

RADFORD UNIVERSITY

**RADFORD UNIVERSITY
BOARD OF VISITORS
BUSINESS AFFAIRS & AUDIT COMMITTEE MEETING
PRESIDENT'S CONFERENCE ROOM - MARTIN HALL
RADFORD, VIRGINIA
8:30 A.M.
NOVEMBER 10, 2016**

Approved

MINUTES

COMMITTEE MEMBERS PRESENT

Ms. Mary Ann Hovis, Chair
Mr. Robert A. Archer
Dr. Jay A. Brown
Mr. Mark S. Lawrence
Dr. Deb McMahon

COMMITTEE MEMBERS ABSENT

Ms. Krisha Charchra, Vice Chair

OTHERS PRESENT:

President Brian O. Hemphill
Mr. Richard S. Alvarez, Chief Financial Officer and Vice President for Finance & Administration
Mr. Irvin Clark, Interim Vice President of Student Affairs
Mr. Chad Reed, Associate Vice President for Budget & Financial Planning
Ms. Stephanie Jennelle, Associate Vice President for Finance & University Controller
Mr. Jorge Coartney, Executive Director of Facilities Management
Mr. Mike Biscotte, Director of Capital Planning & Construction
Ms. Margaret McManus, University Auditor
Mr. Erik Lovik, Director of Institutional Research, Reporting & Assessment
Mr. Damien Allen, Reporting Manager of Institutional Research, Reporting & Assessment
Mr. Don Bowman, Public Relations Writer
Ms. Pam Fitchett, Administrative Assistant
Ms. Mary Weeks, Secretary to the Board of Visitors/Senior Assistant to the President

CALL TO ORDER

Ms. Mary Ann Hovis, Chair, formally called the meeting to order at 8:30 a.m. in the President's Conference Room, Martin Hall, Radford, Virginia.

APPROVAL OF AGENDA

Ms. Hovis requested a motion to approve the November 10, 2016 meeting agenda. Dr. Deb McMahon so moved, and Mr. Robert Archer seconded the motion. The agenda was approved unanimously as published.

APPROVAL OF MINUTES

Ms. Hovis requested a motion to approve the minutes of the September 15, 2016 meeting of the Business Affairs & Audit Committee. Dr. Deb McMahon so moved and Mr. Robert Archer seconded the motion. The minutes were approved unanimously as published. Available online at: <https://www.radford.edu/content/bov/home/meetings/minutes.html>

REPORTS

- University Auditor's Report - Ms. Margaret McManus, University Auditor, presented a follow-up audit status report, which outlined the actions related to the Auditor of Public Account's business issues identified with financial aid in the 2015 institutional audit. She reported that all of the items identified have planned actions and are being addressed appropriately. She made reference to the report, which is attached hereto as **Attachment A** and is made a part hereof. Ms. McManus also informed the committee that she has completed her quarterly report, which ended September 30, 2016, of the University Discretionary Fund. All expenditures were found in compliance with the Fund's guidelines.
- Capital Projects Update - Mr. Richard Alvarez, Chief Financial Officer and Vice President for Finance & Administration, presented an update of current capital projects that included the Whitt Hall Renovation and the renovation of Reed and Curie Halls. He noted the current construction of a parking lot and green space next to Dalton Hall. A copy of the Capital Projects Update is attached hereto as **Attachment B** and made a part hereof.
- JLARC Recommendations - Mr. Alvarez provided an update of the Joint Legislative Audit and Review Commission (JLARC) recommendations adopted by the General Assembly. In total, there were eight recommendations from JLARC, which were included in the Acts of Assembly and require University action. The University has appropriately addressed each of the eight recommendations. A discussion on the results of the CENSEO study was requested. Mr. Alvarez reported that the findings included: Facilities centralization is very cost efficient and many of our processes are efficient. We need to automate some processes (i.e. travel requests personal actions and grants administration) in order to create additional efficiencies. Ms. Hovis requested that committee members access the Radford University portal application site to see how potential parents or students receive information regarding fees. A copy of the recommendations and action handling is attached hereto as **Attachment C** and made a part hereof.

