



BOARD OF TRUSTEES

Finance and Capital Assets Committee Minutes

President's Boardroom, Horace Mann Center
October 12, 2017

Board of Trustees committee members in attendance: Committee Chair Queenin, Vice Chair Sullivan, Secretary Hagan, Trustees Marcus, Martin and Swan.

Trustee guests present: Trustees Magovern, Hill and Slakey.

Dr. Ramon S. Torrecilha, President of Westfield State University, was also present.

The meeting was called to order by Committee Chair Queenin at 9:42 AM.

Committee Chair Queenin moved forward to agenda item Approval of Minutes and asked for a Motion.

MOTION was made by Trustee Hagan and seconded by Trustee Sullivan to approve the minutes of the June 15, 2017 meeting. There being no discussion, Trustee Swan abstained from voting and the **Motion passed unanimously.**

Committee Chair Queenin welcomed Lisa Freeman, Associate Vice President of Administration and Finance, to the table. Ms. Freeman explained that the travel expenses of the President and the President's direct reports were being provided as the required second semi-annual report to the board. Chair Marcus stated that he is in direct communication with the President's office on the approval of the President's travel.

Ms. Freeman continued that the fiscal year-end Fixed Assets Inventory was being provided as required by the policy. There are currently 5,400 capitalized fixed assets on the books. The number increased by 16 percent in 2017 due to the completion of large capital projects such as the Nettie M. Stevens Science and Innovation Center and Catherine Dower Center for Performing and Fine Arts. Many improvements have been made to the process of inventory tracking but work continues on developing alternate methods of training staff as well as networking with other state and community colleges to develop best practices and a tight process. The report was sorted to view the highest valued items to the lowest value. It was discussed whether the board needed to see the entire report at future meetings, or whether the inventory could be seen on a secure site provided to the Trustees. The policy will need to be modified to accommodate this change.

The next agenda item, FY17 Dining Services Dashboard, was presented by Stephen Taksar, Vice President of Administration and Finance, who stated the format had been changed to present an easier

mechanism to view progress, but that it still included the six metrics previously presented. The targets were obtained from industry benchmarks and the health and wellness scale consists of the types of foods offered, relationships with local vendors, and the percentage of healthy foods to all foods offered. It was stated that the dashboard is clear, concise and to the point and provides important information on this operating facility in the institution. It was requested that the dashboard be provided to the Trustees once or twice per year.

Committee Chair Queenin continued to the next agenda item, Information Technology Consultant. Vice President Taksar stated that the consultant has been working for the last four to five months evaluating gaps in technology on campus and understanding what opportunities exist in technology that we are not taking advantage of to move the institution forward. The consultant's report/recommendations will be discussed with the administration and the document will be finalized this semester, hopefully before the completion of the strategic plan.

Committee Chair Queenin stated that the draft Committee Charter had been provided to the Trustees and that any comments or suggestions on that draft should be given to Trustee Queenin before October 27.

The meeting continued to the next agenda item, FY19 Budget Planning Parameters and Timeline, and President Torrecilha brought the preliminary budget for FY19 for discussion. He stated that we care about being an institution that is accessible to students, but accessibility without success is nothing. We also need to keep an eye on the total cost of attendance which needs to be part of the discussions in the FY19 budget. Our priorities of implementing the strategic plan and college structure will take major financial support. We also need to invest in student success through enrollment management, increasing staff levels and investing in Information Technology. Vice President Taksar stated those goals will begin to be implemented using the FY19 Planning Assumptions presented, so it is important to raise any questions or concerns with the assumptions now. No concerns or objections to the FY19 planning assumptions were discussed or identified by the committee. A preliminary budget will be presented in April with final approval needed in June 2018. Simultaneous planning includes a 5-year budget plan to be revealed during the year which will also be important for the strategic planning process.

The campus is requesting approval of FY19 fees in February to ensure financial aid can be packaged on approved cost of attendance. Debt service schedules for residence halls are significant and will be increasing over the next several years. The cost of attendance is in the middle of the pack or a little lower than average with other 4-year state institutions. Worcester State is discounting their fees by up to 50% to out-of-state residents. We do not have a different fee structure for out-of-state students and our tuition is determined by the Commonwealth of Massachusetts.

