

THE UNIVERSITY OF TOLEDO
Minutes of the Faculty Senate Meeting of October 21, 2014
FACULTY SENATE

<http://www.utoledo.edu/facsenate> Approved @FS meeting on 1/20/2015

Summary of Senate Business

Presentations By:

Mr. Dave Morlock, Executive Vice President of Finance & CEO of the Medical Center

Mr. Thomas Biggs, Interim Senior VP of Finance and Administration

Mr. John Barrett, Interim Provost of the University of Toledo

Note: The remarks of the Senators and others are summarized and not verbatim. The taped recording of this meeting is available in the Faculty Senate office or in the University Archives.

President Hoblet: I call this meeting to order. Welcome to the fourth Faculty Senate meeting of AY 2014-2015. **Lucy Duhon**, Executive Secretary, called the roll.

I. Roll Call: 2014-2015 Senators:

Present: Present: Barnes, Black, Brakel, Boardley, Caruso, Compora, Denyer, Devabhaktuni, Dowd, Duhon, Edinger, Edwards, Ellis, Giovannucci, Gray, Hasaan-Elnaby, Hoblet, Humphrys, Keith, Kennedy, Kistner, Krantz, Lee, Lundquist, McAfee, Molitor, Monsos, Nathan, Nigem, Ohlinger, Plenefisch, Porter, Prior, Quinn (L. Anderson), Randolph, Relue, Rouillard, Sheldon, Slantcheva-Durst (N. Piazza), Springman, Teclehaimanot, A. Thompson, G. Thompson, Thompson-Casado, Van Hoy, Weck-Schwarz, Wedding, Den White, Don White, Williams

Excused absences: Bailey, Brickman, Burnett, Cappelletty, Elmer, Gohara, Gunning, Malhotra, Quinlan, Srinivasan

Unexcused absences: Crist, Duggan, Farrell, Federman, Hammersley, Harmych, Schafer, Skeel

III. Approval of Minutes: Minutes from the September 2, 2014 Faculty Senate meeting are ready for approval.

President Hoblet: Because of time restraints from one of our speakers I was wondering if anyone had any issue with reordering the agenda with reports. Our Interim Senior Vice President of Administration, Mr. Thomas Biggs is one of our guest speakers for today's meeting. Mr. Biggs has to leave at 5:00 p.m. and I would like to afford him the maximum amount of time for his presentation. We will pick up with the approval of Minutes and the Faculty Senate Executive Committee report and other reports after Mr. Biggs' presentation if that is not objectionable to Faculty Senate. Any objections? Thank you. Okay, we will alter today's agenda.

Mr. Thomas Biggs, Interim Senior Vice President of Finance and Administration will be giving a financial report. You should have a handout. I welcome Mr. Biggs to the podium.

Vice President of Finance Biggs: Let me give you a little background here. What you are seeing today is a presentation I put together. Really, I haven't gone over this other than at the University Council the

other day. For those of you who were at the University Council I apologize for you seeing it twice, but hopefully you will pick up on some new stuff. Also, I want to tell you my approach on this, I really did this for my own well-being. I started my sixth week here as an Interim Senior VP of Finance and Administration, however it is not my first time here. In 2007, right after the merger I actually was performing as Vice President of Finance for about six or seven months. I had various other short-term engagements over time here, so I am very familiar with The University of Toledo. When I was asked to come down and help during this interim period I said I would gladly do that. Mr. Dave Morlock was the guy who reached out to me and I said I would be happy to do that; however I would let you know I'm here, hopefully for a short term just till they find a replacement. I will also say that if you have detailed questions like, "why did the expense go up?" I really don't know the answer to that question, but I will get there. So I would like if you have any questions about that, just email me and you will find I am an open book. I am trying to be very transparent about our financials. I will get back with you, Dr. Rouillard. Dr. Rouillard had a question about 2010 expenses and I meet with her on Tuesday to go over it. So, there is nothing I don't feel comfortable talking about at this point in time and hopefully you will see that.

I want you to pull out the actual financial statements. These statements are the basis for my presentation. I want to go over these with you. If you see a handwritten page number down at the bottom, I want to walk you through these. These are straight from our audited finance statement that was just completed in 2014 by our auditors, Plante/Moran. In the right-hand corner on page 17 you will see the actual statement. On the first page (page 1) it says, "The statement of net position" really that is known as the balance sheet. Just to give you a brief of what that means, balance sheet. The balance sheet is broken-up into two sections. The first section is your assets. What do you own? What is it all worth? If you look at this page it is all our assets and it is broken up between current and non-current. Current means it is going to...or its worth can be disposed of in a year so that is why you have some cash that is available to you within a year. The non-current is stuff is stuff that's more than a year old, more than a year in value. So you will see down at the bottom "Total Assets 2014." We have one billion and 149 dollars in total assets. Most of it is all made up in capital assets and you will see the \$681. This compares to 2013 and then also you will note that UT Foundation is on here. Now, the UT Foundation is considered a discrete part of the university. By being discrete versus, what the other term Mr. Morlock?

Mr. Morlock: Blended.

Mr. Biggs: If it's a blended organization it is included in our financial statements on the left side. Discrete means that they have their own board and we, The University of Toledo, do not have control over that board. The auditors know that their functions are primarily UT's so they present them this way to show them separately. So other organizations that we may have aboard with get rolled up. The next page, 2, is the second part of the balance sheet and it is our liability. Our liability and net position, otherwise known as equity, and you will see that term a lot. Liability, the first section, is broken up between current and non-current. And again, current means it is due within a year and non-current means it is something that you will be paying over time. So, like our long-term liability for bonds wouldn't show up, except for the current portion which you will see at the top. The net position is, what is our value? What does The University of Toledo own? What is really theirs of the one billion and 149 dollars? You will see that our net position is \$649,000 and the rest is made up of liabilities. And if you add up these three numbers you should get one billion and 149 dollars.

All right, the next page is our income statement which is on page 3 and 4. Our income statement is based on accrual accounting. I actually had a discussion with President Nagi about what is the difference between accrual accounting and cash accounting- both of us operate our own...based on a cash basis. But accrual accounting is basically, you record something when it is earned, not when it is paid. So if a vendor provides service to us and that service was for \$10,000 we may record it the day of services or the day we get the bill, so we will record it as an expense. First is when we pay it which is maybe 30, 40, or 50 days late so that is the difference. The big difference is really on depreciation. If you look on the expense side, down at the bottom of page 3 on the second line, depreciation is \$58 million for this organization and that is the depreciation of our assets. What does that mean, depreciation? A simple example, we purchase something for \$100,000 and we estimate that its useful life is ten years. We pay \$100,000 cash in Year One. The useful life is ten years and you divide that into the \$100,000, so our depreciation is \$10,000 per year. We set up a useful life based on how long we will have the assets. You will see that we have an operating loss that is actually \$154 million, but if you go to the next page you will have all these additional non-operating revenues, that's the way they classify them. State Share of Instruction is a big one and that is what we get from the state.

Senator HassabElnaby: Are we using a traditional line or a straight-line?

Mr. Biggs: We use a straight-line. We do not use anything else. I will verify that, but we use straight-line. Most places like non-profits use straight-line. The only time when you use something different is when you record taxes for profit in general.