OTHER BUSINESS

- Commonwealth of Virginia Budget Update – Mr. Alvarez presented a summary of potential General Fund reductions that could impact the institution in the FY2017-18 year. Tentatively, based on current information from Governor McAuliffe's Office, the University is planning for a 7.5 percent reduction in E&G general fund operating support. To address the possible reduction, the Vice Presidents are preparing savings strategies of 5 percent of their total E&G

operating budgets. The Board will be updated again in February once additional information is known. Summary handout *Attachment D*.

ACTION ITEM

There were no action items.

ADJOURNMENT

With no further business to come before the Committee, Ms. Hovis, Chair, adjourned the meeting at 9:12 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "MWeeks".

Mary Weeks
Secretary to the Board of Visitors/Senior Assistant to the President

**RADFORD UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES
FOLLOW-UP AUDIT STATUS REPORT
BUSINESS AFFAIRS AND AUDIT COMMITTEE
NOVEMBER 2016
DRAFT**

ATTACHMENT A

Audit: Auditor of Public Accounts – FY 2015				
	Business Issue	Planned Action	Action Date	Status
2.0	<p>The University did not include all required components in the reconciliation of accounting records for Direct Loan and Pell financial aid awards. Specifically, there is no reconciliation being performed between the financial aid and accounts receivable modules within their ERP system. Additionally, for Direct Loans, the Financial Aid Office did not reconcile the ending cash balance on the monthly School Account Statements to the University's financial records. The Financial Aid and Student Accounts Offices did not coordinate their efforts to ensure the reports were properly reconciled.</p> <p>As described in the Federal Student Financial Aid requirements, internal reconciliations are performed to compare the business office records to financial aid office records for aid awarded to students. Also, in accordance with 34 CFR §685.300(b)(5), on a monthly basis, institutions must reconcile institutional records with Direct Loan funds from the Secretary of Education (Secretary) and Direct Loan disbursement records submitted to and accepted by the Secretary. This reconciliation must include the ending cash balance that represents the difference between the new drawdowns/payments and the actual disbursement information accepted by the Common Origination and Disbursements system.</p>	<p>Previously, the Financial Aid and Student Accounts Offices prepared monthly reconciliations between their respective financial records and outside systems, such as the Common Origination and Disbursement (COD) system and the Department of Education's Grant Management System (G5). These offices understand the synergy needed to ensure all required reconciliation elements are included.</p> <p>The two offices have met on multiple occasions and created a comprehensive shared desk procedure and reconciliation template that bridges their individual reconciliations into a comprehensive reconciliation review. The procedures outline the process that will be conducted, the timeline in which it will be performed, and the responsible parties.</p>	September 30, 2016	Complete
3.0	<p>The University delayed up to five days before identifying two out of 14 (14 percent) students tested who unofficially withdrew from courses during the Fall 2014 semester. This was a result of a position vacancy.</p>	<p>The University strives to comply with the federal requirement that all determinations as to whether a student will be considered an</p>	September 30, 2016 Revised to March 31, 2017	In Process

**RADFORD UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES
FOLLOW-UP AUDIT STATUS REPORT
BUSINESS AFFAIRS AND AUDIT COMMITTEE
NOVEMBER 2016
DRAFT**

Audit: Auditor of Public Accounts – FY 2015				
	Business Issue	Planned Action	Action Date	Status
	<p>The Financial Aid Office did not routinely review for unofficial withdrawals for the Summer semester.</p> <p>Code of Federal Regulations, 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. All calculations of Title IV funds are required to be completed within 30 days of semester end, and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.</p>	<p>Unofficial withdrawal must be made within 30 days of the last day of the enrollment period. Although that deadline was missed for two students during the Fall 2014 semester due to a position vacancy, the calculation and return of funds for those students were made timely and in compliance with federal regulations.</p> <p>The Financial Aid Office has improved processes and procedures to ensure that reviews are done for unofficial withdrawals for Summer terms. The procedures, which include details that are term-specific, outline the process that will be conducted, the timeline in which it will be performed, and the responsible parties (to include backups).</p>		

**RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
November 10, 2016**

**Information Item
Capital Projects Update**

Item:

Facilities Planning and Construction update on capital projects.

