals have had a lot of time. They have these other post-employment benefits built in. A significant part of it. If we could do that, that would be great.

This group should be part of those balances.

You will be giving us on a quarterly basis an update on this information?

I will.

Or Dr. Gordon. It will be changing as actual information becomes available over this period of time.

For example, part of the , it will change.
I analyze the situation, here is what we are going to do here.

Again, just for everybody's understanding, this is a one-time event. Is there a plan to renew? Errors that another day of discussion.

There are no plans to do another VSIP.

Okay.

Any other questions? Thank you very much. We appreciate your presentation. Let's move to agenda item number 15. Services report.

Speech. Speech. [Laughter]

Have to perk your ears up for this one. You have to pay close attention back there when Gina starts talking.

That accent. It may make it hard to understand. I am here to percent our report from this. I met with our financer best weekend we went over this in detail.

That means we can go faster because we have looked at a lot of the information. The first one, if you go down the tab, grab it here. It is our Texas administrative code section 202 information security audit. This is a required audit we have to do every two years. Anyone who has been here is familiar with this. We looked back at the rules that are in the Texas administrative code section and you can see that in the introduction to the report. They specify out what each group at the university, what the responsibilities are with regard to information security. If you remember, this is one of the highest risk areas we analyze each year at the university. Responsibilities of the institution, the information security officer, what the staff is supposed to be doing. All of those kinds of details. Then, if you recall, in 2015, the Department of information resources of the state was given authority to detail out the specific regulations that universities and state agencies had to follow. In our report we detail out those 26 sections that make up 266 controls. At the time of the audit, only 127 of those controls are required. You all probably remember we have a chief information security officer at the university who reports

to the chief information officer, but also to the president with regard to the information security controls and regulations. Our objectives were threefold. 12 look and see, comply with the Texas administrative code administration and where we in compliance with the Department of information resources security controls, and then, had we made progress toward implementing previous Texas administrative code section 202 audit recommendations. If you go over to the summary of findings and observations, we did gain that assurance that we our overall generally in compliance with 202, though in the area of managing security risk, we are considered to be in partial compliance. We didn't find that in the audit. The information technology, Anthony Espinoza represented that up front that we are partially in compliance. It wasn't something we found while looking at the evidence. We agreed we are

partial compliance in that area. And then, we also found as far as those 127 controls that 90% of those required controls are

generally in compliance. This was represented by information technology services. We went and looked at the places where we felt like are they represented they were implemented. We have done this since 2015. It would be a lot to audit that one time so we rely on the work, that or, each time we to this. So for those previous tech 202 recommendations, you can see in the table there that as far as the security controls, they did make progress on implementing a couple of more since the last audit. There are 12 outstanding and expect to implement 11 of those controls by July 31. One by October 31. Hopefully

next time we do our audit or follow-up, we will be able to say all 127 required controls are implemented. There are audit recommendations and process related to data mapping, classifying our data at the university related to centralization of some of the I.T. resources across campus. There are areas that have decentralized team operations, and then related to some policies and procedures, and I think all of those are also set to be implemented by July 31 of this year. I'm not going to go into the specifics because we have the executive section or of someone want specific information. I wanted to show you on the last page of the audit report, one thing we have been working on especially since Dr. Gordon came, what is a way to rank our audit observations? When we look at and audit report, what do we consider a priority? We can see we classified them as low, medium, high, or priority. The additional recommendation we made in this report you can see is a medium. That way we can look at overall for the university where we see some of the audit addressing risk and things of that nature. There are no questions, we can talk at the executive
session about it.

I will move on to expenditures and payment audit. This is for fiscal year 19 and fiscal year 20. Just as background information, most of the audit work related to comptroller's office and Department of property services, all in the division of finance administration, but we also looked at the procedures in place and the department requesting the purchase of the goods, those types of things. As background information, for fiscal year 2020, you can see total operating expenditures as reported in the annual financial report , less payroll, around 91 million. 53 million of those were purchase order expenditures. 5 million were purchased voucher. The university processed 2200 purchase orders in 1930 purchase vouchers and 7230
[Indiscernible]. It's a pretty large volume when you look at what goes into all of those being handled by the controller's office and department. The Board of Regents has established policies and procedures to provide oversight including policy 1.3 contracting authority 1.4, 17.5 delegate and purchasing authority. 17.19 purchase requisition. 17.20 purchase vouchers. There are overriding expenditure and payment type policies we have. Our objectives were determined if university payments were accurate? Where they appropriately authorized and approved? Accurately supported by documentation and complies with regulations and were opportunities for fraud related to those processes minimized and if you turn to the summary of findings and observations, you will see we get insurance those controls were in place. They did appear to be accurate , authorized, proved, supported by documentation and in compliance. We have a couple of opportunities for improvement. The first one relating to purchasing authority. I talked about these policies that establish regions authority and Dr. Gordon issues the memorandum delegating contract authority. You can see there are places where they're not congruent between policies, probably overtime when changes have been made, making sure those policies provide the appropriate authority. We use the word that the authorities assumed through that banner approval processes in place, but is not specifically designating in the current policies. The president has his overall approval authority. The vice president finance administration responded they would strengthen those policies and procedures with the

implementation date of April 30. As far as information security control activities, we looked at what employees had access to perform certain functions or to create certain documents. We looked at various banner forms.