So then we have our non-operating revenues and you will see that those are our grants and investment income in there, after those other changes we made \$12 million. The bottom line is after our capital purchases; our increase of net was \$24,000,796. Even though that sounds like a good year, I want to caution you, we had \$40 million in investment income. My own personal opinion is you should be making equal to your investment income as a minimum, so we are short. Are there any questions on the income statement? None. Okay. Now, the next one is the cash-flow statement. Why am I going through this because these numbers weren't tied to my presentation? The cash-flow is, how the cash come in and went out of the place. So if we purchase something in capital, it shows as our reduction in cash. The way the auditors break this all down is...they have what cash did you use in operations? We used \$100 million in operations. And what cash did we get from non-capital financing so this will be additional operating revenue. We got \$143 million, including the State Share of Instruction and then we have our student direct receipts and disbursements so those two net out to only be \$2 million and then we have some grants, \$38 million. So all-in-all we gained about \$43 million in cash from operations. However, if you go to the next section, we spent \$71 million and purchased some capital assets, paying off our principal on our debt for \$15 million and we did get offsets for the state appropriation for capital. Then you will see the next section is we had investment income of \$28,414 and that is investment cash and that is a difference between what has accrued. This is actually the cash that we get from our investments, not the value of how it's changed from the market. Bottom line is, we only increased \$626,000 in cash, in spite of the fact that we got \$28 million in investment income, so that's our financial statements.

Again, if you have questions now please ask. Let's go back to page 8. I actually did an analysis of our budget, but I don't want you to get too hung up on this schedule because we really don't necessarily do it according to the government accounting standard format. We do it in a formula that is a little easier to

understand as we are presenting the budget. And we don't necessarily include everything about the university and student's budget and we do not include UTP [University of Toledo Physicians Group] in our budget. I am going to try to change that moving forward so we have an all-inclusive budget. I just want to point out one thing, if you go to the last page on page 8, and look under the left-hand column, 2015 – if you remember, Mr. Dave Dabney presented in June to the Board saying that we are going to have a cash-flow-neutral budget. You will see through our budget we ended up expecting that we were going to gain \$130,000. When you talk about \$1.5 billion organizations, that's not a lot of money. Now those are the statements. Let me go into the presentation.

The opinions that are formed here are those of me and not necessarily those of management. You hear that on the radio and you hear that on commercials and that is what you are going to hear here. I wanted to take the approach as a new person, and I want to get my own understanding of our financial condition right now- I want to take this and say, how would I look at it personally? I had not gone over this with Nagi, however, Interim Provost Barrett and Mr. Dave Morlock heard it for the first time the other day as part of the University Council. So, these are my opinions. You will see that I try to be as open and honest as what I think we are doing and I am sharing those. I think I got some good feedback from Council the other day, right?

Mr. Morlock: Yes.

Mr. Biggs: Thank you. All right, the first part that I want to go over and I am very proud of this, is our audit. We get audited every year by Plante/Moran and this is their ninth year, so somewhere along the next year or so we need to change them because I think there's usually a standard: somewhere between 7-10 years.

Senator Dowd: This is their last year.

Mr. Biggs: Oh, this is their last year. I need to add that on my "to do list" then, replace the auditors, all right. <laughter> The results of the audit were presented to the Finance Committee on October 6th. We had an unmodified opinion, which is the highest you can receive. You might hear the term, "unqualified data," but again, that's the highest you can receive, so that's a good thing. There were no significant adjustments to qualify Plante/Moran. And what that means is, they have looked over our statements and they looked over all of our entries and said that there was nothing in here that didn't happen or should have happened that would tell us we should make these changes without changing the impact of the financial statements or the meaning of statements. There are no significant disagreements with management on financial and accounting reporting. I can tell you, I've been through audits where I and the other auditors were in disagreement on stuff, but we usually resolved it. By my talking with Rob Rose, my partner – really, this went extremely well. As an outsider, walking in the first time seeing that presentation I felt very good about our finance staff and their ability to work with the auditors and present a fair finding. So that is a good thing and we should all feel a part of it. If Brian David was here I would compliment him.

Senator Dowd: For the audit, there were areas of the university that they did not audit.

Mr. Biggs: I want to answer this the way I know- there are no parts of the university that they do *not* audit. However, I am going to say this, they are doing a global audit of the university, and so they look at

everything in total package. They don't specifically go in and audit the hospital or they don't audit UTP; they are looking at it in a big picture of the total university. Mr. Morlock, does that answer that pretty good?

Mr. Morlock: Yeah, they audit everything. But how we transfer money back and forth amongst ourselves- they don't care about.

Mr. Biggs: They are looking at, does it add overall financial, the "x and y." When I told you about the discrete unit, the hospital is buried in the university's income statement and balance sheet. Does that answer your question?

Senator Dowd: Well, that is different from the information Dr. Rouillard and I received when we spoke to Plante/Moran last year.

Mr. Biggs: Now, they would review controls, but they don't offer a separate opinion of anything within the university.

Past-President Rouillard: I have a question about the blended versus the discrete. Is the Foundation a discrete organization with regard to the university because it has a separate board?

Mr. Biggs: Separate board? No, not because it has a separate board. It has a separate board and we do not have control of that board, that is the key.

Past-President Rouillard: All right. Now, UT Physicians, is that not blended now in our audits?

Mr. Biggs: No. The physicians themselves have moved over to our part of the organization.

Mr. Morlock: It is blended.

Mr. Biggs: Yes, thank you, Mr. Morlock. UTP is blended.

Past-President Rouillard: So if it's blended, where are the UTP revenue and expenses indicated in the report?

Mr. Biggs: Well, let's go to the income statement. If you look at page 3- other patient services and revenue of \$69 million is compared to (at the top) \$261 which is the hospital, I am going to guess that a large portion of that \$69 million is the professional revenue. I won't say it's 100%. Again, I haven't gone through this, and, I had that same question

Past-President Rouillard: Okay.

Mr. Biggs: I am glad we are having these questions because like I said, I want to be transparent. If I can't answer your question or you want to ask another question privately, feel free to ask me.

Senator Dowd: The auditors, is their perspective that simply the institution will be here in one year? Or is it, the institution will be here in five years? What exactly was the timeframe?

Mr. Biggs: I am going to try to answer that in two ways. One, the audit is, do these statements accurately reflect your position right now? I am not saying good or bad, and that is the first part. These numbers are

accurate. If we have a \$30 billion loss and we report it, we would still get an unqualified opinion saying it is accurate. They give some opinion about where we are going, but in our case – and Mr. Morlock correct me on this about the quality of our institution – there was nothing that they would speak to about “well, I am concerned about where you are going, or I am concerned about where your revenues are, or you lost money etc.” There was no concern brought up like that. Those types of things really come about more in a Moody’s or an S&P type of discussion when you are looking at the future. So the auditors really don’t get into that, unless there is something to say you are on “death row.” I would bet you the auditors in the city of Detroit three years before they went bankrupt probably didn’t say they were on “death row.” They said they were bankrupt. But anyways, does that answer your question?

Senator Dowd: Yes. Thank you.

Mr. Biggs: Mr. Morlock, do you want to add to that?

Mr. Morlock: No.

Mr. Biggs: You good?

Senator Devabhaktuni: I have a question. What are the types of items that are included in depreciation?

Mr. Biggs: In depreciation you would have your buildings. Then you will have all of the plumbing, and heating, and ventilation, and air-conditioning within your buildings. That is what we call some of your fixed equipment. Then you also have your movable equipment, which is computers and things like that, would fall under that. Those are the big categories. Each component is usually depreciated separately, so the walls and brick may be 40 years, the plumbing may be 20 years, and the HVAC may be ten years. That is how we break it down.

Senator Devabhaktuni: So if the life of the building is 20 years or 40 years and if you are still using the building after that 20th year, do you include it in the depreciation?

Mr. Biggs: No. That becomes fully depreciated. The only additional depreciation that may be added is if we decided to increase the life or we specifically added a new portion or a new section and added a whole new life on that. It gets somewhat complicated, but that is a simple way to do it. Once something is fully depreciated and if we continue to use it, we don’t get any depreciation out of it.

Senator Devabhaktuni: Are there special cases where actually you have invested in something and you have something appreciated?

Mr. Biggs: If we appreciate?

Senator Devabhaktuni: Yes.

Mr. Biggs: I couldn’t tell you anything off the top of my head. Most facilities don’t really appreciate. We don’t recognize market value when it comes to that stuff which you can sell it for. So it may appreciate for which you can sell it for, but we only recognize the book value. Good question.