Background:

Currently, the University has four active capital projects in progress. Following is an update and project summary for each:

1. New Academic Building – College of Humanities & Behavioral Sciences

Project Budget-----	\$48,429,305 State Pooled Bond
Architect/Engineer Firm-----	Moseley Architects Virginia Beach, VA
Construction Manager-----	S.B. Ballard Virginia Beach, VA

The new College of Humanities & Behavioral Sciences academic building, which broke ground in August 2014, opened to classes for fall semester 2016. This facility provides academic space consisting of classrooms, offices, laboratories, and student/faculty collaborative areas. Among the departments of the college that will be accommodated in the new building are: Communications, Criminal Justice, Psychology, Sociology, Political Science, English, Foreign Language, History, Philosophy & Religious Studies, and the Office of the Dean. Notable features of the building include a vivarium, TV studios, an Emergency Operations Center simulation room, and a mock-trial room.

The project budget is \$48,429,305 (less equipment) and the building size is 143,600 square feet. A Guaranteed Maximum Price (GMP) contract was awarded to S. B. Ballard, the construction manager, in the amount of \$40,040,993.

Final punch list items are ongoing, and specific equipment installation in the TV Studio and the Vivarium are being finalized.

2. Renovate Residence Halls Umbrella Project

Project Budget-----	\$36,000,000 9c Bond
Architect/Engineer Firm (Phase 1) -----	VMDO Charlottesville, VA
Contractor (Phase 1) -----	G&H Contracting Salem, VA
Architect/Engineer Firm (Phase 2) -----	Waller, Todd, Sadler Virginia Beach, VA
Contractor (Phase 2) -----	G&H Contracting Salem, VA

Phase 1 of the residence hall renovations umbrella project, including Pocahontas, Bolling, Draper, and the chilled water loop, will be funded through a \$36,000,000 blanket renovations authorization.

The three-building renovation scope provides for the replacement of plumbing piping, fixtures, fire alarm systems, electrical upgrades, accessibility improvements, asbestos abatement, and the addition of air conditioning and a fire-suppression system in each building, similar to the renovation scopes recently completed for Madison, Jefferson, Moffett, and Washington Halls.

In addition to the above project scopes, a multi-level lounge space is included in each building that allows open visibility from the building lobby area to a lower-level lounge. This transforming feature will give vibrant new life to these buildings built in the 1950s.

The project is broken into three pieces: chilled water loop installation, Bolling and Pocahontas renovation, and Draper renovation. A contract in the amount of \$16,667,000 was awarded to G&H Contracting for the renovation portion of the three residence halls.

The chilled water loop that serves the five Moffett Quad residence halls and Peters Hall is complete and functioning. The cooling tower at Moffett Hall will provide all of the winter needs for these facilities without the use of energy-consuming mechanical cooling. Pocahontas Hall and Bolling Hall renovations achieved occupancy for students for Fall 2015 semester, and Draper Hall achieved occupancy for students for Fall 2016 semester.

Phase 2 of the residence hall renovations project includes the upgrade of life safety systems for Muse Hall. The remaining balance on the umbrella capital project will be used to address

the most critical infrastructure needs of Muse Hall, such as a new fire alarm system, new lightning protection system, replacement or refurbishment of all seven elevators, and upgrades to exit stairways.

The project was broken into an early demolition and electrical service package, which was awarded to G&H in May and completed in August, and a complete package, also awarded to G&H in September and scheduled for completion for August 2017 move-in. The total of both awards is \$6,661,109.

3. Whitt Hall Renovation

Project Budget-----	\$8,933,000 State Pooled Bond
Architect/Engineer Firm-----	Clark-Nexsen Roanoke/Norfolk, VA
Contractor -----	G&H Contracting Salem, VA

The renovation project for Whitt Hall will provide for complete interior renovation, including new mechanical, electrical, and plumbing equipment. The windows, which are in poor thermal condition, will be replaced with multi-life sashes, returning the building to its original character.

The University undertook an intensive building envelope study to evaluate any hidden façade and infiltration issues. The study reviewed portions of the building’s brick veneer, slate shingles, and wood trim. The study identified areas needing intensive repair/replacement, and these items have been incorporated into the project scope.

