



# Board of Trustees

## FINANCE AND AUDIT COMMITTEE MEETING

September 17, 2018 - 1:15 p.m. - Driscoll Alumni Center, Schmakel Room

Sharon Speyer - Chair, Will Lucas - Vice Chair

Alfred A. Baker, Stephen P. Ciucci, Patrick J. Kenney - Trustees

Roy V. Armes - National Trustee

Brenda Lee - Foundation Representative, Margaret Hopkins - Faculty Representative

William Horst - Community Member



## Finance and Audit Committee Meeting - September 17, 2018

### Agenda

1:15 p.m.

**1. Call to Order**

**2. Action Items**

- a) Finance and Audit Committee Meeting Minutes of June 18, 2018
- b) Resolution No. 18-09-23: "Creation of the Herb Innovation Center"

**3. Discussion Items**

- a) FY 2018 Fourth Quarter Financial Report

**4. Information Items**

- a) Performance and Asset Allocation Reports for Period Ending July 31, 2018
- b) Summary of Executed Contracts

**5. Executive Session, if needed**

**6. Other Business**

**7. Adjournment**

**Minutes**  
**The University of Toledo Board of Trustees**  
**Finance and Audit Committee Meeting**  
**June 18, 2018**

Committee Chair Mr. Joseph H. Zerbey, IV was present with Committee members Mr. Pat D'Eramo, Mr. Will Lucas, and Ms. Mary Ellen Pisanelli. Other Trustees who attended the meeting were Mr. Alfred A. Baker, Mr. Steven M. Cavanaugh, Mr. Jeffrey C. Cole, Mr. Patrick J. Kenney, and Ms. Sharon Speyer. Faculty Representative Dr. Margaret Hopkins was absent; UT Foundation President Ms. Brenda Lee and Community member Mr. William Horst were present. Other attendees included Mr. Javonte Anderson, Mr. Daniel Barbee, Dr. Karen Bjorkman, Ms. Sherri Boyle, Dr. Timothy Brackel, Dr. Frank Calzonetti, Mr. Gordon Chauvin, Dr. Christopher Cooper, Ms. Meghan Cunningham, Mr. David Cutri, Mr. Bryan Dadey, Ms. Wendy Fraley-Davis, Mr. Todd Deindoerfer, Dr. Sharon Gaber, Mr. Rick Gerasimiak, Mr. Michael Harders, Dr. Andrew Hsu, Ms. Mary Humphrys, Mr. Charles Jake, Mr. Lawrence Kelley, Dr. Linda Lewandowski, Ms. Jean Lovejoy, Dr. Willie McKether, Mr. Michael O'Brien, Ms. Barbara Owens, Mr. Peter Papadimos, Ms. Patricia Peterson, Dr. Linda Rouillard, Mr. Matthew Schroeder, Ms. Joan Stasa, and Dr. Amy Thompson.

The meeting was called to order at 2 p.m. by Trustee Zerbey in the Driscoll Alumni Center Schmakel room. Ms. Joan Stasa, Secretary to the Board, recorded the minutes.

Mr. Todd Deindoerfer, Managing Principal at CliftonLarsonAllen (CLA), attended the meeting to provide an update on UT's FY 2018 Financial Statement Audit. Mr. Larry Kelley, EVP Finance and Administration/CFO introduced Mr. Deindoerfer and stated that this is the second year of a five-year agreement for the external auditors. Mr. Deindoerfer explained CLA responsibilities as described by professional standards. The planned scope and timing of the audit, as well as other planning matters were presented. Mr. Deindoerfer stated that CLA completed their audit of the UT Foundation in April. On behalf of CLA, Mr. Deindoerfer thanked Mr. Kelley, Ms. Brenda Lee - UT Foundation President, and their respective staffs for their assistance and cooperation during the audit process.