Senator Devabhaktuni: [*indecipherable*] you might actually conclude that something gets depreciated but in reality or in practice things have appreciated, could that happen?

Mr. Biggs: I am not sure. I have to sit down with you to go over those questions specifically.

All right, let's keep moving here. As I look at a balance sheet I try to keep it simple. You won't see a lot of ratios here and all that stuff like Moody's and S&P etc. I just want to know, what happened to the assets? Did they grow? Did our net position grow? Did our cash and cash equivalence grow? How did we do with "days cash on hand" and those types of things? Did we reduce our debt? Did our mortgage go down? Those are the things I am looking for. So taking directly from the statements, the balance sheets on pages 1 and 2, I put together this little chart that shows what happened. They went down, \$1.2 million and \$1.3 million, so we didn't grow. Our net position went up \$24 million. Our cash went up \$626,000. Our long-term investments at the university went up \$4 million. Now I included in here the Foundation, because in theory those are investments that will eventually become available to us for some type of usage. They went up \$39 million and that's a nice return. Our "days cash on hand." How much cash do we have available to run this place and this is including cash and investments? If we were to have no more money coming in, how long could we run this place? And that is what that means. Now, I just took over a business and it had four days "cash on hand" two years ago, and I had payroll on Friday, that was prompt. We are sitting here... Foundation and we are at 111 days, with the Foundation it is 212, now these numbers are relatively close because we actually did a quick calculation so you might find some of it, maybe a 110 or so, but anyways, that is what that represents. And our long-term debt dropped \$16 million, so we paid off our principal.

Senator Edinger: What would you want your "days of cash on hand" to be?

Mr. Biggs: You know there's a question Jay Fog gave, how much is enough? A little bit more. I would say 100 days is okay. I don't know where Moody's is at because I haven't studied this yet, but if you start getting down below 90 or 60 I would get very nervous, and your bond rating would tank really low.

Mr. Morlock: In our rating category, I think the benchmark is closer to 140 days right now.

Past-President Rouillard: I'm sorry, I thought our rating dropped?

Mr. Biggs: The outlook dropped.

Past-President Rouillard: Oh, the outlook dropped.

Mr. Morlock: The Standard [& Poor's] report dropped one notch.

Mr. Biggs: We don't have the Moody's yet, but the one that I quoted you is most current.

Past-President Rouillard: Okay.

Interim Provost Barrett: The Standard report last year had a negative which seems to indicate they are going to downgrade next year and we are going to be stable with the downgrade. So, we are not anticipating a "no-show."

Mr. Biggs: Thank you, Interim Provost Barrett. Okay, now I say, what does it mean? I tried to present it in a way- well, what are positives and what are negatives? On our balance sheet the positives are: our net asset went up \$24 million. Our Foundation's long-term investments went up \$39 million. Our "days cash on hand" went up and our long-term debt decreased \$15 million. So, on a balance sheet side that is a good

thing. Neutral: our cash and cash investments for the university are relatively the same and our university investments remain nearly the same, so those stayed constant. I would like to see those go up and give us a neutral fourth. And then our net assets decreased by \$1.3 billion, in other words, we are not growing. You can make a judgment whether that is good or bad. Just in general, if you are an outsider looking at a financial statement- if you are not growing your assets and you are getting smaller, then you are not improving, that is what that represents. Questions on the balance sheet?

Senator HassabElnaby: [*indecipherable*] [asked something about “cash on hand”]

Mr. Biggs: Well, we have cash coming in.

Senator HassabElnaby: [*indecipherable*]

Mr. Biggs: No, the current assets and all of that will be paid out of the cash that flows in and out with student tuition. Now, keep in mind, we have 111 days of cash, but we do have cash flowing in and out.

Senator HassabElnaby: What is the debt amount for that?

Mr. Biggs: The debt that we do not have to pay off next year. So our bonds have various parts that must be paid in the next year, and then there is a larger portion that has to be paid out over 20-30 years. Think about your mortgage the way it would be this way. If it’s January 1, 2015, all your payments and the principals for 2015 will be current; any debt that you owe that is 2016 and beyond will be non-current. It breaks it down, what are you going to pay off this year and what are you going to pay off in the future?

So then I look at the income statement and try to do the same type of thing. Did my revenue grow? What happened to my expenses, did they grow? Did my State Share of Instruction grow? And did my income before investment income get some capital appropriations and how did that grow? Now, I look at that as true operating income, what did you generate from operations, not counting investment income? What happened to the investments, and did my gifts from capital appropriations grow? Let’s take a look at that. Again, these are from pages 3 and 4. Our operating revenue went down a \$1.2 million. Our SSI went down a million. I want to comment about SSI. Over my years here, I’ve heard this issue and there are not facts in this statement, I’ll just say I’ve heard rumors- the leadership is hiding money. If it wasn’t for the merger we wouldn’t be in this position. Those rumors are nothing more than rumors. I have not seen any of that. What I have seen is our State Share of Instruction has gone from just nearly \$6,000 per student in 2009 to \$5,750 which is a \$250 per student drop from 2009 to 2014. If you look at our trends, while they are keeping it flat on us, well, actually reducing it, they are trying to tell us we cannot increase tuition. Now, as a parent if I have to pay for college then I am all for that, but as a CFO it “stinks.” So they are giving us less money and they are telling us we can’t increase, so our financial issues really center along those lines. You could make a question as well and say “well, you did this and you need to do that.” I’ve been in this business for 40 years and I’ve never, ever been involved with something that everybody agreed with as a good decision, but as administrators that is what you get paid to do and I’ve made “good” ones and I’ve made “bad” ones. “Poor” Dave had to follow me as a CFO at U of M Hospital and he probably was cursing me out forever over the “bad” decisions I made <laughter>. So that just happens. But our real issue is not the merger, it is not that the hospital is taking money from us; it is that issue of the SSI and holding back tuition. We as an institution still have got to get our expenses to match our revenue.

Mr. Biggs: Just so you will know, we are “A1” with Moody’s and S&P, I think that is correct.

Senator Dowd: You just said the issue is with SSI, not that the hospital is taking money from us. We have received data from the CFO, Dave Dabney. Dave Dabney showed millions of dollars being transferred from academic colleges to the Medical Center. So when you are talking about this, you are speaking about it at an advocate level. Do you have it broken down by, say, individual colleges?

Mr. Biggs: I can’t tell you that right off the bat. But I can tell you that the hospital itself generates an operating margin. The hospital transfers approximately \$12 million to support The College of Medicine and the physicians. Now, what you have to be careful of is there are transfers that go back and forth, and there are good reasons for those. I am going to use this as an example: I am in charge of Facilities, and Facilities is under one organization and that entire budget rolls up to me. However, I provide a lot of services to the hospital, they turn around and transfer money to me. They also pay some of the Environmental Services’ people directly and I reimburse them for Environmental Services. So there are a lot of transfers that go back and forth. I can go through all of them with you, but it will take me time to get them together.

Senator Dowd: There is one that you might want to comment on, for example, that transfers funds from the hospital to the general fund which doesn’t happen unless it’s The College of Medicine. What happens with the physicians’ salaries? Are they being billed back to the hospital or does that fall under Academic Affairs?

Mr. Biggs: No. The physician salaries get paid in two ways, and Mr. Morlock speak up if I’m not correct. They get their academic appointment which falls under The College of Medicine. Then they get their revenue that they create through patient revenue, which is billed through UTP. And then that is allocated in a formula that I am not familiar with, that goes back to each one of the departments and then they distribute it to the faculty as they see fit.