We looked at our use of payment works, vendor onboarding and management as far as access and who is able to make changes in the fender databases are bank information. The sensitive risk areas you would want to make sure you are controlling access. There are changes that need to be made and some have already been made. I think we have seen some in the procurement systems and maybe other places followed up to check. This one was at medium risk for the university. The implementation is expected to be April 30 also. That gives the vendor payments and expenditures audit. I will keep going to the health services departmental audit. URL where the audit process. Health services is the very last one in completing that seven year rotation across the university. Dr. Ledet volunteered to go ahead. Dr. Westbrook as we were trying to close out some of that whole process to go through this audit in November right before Dr. Westbrook was retiring. You can see they manage a budget of 1.4 million or so, small property inventory 27,000 13 people. The objective is the same on the departmental audits we did, compliance and reporting. Does type of objectives. We also followed up on management action plans for the medical billing audit we did over the last fiscal year. The prior fiscal year. We did find the department of health services had control to generally conform in the areas we tested. But we did have opportunities for improvement and documented policies and procedures, conflict of interest disclosure, travel leave reporting and information technology. They implemented all those controls by year and. If you look through this you see everything is implemented thank you to Dr. in that area. We were able to see the progress made. As far as the previous audit, recommendations, there is one related to the payments of amounts owed -- [Audio disconnected - please stand by while reconnecting]

I'm told the sound is back on. The next presentation is our annual financial report for purposes performed by the firm out of Houston. There from, the mission is related to serving Texas from its. They have performed a lot of these SACS reviews for other universities. Robert Belt is on zoom in table make a presentation. Is actually an alum. We are excited to have him join us. And I will turn it over to Robert.

It is an honor to be here particularly this is Stephen F. Austin State University. We have done review engagements for universities throughout the state of Texas. We work with most of the university systems and all the independent universities within the state of Texas. It is an honor to be with SFA today. I want to talk a little about why there is a review set of financial statements this year. That is because every 10th year when you go through the accreditation process with a southern association of colleges and schools, their standards, 13.2 requires you to have a review or audited set of financial statements. Review is the least expensive of those two options. The option we recommend. There is a primary difference between an audit and review. A review is substantially less in scope than what an audit would be. A review primarily consists of making inquiries of management, going through and doing certain analytical-type procedures. In this case, we have a model of most of the universities in the state of Texas. We drop Stephen F. Austin State University within that model. We scale everything but the number of students attending, then we point out different things that look inconsistent and we follow up on those items of inconsistency.

During the SACS review process -- let me go back. Before you, you have two different financial statements. This is somewhat confusing. You have the annual financial report submitted by Stephen F. Austin to the comptroller. Which fulfills all of the requirements. You will also have a separate set of financial statements we are doing the review on. That has additional information in it that was not included in the comptroller's financial statement.

That is primarily because there are additional things that generally accepted accounting principles that are needed for generally accepted accounting principles that the comptroller doesn't need during their process. This is primarily related to additional disclosures related to both the habit and pension liabilities and supplemental schedules related to that. Slight differences between the two statements. The primary numbers on the financial statements are the same. When SACS looks at your financial statements, when there review team comes in, another primary thinks they are looking at is the financial health of Stephen F. Austin State University. They want to ensure you will be financially healthy and viable over the long term. The primary with a do that is looking at your adjusted net position number , and they compare that to your operating results. They have target numbers they are looking at. We will look at those calculations in check a moment. I like to look at one other thing is we are presenting these types of statements. The question comes up why is there a negative net position number. Is that something we need to be concerned of? And what causes this? Negative net position numbers often occur with the inclusion of your OPAB and pension liability numbers. Many governments will have a negative net position number. It is something to monitor, but it doesn't necessarily mean there is a problem if you have a negative net position number . We will talk about that in a moment. We will flip over to the page number 4 of the independent auditors report and go over the summary of that with you.

Let me just interrupt. The SACS is the one on the table that will be presented after. The SACS one

-- I didn't know that. Sorry.