Mr. David Cutri, Executive Director of Internal Audit/Chief Compliance Officer, provided the Committee with information about the FY 2018 Audit Plan progress. He provided a table summarizing the status of the 48 approved projects: 36 completed and 12 in progress. Mr. Cutri stated that to date, an additional 24 audit projects were completed during the fiscal year.

**ATTENDANCE**

**CALL TO ORDER**

**CLIFTON,  
LARSON, ALLEN**

**INTERNAL AUDIT  
AND  
COMPLIANCE  
UPDATE**

As in previous years, the level of coordination between the University and CLA external auditors will be highly coordinated for the FY 2018 Financial Statement Audit. Internal Audit and Compliance coordination will include:

- Information Technology General Controls
- Intercollegiate Athletics Revenues/Expenses
- Reliance on Internal Audit and Compliance Activities/Audit Reports

Mr. Cutri also provided the Committee with a list of significant projects completed. It is expected that the Audit and Compliance Plan will be completed on time and within budget.

Mr. Larry Kelley provided the Committee with information about the Third Quarter Financial Report for FY18. He indicated that each year the Board approves the operating budget of the University, which includes the General Fund, Auxiliaries and the UT Medical Center. Through the third quarter, UT is on pace to meet budget for the year. The General Fund is looking particularly strong due to reduced expenses from the Voluntary Separation Incentive Program, savings from rescheduling debt service, lower interest rates, and efforts throughout the colleges and administrative units to hold down expenses.

Trustee Zerbey requested a motion to waive the reading of the minutes from the April 16 Finance and Audit Committee meeting and accept them as written. A motion for approval was received from Trustee Pisanelli, seconded by Trustee Lucas, and approved by the Committee.

Mr. Larry Kelley presented Resolution No. 18-06-16: "Self-Administration of State-Funded Construction Projects." Mr. Kelley mentioned that the state requires presentation of this information to the Board each year. Approval of this Resolution allows for the administration of state-funded capital projects, which reduces the time and cost of projects. A quality team, led by Mr. Jason Toth - AVP Facilities, has managed these projects for years and it is recommend that we continue to administer these projects locally. Mr. Zerbey requested a motion for approval of the Resolution and to forward it to the Consent Agenda at the next Board meeting. A motion for approval was received by Trustee Pisanelli, seconded by Trustee D'Eramo, and approved by the Committee.

Mr. Larry Kelley presented Resolution No. 18-06-17: "Fiscal Year 2019 Operating Budget." Each Committee member received a copy of the proposed operating budget for fiscal year 2019. The operating budget is for three primary areas: General Fund, Auxiliaries, and the UT Medical Center.

Sources for the proposed General Fund budget include:

- Stable enrollment at the same level as the current fiscal year.

**FY 2018 THIRD  
QUARTER  
FINANCIAL  
REPORT**

**APPROVAL OF  
MINUTES**

**RESOLUTION  
NO. 18-06-18**

**RESOLUTION  
NO. 18-06-19**

- The new Tuition Guarantee Plan for incoming first-year students assuring them of no increase in tuition or general fees for four years, allowing them to plan with an awareness of the price as they progress to graduation
- Our discounting program continues to focus on attracting and retaining quality students and to bring our total discounting more in line with that of other universities.
- Tuition for Graduate students will increase by 2% with higher increases proposed for selective programs where we are below market.
- The Budget resolution includes a fee schedule for proposed tuition and fees charged to students.
- State Share of Instruction is consistent with the preliminary report from the Ohio Department of Higher Education.
- We continue to see revenue from the Affiliation Agreement with ProMedica and the support it provides to the growth and quality of our College of Medicine and Life Sciences programs.
- We continue to draw \$5 million from the UT Foundation to help support the operation of the University.