Past-President Rouillard: But there is a problem with these transfers in the sense that sometimes determinations about net cash flow get made before or after certain transfers which then is used as an excuse to fund or not fund certain units and this happens to the hospital. The hospital ends up showing a positive cash flow because they calculate it before they make that \$12 million transfer. Then the hospital is made to look good and the academic enterprise is undermined. The other thing about this transfer is that that does in fact pay some physician salaries. You can transfer it to The College of Medicine all you want, but when it is paying for physician income guarantees after that transfer is made to the College of Medicine, that’s paying for hospital salaries.

Mr. Morlock: So of that \$12 million, \$6 million goes to The College of Medicine and it stops at The College of Medicine for faculty teaching and that is purely academic. Now, the other \$6 million of the \$12 million transfers to the hospital to the Medical School and then through to the University of Toledo Physician Practice and that \$6 million supports income guarantees for the physicians who are building up their practice and don’t have enough patient revenue to pay for their salaries.

Past-President Rouillard: But why does that have to come from the academic side of the house?

Mr. Morlock: Why does the hospital transfer to the Medical Center as opposed to straight to the UTP?

Past-President Rouillard: Right. Why doesn't it just get paid through the hospital? Why doesn't it just stay on the hospital side of the books?

Mr. Biggs: They are not employees of the hospital.

Past-President Rouillard: But they are providing services at the hospital; they are billing through the hospital.

Mr. Morlock: Functionally, yes. Could we develop a line, and say nurses are because we are paying nurses and the doctors?

Past-President Rouillard: No. We are paying the nursing faculty who are strictly working in The College of Nursing.

Mr. Morlock: I am speaking of the nurses in the hospital that are providing nursing care when I say that.

Past-President Rouillard: Right. Okay. But we don't do that with the nursing in fact.

Mr. Morlock: We don't do what?

Past-President Rouillard: We don't transfer money to the hospital to The College of Nursing to pay for the nurses who are working in the hospital.

Mr. Biggs: Let me correct that. The nurses that are working directly in the hospital that are providing patient care are paid directly out of the hospital, so that is correct.

Past-President Rouillard: So why aren't we doing that for...?

Mr. Biggs: Because those are hospital employees, that's why. They're considered hospital employees—the nurses that are working. The physicians are not considered hospital employees; they are part of The College of Medicine.

Past-President Rouillard: But they are generating revenue for the hospital.

Mr. Biggs: No, that is what I want to tell you. They are generating their revenue as you see here, \$69 million – that is not part of the hospital revenue. You will see on page 3 the hospital revenue up at the top, of 260 does not include the \$69 million of professional services, so they are separate.

Past-President Rouillard: But those physicians are still involved in the generation of that \$260 million.

Mr. Biggs: Oh, yes, they work as a team.

Past-President Rouillard: So I still don't understand why this gets “bumped” over to the academic side of the house.

Mr. Biggs: Well, I won't get into how this was set up. It's just the way it's been set up. It is not unique to how we set things up because most organizations are done that way. We can have a further discussion outside of this.

Past-President Rouillard: Okay.

Mr. Biggs: But I understand your concerns in understanding. Mr. Morlock and I were talking about this earlier, understanding the fund flow between the hospital and The College of Medicine. Brian Poweles and I are going to spend some time making sure we get Dr. Cooper, the new dean educated so he can understand it. It is not easy. I've been doing this for 40 years and Mr. Morlock has been doing it for 25 years and it is not easy. And your questions are right on, we should be able to answer them. You may not necessarily like the answer, but in most cases physicians are never hospital employees unless they are providing a specific service such as a medical director or something very specifically a head of something or other. But those services that they render that they provide for the patient are two types of charges: one is hospital charges to facilitate and cover the nurses, and then there's physicians' charges to cover "his" time and "her" time and that's what we don't know in the hospital, but it gets counted as the university. The hospital expenses are not separated.

Senator HassabElnaby: [*indecipherable*]

Mr. Biggs: I will have to talk to Honors why they want to separate it that way.

President Hoblet: Point of order. I would like to recognize Senator Wedding. He's had his hand up for his question and I would like to address it. If you have a question, please raise your hand so the floor can recognize you. Thank you.

Senator Wedding: Salaries and Wages on page 3- The \$380 million, does that include the salaries for the hospital?

Mr. Biggs: Yes, it includes all the salaries for the hospital.

Senator Wedding: Now, down below you have outside purchases services with \$99 million, does any of that include payments to doctors or is it a broad category of a lot of things?

Mr. Biggs: I'm not sure if it includes payments to doctors. I would have to look through that. Mr. Morlock, do you want to answer that?

Mr. Morlock: Not sure off the top of my head.

Mr. Biggs: Okay.

Senator Wedding: Just a small point. The salaries, not the benefits, but the salaries and wages that are paid to 680 AAUP faculty is somewhere around \$50-52 million, out of that \$380 million only about \$50-52 million is going to AAUP faculty. I just want people to understand that number. Thank you.

Mr. Biggs: Right. The rest would go to the hospital. Good questions.

President Hoblet: Did that answer your question, Senator HassabElnaby?

Senator HassabElnaby: Yes.

Mr. Biggs: All right, we are getting pretty close here. Okay, I went through this information and said, okay, what's the good stuff? Income statement, invested income increased \$9 million. Our income before investments gets some capital appropriations which increased \$3.6 million and our -gifts and capital appropriations went up \$2.9 million- again, these are all on pages 3 and 4. Our operating revenues

increased \$1.1 million, our SSI increased \$1.1 million, and our expenses went up \$5.6 million. I want to qualify that; \$5.6 million is only .7%, so all-in-all it can be interpreted (if someone is looking at it from outside) as good. We managed our expenses quite well. But if your expenses are going up and your revenue is going down, as a finance person, that is not good.

Prof. Nick Piazza (for Senator Slantcheva-Durst): In looking at this, having a UT Foundation split out from the university because they are separately incorporated, it sounds to me because it was in line to be confusing. So I guess I'm wondering, why isn't the hospital separately incorporated when the expenses split out from Academic Affairs so that we can track those expenses better and we can make sure that there isn't any leakage between the two that could lead to the kind of work?---

Mr. Biggs: I am going to try to answer your first question with- when we merged the two universities everything came over and so the hospital is not-separate, it is part of that merger. So on the auditor/financial statements that is why you see it this way. Now, how we manage internally, Mr. Morlock has his own financial statements for the hospital and so, can we change that? Yeah, we could, but it would take a lot of work and a lot of people to sign off on it. However, I want to say this, being a CFO, not looking at this statement, but looking at how we manage from day to day, I am going to develop a budget as hospital and not, and that is how we did the last budget.

Mr. Morlock: Around that hospital arrangement there are three broad models. One is where the university owns the hospital within the university. We are like that, Ohio State is like, Iowa is like that, and University of Michigan is like that etc. Then there is the model where there is a separate entity, but it is very closely affiliated. So for example, Wisconsin- their hospital is a separate entity but very closely affiliated with the university. And then on the third model is where the university has a med school and offered a physician practice plan, but the hospital is really a separate entity, like Michigan State.

Mr. Biggs: Yes, such as Wayne State and Michigan State.

Mr. Morlock: Wayne State and Michigan State in their medical schools have physicians in the practice plan but they use somebody else's hospital, somebody else's hospital system. Michigan State uses Spectra Health in Grand Rapids as their primary teachings site. Okay, for an example, you can have a situation where we own a hospital like we've got right now, we can spin out into separate corporations where we are closely affiliated, or we can say, that Pro Medica, you be the teaching hospital and we just have our medical school and we use ProMedica or St. V's or fill in the blank, those are the other two big hospitals in town. Those are the three models that are predominant in academic medicine.

Past-President Rouillard: Just a quick comment to explain to you perhaps why you get this number of questions regarding the hospital and why you hear the rumors that you hear- and that is because at the time of the merger we were promised that the two would be separate, that there would be a firewall between the two, and that is why you get this.

Mr. Biggs: Right. Okay. I appreciate that and I understand. I will tell you this- I worked at U of M for 32 years on the hospital side, and there is nothing I haven't heard here that I didn't hear a lot there.