The project was awarded to G&H in early July, with a contract value of \$5,173,959. Installation is complete on the construction access road/laydown area, and demolition activities are nearly complete. Brick and mortar samples have been approved, along with many other items of work. Exterior brick repointing is approximately halfway complete. Interior wall construction, piping, ductwork, and electrical infrastructure are all underway.

Construction is scheduled for completion in June 2017.

4. Reed-Curie Renovation

Project Budget (Detailed Planning only)-----	\$1,872,000
Architect/Engineer Firm-----	Cannon Design

The Reed-Curie renovation project was approved in the spring 2016 state bond package, as described in the RU six-year capital plan submission to the state. The project will completely renovate the existing science buildings to complement the recent addition of the Center for the Sciences, ultimately providing an overall state-of-the-art facility for all of RU's science departments.

Initial pre-programming studies have been performed to confirm overall program and needs, along with utility location studies in the area of the buildings and hazardous materials investigations. The Environmental Impact Report has been approved by DEQ.

AE qualifications packages were received, short-list interviews were held, and Cannon Design has been notified of their selection. The state has provided notification of approval of funding for detailed planning for the project, and the AE is underway with initial mobilization and programming.

CM-at-Risk construction delivery method approval has been obtained from BCOM, and a Request for Qualifications was advertised on October 23, 2016. CM award is targeted for spring 2017, with construction starting in summer 2017 and completion in December 2019.

Action:

None; informational only.

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
November 10, 2016

Information Item
Update on JLARC Recommendations

Item:

Update on the Joint Legislative Audit and Review Commission recommendations adopted by the General Assembly requiring board review.

Background:

The Joint Legislative Audit and Review Commission (JLARC) was charged in 2012 to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of education. A total of five reports were released from June 2013 through November 2014 and included over 30 recommendations for legislative deliberation. Eight of the recommendations related to Board of Visitors considerations and ultimately were included in the appropriations act for University action.

Specifically, the recommendations are contained within § 4-9.04 of Chapter 780 of the 2016 Virginia Acts of Assembly and state:

§ 4-9.04 IMPLEMENT JLARC RECOMMENDATIONS

a. The Boards of Visitors at each Virginia public four-year higher education institution, to the extent practicable, shall:

- 1. Require their institutions to clearly list the amount of the athletic fee on their website's tuition and fees information page. The page should include a link to the State Council of Higher Education for Virginia's tuition and fee information. The boards should consider requiring institutions to list the major components of all mandatory fees, including the portion attributable to athletics, on a separate page attached to student invoices;*
- 2. Assess the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises to reduce reliance on mandatory student fees. The assessments should address the feasibility and impact of raising additional revenue through charging for specialized programs and services, expanding membership, and/or charging all users of recreation facilities;*
- 3. Direct staff to perform a comprehensive review of the institution's organizational structure, including an analysis of spans of control and a review of staff activities and workload, and identify opportunities to streamline the organizational structure. Boards should further direct staff to implement the recommendations of the review to streamline their organizational structures where possible;*

- 4. Require periodic reports on average and median spans of control and the number of supervisors with six or fewer direct reports;*
- 5. Direct staff to revise human resource policies to eliminate unnecessary supervisory positions by developing standards that establish and promote broader spans of control. The new policies and standards should (i) set an overall target span of control for the institution, (ii) set a minimum number of direct reports per supervisor, with guidelines for exceptions, (iii) define the circumstances that necessitate the use of a supervisory position, (iv) prohibit the establishment of supervisory positions for the purpose of recruiting or retaining employees, and (v) establish a periodic review of departments where spans of control are unusually narrow; and,*
- 6. Direct institution staff to set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts;*
- 7. Consider directing institution staff to provide an annual report on all institutional purchases, including small purchases, that are exceptions to the institutional policies for standardizing purchases*
- 8. Participate in national faculty teaching load assessments by discipline and faculty type.*

In order to address the JLARC cost efficiency recommendations, the University initially engaged a consultant, Censeo, during the 2015-16 fiscal year. This initial engagement was designed to serve as a broad scale 'Administrative Assessment' to examine all administrative areas across the institution. The report, which was recently finalized, identifies many high-performing areas, as well as opportunities for improvement.