Uses for the proposed General Fund budget includes:

- Compensation - FY 2019 will be the first full year in which we will see savings from the Voluntary Separation Incentive Program.
- We are continuing to have an eight-month hold on vacant positions.
- Increases are in place to fund salary and wage adjustments consistent with existing agreements.
- Healthcare continues to rise - a 5.8% increase is expected this year.
- Work is being done to identify savings in our healthcare programs, including a planned reduction in pharmaceutical costs as with prescriptions available from the UT pharmacies.
- We continue to propose a central contingency for any unexpected events or opportunities.
- We will see a reduction of debt service due to refunding done in May of this year.

The proposed budget for Auxiliaries includes Residence Halls, Food Service, Parking, Transportation, Athletics, Recreation Center, Student Union, Printing Services, and UT Pharmacies.

- We are seeing strong demand for the residence halls and campus dining with about 98% of the space available for fall subscribed at the current time.
- The tuition guarantee program includes a guarantee that room and board prices will not have future increases for first-time students entering UT this fall. Returning students will pay 2% more.

- The debt service on the Recreation Center will have been paid in full this year allowing money to be reserved for capital needs as well as Student Life programs.
- Parking rates for students will not be changed. Faculty and staff rates will be consistent with those amounts that have been negotiated in the respective contracts. Reserved spaces will increase from \$400 to \$600 annually.
- Service related to the new contract with TARTA will begin June 25 with expanded opportunities for students without any additional costs.
- We have established a new budget discipline requiring the Auxiliaries to budget for future repair and replacement expenses.

The proposed budget for UTMC includes:

- Patient volume consistent with the current year.
- Expanded primary care.
- Expanded detox unit.
- Additional revenue from Pharmacy and infusions.
- Additional revenue from changes to the Medicare upper payment limit.
- An increase of 1.75% in the Medicare reimbursement rate.
- Service hours are being managed closely as we control compensation costs.
- Healthcare costs for employees continue to increase in the hospital just as it does for the other operating budgets.
- Revenue and expenses reflect the shift of programs consistent with the affiliation agreement.

The proposed General Fund budget is about \$50,000 better for FY19. The auxiliaries are roughly the same as FY18 when we recognize the requirement to budget for repair and replacement. UTMC is budgeted to breakeven, just as it was last year. The total proposed University operating budgets are just over \$750 million. When we add the fiscal impact from such things as Grants and Contracts, State Capital, Endowment, UTMAC and UTP, the total direct fiscal impact of the University will be more than \$900 million.

Mr. Zerbey requested a motion for approval of the resolution and to forward it to the Consent Agenda at the next Board meeting. A motion for approval was received from Trustee Pisanelli, seconded by Trustee D'Eramo, and approved by the Committee.

Mr. Larry Kelley presented Resolution No. 18-06-21: "Approval of Large Purchases for Period April 1, 2018 Through June 1, 2018." Board policy is for administration to bring purchases for goods and services that exceed \$500,000 and construction projects that exceed \$1 million for Board consideration. This

**RESOLUTION  
NO. 18-06-21**

current resolution has three purchases each at greater than \$500,000. All three are for UTMC equipment to improve service and efficiencies. Collectively these purchases will save \$70,000 annually in the operating budget. Mr. Zerbey requested a motion for approval of the Resolution and to forward it to the Consent Agenda at the next Board meeting. The motion was received by Trustee Lucas, seconded by Trustee D'Eramo, and approved by the Committee.

Mr. Kelley took the opportunity to publicly thank and wish Trustee Zerbey well as he rotates off the Board. Mr. Zerbey has been Chair of the Finance and Audit Committee during Mr. Kelley's time at UT and he has valued his insight, leadership and friendship. Mr. Kelley stated that Mr. Zerbey understands the role of the Board, the complexity of the large diverse organization, serves as an ambassador for UT, and supports his fellow Board members, as well as the administration. Mr. Zerbey's term on the Board will end on June 30, 2018.

There was no need for an Executive Session.

The Committee members received information on investment performance and received copies of the UT and UT Foundation Composite Performance Review Report and the UT Foundation Asset Allocation Report for the period ending April 30, 2018.