The next agenda item, Athletic Field, Turf and Track Replacement, was discussed. Vice President Taksar stated that as a result of working with an architect and the Massachusetts State College Building Authority (MSCBA) for the last six months, a study was completed, a cost estimate done, and a plan is being presented to replace the athletic field and track. The goal is to begin the project after graduation and have it completed by the first week in August, but funding is needed by December. Dick Lenfest, Director of Athletics, stated that the current turf and track is twelve years old and the warranty is eight years. The turf is starting to degrade due to the sun. The track also needs replacement as it is at the lower percentage of its resiliency. The process of replacing the turf now would be the best fiscal choice for the university since the base is still in good shape. The replacement also has an enhancement to place a pad under the turf to help minimize concussions. The warranty of the pad will last through two

lifecycles of turf. Both the turf and the track see a great deal of use by more than eight teams, a robust intramural program, and members of the western Massachusetts and Westfield community, which creates good civic relations. Our facilities are also used for recruitment and hosting interscholastic championships.

Vice President Taksar stated that the funding that makes the most sense is using \$2 million in cash from the university's reserves. The cost estimate identifies these projects, together with some alternates, which includes repairing the indoor track. The difference between using reserves instead of incurring debt was discussed. Debt would increase the cost to \$2.4 million due to the interest being paid, which would be passed on as a fee to students and would have to be carried in the budget. This one-time, non-recurring expense would be a strategic use of reserves to keep costs down and minimize fees to students.

MOTION was made by Trustee Sullivan, seconded by Trustee Hagan, to approve the Athletic Turf Field and Track Replacement Project as proposed in the *Executive Summary* and *Preliminary Opinion of Probable Total Project Cost* and to approve the use of \$2,000,000 in unrestricted net position (reserves) this year, as recommended by campus leadership. **There being no further discussion, the Motion passed unanimously.**

Committee Chair Queenin moved to the next agenda item, Parenzo Hall, Project Approval. Vice President Taksar stated we have a unique opportunity to resolve a major deferred maintenance project at Parenzo Hall. The Division of Capital Asset Management and Maintenance (DCAMM) is developing a new "strategic framework" for capital projects. We have the opportunity to submit the Parenzo renovation project as a high-priority capital project costing approximately \$40 million, with a plan to receive half of the funding (\$20 million) from the state. The recommendation is to use university cash reserves as a match toward receiving fifty cents on the dollar from the state in order to make this project a reality. The state is not funding new buildings; they are only interested in funding renovations and deferred maintenance. Most state institutions will be competing for this state funding, and our approach is to create a compelling and creative approach for Parenzo Hall which distinguishes us from other institutions. President Torrecilha has talked with the presidents of the community colleges, the superintendents of school districts, and the local chambers of commerce and will be receiving letters from them in support of this project as a collaborative to use Parenzo as a center for education and industry partnerships to be responsive to workforce development, a requirement by the state.

Vice President Taksar added that the goal is to seek approval for this plan relative to Parenzo being a priority. If the state doesn't provide half of the funding, there will be a need to create a Plan B for the building. The university has made a higher than average annual investment in Parenzo in relation to the other buildings on campus. Any building valued at 50% or less of the net asset value is a major problem. Net asset value of Parenzo is -1%, meaning the deferred maintenance is greater than the value of the building. The goal is to have all buildings on campus analyzed this way to determine the relative value of deferred maintenance, building by building. The Parenzo project would be a total gut rehab, keeping the footprint and shell. A detailed design would begin after the project was approved by the state. The building is not currently being used in an efficient way and it is also out of compliance with ADA. The building is named after Anthony Parenzo, a university president and former state representative who brought the university from downtown to the present location in 1956. It was discussed that there could be possible internal building naming opportunities.

Committee Chair Queenin left the meeting at 10:37 AM and Vice Chair Sullivan took over meeting.

Committee Chair Queenin returned at 10:38 AM and resumed as Chair.