The report concluded Radford University's administration is exceptionally lean as a result of being well-managed and highly-centralized, utilizing state-of-the art systems and having forward-thinking initiatives. It was noted that the University actively manages its limited-scale organizational structure for efficiency by being highly-centralized and effectively using third-party providers. By being highly-centralized, the University is able to reduce redundancy and cost. The University dedicates less funding per student to operations than benchmark institutions and has focused new expenditures on instruction rather than operations. The report also spoke to how the University seeks out opportunities to implement and update systems and has taken steps to improve certain processes. It was also noted that the University pursues forward-looking strategic initiatives that can improve overall financial health by reducing costs and increasing revenue.

Opportunities for improvement include: reducing the number of approval steps and delegating down approval authority for daily decisions. Many processes require an abundance of approvals,

many of them by very senior administrators. Streamlining the approval processes will increase efficiency and improve the customer experience. Strong management and compliance-oriented processes can cause a large share of work to be devoted to lower-value tasks and above-average staffing in some areas. Examples cited of lower-value work include: approvals for travel, limited automation of human resources workflow and extensive use of paper forms that create administrative work, and the number of approvals required for higher-value purchases. Additional recommendations were made regarding spans and layers, which are described below in conjunction with the corresponding JLARC recommendation.

The University has addressed the recommendations within Chapter 780 as stated below.

Recommendation One:

Require their institutions to clearly list the amount of the athletic fee on their website's tuition and fees information page. The page should include a link to the State Council of Higher Education for Virginia's tuition and fee information. The boards should consider requiring institutions to list the major components of all mandatory fees, including the portion attributable to athletics, on a separate page attached to student invoices;

- The amount of the Athletic fee is clearly listed on the University's tuition and fees information page along with all of the other components of the comprehensive fee. The comprehensive fee information can be found at:
<https://www.radford.edu/content/student-accounts/home/accounts/tuition/CompFeeDist1617.html>
- A link to the State Council of Higher Education for Virginia's tuition and fee information has been provided on the University's tuition and fees information page. The link can be found at:
<https://www.radford.edu/content/student-accounts/home/accounts/tuition.html>
- Last, as student invoices are processed electronically, a link to the comprehensive fee breakout has been added to the student invoice to provide additional transparency with regard to mandatory student fees. The link which is also provided above can be found at:
<https://www.radford.edu/content/student-accounts/home/accounts/tuition/CompFeeDist1617.html>

Recommendation Two:

Assess the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises to reduce reliance on mandatory student fees. The assessments should address the feasibility and impact of raising additional revenue through charging for specialized programs and services, expanding membership, and/or charging all users of recreation facilities;

- The University has expanded access to the new Student Recreation and Wellness Center to faculty and staff for a fee equivalent to the student charge. This pilot program which began in spring 2016 will run through May 2017 at which time the viability of the program will be assessed.
- Several other user fees were also added during spring 2016 to support student recreation services and include; recreational field rental fees, wellness service fees, the addition of summer youth camps, student activity classes, and locker and towel rental charges. These activities will be monitored over the 2016-17 fiscal year and their impact will be assessed after a full year of implementation.

Recommendation Three:

Direct staff to perform a comprehensive review of the institution's organizational structure, including an analysis of spans of control and a review of staff activities and workload, and identify opportunities to streamline the organizational structure. Boards should further direct staff to implement the recommendations of the review to streamline their organizational structures where possible;

- The initial administrative assessment conducted by Censeo determined the average span of control of the institution to be 3.5 employees.
- The University re-engaged the consultants for a more tailored 'Spans and Layers Assessment'.
- Between the original assessment and the start of the in-depth analysis, the University increased the average span by 0.3, resulted in a current average span of 3.8.
- The University will continue to review the recommendations of the spans and layers assessment and implement suggestions as appropriate.

Recommendation Four:

Require periodic reports on average and median spans of control and the number of supervisors with six or fewer direct reports;

- The spans and layers assessment provided the framework for the construction of periodic reports which will be used to monitor spans of control across the institution.