A summary report of two recently executed contracts, greater than \$500,000, was also provided to the Committee.

With no further business before the Committee, Trustee Zerbey adjourned the meeting at 3:20 p.m.

**SPECIAL  
RECOGNITION**

**EXECUTIVE  
SESSION**

**INFORMATION  
ATTACHMENTS**

**ADJOURNMENT**

**THE UNIVERSITY OF TOLEDO BOARD OF TRUSTEES**

**RESOLUTION NO. 18-09-23**

**CREATION OF THE HERB INNOVATION CENTER**

- WHEREAS, the mission of The University of Toledo (the “University”) is to serve as a national, public research university where students obtain a world-class education and become part of a diverse community of leaders committed to improving the human condition in the region and the world; and
- WHEREAS, the Judith Herb College of Education (the “College”) has been a leader in the nurturing of innovative and sustainable solutions to improve education and the human condition at the University; and
- WHEREAS, the College is committed to supporting, promoting, developing and expanding rigorous, practical, and engaging research for students and faculty scholars within education and the human sciences; and
- WHEREAS, key objectives toward this goal including identifying and supporting leading faculty scholars and unique research projects within the College; and
- WHEREAS, it may also be accomplished by creating a framework for research development and sustainability, and assisting in grant-writing and submission; and
- WHEREAS, the University and the College wish to enhance research innovation and educational programming through traditional and non-traditional partnerships with both internal and external partners.

**NOW, THEREFORE, BE IT RESOLVED**

that the Board of Trustees of The University of Toledo hereby agrees to the creation of the Herb Innovation Center.