If the university financed the \$20 million, it would add more stress to the operating budget, resulting in higher annual debt service, which is not an option. The university's cash reserves have accumulated over the past twenty years because the campus has been good at living within its means. The use of cash for a capital investment makes good sense, but using it to supplement the operating budget does not. If we use the cash reserves for this project, there would still be approximately \$35 to \$40 million left in the bank, which would still be available in an emergency. Moving forward, there is a need to think about a change in investment policy. After reserving some funds for working capital, the other funds need to be strategically invested in conservative financial investments.

Vice President Taksar stated that once we are allocated the state pension liability in FY18, we will be in the negative at the end of next year with respect to calculating unrestricted net position. The Commonwealth is requiring state institutions to pick up a proportional share of pension liabilities, but it is a state liability, not a university liability. It is truly just an accounting allocation where the state transfers that obligation to us as a liability, but we will not be responsible for the direct cost of funding it.

Vice President Taksar noted that it is also important to recognize that if the Parenzo project is approved, some of our financial ratios are going to shift and will not be positive. The unrestricted net position will be negative. There will still be a healthy cash reserve as in the past, but the financial statements and ratios won't look as good. It should be known by May if the project is approved by DCAMM.

MOTION was made by Trustee Hagan, seconded by Trustee Marcus, to approve the Parenzo Hall Renovation Project as a critical capital project for the campus, consistent with the 2007 Campus Master Plan. Total project cost is estimated to be \$40,000,000. Half of the funding for the project will be provided by the Commonwealth of Massachusetts through the new strategic framework process for major capital projects and the other half or \$20,000,000 from the campus using accumulated cash reserves beginning in FY19. The project, as currently conceived, would only proceed if the state fully funded \$20,000,000. **There being no further discussion, the Motion passed unanimously.**

Trustees Martin, Hagan and Sullivan left the meeting at 10:56 AM. Trustee Magovern left the meeting at 10:57 AM. Trustee Martin returned at 10:58 AM.

Committee Chair Queenin brought forward the Travel Policy and invited Chris Raymond, Director of Procurement and Administrative Services, to the table. Mr. Raymond stated that a cross cultural team reviewed the travel policy and the process. The team was charged to improve the standard to provide to the campus community while still having prudent practices and follow state regulations. They developed recommendations for revisions to separate the policy from the procedures, which resulted in two separate documents being presented. This will enable more efficiency and reduce the bottlenecks. Trustee Swan noted that it would be good to have a student representative on the working group in the future.

A quorum still being present, **MOTION** was made by Trustee Marcus, seconded by Trustee Swan, to approve and adopt the updated Westfield State University policy on Travel (0390), as presented. **There being no further discussion, the vote was called and was**

unanimous with the exception of Trustees Hagan and Sullivan, who were not in the room at the time of the vote.

There being no further business, Committee Chair Queenin asked for a Motion to adjourn.

MOTION was made by Trustee Marcus, seconded by Trustee Swan, to adjourn. **Motion passed unanimously.**

The meeting was adjourned at 11:01 AM.

Attachments presented at this meeting:

- a. Minutes of June 15, 2017 Meeting
- b. Travel Expenses of the President and the President's Direct Reports
- c. Fixed Assets Inventory Progress Report (Executive Summary)
- d. Fixed Assets Inventory Progress Report (Assets List)
- e. FY17 Dining Services Dashboard (Metrics)
- f. Committee Charter
- g. FY19 Budget Planning Parameters and Board of Trustees Timeline (Assumptions and Timeline)
- h. Motion – Athletic Field, Turf and Track Replacement
- i. Athletic Field, Turf and Track Replacement (Executive Summary)
- j. Athletic Field, Turf and Track Replacement (Activitas Design Summary)
- k. Motion – Parenzo Hall, Project Approval
- l. Parenzo Hall, Project Approval (Executive Summary)
- m. Parenzo Hall, Project Approval (Sightlines)
- n. Parenzo Hall, Project Approval (Total Cash Balances)
- o. Motion – Travel Policy (0390)
- p. Policy – Travel 0390 (Executive Summary)
- q. Policy – Travel 0390 (Final)
- r. Policy – Travel 0390 (Procedures)
- s. Policy – Travel 0390 (Revised)