Assistant Dean Pollauf: I seem to recall a presentation that Mr. Morlock made and he said our hospital is not big enough and it is too small for the number of physicians that we produce, so we are in fact already partnering with outside vendors, correct?

Mr. Morlock: That is true. Now that you are heading down that path- Our medical school class size is in the 75th percentile. We are of the top of med schools in the country in terms to size. Our medical school faculty size is about the 15th percentile and our hospital is the second smallest academic medical center in the country- there is a lot of 140's, so roughly that that is the 2nd percentile. So with an academic mission this big and the faculty size to support it is too small- the hospital - is way too small. So we provide clinical material for learners and research material for researches and cash-flow out of this little enterprise to support a big enterprise. The fact that these circles (I use this analogy all the time) are mismatched is a strategic conundrum for us, right? And that is one of those three top priorities to solve that strategic conundrum for us.

President Hoblet: We have one more question. Unfortunately, Mr. Biggs will have to leave and we will have to invite you back.

Mr. Biggs: No, we are good; this is important to me. I will finish.

Senator Dowd: Just a quick comment on Mr. Morlock's comment about the hospital supporting - too bad the Minutes can't reflect my arms this "wide" - services given to faculty are this "small"- that is what the academic side is doing as well. The academic side needs that attention. We have a shrinking faculty that is to the point where we're at critical, we are headed for a disaster. If it shrinks further, this big/huge academic side of the house is going to crack. I just hope that the attention that it is being paid to the hospital that someone is paying the same attention to the fact that the academic side has shrunk significantly as well. Thank you.

Mr. Biggs: Thank you, Senator Dowd.

President Hoblet: Last question.

Senator Edinger: Just a response to Senator Dowd. As I understood Mr. Morlock, he was talking about the academic side on the other campus- that there was a lack of faculty for the number of students. He wasn't talking about the clinical mission. We are all on the same page; we have a number of students and we don't have the academic support on either campus.

Senator Dowd: I agree with that, but I believe he was making reference to the clinical mission.

President Hoblet: I believe so.

Mr. Biggs: Let me continue. Then I look at cash-flow. Cash-flow is how much cash you have in the bank, it's your checking account, think of it that way. When I look at cash-flow is 1.) did we fully-funded depreciation? Interim Provost Barrett, would you explain what I mean by fully-funded depreciation?

Interim Provost Barrett: Sure. Depreciation only has two meanings, depending on the world we will live in. For many of us depreciation has to do with the tax benefit of allowing you to offset income against the cost of the wear and tear on your product, on whatever it is that you're depreciating and that would apply us for a tax-free entity. So in our world, the only sense of depreciation is whatever you own that is a long-term asset liability is wearing out and the depreciation is a reflection of how it is wearing out and so you would essentially account for the wear-out on your books and records, so you can either repair it and make it a live longer or in theory replace it. Although, you are not really going to have

enough to replace it because if you depreciate something over 20 years, it is going to cost more to replace it than what you paid to build it in the first place and you depreciate all of your initial cost. But the notion is essentially to account for the amount that you're building is wearing out each year and to set money aside to be able to repair it. Is that a good enough description?

Mr. Biggs: I hope so.

Interim Provost Barrett: Fully-funded depreciation is "you are putting enough money aside."

Mr. Biggs: It is taking care of your deferred banking.

Senator Thompson-Casado: So do we have a special account that shows all this money that is put in there and set aside in savings for when we need to use it?

Mr. Biggs: I would say I don't think we have a special account set aside for funded depreciation. We have to put the money into a special account, it is all built within our university. Now, whether we can get there or not is another story. Let me quickly go through the results here in 2014: As Interim Provost Barrett said, our depreciation in 2014 which includes this entire university is \$56.6 million, and we reinvested in capital purchases so we would basically break even. In 2013 we actually reinvested the \$27 million- and part of that is a timing issue of when the state funding comes in for capital appropriations and where we spend it. But anyways, that is a good thing that we basically funded depreciation over the last two-years. Then, if you go to pages 5 and 6, this is the cash flow. You will see a number that say the cash we use to operate is \$100 million. We generated non-capital financing activities of \$143 million, so therefore, we have a net from non-capital activities, \$43 million. Going down here- how much did we spend on capital related financing, how much did we spend on purchases, our debt payment and our interest payment etc.- we spent \$71 million and we received from our investments \$28 million. Now, I promise you that this year will not be anywhere near that in 2015, especially after last week. That is like a 13-14% return. So in spite of that, we had \$626 thousand in cash. Do you got that? We received \$28 million in investments, but our cash only went up \$626 thousand, think about that. On the positives, our cash-flow through investing activities actually went up \$15 million, and that's a good thing. However, we all know from listening and various things, watching our savings that we have or any of that stuff that it was a good year last year. On a neutral, our capital purchases and depreciation was relatively... I say that it is neutral, but in my mind it should always be greater because of the inflation factor of something you built 10 years ago cost more to replace it now. But our net-cash activity declined \$19.6 and our change in cash equivalence was \$27.8 less than our cash from investing activities. So in other words, again, we only went up \$626 thousand and our investments were \$28.4.

Past-President Rouillard: But there's an indication that there is \$40 million on investment income.

Mr. Biggs: Let me explain that, that is good. The \$40 million on the income statement is under accrual basis and it's, what's the value of the asset and how that change? The cash is, what did they distribute back to us in interest payments/dividends, those types. Good question; I asked that same question two weeks ago. Alright, let me go to my conclusion. But before I go to my conclusion I want you to turn to page 8. of the handout- the cash-flow budget that was presented, that line there, 2015 budget really ties the budget and it was presented to the Board of Trustees in June. It showed that we were cash-neutral and we were going to have \$130 thousand. However, I want to point out three lines on there that are

important: 1.) at the top you will see we had depreciation of \$58 million, do you see that, it's the second line down 2.) then you go down to cash flow and capital and related finance activates- it says purchase capital assets are \$29 million. So in other words, instead of back in 2014-15 where we were spending equal to depreciation, we made this balance by controlling that number. I am not going to say that is a "bad" thing, but I am going to say that over the long-run that is not where we want to be. Also, I want to point out another line, 3.) at the bottom we have invested income of \$4800-if you would've talked to me two weeks ago I would have said that number is low, but based on what's happening in the market now I think that number may be fairly accurate, but who knows. But, as we are moving forward you want to normalize this number so you don't guess where the market is going to be from one year to the next, so we should be setting that mark up 5.5-6% on an annual basis. It is a relatively conservative number but not too conservative, and that dollar amount, whatever we set there should not be used to fund operations.

So my summary where we are- again, these are my opinions. In 2014 our financial conditions continued to improve as indicated with the \$25.5 million in net position and that would resolve the \$40 million investment earnings. If you move forward looking at 2015 and beyond, we had challenges. Our budget in capital purchases is \$28.8 million less than depreciation and we had a cash-flow of neutral budget. If we were spending depreciation it would be \$28 million. Our net cash from operating activities do not cover our capital related financing-that shortfall was \$27.8 million. You are getting a number of where are issues are and what our gap is. So, as we are moving forward, we need to figure out how to continue to grow our net position and we must commit to funding depreciation and reducing that shortfall. Now, I am going to tell you, should we do that in one year? No, that is probably too much to look at. Should we do it two-years? We should think about it. Should we do it in three-years? Absolutely. I am talking about if I was a Board member and I saw those numbers, I want to know, what should we plan to get those numbers back to zero. Those are my opinions, not necessarily any Board members' or anyone else. Now, that is my opinion. Now, Mr. Morlock and I have had discussion before and we got a \$30 million problem. I didn't know what it was based on, but now that is the \$30 million problem. Keep in mind we have pressure from the state to keep SSI under control and that type of stuff. So, I hope you have found this to be informative and transparent. I am available to answer questions to you. Thank you.