Recommendation Five:

Direct staff to revise human resource policies to eliminate unnecessary supervisory positions by developing standards that establish and promote broader spans of control. The new policies and standards should (i) set an overall target span of control for the institution, (ii) set a minimum number of direct reports per supervisor, with guidelines for exceptions, (iii) define the circumstances that necessitate the use of a supervisory position, (iv) prohibit the establishment of supervisory positions for the purpose of recruiting or retaining employees, and (v) establish a periodic review of departments where spans of control are unusually narrow; and,

- Human Resource policies will be updated to develop standards related to spans of control based on the recommendations provided in the spans and layer assessment, as appropriate.

Recommendation Six:

Direct institution staff to set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts;

- The University continually strives to maximize the standardization of commonly procured goods through the utilization of institution-wide contracts. Moreover, the University is a member of both the Virginia Association of State College and University Purchasing Professionals (VASCUPP) and Virginia Higher Education Procurement Cooperative (VHEPC). Through these memberships the University continues to utilize collaborative and cooperative contracts which leverage the combined resources and buying power of public institutions of higher education across the state. This practice ensures the University is receiving the best possible price for commonly procured goods from negotiated contracts.
- As an example in fiscal year 2015-16, the University implemented a VHEPC contract with Granger and Ferguson for the purchase of maintenance, repair, and operational supplies for the Facilities Management. In fiscal year 2016-2017, the University will implement institution-wide VHEPC cooperative contracts for office supplies, vehicle rental services, and lab supplies.
- The University policy for the procurement of goods and services has been updated to both recognize and ensure the continued support of cooperative and collaborative contracts which leverage combined resources and buying power.

Recommendation Seven:

Consider directing institution staff to provide an annual report on all institutional purchases, including small purchases, that are exceptions to the institutional policies for standardizing purchases.

- The University is committed to strategic vendor management thru the use of cooperative contracts maximizes standardization by reducing the number of sources available for purchases.
- University staff have created processes to capture exceptions to institutional policies for the standardization of purchases. Annually, the output of these processes will be reviewed by the Associate Vice President for Finance and University Controller to determine where further standardization may occur.
- Purchase requests that are currently reviewed for standardization include:
 - Information Technology purchases for equipment, software, and services;
 - Apparel
 - Food, beverages and catering services
 - Furniture

Recommendation Eight:

Participate in national faculty teaching load assessments by discipline and faculty type.

- The JLARC work related to academic workload asserts that the University of Delaware's National Study of Instructional Costs and Productivity, known as the Delaware Study, provides one of the most accepted methodologies for measuring faculty teaching loads. The University has participated in the Delaware Study routinely since the late 1990s.

Action:

None; informational only.

D

2017-18 Anticipated General Fund Reductions
Educational & General (E&G)

2017-18 E&G General Fund (GF) Appropriation	\$50,504,416
Tentative 7.5% General Fund Reduction	(3,787,831)
VRS Payment Recovery	(517,096) *
Interest Earnings & Credit Card Rebate	(180,000) *
Anticipated General Fund Reductions	(\$4,484,927)
2017-18 Projected Adjusted E&G General Fund	\$46,019,489

E&G Savings Strategy Target

	2017-18 Adj. Budget	5.0% of Total
Total Divisional Budgets	\$95,110,539	(\$4,755,527)

Notes:

- The Governor has requested institutions of higher education plan for a 7.5% reduction in E&G General Fund operating support but final reductions will not be known for some time.
 - The Governor will release his official budget recommendations on Friday, December 16, 2016.
 - The 2017 General Assembly session convenes on Wednesday, January 11, 2017.
- In order to initiate planning for a possible 7.5% reduction in GF support all of the University's operating divisions will be requested to prepare savings strategy plans totaling 5% of their respective total E&G budget.
- (*) The amounts associated with the VRS payment recovery and the loss of interest earnings and the credit card rebate will also be reduced in the current fiscal year 2016-17. This will largely be addressed in the current year by the \$514,601 that was budgeted to cover the 3% employee salary increase that has been canceled.