If we could move over to the third slide. This is going to be the independent accountant review report. Pleased to announce it is an unmodified letter which is saying we didn't have any findings

in doing the review. Called the disclosures required by generally accepted accounting principles were included and the statements are materially correct. That is the type of opinion letter you want to get on these financial statements. Also would like to add that in doing 50% of the reviews we do for universities, they often result in a major correction through the financial statement amounts, and I was pleased to be able to tell you there were no major changes needed to the financial statements for Stephen F. Austin university. Also , although the purposes and to look at laws and regulations or internal controls, we perform these types of duties, if anything comes to our attention, we are required to report it to you and nothing came to our attention. That is great news to report to you. Leslie, I want to go into the next slide. The statement of net positions. I want to look at the negative net position number. If you could go one more slide back. This is your statement of net position. At the bottom of the page, I have highlighted two numbers. That is the total net position. The unrestricted portion which is a deficit of $48 million at 2020 and 2019 it was a deficit $26 million. Those deficit numbers or something that would get most users of financial statements attention. I want to go to the next slide and talk about how SACS uses the information and how they reinterpret that to more meaningful information that helps evaluate the financial viability of the university. The first row indicates the same numbers we were looking at. -48 million , negative net position numbers. From that, they will allow you to add back all of your long-term liabilities related to OPAB, pension, deferred compensation. Giving you some adjustments. Taking you to a positive net position number of $86 million for 2020, as compared to a net position at 2019 of 83 million dollars. Those are two solid numbers to look at. SACS has one more computation they perform. They look at your entire operating expenses for the year. They want you to have 25% of your total operating expenses in net position. Based upon the requirement, they want you to have a net position of $63 million. And we compare that to the net position of $86 million, that is $20 million to the good on the net position number. That is excellent news. For 2019, we were to the good on the net position numbers. From a SACS review standpoint, they will look at your financial statements, and I believe they will conclude that Stephen F. Austin is in a good financial condition perspective. Going over the financial statements and quite and great detail. Let me see if there's anything else I can add to the discussion over what I have gone over?

Mr. Belt, this question regarding how we get. It looks right a net position 2019 was almost 80,000,020 20 61 million. I know you cover that, but tell us again why the $20 million drop or $19 million drop shouldn't be of concern?

I'm sorry rephrase that?

The net position end of year at 79.2 million and the end of 2020 at 61 million. That looks like a serious drop to me. Tell me again why that is not as concerning as it appears to be.

Okay. We have to put this in two different categories as we think about this. One of them is the impact of both OPEB and pension. Those are both very long-term liabilities. They really don't impact -- regardless with those numbers end up being, those numbers in and of themselves don't impact your ability to meet current obligations as they come due. Current liabilities minus current assets, that net result, net working capital, that does directly impact your ability to meet obligations as they come due. At least from an insolvency, bankruptcy standpoint, that is the side that becomes more important. Within those numbers, you have both parts. The current portion and the long-term. Once we take out the long-term portion, you begin to see a different picture from a current resource standpoint, the university is actually in very good shape. One step back from this issue, we are primarily talking about pensions and OPEB. Pensions actually is a fairly minor contributor to this whole discussion. The big elephant in the room is the OPEB liability. That is $152 million at year-end. It eclipses all the other numbers on the financial statements. Even more concerning, it grew some $104 million over a three-year time period. That is very concerning. Looking at that number and what it means from a long-term perspective. It is also important to note how these numbers, what they relate to and what they go back to and how they can change. This is basically a promise to provide health insurance in the future to folks. The way we make that promise, how we make that promise, that information is gone back and used by actuaries to project out what these liabilities are. By simply redefining the plans, the legislature was to redefine the plans, limit the plans, they can dramatically reduce these liabilities down. Ultimately, they are required to be a legislative solution to fix the problem because statewide, this number is $35 billion. Until the legislature addresses, we continue to, FSA continues to report these large numbers on its financial statements. The good news is that the legislature does address the problems and the actuaries revised all of their assumptions, this number could easily drop by half. I don't know if that answer your question or not.

You dude. Are we accruing the future obligations are we accruing that application?

I believe in your budgeting process, you are budgeting the current obligation as a comes to. The requirements you are required to pay into ERS this year is the portion in your budget. You are not including the accrual for these additional liabilities you would eventually need to pay.

Cash components. Budget and actual budget will be cash , appreciation. If we budgeted the and the 68, every single year.

A private business under gap would have to recognize those accruals .

We recognize the accruals on the financial statement. Not in the budget. We match cash revenue with expenditures. Cash budget.

The legislature , it sounds like an Illinois or California problem.

I have a question and I don't know if you can answer this. When you look at our wages and payroll day cost and numbers going up. As we discussed before, that is not a controllable expense or obligation this university has that we can control. It is legislature summer is. Significant dollars last two years. I assume it went up to 25 or $30 million. That can be as high as 15%. My question, you say you take a lot of data from institutions, when you look at those two components. I focus on salaries and wages and day cost. My calculation based on the 20 number I have is 62% of the total expenses. Is that in line with other institutions? Or do you have a number you look at say X amount. 55%, 62%, 65%, then you have a problem? You may not be able to speak to that.

I have not run this particular numbers, but based on what drop those numbers, they substantially have to be the same numbers for all universities , based on the drivers of it.

Okay. I guess my question is there is some operating at better area than others. You have a lower quartile, median, you say they basically will be the same. The current other expenditures are about 38%. You can't define what that operating number should be, the other operating expenses? Maybe I am asking a question that can't be answered.