President Hoblet: Mr. Biggs, are you on UT's email?

Mr. Biggs: I am on Outlook.

President Hoblet: Thank you.

Mr. Biggs: I am an employee of The University of Toledo.

President Hoblet: We appreciate you coming.

Mr. Biggs: I will tell you, I have a "funny" story about Mr. Morlock. When Mr. Morlock was younger used to come up to me and say "I wish I had grey hair so people would take me serious." So every time I see him now I ask, "Are they taking you serious?" <laughter> I have to tell you that you guys are blessed to have someone of his caliber- you will find a lot of things about him. I want to say this also, and don't take this negative other than- I came down here because I have the greatest respect for Mr. Morlock, Mr. Barrett, Dr. Naganathan, and the team that is being put together, and their willingness to be transparent and their willingness to reach out and do "WITH" people rather than do "to" people. And you will hear

me say that all the time, our job is to do “WITH” them and not “to” them. I think I practiced that over 40 years and I feel good about coming down here helping. Thank you.

President Hoblet: We will resume the meeting by Senate considering any additions or corrections to the September 2nd meeting minutes that were distributed via email. Are there any additions or corrections? Do I have a motion to approve the September 2, 2014 Faculty Senate Minutes? All in favor of approving the September 2nd Faculty Senate meeting Minutes please signify by saying aye. Any opposed? Any abstentions? *Minutes are approved.*

The Faculty Senate Executive Committee hit the ground running this Academic year. We continue to work with administration, faculty, and student governance on a number of initiatives.

1. A task Force on student note-taking is being formed by the Provost’s office. FS has been asked to participate. I have requested that David Krantz attend along with me. The focus of this group is to assure compliance required in the American’s with Disabilities Act while respecting and safe guarding faculty intellectual property.
2. Mary Humphrys and Scott Molitor were involved in the review of two software packages that focused on curriculum tracking. Mary and Scott both shared “what became apparent while experiencing the software package demonstrations was how far behind the times we currently are. Hopefully, a decision to adopt one of these two systems will be made quickly and we can move away from the not-user-friendly curriculum tracking we currently have.”
3. Meetings have been attended on the planning of the President’s Holiday celebration December 10, 2014 in Savage arena.
4. General Education, Ohio Transfer Module, course approval – This continues to be an issue for our university. Courses have been submitted and not approved at the state- level. These courses are unique to the University of Toledo Honors program. We feel strongly that these courses are an example of courses that faculty submit to either improve a program and/or distinguish UT as a unique provider in the public higher education pool in Ohio. We will be moving forward on approving course submission that meet criteria, but feel it is important for you to know that approval at the state may hinge on what makes sense to OBOR as it relates to inclusion in the OTM.
5. Continue to meet with Student Governance on their issues and concerns, e.g., the need for updates in the Student Union, faculty and course evaluation tools and process, campus transportation, safety, etc .
6. A meetings regarding representation of the Honors College occurred. Perspectives from the majority of faculty in the college are to have equal representation with other college in some manner under the FS Constitution. A discussion of college of shared governance will require another meeting to be planned with Honors College Faculty and Administration.
7. I have personally been meeting with members of another college regarding sufficient organizational leadership and faculty to achieve the mission of the college. I will be attending their college council upon their request
8. Linda Rouillard, Kristen Keith, Mike Dowd, Mary Humphrys and I have attended all BOT meetings. These include: Clinical Affairs, Academic and Student Affairs, Trusteeship and

Governance, Finance and Strategy. The next meeting of the full BOT will be Monday November 17, 2014 at 1:00 p.m. at the Radisson Hotel in the Mahogany Ballroom Salon A.

Other new items come up on a daily basis and FSEC is asked to participate by administration. Our workload has increased significantly on the administrative side and we are not complaining. We are grateful to administration for the invitation and inclusion. Because of multiple request for participation, it may be necessary to call on Senators to be included in meetings as well.

FSEC wish everyone a Happy and Safe Halloween. This ends my report.

I would like to present our next speaker, Mr. Dave Morlock, Executive Vice President of Finance and Administration and CEO of UTMC.

Mr. Morlock: [Disk change]

President Hoblet: Because he doesn't remember the email. I requested that he speak to Faculty Senate k about year-end financials and the status of our flight program for trauma services and critical cases. He brought Mr. Biggs in to deal with the year-end financials and he's taking the last item, flight services. Thank you.

Mr. Morlock: Thank you for the clarification.

President Hoblet: No problem.

Mr. Morlock: In the city of Toledo there are three "Level 1" trauma centers. Those are special designations that are handed out by the American College of Surgeons. There's a variety of criteria to become a Level 1 trauma center- we are one of the three, Toledo Hospital is one, and St. V's is one. For context, Cleveland has one and I think the entire state of Michigan has three. For a community the size of Toledo to have three in my opinion is too much, it's "crazy." Now, set that aside for a minute. We have had an arrangement with St. V's that dates back to the mid to late 1980's around their helicopter program. We subsidized part of the program and in exchange for that they brought to us accident scene transports. So it was when a helicopter went to an accident scene and we shared them. It was literally, your turn, our turn, your turn etc. Every once in a while that got shifted around if there was a particular type of case where an expert here or an expert at St. V's would have been the best surgeon, so there's a bit of judgment that goes into it. But they didn't go, "this patient has no insurance so we will take them to UT and this one has good insurance so we will take them to St. V's," it didn't work that like; it was a fairly amicable and fair split of the patients. This past Spring or maybe a little earlier than that, January or February of that timeframe, St. V's reached out to us because their contract was coming to an end on March 31 of this year. They reached out and said, "Hey, we are not going to renew." This caught us a little off-guard. We were surprised since we had been doing this since the 1980's. We reached back out trying to get into why that was the case. The parting line if you will is that, "We think that it's just too many helicopters and too many Level 1 trauma centers in this town and we want to do our part to reduce the overall cost of care in Toledo." Theoretically, I believe that was actually in their heart, but I don't think it's the full story. I mentioned the criteria to become a Level 1 trauma center. One of those criteria is that you have to have 1200 trauma cases per year. We have about 1300 at UTMC and Toledo Hospital and St. V's each had between the 1300-1500 range. So nobody in this town has a *big* program and a *big* cushion above the cutoff line. At St. V's their activity has been trending down a bit over time. I think the unspoken message was, "we are going to stop taking one-hundred cases over you guys because we need

them in our count.” I think that was part of the “play” on their part. So, it was a little nerve-wracking for us from the perspective of a Level 1 trauma center because if we were at 1300 and we get about 100 cases then that takes us right down to the edge. We are accredited for three years so we got about two and a half years left on the accreditation. This is not an immediate grasp the end of my desk; it is not a “oh my gosh, what we are going to do.” We are not panicking, but we are trying to figure out what we are going to do to replace those scene cases. Now, this does not impact any of the helicopter transports that are hospital-to-hospital transfers. So for example, a little hospital out in Wauseon, a full county hospital - if they got a case they can’t handle that needs to be transported by a helicopter and we do get many cases like that from numerous hospitals - those are still coming along. From a pure financial perspective, the payments we made to St. V’s were about \$1 million per year for the helicopter program and the bottom-line that we made on those 100 cases is about \$1 million per year; and that is the revenue minus the cost for nurses and supplies and everything. So from just a bottom-line number it is just a financial break-even, so it has more to do with frankly the gravitas of “we are an academic medical center and we want to be a Level 1 trauma center as an academic medical center.” And so it is a bit more reputational and prestige then it is financial.