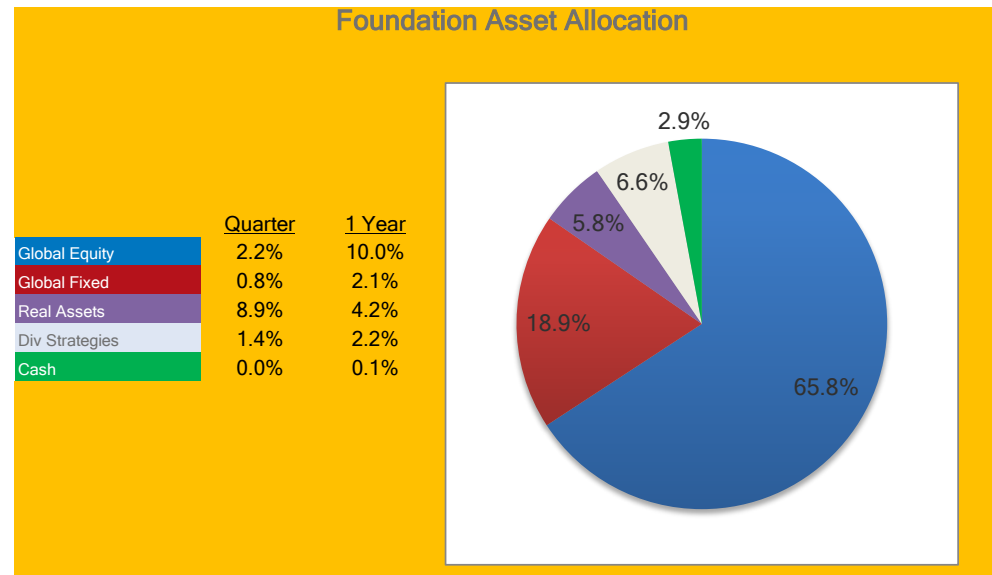


## The University of Toledo and The University of Toledo Foundation Composite Performance Review



Report For Periods Ending July 31, 2018

	Assets	Month	YTD	Annualized				Since Inception	
				1 Year	3 Years	5 Years	10 Years		
<b>UT Foundation Composite</b>	<b>\$500,568,313</b>	<b>1.8</b>	<b>2.4</b>	<b>7.5</b>	<b>5.7</b>	<b>6.6</b>	<b>6.3</b>	<b>8.1</b>	<i>1/94</i>
Target Weighted Index <sup>2</sup>		1.4	1.5	7.4	6.4	6.7	5.6	7.0	
Broad Policy Index <sup>1</sup>		2.1	2.2	8.5	7.5	7.9	7.2	7.6	
CPI + 5.25%		0.6	4.3	8.1	7.1	6.8	6.7	7.5	
<b>University Board Designated Reserves<sup>A</sup></b>	<b>\$161,680,311</b>	<b>1.8</b>	<b>2.4</b>	<b>7.5</b>	<b>5.7</b>	<b>6.6</b>	<b>5.7</b>	<b>5.2</b>	<i>5/05</i>
<b>Working Capital Cash &amp; Equivalents</b>	<b>\$52,641,900</b>	<b>0.1</b>	<b>0.6</b>	<b>1.0</b>	<b>0.5</b>	<b>0.3</b>	<b>1.0</b>	<b>0.3</b>	<i>12/03</i>
U.S. 91-Day Treasury Bills		0.2	1.0	1.5	0.8	0.5	0.3	1.2	
<b>TOTAL</b>	<b>\$553,210,213</b>	<b>1.7</b>	<b>2.4</b>	<b>6.8</b>	<b>5.0</b>	<b>5.6</b>	<b>5.4</b>	<b>7.3</b>	