I'm not sure if I understand the question. In terms of the payroll portion, because everyone, all universities that participate in ERS and TRS are following the same rules. The percentage of that benefit in relation to their payroll should always be the same.

That's not the question.

My question is if you look at our operating expenses, $255 million, just use that number. What percentage our institution has on salaries and payroll is about 62%. What other institutions, what is that percentage is total operating expenses. Do you have a number, could we get a number that represents that?

I do not have that number before me. There ends up being quite a bit of diversity among universities. Based on their focus, odd things like Corpus Christi university, they have a drone program down there. $20 million-$30 million program. It an eclipse the university and makes them not standardized. Most university has one or two things about them that comparisons between universities is difficult to do. In general, the largest category cost is going to be the cost of services, and that cost is generally closely follows the number of students. It pretty much is scaled to that number. I think you probably find they are fairly comparable as you went through that process.

Okay.

Let me offer this. In K-12 , 85% payroll. Universities have more capital to operate and so we look at percentage standpoint and have higher percentage of operating in that 85% in payroll. That is why you have universities 65%. 70 on the high side.

That is what I have learned over the years.

From what I have been reading across the country and my actual data of N equals

three. 62% is in the range relatively lowering. I have seen 65, 68%. There is a wide variation, but we are within that range.

Okay. >> It's a large expense when looking at overall expense and if we are trying to control and part of the conversation this morning and later will be how do we start reducing expenses if we need to because

revenue and auxiliaries and so forth. That is a huge amount. Anytime we speak about people and expenses and you talk about employment, you are talking about a person's income and livelihood, that is sensitive but it is a large number. I was hoping to have some defined percentage. If it is 62 and 62 is fine, then we know that's okay. But if you have to reduce our budget significantly, you can cut a lot of it. 38%, those are things we need, you're not going to make a huge dent. If we can't control the OPEB and the other cost of benefits, that is very hard to overcome. I am trying to figure out where do we go? How do we find a way to reduce that obligation we have. I hate to say the term, but I feel like we are kicking the can down the road. We covered today. Recover next year. Some day it will come due. That is part of the problem we have with the postal system. Their expenses, the people expense is so high, they are not profitable in their services deteriorate to the point people are using others. We can talk about it later. >>
2017, there was an analysis done. It varies, but 63% to 68% was the window most institutions fell.

When you look at staffing a service oriented business, the service must remain even though sometimes your customer base may drop a little. Contractual obligations. Make the percentage lower overall , increase enrollment. Revenue will bring it in. What happens is you may lose a few students here and there, but staffing level doesn't shift. The percentage of what you are spending goes up. Enrollment is going down.

Mr. felt, you mention this is a statewide issue. Do you have any information whether this is being addressed, just started legislative session.

I haven't heard anything about it.

Any more questions for Mr. Belt? We can pull information and give you comparative if you would like. Robert, thank you so much. We appreciate it. And, I think, that concludes the audit reports. All these audit reports will be part of the acceptance of the audit report on tomorrow's agenda including the SACS audit. Thank you all very much.

As she just said, our responsibility is to acknowledge receipt of these audit services so we will be recommending acknowledgment as part of our [Indiscernible] tomorrow. That is agenda item number 15. We will go to number 16 which is the annual financial statement of Stephen F. Austin
.

A little background. Every year we bring to you your approval or submit for your approval , November 20 this year required by the comptroller's office to submit the report. We submitted November 20. Come to you January and, the report. We will talk about some of the details. We will talk about some of the numbers. A lot of numbers as we discussed this morning. They encompass a lot of different inputs and outputs. One thing , will present the financial report. Department responsible on the issue. Very grateful for the job she has done. One thing I want to ask you to focus on, when we talk about numbers, bureaucratic , some of the members in here will understand it and others will say what was that and what were those names? In the presentation, we have financial ratios we use to talk about . In my opinion, what is good for a regent to know is [Indiscernible] ratio. We talked about there. Financial index which we will talk about. Dr. Gordon . If you can work through the numbers which is important, we will share, we will give you ratios and compile and encapsulate. With that we will go ahead with the presentation.

Good morning.

[Laughter]

The version of the AFR. The main difference between the two reports are the -- . In the past, there was no required information in the back. This year there is. TRS and ERS. In the notes, specifically note number 9 and 11, it talks about in detail , 68 and 75 . It talks about the actuarial type of items they measure. Everything from how many retired married males will be getting retirement. Who smokes. How long they will live? All these things go into calculating what they force us to report on the books. This year, just for OPEB alone, combination of OPEB and TRS, operating statement was $31 million. Take that away from an $18 million loss -- . That's the difference between the two reports.

The highlights. Unless you have specific questions . Discussion about cash basis and accruals, it is good stuff. You as the board should decide if we budgeted for depreciation or do we budget for actual cash outlay and capital outlay which ends up [Indiscernible - low volume]. While it may not be , it generally is covered by your budget for capital output. Not so with 68 and 75. Let me know if you decide to switch to accrual and different things in consideration. You may budget for principal and interest in your outstanding debt. The principal , some of the balancing. That's the main difference. Budgeting, accrual or budgeting cash.