So we are doing a couple of things. When St. V’s says “you’re out” then you go talk to the folks at Pro Medica, that is an option and so we are now having conversations with them. They are actually revisiting their whole year-transport program as well because interestingly enough, those programs don’t make money in and of themselves, right? Those are expensive things to fly around and maintain. Where they make their money is on the patients. So Pro Medica is trying to rethink their whole strategy around that transport piece. They assured me that at the appropriate time we will be included in that planning, but they are not at a stage yet where we have to sit in. Then we were talking to a couple of other organizations that provide those kinds of services to health systems and academic medical centers. There’s a group in Columbus for example that provides the service to Ohio State as well as a handful of other systems in the state of Ohio and the upper Midwest. So, my view and I am just kind of taking the “UT hat” off and putting a “community hat” on. So in my view there are too many helicopters in Toledo, right? I jokingly say, we could invade Ukraine ourselves with the number of helicopters here <laughter>. I mentioned that there are as many Level 1 trauma centers in this town as there are in the state of Michigan and I actually think there are as many helicopters in this town as in the state of Michigan <laughter>. So the healthcare marketplace in Ohio does not have what’s called, a “certificate of need.” Many states have a thing that’s called a certificate of need and that is a government oversight to try to regulate how many hospital beds, operating rooms, helicopters etc. I think the economist in the room, especially the healthcare economist in the room would argue that too many healthcare assets tend to drive up cost because supply tends to create demand in healthcare as opposed to a bit more of balancing in the kind of markets that Dr. Dowd and his faculty teach in class, right? So I would rather not add to the number of helicopters in this town; I would rather participate with somebody else. So, that is where it stands. We have some time to figure it out. We are not in a big rush. As I mentioned before, we are working on broad conundrum of the circles that aren’t the right size and lining it up. In the context of all of that, maybe there are bigger arrangements that include helicopters and other things too and so we are just trying to figure that out.

Senator Devabhaktuni: My question is not about helicopters, it is about something else.

Mr. Morlock: Okay.

Senator Devabhaktuni: I want to ask this question because I am learning for educational purposes. When Scarborough was here last year he mentioned numbers during his presentation and I want to know where exactly are those numbers that we were generally talking about over the last couple years. Dr. Scarborough said we were in a \$36 million hole and we were told this when the current president was my dean. A few of us wonder, where is this hole at? I can't see it. Now since Dr. Nagi is in a different role, he also seems to know something about this hole. I don't know if he was talking about the same number, \$36 million. He might have slightly modified it, \$30 million or \$40 million.

Mr. Morlock: \$30 million.

Senator Devabhaktuni: It looks like he has gotten some education on it and that is exactly what I want. So where is this hole in the whole picture of numbers that were shown? Quite frankly, you are the best person to actually tell us. Is this a myth or is it a reality? What is it exactly? I am hoping the...we received last year we will receive now. I am very curious to learn.

Mr. Morlock: Well, I saw it last year; I don't know if that makes you feel any better <laughter>. It is not a myth either. Where did the hole from a practical perspective really manifest itself? It is in that discussion of funding depreciation, all right. So we half-budgeted to spend capital to refurbish the place such as replacing computers, roofs, pipes- all those types of things was about half of depreciation. Our depreciation is \$58-59 million and half of that (in round numbers) is the \$30 million that we're talking about. So we can "limp" along because we keep patching and getting by and kind of "kicking the can" down the road, but eventually pipes bursting in buildings, that gets old, right? I mean, that just gets old. And computers and software that's a mile out of date, that gets old. We've got to be able to overcome that or I think we are going to be on a drift towards oblivion.

Senator Devabhaktuni: So for example, let's say we erase \$30 million from donations of some sort – then we won't have the \$30 million hole?

Mr. Morlock: Not this year, but next year.

Senator Devabhaktuni: Then what happens next year?

Mr. Morlock: We have the same hole. The structural issue is there, it doesn't go away.

Assistant Dean Pollauf: We are "living" in the hole.

Mr. Morlock: Yes. But, if you know somebody that can help create a huge endowment that throws off \$30 million investment income<laughter>. That is functionally the difference between a place like UT versus a place like Ohio State, Michigan, or UVA which are some of the *big* flagship publics in this country that have massive endowments. They can fund holes with investment income, right. Does that help clarify it at all? I mean that is the practical manifestation of the hole.

Senator Devabhaktuni: I guess it's because of "bad" advice. It's a huge disappointment because last year the strategy was "let's cut the academic side and ask all the deans for help to turn \$1.8 million into \$1.7 million." Natural Sciences and Mathematics had a similar experience. To hear of this "hole" year after year and they keep asking the academic side to keep slimming the budget and then it becomes more and more complex year after year to live in those stress times.

Mr. Morlock: I appreciate that concern and the stress. I know it is stressful.

Prof. Nick Piazza (for Senator Slantcheva-Durst): I guess my question is going back to the Level 1 trauma center side. We have three trauma centers and all three were barely making their numbers. It sounds to me like the community can barely support three Level 1 trauma centers. Is there some kind of academic or pedagogical reason why our hospital has to be a Level 1 trauma center? Could we not have those people who need training from a Level 1 trauma center train at Pro Medica Hospital or at Mercy Hospital and then repurpose those resources for some other aspect of medical training which we could provide at our hospital?

Mr. Morlock: Yes. The short answer, can our learners and residents etc. train at somebody else's place that has a Level 1 trauma center? Absolutely. In terms of repurposing resources, off the top of my head I am trying to think what the actual resources are. We got pumped into a Level 1 trauma center other than the cohesive transport program, so some of the other requirements around a Level 1 trauma center include things like having an orthopedic surgeon on 24/7 availability and a neurosurgeon on 24/7 availability etc. The fact that we have faculty, we already have those folks here so it's not a "ditch" Level 1 trauma center and those expenses will go away." Interestingly enough, if a place like St. V's drop Level 1 trauma they would stop paying all payments that they pay to community neurosurgeons for example. So I don't know the answer off the top of my head just how many resources actually free-up to be reallocated, but the broad concept of, do we have to be a Level 1 and can we use someone else for training? The answer is, certainly, because there are universities with medical schools that don't even own hospitals, right. I mean, I shouldn't say that, I used that as an example.

Senator Ohlinger: I have a couple of quick questions.

Mr. Morlock: You told me you weren't going to ask those questions <laughter>.

Senator Ohlinger: I want to know the current status of the flight system because I still see life-flight at the Medical Center, and in fact both hospitals.

Mr. Morlock: The vast majority of flights that arrive at the hospital are hospital-to-hospital transfers, so that has not been active at all. Interestingly, we still occasionally get scene accidents and so we have an orthopedic surgeon. The Chair of our Department of Orthopedics is a guy named Nabil Ebraheim, I don't know if you guys know Dr. Ebraheim. He is an incredibly skilled surgeon for when you are broken up into pieces. I am not a physician so that is my description of it, okay <laughter>. So when you get smashed up into pieces he is really good. Every once in a while in certain accidents, because ultimately the folks on the ground that are making the call to get a helicopter there can look at it and say "oh, man. This case needs to go" and then pick where it goes, so we occasionally receive those patients.

Senator Ohlinger: The second question is just, I was wondering if you can give us an update of the SIM Center? In particular, the servicing fee being utilized very well extensively over there. It is really busy in terms of learners, students, and residents, has that enterprise had any success so far with generating some external funding revenue or is it self-sustained?

Mr. Morlock: I don't know any of the detail. Interim Provost Barrett, do you know anything about it?

Interim Provost Barrett: I think your initial statement is quite accurate. If you go on the second or third floor where there's a lot of medical related training and not just for the medical school, but for nursing and for all the health sciences, it is very actively used and it is producing I think some good traditional results. These healthcare payments are being changed, penalized, and readmissions because of complications and that training I think will serve us well. We had a lot of people tour and look at us and begin preliminary discussions for things we might be able to partner on, but most med students are going to require the development of specialized software products and specialized ways to utilize that first floor for simulation activities. I am not aware of any actual meaningful direct cash-flow yet, but there are a number of things in the works, some of which will hopefully turn into things and some of which will no doubt fizzle out.