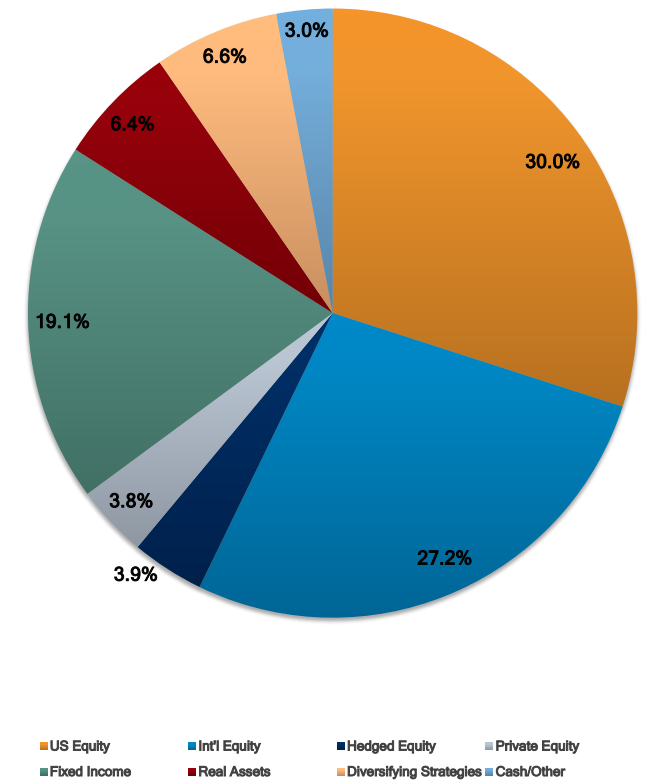


# The University of Toledo Foundation

## Market Value Breakdown

### Report For Periods Ending July 31, 2018

Foundation Composite	Market Value	% of Total	Long Term Target	IPS Range
Vanguard Institutional Index	33,552,629	6.7%		
Vanguard 500 Index	12,120,515	2.4%		
Vulcan Value Partners	21,782,410	4.4%		
Harris	28,222,034	5.6%		
Student Managed Portfolio	2,387,387	0.5%		
Vanguard Mid Cap Index	13,008,643	2.6%		
<b>Large / Mid-Cap Subtotal</b>	<b>111,073,618</b>	<b>22.2%</b>	<b>20.0%</b>	<b>5.0% to 40.0%</b>
Westfield Small Cap Growth	16,431,200	3.3%		
PNC Small Cap	15,049,048	3.0%		
DFA US Micro Cap	7,466,528	1.5%		
<b>Small Cap Subtotal</b>	<b>38,946,776</b>	<b>7.8%</b>	<b>5.0%</b>	<b>0.0% to 15.0%</b>
Harbor International Instl	27,111,281	5.4%		
Dodge & Cox Global Stock	37,892,797	7.6%		
Templeton International	25,787,408	5.2%		
<b>Intl. Developed Subtotal</b>	<b>90,791,486</b>	<b>18.1%</b>	<b>15.0%</b>	<b>5.0% to 30.0%</b>
DFA Emerging Markets Small Cap	15,766,539	3.1%		
DFA Emerging Markets Value	14,470,510	2.9%		
Harding Loevner Emerging Markets	15,241,147	3.0%		
<b>Emerging Markets Subtotal</b>	<b>45,478,196</b>	<b>9.1%</b>	<b>10.0%</b>	<b>0.0% to 15.0%</b>
Pennant Windward Fund	823,503	0.2%		
Marble Arch	529,857	0.1%		
Hoplite	6,631,055	1.3%		
Pleiad Asia Offshore	6,415,584	1.3%		
Pelham L/S	2,677,869	0.5%		
Indus Asia Pacific	2,255,452	0.5%		
<b>Directional Hedged Equity Subtotal</b>	<b>19,333,320</b>	<b>3.9%</b>	<b>5.0%</b>	<b>0.0% to 15.0%</b>
FEG Private Opportunities Fund (40%)	6,889,074	1.4%		
FEG Private Opportunities Fund III (40%)	6,638,524	1.3%		
FEG Private Opportunities Fund II (40%)	2,885,147	0.6%		
Robeco SAM Fund III	1,935,106	0.4%		
Rocket Ventures	175,080	0.0%		
HCI Equity Partners V	641,976	0.1%		
<b>Private Equity Subtotal</b>	<b>19,164,907</b>	<b>3.8%</b>	<b>5.0%</b>	<b>0.0% to 15.0%</b>
<b>Global Equity Subtotal</b>	<b>324,788,303</b>	<b>64.9%</b>	<b>60.0%</b>	<b>40.0% to 75.0%</b>