Some of the highlights of the financials. I think we talked about it enough. I want to point out on page 4 is a summary of the operating statement. You will notice the top line is not student tuition and fees. Overall, before we take out exemptions and discounts and scholarships, tuition fee revenue was up $5 million. After we take out exemptions and so forth, you will see we barely even brought in more than we did in 2019. Hundred and 30 -- $136,000. I wanted to spend some time talking about tuition discounting. It's another exciting subject.

[Laughter]

Just bear with me. If you could turn to page six . I want to show you in detail the tuition fees and exemptions was increased almost $5 million. Exemptions went up almost 2 million. Tuition discount went up

3.5 million. That pretty much wiped out our increase in revenue for tuition and fees. What are tuition discounts? Is there a definition?

>> We know what the exemptions are. We talked about that every board meeting. We never talk about tuition discounts. This is a topic that was brought up probably 20 years ago by the universities. There was a lot of disparity between how universities reported their scholarships that they award students or grants. Grants received from federal government or student loans. They agreed the national association of colleges and universities , they agreed on an algorithm. To spread financial aid refunds between scholarship expense and tuition discounts. Talk about the formula out of the slideshow. Suffice it to say before we start recording tuition discounts, the refunds to the students totaled this year $62 million. Not all of that is scholarships, as we think of them. When we hear scholarship we think of merit or athletic prowess. That doesn't affect it. But it does affect. Also what doesn't affect us is the student loans they take out. It never hits our books except for the payments. That is all of that is applied differently to each student's account . For instance, a make it a Pell grant, student loan depending on which one applies first against my tuition, receivables, the difference I get for a refund may be classified as a scholarship expense until this . The algorithm prorate the financial aid between tuition discounting and scholarship expense. Tuition discounting reduces the tuition fees because the student didn't have to pay that. We ordered them in the institutional grant or institutional scholarship. What they are paying is like a new car, they are getting a manufacturers discount. Tuition discounting percentage be? It can be whatever you decide that is your goal instead of having 50% discounting, we are almost there.

>> Could we talk a little about our P&L in discounting and something -- they are doing? >> A Company

we contracted in this past almost year to do a financial awarding study. We are at the point where we are getting their recommendations. They have reviewed and analyzed three years of our rewarding data and focused on first-year freshman in that regard. So you can put it in context. With the discount is compared to other four your universities, we do discount significantly less. What the study is going to provide is guidance on how to strategically discount. It is sent across the board. It is the balance of identifying student's ability to pay and willingness to pay. Finding the sweet spot

for a particular population in regard to we can award the top academic students the largest scholarship and recruit them. However, we would be discounting them significantly high enough, the revenue. That is the data we are receiving back. We just starting receiving that information and we will receive more this coming week. I wanted to share that has been exciting data to see where we are in the discounting model and approach.

Enough about tuition.

On exemptions, the 13 million . What is the number in Hazelwood and Hazelwood legacy.

Hazelwood is about, all of them together, legacy, I think it is up to 9 million .

That continued to Positively flow. >>
Pop-up -- probably decrease .

5% of our current [Indiscernible - paper rustling] legislation going to decrease .

The discount , both of those are pretty remarkable. I guess that's about almost 15% growth , probably?
>>
The fact it's almost 15% to me is alarming.

That trend is worrisome. That 15% growth from 19 to 20 in discounts, attribute that to --

I noticed the student loans have actually gone down. That is part of the , the fact that exemptions have gone up. Therefore, discounts have gone up.
>>
Decrease in student loans is coming out of our hide as tuition discounts and exemptions.

That is one of our goals is to lower student at.

As long as we can handle our debt.

You may want tuition discounts. I'm not saying it is wrong or a bad thing. Just be more intentional, I guess, in your financial planning.

The whole strategy of discounting and exemptions. Certain population for certain outcome. There is a plan and process. The purpose of exempting, discounting is not bad, but be strategic as intended to be. >> The study will help us focus in that direction.

Okay. Page 16 is the detail, operating expenses. I was going to point out other highlights. You will notice under contracts was up about $10 million. C.A.R.E.S. Act . Used half of that for emergencies, and financial aid. The other half about 2 million, 3 million to be used for auxiliary services. Upgrades to classrooms and online courses.
I don't know whether 60% of costs , that's the norm? It is for us because it is one of our highest expenditures. It was down about 1.5 million. 1.2 million. We made up some of that
fair value of, 8 million. You will notice when I talk about as far as net student tuition and fees is virtually the same. 10 million due to the C.A.R.E.S. Act. Everything else stayed pretty much the same except for other nonoperating revenues.

Operating costs. Salaries and wages the same. Payroll related costs. 60 million. Increased from 68 and 75. Decrease materials and supplies.

Pretty much everything else was about the same except for scholarships and expense which is not a merit scholarship but refunds to students , financial aid.

