

To: Members of the Western Illinois University Board of Trustees
Carolyn Ehlert Fuller, Chair Todd Lester
Justin Brown Yvonne Savala
Roger Clawson

From: Joe Rives, Senior Vice President, Strategic Planning and Initiatives

Date: December 17, 2018

Re: December 2018 Strategic Plan Update

This month's *Strategic Plan Update* provides an update on Western Illinois University's Fiscal Year 2018 Composite Financial Indicator and the University's Fiscal Year 2019 Financial Recovery Plan reported to the Higher Learning Commission. Also discussed are the next steps in this matter.

As reported in *Western Illinois University Board of Trustees Report No. 18.9/7* (available at http://www.wiu.edu/board_of_trustees/minutes/index.php and clicking on September 27-28 Board of Trustees Meeting), the Higher Learning Commission evaluates the fiscal health of all member institutions annually. This evaluation begins when member institutions submit revenues and expenses each spring as part of the Commission's Annual Institutional Data Update process.

The Commission uses this information to compute a Composite Financial Index (CFI) score for each college and university. These CFI scores are based on methodology documented in *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks* (Seventh Edition), by KPMG LLP; Prager, Sealy & Co., LLC.

A CFI score can range from -4.0 to +10.0 in this methodology. After an institution receives its annual CFI score, it is also placed in one of three ranges (zones) to determine if further HLC review of an institution's fiscal health is required.

In FY17, Western Illinois University CFI was (0.30). This placed the University "below the zone." According to Commission protocol, when an institutional CFI score falls below the zone (i.e., a value between -4.0 and -0.01) HLC will require the institution to submit a report and additional financial documents for review by a panel of HLC peer reviewers. In subsequent years, the institution will be required to submit a report for panel review following each year until its CFI is "above the zone," (i.e., a value greater than 1.0). The Western Illinois University Board of Trustees reviewed the University's *FY18 Financial Improvement Plan* last year, and successful implementation of the *Plan* improved Western's fiscal status.

In FY18, the University's CFI improved from (0.30) to 0.54. However, this CFI score placed Western Illinois University "in the zone," (i.e., a CFI between 0.0 and 1.0). While there was institutional improvement, a FY19 Financial Recovery Plan was required because, as described above, Western's CFI was not "above the zone." Western's *FY 19 Financial Recovery Plan* was included in *Western Illinois University Board of Trustees Report No. 18.9/7*, and was submitted to the Higher Learning Commission.

Western Illinois University Board of Trustees Report No. 18.9/7 indicated that the Board would receive an update when the Commission notifies the University of the outcomes of its review of Western's *FY19 Financial Recovery Plan*. Additionally, this Report indicated that the Senior Vice President for Strategic Planning and Initiatives would notify the Board of the University's next CFI score and its Commission classification when received.

While the University's next CFI will not be computed until Spring 2019, the University did receive the Commission's analysis and classification of Western's *FY19 Financial Recovery Plan*. The Commission's report indicated:

- During the past three years, the institution witnessed a 1.5 CFI in FY2016, a (0.3) in FY2017, and a 0.5 CFI in FY2018. These fluctuations and regression into critical zones have created concern by the Commission. The State of Illinois in FY2016 and 2017 had a budget impasse at the legislative level that caused these anomalies.”
- Western Illinois University has worked diligently to respond to unstable funding from the State of Illinois.
- WIU's administration has aggressively responded to these changes in its financial position through program prioritization, administrative and instructional staff reductions, creation of new innovative and marketable programs to name a few strategies.
- The institution should be encouraged to be vigilant in its efforts to take a conservative approach to managing its finances as they have in the past.
- There is nothing to cause the team to believe that WIU will not operate in such a manner, as they diligently have in the past.
- Therefore, the panel concluded that the institution has substantially met its commitment in its report on financial indicators, and no additional Commission monitoring on this *Report* is necessary.

As this analysis shows, Western Illinois University continues to follow its *Financial Recovery Plan* and the goals and priorities of *Higher Values in Higher Education* to advance the institution in the aftermath of the statewide budget impasse. Full copy of the Commission's Report to Western Illinois University is available upon request.

Finally, please note that I will provide the Board and University community an update on the University's FY19 CFI value and whether the University's CFI value necessitates additional Commission reporting when in it computed in the spring. For now, please contact me if you have any questions about the materials presented in this *Update*, and/or if you have feedback for the continued successful implementation of the University's *Strategic Plan*.

Thank you, and I wish you, your families and loved ones a happy and safe holiday season.

cc: President Thomas CSEC President O'Bear SGA President Ramos
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