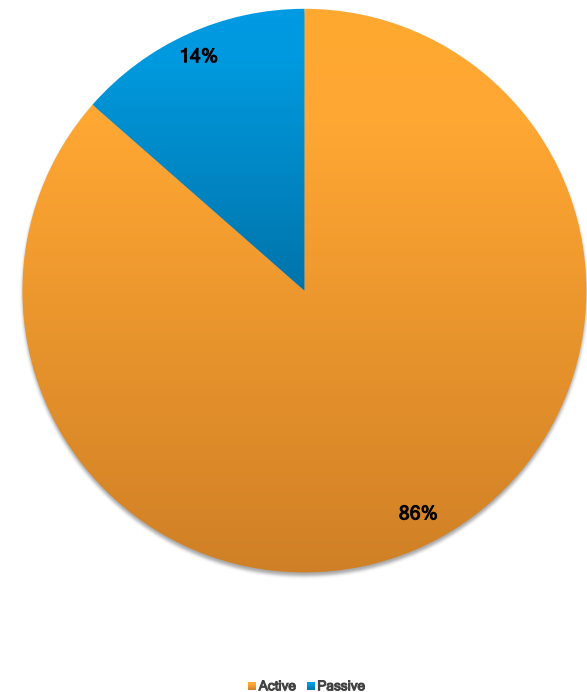


# The University of Toledo Foundation

## Market Value Breakdown

### Report For Periods Ending July 31, 2018

Foundation Composite (cont)	Market	% of	Long Term	IPS
DoubleLine Total Return	20,312,347	4.1%		
Trust Company of Toledo	8,639,572	1.7%		
Vanguard Inflation-Protected Securities Fund	16,505,271	3.3%		
ClearArc 5/3 Core Income Plus	17,128,692	3.4%		
UT Athletic Loan	5,211,608	1.0%		
<b>Interest Rate Sensitive Subtotal</b>	<b>67,797,490</b>	<b>13.5%</b>	<b>13.0%</b>	<b>5.0% to 40.0%</b>
Rimrock High Income Plus	11,093,368	2.2%		
Siguler Guff DOF III	911,019	0.2%		
Falcon Strategic Partners IV	3,838,155	0.8%		
Falcon Strategic Partners V	3,948,183	0.8%		
FEG Private Opportunities Fund (20%)	3,444,537	0.7%		
FEG Private Opportunities Fund II (20%)	3,319,262	0.7%		
FEG Private Opportunities Fund III (20%)	1,442,574	0.3%		
<b>Credit Subtotal</b>	<b>27,997,097</b>	<b>5.6%</b>	<b>7.0%</b>	<b>0.0% to 15.0%</b>
<b>Global Fixed Income Subtotal</b>	<b>95,794,587</b>	<b>19.1%</b>	<b>20.0%</b>	<b>10.0% to 40.0%</b>
<b>Real Estate Subtotal</b>	<b>6,590,451</b>	<b>1.3%</b>	<b>5.0%</b>	<b>0.0% to 10.0%</b>
<b>Natural Resources Subtotal</b>	<b>25,289,160</b>	<b>5.1%</b>	<b>5.0%</b>	<b>0.0% to 15.0%</b>
Metropolitan Real Estate Partners VII	764,996	0.2%		
Aether Real Assets	2,141,735	0.4%		
Kayne Anderson Energy Fund VI	1,368,221	0.3%		
Harvest MLP II	11,191,914	2.2%		
FEG Private Opportunities Fund (40%)	6,889,074	1.4%		
FEG Private Opportunities Fund II (40%)	6,638,524	1.3%		
FEG Private Opportunities Fund III (40%)	2,885,147	0.6%		
<b>Real Assets Subtotal</b>	<b>31,879,611</b>	<b>6.4%</b>	<b>10.0%</b>	<b>0.0% to 20.0%</b>
Kepos Alpha Fund	3,528,594	0.7%		
Graham Tactical Trend	2,652,859	0.5%		
SVP Restructuring Fund	9,093,370	1.8%		
Fir Tree International Value Fund	6,809,532	1.4%		
HBK Multi-Strategy Offshore Fund	11,177,450	2.2%		
<b>Diversifying Strategies Subtotal</b>	<b>33,261,805</b>	<b>6.6%</b>	<b>10.0%</b>	<b>0.0% to 15.0%</b>
Signature Bank	257,500	0.1%		
UTF Gateway	4,850,000	1.0%		
Tech Park Land	932,167	0.2%		
Cash	8,804,340	1.8%		
<b>Cash/Other Subtotal</b>	<b>14,844,007</b>	<b>3.0%</b>	<b>0.0%</b>	<b>0.0% to 10.0%</b>
<b>Foundation Total</b>	<b>\$ 500,568,313</b>	<b>100%</b>		



\* An additional \$100,000 invested in Gene Express and \$16,000 plus land in Foundation Park Investors.

**SUMMARY OF RECENTLY EXECUTED CONTRACTS**

**June 2, 2018 thru August 31, 2018**

<b>VENDOR</b>	<b>PURPOSE/DESCRIPTION</b>	<b>NEW/RENEWAL</b>	<b>AMOUNT/TERM</b>
Insight Direct (IUC) /Enrollment for Education Solutions	Letter of Intent to Insight Direct (IUC) Microsoft Enrollment for Education Solutions (EES) for renewal of Microsoft software for FY19.	New 5-year agreement. Volume Licensing Agreement to purchase Microsoft software for entire campus under new IUC agreement.	\$598,965.73 for software purchase; a savings of \$112,406 over FY18