How do we measure financial success? We use financial ratios to gauge where we are. There are targets that are set by , I mentioned it earlier, there are four main ratios we use that form the CFI that was talked about in the financial presentation. Our target for the CFI is 1 to 3 points. Or rate, if you take out GASB 60 and 75, what looked like about that GASB . We fall right in the wind to 3 goal. 2.243. Within the four ratios, [Indiscernible] ratio, we aren't hitting our target of 2% to 4%.

Can I ask with the net ratio is? Whether the university is living within available resources. Operating surplus . This is important.

I think the last two slides show the calculations . You have to get your glasses on.

Do you have printouts?

You can go back .

This shows the analysis of each of the four main ratios. The only one that eliminates the GASB is where it says no NPL. That is 2020. The other ratios have GASB in them.

Let's go back to the , talk about the various ratios that are contained within it. All of these are important. They contribute to overall financial health. We need to focus on that. Net income.

Indicates the importance of the ratio net income, 2% to 4% target. It just means it is ideal to have at least 2% growth in your reserves. But you may have a particular year or a longer time period that you have a specific goal. To use your reserves. Build a football stadium, or whatever. That is decided by . While the target is 2% to 4% normally, you may budget to use up reserves or expend it now. Therefore, you will have a change . Primary reserve is given more weight. My assistant the definition.

The syndicates of flexibility and sufficiency of our resources. To our net assets cover operating costs?

The idea of target is to be able to cover 40% of your operating expenses for the year. With our GASB, 55%.

Jump ahead. Talk about that. Talk about target reserves.

In dollars, that would be the target reserve would be 95 million. With GASB, -10. We were at 128 million. Every university presents their financials using these ratios with GASB and without. So we aren't doing anything unique here. Presenting both sides. The effective GASB, 75 in particular, the financial

--. On viability ratio. In terms of the primary reserve, 40% or 140 days. Ours was 55%. Hundred 99 days. Viability ratio, another important ratio. 35% weight to it. How much of your long-term debt can you cover with your reserves? They want you to be able to cover 100% of your long-term debt. This point we can cover 50% of reserves.

Return on net assets .

I can help a. Indicates whether the university is better off financially this year than last.

The target is 34% increase.

>> A little bit of data that is missing in terms of how you calculate out to get 2.4 from those weightings and our results. What is important to me, the calculation is fixed every quarter or how often it is reviewed. I don't remember seeing CFI and previous board meetings. I think this is the first time I have seen it.

It is something I have wanted to show this time. It encapsulates all the data you see. A single indicator.

What is important is the snapshot is very interesting, but what is important especially at the top line, which will affect the primary reserve but it's in parentheses. It's important to track this on a meeting by meeting basis when we need to see with the line is and how accelerated the financial deterioration may be.

This gives you a full picture of our budget.

I would love to see a dashboard item.

I have asked about, what would be that significant time period for updates? Yearly? Twice a year? Is quarterly too much? How often do things change?

I don't think it's too much quarterly.

Maybe we start, I don't want to have more work for the finance team, but maybe we start quarterly and see if we are seeing significant changes each quarter, and if not, then do it by ear. Start off granular and if we need to do it on a further meeting schedule, then we do that. From this, what you can do is , it may look like primary reserves are fine, but net income ratio will have an effect on those reserves if we don't turn the 0.16 around. It gives a full picture. It's used across universities, with universities across the country. One time or another, I saw a website that had comparisons of CFI's for universities. I can't find it anymore. You could see positive financial index for a variety of universities and do comparisons.

I have seen that too. It would be great to figure that out. Just to clarify on the pension obligations and that GASB obligation we are not accounting for and recognizing, really. That is an obligation in the law as a promise that the state of Texas has made to our employees to clarify. Is that correct? For the state to fix the issue is going to require the state either to tax current employees at an astronomical rate, or to come off their promises ?

That is the way I understand it. It's not Texas alone. Most states are in that situation.

And the federal government.

It's not a great situation to be in.

If I could say one thing. That is the problem when you look at governmental accounting budgeting.

The way they make allocations to the statements, every year it is a maze to go through. This change, it is with footnotes and now it is on the net position statement. I keep focusing on the salaries and wages and benefits, but it is the largest expense. When you look at those percentages, when you go back over the last several years, it was tracking 58%, 60, 62%. The last two years, I don't know what happened with the salaries and wages, but something changed. The salaries and wages were running at 45, 44 in the last two years or 40. The benefits are high. Something changes when those two categories when they start allocating separately. It is hard to manage what is going on. It's like you have to peel through it and find out what those changes are and what changes can we make on this board or administration versus what is happening somewhere else. We need to be in front of it. If we do what we are doing and not realize what is being put on this university, one day we will have that university and you will say we have a problem. We need to see that in advance.

It's a cash real ratio.

>> When you say I don't know what happened, GASB 75 , I think in 2018 , it became in 2018. 2019, they decided whoever they is, change the way they account , come up with the actuary values. They started trying to incorporate TRS into their calculations. I don't know if they thought that was more accurate. Or costs jumped up in 2019. That is why it looks similar to 2020.