Senator Relue: I have a quick question in terms of the Level 1 trauma center. Is it the actual facility itself that passes certification?

Mr. Morlock: Yes.

Senator Relue: So you couldn't merge with an institution and share a Level 1 trauma center?

Mr. Morlock: Not physically. We couldn't for example, go to St. V's or Pro Medica and say, let's jointly do a Level 1 trauma center in two locations.

Senator Relue: But, could you jointly do one in one location?

Mr. Morlock: Yes.

Senator Relue: Will that be problematic?

Mr. Morlock: Basically, it would be like what Dr. Piazza was describing.

Past-President Rouillard: I just had a comment and a question, going back to the \$30 million shortfall.

Mr. Morlock: Yes.

Past-President Rouillard: I know that you didn't mean it to be facetious when you said to Senator Devabhaktuni that if he can come up with somebody who can find it (\$30 million). I realize that, but it did remind me that for eight years we had a president who was responsible for doing that, for raising funds for the university and I think it is important that we remember that, particularly as we are going forward in the search – that we need a president who will work towards that goal on our behalf.

Mr. Morlock: Yes, to raise money.

Past-President Rouillard: We haven't had that, and I hope we remember that, and that we also remember these deficits. We are teaching our little hearts out and we are taking care of patients until we "drop," but there's this other component that needs to be addressed.

Mr. Morlock: Yes. I couldn't agree with you more. I totally agree.

President Hoblet: Are there any other questions from the floor of Senate for Mr. Morlock? None. Okay. Mr. Morlock, is it correct that we have 100 flights approximately annually?

Mr. Morlock: From scenes.

President Hoblet: Direct – scenes to UTMC?

Mr. Morlock: Yes.

President Hoblet: And those are trauma-free transport by St. Vincent?

Mr. Morlock: Yes.

President Hoblet: We are not getting any from ProMedica flight services?

Mr. Morlock: No.

President Hoblet: Thank you. That is what I needed to know. One of the things about Level 1 traumas that is important is that the services trauma patients require are the same services we need for other orthopedic patients and general surgery patients. You mentioned that Dr. Ebraheim enjoys the complexity of multiple trauma patients. I agree. He has trained almost every orthopedic surgeon practicing at St. V's and the Promedica Health System facilities when it comes to trauma. Dr. Ebraheim trained Dr. Georgiatis, Dr. Steve Sademi, Dr. Anthony Frogameni, and many of the other trauma surgeons in the Toledo area. There are many costs that associated with trauma surgery and most of those costs are associated with supply costs in the operating theater. Other specialized supplies and equipment that we have to purchase to support those surgeries are very expensive. Unfortunately, those costs continue because standard orthopedic surgeries require the same type of internal fixation devices as someone in an auto accident. So when you get down to these medical cases, particularly repurposing equipment and supplies, it is not always easy, because we are servicing a general population using the same equipment that is used on trauma patients. I hope this provides some of you with more information to appreciate that supplies we use for specialty medical practices we also use for the general population as well. For example, we use mechanical ventilators and have to have Respiratory Therapy Departments for some trauma patients, but we also use them on a variety of patients including cardiac and medical population as well. It is not as easy as saying "let's disassemble our trauma program and repurpose it" because those services have to be there for our general population as well as the trauma population. It's kind of a "bummer," but that is the way it is. Are there any other questions for Mr. Morlock? NO. Then thank you for coming. We will invite you back.

Mr. Morlock: Thank you for having me.

President Hoblet: Interim Provost John Barrett would like a few minutes to provide an update on the Baccalaureate Degree requirements from the Ohio Board of Regents.

Interim Provost Barrett: Thank you for letting me speak today. I said this at University Council, but I want to say it here because we take word-for-word Minutes here and this goes out to all faculty. I really want all faculty to hear this: my staff in my office have noticed that we are engaging between administration and faculty in a much more constructive, productive way. The tone is better and you are meeting us at least halfway trying to work through the difficult things we have to work through, and I just

want to thank you. It takes both sides doing that and you are very much doing your part and it is appreciated and it is noticed! I just wanted to go on record and say that.

Basically, what we have is the Ohio Board of Regents has been working on a new degree handbook. It is apparently final now. It is on the Chancellor's desk awaiting signature. We are pretty confident that it is actually the final. It will come out on October 1st because it have gone from the standard kind of draft looking thing to putting all the fancy graphics, pages, and pictures in it that they do when Ohio actually releases something, so we are pretty comfortable that this is actually what's going to be signed. I gave a report last Spring on the *then* draft and Ohio has veered off of that with regard to baccalaureate degree requirements. At the time we were following recommendation of the "Complete College America" which was all degree programs should be no more than 120 hours unless licensing or accreditation require more. However the current version says "...the degree should be 120 hours, no less, but it should not be no more than 125 hrs. unless licensure or accreditation requires more."

So I am introducing this to you to update you on what's coming out of Columbus and what's happening. When this becomes binding on us and when it is signed by the Chancellor it is my intention to come back to you with a proposal, or a recommendation, or a motion for you to essentially approve sending this with the same language to our Board of Trustees- the current degree minimum at University of Toledo is 124 hrs. and we don't have any caveat regarding a cap, so we will need to create a cap of 125 if this does indeed become binding, subject to licensure or accreditation reasons to go higher. I would also like to fully mirror the proposed language to allow degrees to go down to 120 credit hrs. from the current minimum of 124 credit hrs. I say this in part because I want to show a spirit of cooperation with the state by adopting what they are proposing across the board. But this is also to me more importantly, a way to empower the colleges and the departments to make a determination of what's the best path for them. I believe the departments should be looking at their curriculum currently. It is part of going forward with our hiring plan and modernizing ourselves in terms of what our graduates will need for the careers for the future and for their citizenship. And so if a department really thinks that the degree program ought to be at 120-122 credit hrs. subject to collaboration with the dean to support the colleges as a whole and subject to go to Faculty Senate as an approval, I think we ought to give that flexibility out there and allow individuals a little more individual determination so we may. I have no intention of promoting any lowering of the number of credit hours for any given program. I very much want to empower the colleges and the departments. This was not designed so that I can in any way say 120 credit hrs. for everything or something of that sort, so I will be very clear that this is really about empowering the departments and colleges and complying with the state mandate [guidelines] and kind of showing the spirit of cooperation because we've also been a little heel-dragging with the state these last few years. If you have any questions I would be happy to answer those about other parts of the handbook or about this. Since I will be coming forward with this later I wanted to make you aware so you can think about the ramifications and be prepared to discuss it when it comes up.

Senator Dowd: Just a quick question. Do you have any idea of the timeframe of when signature from the Chancellor may occur?

Interim Provost Barrett: It could be any day, but we have not been given any advance notice so it is pure speculation. It's been on his desk for three weeks now. Anything else? Thank you for having me here today.

President Hoblet: Do we have items from the floor?

Senator Edwards: I am speaking on behalf of 37 graduate faculty members who signed a petition in accordance with the Graduate Faculty Council Constitution that called on the dean of the Graduate School to call a graduate faculty meeting within two weeks of receiving the petition, which is today – and we have not heard from the dean of the Graduate School. The concern is that administrators without full graduate faculty status have been allowed to propose graduate courses and that those courses have been approved without the proper procedures in place in the Graduate Council. We would like the Faculty Senate Executive Committee to please communicate with the Graduate Council Executive Committee about this matter and report back to Faculty Senate about the petition and the procedures that should happen next.

President Hoblet: Thank you, Senator Edwards. We hear you and we will act upon your request. Are there any other items from the floor? With no other items from the floor being presented, do I hear a motion to adjourn? Second? Meeting adjourned at 6:01 p.m.

V. Meeting adjourned at 6:01 p.m.

Respectfully submitted,
Lucy Duhon
Faculty Senate Executive Secretary

Tape summary: Quinetta Hubbard
Faculty Senate Office Administrative Secretary