Those two years are very similar in the calculations.

I am trying to decide what we can manage and things we can. Let's make sure we are in front of it is things are changing.

It's not going to go away.
>> Revenue we can set aside. We talked about it on numerous occasions. At some point someone's going to come calling.

For me, it is so important everybody gets this. This summarizes , and you can extrapolate from this, the entire picture now and into the future.

I like it. I think when you can measure stuff against other institutions and groups and find out what's going on, I think it is very important. I don't know if twice a year would be sufficient. I would assume so. I think we need these measuring tools to help guide this ship.

I think it is interesting that the SACS review team
goes to the trouble of adjusting our net position, illuminating GASB 60 and 75 , compensated accruals. Yet, their version of the financial report so much of those pages are devoted to that very thing. It is strange.

They all play havoc on statements because they make you restate things and change things. It's always difficult. As a user, you have to be first in what is happening. It may not be bad,
the geographics, what they are putting on the statement and how it relates. Thank you.

Any other questions before she steps down? Thank you. We will be making a motion tomorrow to recommend approval of these financial statements for FY 20. This should be the time to ask any questions. Let's move forward to agenda item number 17. This is the right solution to acknowledge review of investment policy and strategy.

Mr. Chairman, on this particular action item, every January , reviewed policy and strategy. It is required by chapter 2256 of the Texas code. We talked about that. As Texas, what's unique about this, this covers only certain portions of investments. Banking deposits, CDs, bottom proceeds. It doesn't cover , required for funds . We have the exclusion from , as an approved entity. What we are asking this addresses is to review investment policy and strategy and association with banking deposits, CDs, and proceeds we have invested. Policy 3.21 is included in this for your review.

Any questions in that regard from the committee? Any questions from the board? Recommending approval tomorrow.

Yes.

We have a resolution, that the board has, investment policy and strategy and acknowledged by a resolution.

Very well. Thank you. Moving on to agenda item 18. Investment transactions.

Mr. Chairman, requires us to bring to you a resolution that acknowledges the review and approval in association with the resolution has to do with banking deposits, bond proceeds, CDs, and things of that nature. It doesn't address -- although we include in the resolution, Texas system just to be safe. We are asking you to approve the adoption of investment managers and brokerage.

Any questions? Committee? Board? >> If you were employed by one of these institutions, you may want to recuse yourself from voting in that regard. Although Hilltop Securities is listed. The name of my employer is Hillwood development. Not the same.

I am employed by Hilltop.

Okay.
>> Assume you will recuse yourself from voting when this comes up. Recommending approval tomorrow. These brokers. Item number 19. Resolution. Recommending the financial institutions.

Mr. Chairman, that is where we identify specific institutions that we recommend to you as those we can invest with in some form. Proceeds, CDs. A comprehensive list just to cover. We recommend the resolution to adopt the institutions presented on the next page. Citizens First Bank, Bank of America, commercial Bank of Texas. South Side bank. Regions Bank. Wells Fargo. It's a state governmental investment as is Texas Star, Texas class. They differed somewhat in their asset allocation. Their asset allocation is consistently Texas . The others include JP Morgan Chase. UBS . Stevens. Citigroup. Prosperity bank.

Any questions .

I will be recusing myself on this one

As well I.

Same.

Same.

Four board members would be recusing themselves. The board as a whole still have a quorum and we will be recommending that for approval tomorrow. Thank you. Let's go to agenda item number 20. This will be room and board rates for FY 22.

>> Like the doctor said, normally annually, housing room rates are reviewed and approved. This year for FY 2022, board and room, no increase. Current traditional rates. You can review the rates on 71 in your book. Also, and in addition, board rates are addressed within the same item annually. However, there is an exception due to the current process which is the team has been sent out for dining services provided for the next fiscal year. Board rates for FY 22 will be established within the contract negotiated with that particular, and that will be selected later this year. The recommendation as the administration recommends the approval of student housing room rates for FY 2022 as presented as follows. I took over the appendix. Really your we talked about percentages. Since fall of 2014, we stayed in the 90s occupancy rates. We started seeing a decline fall 19. In spring 2020, went down to 77%. Then COVID hit. Fall 2020, 68.2%. That brings us to where we are today, which is 53.3%. If you look at the different halls. Residence halls. You see the decrease. The ones we talked about earlier, the ones that are higher or the newer dorms. And honor storm is one of the communities. Then you look at the hall that's normally for the freshman. Then we have older dorms. Any questions for me?

Thank you. Any questions? We will be recommending approval of the room and board rates as presented. We will go to agenda item number 21. Dual fees.

We had discussions to talk about dual credit. A little background. On this action item. Back in September of 20, dual credit students were paying fees. We discovered there was a group of students using different modalities , charged fees. Another group was not. I asked in September to allow us

to waive all fees and come back to you at a later meeting and ask you to address dual credit. What we have done is put together a recommendation for the board which would include covering three cores, $50 per hour

which is our state tuition required. In addition to that, an amount of $180 for university services be. It's a fee that gives us more flexibility than a dual credit fee. Revenue source we could budget as , use dual credit, could be used for infrastructure support. Could be used for technology support. It gives us more flexibility, and as I mentioned this morning, conversation about dual credit, we, our large. Dual credit. I understood most cases it was delivered in electronic media. There was a $99 charge , hundred $50 charge for a three hour course which is 249. What we are asking is to charge for a three hour course $258 which will include the $50 per hour entry tuition. $36 per hour university. Total of $258 for a three hour course.

Any questions about this?

We talked about this a lot. If I can beat it one more time. If we don't see a considerable improvement in dual credit, I will be in favor of a significant increase in these fees. We can't afford to subsidize other universities, or I should say students who are going to graduate from other universities. Unless we get the conversion rate substantially higher with this low rate, I will be a bit more combative next time.

My understanding at one point, if we were approached offering dual credit, we had to respond.

That's correct.

I think we changed our approach to the process so sitting here waiting to support them has needed. Doing it against other things.

I will share through SACS academic advising is required for those students as well as dual credit students are students so they need to receive all services that any other student does. That is something I know academic advising and other services, it is how to deliver them can be different. We need to be more mindful of what is going to help meet the students’ needs as well as our resources. The other thing I would like to offer is definitely when we say about a competitive conversion rate , gathering more information from some of the other four-year universities who have substantial dual credit population as to what is their conversion rate. The only reason I offer , great research for us to have, is how are we defining what is a competitive conversion rate. What are we basing that on? Three plus years ago when it was less than 300 students, that conversion rate was about 30%. The gross significantly, another conversion is 1000 plus more students but the conversion has been between 16% to 19%. I don't have a lot of other universities that have that experience other than my previous institution. They have a significantly large dual credit population and their conversion is less than 5%. Student dual credit into their full-time students. I think it would be wise for us to gather that data and make sure we are identifying what is a competitive conversion.

I want to be clear. I am all for offering services these students need. I think we have to do that and I think it is essential. The question is, is it carrying its weight.

We require they have , students. We more than cover what we paid the instructor. They don't have 20. Prorate downward what we pay the instructor. It's really not so much a loss. We calculate from the beginning if we want to breakeven.

There's another fact out there. A data point that is students coming to us from other dual credit programs. I don't know but that number is, but we need to know that. Somewhere out there there are universities that are taking a lot more dual credit students in then they are training in dual credit that go to other institutions. It would be great to figure out what that is. I don't know if it's flagships or what. Somewhere there are people getting over 100%.

Our main goal with dual credit has been to build a relationship with the student, parents, school administration primarily in the geographic area where we can get that conversion ratio.

Your reference thereto the cost covering what we pay, that is the bearable cost. The fixed cost including that GASB's 75 number, we have to cover all of that.

We look at the marginal cost.

Marketing too.

Marketing dollars , you have to get the customer for the marketing dollars to pay off.

I like your idea also of creating incentive for those kids that eventually come.

I agree with it.

>> The assumption of what, one group of students comprises our primary focus. It is the first time freshman campus residing student. Some of these other exemption situations, we have to examine it and look at what resources go to home. How we deploy those resources. I think we have to focus resources . If you cover those costs --

Any other questions?

Recommending tomorrow approval of the tuition and fees as suggested. Let's go to agenda item number 22. Grant awards for the period.

Bear with me. This particular item is housekeeping . Quarterly meeting , we ask you to ratify the grants since previous fiscal year 21. Total multiyear grant awards is 18,275,000. Of that amount, grants out fiscal year 21, reaches an increase of 284,000. Recommendation to you is you ratify the grant awards for fiscal year 21 total $284,832.

Thank you. Any questions from the committee?

We will be recommending approval and ratification of those grant awards. That will take us to our final air item. 23. Finance and policy revisions.

I will bring to your attention

policy one period three. We spoke about this since October of 19, I believe. This will make permanent for lack of a better term,

what we are attempting to try to see if it would work with minimizing contract load within my office, and so far it seems to have worked. We had to do an extension due to COVID. It looks like we saw this past year we saw 639 contracts in my office for calendar year 2020. Not fiscal year. Then we saw an additional 329 that did not have to go through my office because it meant the requirements we exempted. There have been zero issues with that. No problems at all. What it has done is allow procurement to send it straight to the DP. The turnaround time on this routine is about one day. 1 to 3 total. It seems to have worked well. We will continue to evaluate and if there becomes a problem, we will come back to you. My recommendation would be keep going.

Thank you. Any other of these policy revisions that should be discussed ? Schedule reviews and minor changes. Any questions by committee? Recommending approval of all of these policy revisions tomorrow. I believe that brings us to the end of our finance and audit committee presentation and we will adjourn.

We are going for a break. We will break now and return at 2:00 p.m. . [The event is on a break. It will reconvene at 2:00 P.M.] [Event Concluded]