BOARD OF TRUSTEES
Finance and Capital Assets Committee
Minutes

President’s Boardroom, Horace Mann Center
December 5, 2018

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

Excused absence: Secretary Martin and Trustee Marcus.

Trustee guests present: Trustees Hill and Magovern.

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

The meeting was called to order at 9:36 AM by Committee Chair Sullivan, who then asked for a motion to approve the minutes of the October 9, 2018 meeting.

**MOTION** was made by Trustee Swan, seconded by Trustee Sullivan, to approve the minutes of the October 9, 2018 meeting. **Motion passed unanimously.**

Committee Chair Sullivan welcomed Dr. Jalisa Williams, assistant vice president of Human Resources, who shared information on the revisions made by the Board of Higher Education (BHE) to the Equal Opportunity, Diversity and Affirmative Action Plan (Policy 2170). The revised policy was brought to the committee so that it would be aware of the changes made by the BHE. The Department of Education recommended a recent proposal for changes that would allow live hearings. The proposal will likely come before the board at a later date, but will require no action.

Lisa Freeman, associate vice president for Administration and Finance, came to the table and brought forth the FY19 first quarter financial report, noting the following:

- Figures were lower for Dining Services as the number of students on each meal plan did not meet expectations.
- The College of Graduate and Continuing Education (CGCE) was above budget by 5.4%.
- Total revenue was below budget by 1.8% because of lower enrollment, housing occupancy and dining revenue.
- Expenses were trending below expected figures for the first quarter by 8.8%. Preparations are being made to pay the APA retroactive salary increase of $300,000 in the next pay period.
- There is a net surplus of $2 million favorable to the budget due to lagging expenses in timing issues.
- There is a projected revenue shortfall of $1.1 million in Residential Life with a significant decline in occupancy.
• Enrollment is now starting to have a material effect on operations. The drop in the number of students living on campus affects Residential Life and Dining Services.
• There was an unexpected increase of $948,000 in the State base appropriation, which may offset the expected shortfall.

The annual Report on Status of University Debt, which shows a total debt service of $33.8 million through 2044, was reviewed and discussed. The section of the report showing the residence hall debt of $116.7 million is not disclosed on our books. Page two of the report shows the ratios both with the financial statements numbers adjusted by GASB for pension and OPEB and without them. Vice President Taksar stated that state university CFOs are working on strategies for a modified composite financial index (CFI). A ten-year timeline was provided showing ratios with and without the pension and OPEB impact. A solid financial performance in the ratios for the CFI index is shown with the GASB figures, but it doesn’t make any sense as a financial sustainability index. Without the OPEB and pension liability included, we are still within our targets.

Vice President Taksar brought forth the next three agenda items.

• The Security Camera Authorization and Use Policy (0640) has been reviewed pursuant to the Board’s request at the policy’s approval last year. After discussions with public safety and the Student Government Association (SGA) executive board, the recommendation is that it does not need to be revised, other than shifting it from an administrative policy to a public safety policy.
• The Parenzo primer was presented on November 7, 2018 with a large group in attendance. Multiple working groups have been formed on campus for feedback on the renovation. The University and the Division of Capital Asset Management and Maintenance (DCAMM) will review request for proposals (RFPs) for proposed architects and discuss the feedback with the state’s Designer Selection Board (DSB). A space utilization study has been started to examine moving classes from Mod Hall to Parenzo Hall as the Mod Hall lease ends in 2021. Since we have lower occupancy rates we may be able to use vacant space and take Lammers Hall or Scanlon Hall offline to use as “swing space” to occupy Parenzo offices during construction. Student populations are going to continue to decline over the next six-to-seven years and then it is expected to level off.
• Trustee Hill entered the meeting at 10:07 AM.
• The FY20 Budget Planning Scenarios were created after the planning assumptions had been adopted at the last meeting. The scenarios allocate $1 million toward funding the priorities in the Strategic Plan. A fiscal challenge in FY21 is still being anticipated due to lower enrollment. The campus is recommending Model D, which would result in a 3.1% increase in cost of attendance; half of what it was last year. Residence Life predicts a deficit and will need to dip into reserves. CGCE assumed a flat line budget with no increase in net contribution to the University, but plans are being made to reinvest funds into that program, per the Strategic Plan. Plans are underway to connect the Strategic Plan with the budget. Action plans are being priced out to meet strategies and priorities, which will eliminate broad budget requests from divisions. There was no objection from the Board, so the plan is to move forward with Model D. Chair Queenin requested to receive an update at the February meeting on the funding allocations.

Chair Queenin gave an update on the Investment Subcommittee and stated there have been two very productive meetings. Vice President Taksar and his team are reviewing investment advisor proposals and will identify finalists, do interviews and make a selection early next year with the goal of having an investment strategy approach to garner more income for the University, which has
been added into the budget assumptions. Trustees Queenin, Marcus and Swan are members of the subcommittee, together with ad hoc members Mr. Sheridan Carey and Mr. John Davies, who are very beneficial. The committee is revising the investment policy and the committee charge was approved at the last subcommittee meeting, which needs to be approved by the Finance and Capital Assets Committee.

**MOTION** was made by Trustee Queenin, seconded by Trustee Swan, to adopt the Westfield State University’s Board of Trustees, Finance and Capital Assets Committees, Investment Subcommittee Charge, as presented. **Motion passed unanimously.**

Vice President Taksar shared the materials presented for the debt reallocation with Massachusetts State College Building Authority (MSCBA) and stated that without any changes to the debt structure, the debt will continue to increase. By doing nothing, there will be a $2 million increase in residence life debt structure in the next seven-to-eight years. The goal is to stabilize the debt structure and keep it constant. To make it work, there is a premium that will need to be paid. To force a level debt structure for the term, which ends in 2041, we’ll need to rely on the reserves of residence life, which will help fund the shortfall in the next couple of years as the next ten years will be the most challenging. The level debt option will increase through 2020, but will stay stable through 2041. The exact interest cost won’t be known until the bonds are sold in January, but it could be 4.4% to 4.9%. The taxable rate is now 4.12%. MSCBA’s rating is AA2; we won’t get the lowest non-taxable and will have to pay a premium at the taxable rate. The level refunding scenario’s overall cost to the University will be $9.8 million. To leave the debt as it is, it will peak in 2039. The choices are to 1) refinance and find the funds in the operating budget, or 2) raise the rates more than we are comfortable with. The University is required to maintain a certain amount of reserves. Chair Queenin stated the challenge is having the visibility of cash flowing out for the next seven years. It was agreed that with the enrollment predictions, refinancing is the best choice in order to maintain cash flow.

**MOTION** was made by Trustee Queenin, seconded by Trustee Sullivan, to approve the campus recommendation to refinance the outstanding University Hall Debt of $48,505,000 (bond issuance – 12A) to a level debt service structure as represented in the analysis described in Scenario 1 in the planning materials. The refinancing will be done through the Massachusetts State College Building Authority (MSCBA) in 2019 as part of their overall bond issuing process. Further, that the President have the authority to execute appropriate documents with the MSCBA to complete this process. **Motion passed unanimously.**

There being no further business, Committee Chair Sullivan asked for a motion to adjourn.

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

The meeting was adjourned at 10:38 AM.

Attachments presented at this meeting:

a. Minutes 10-9-18
b. Policy – The Plan (Summary of Changes)
c. Policy – The Plan (2170)
d. First Quarter Financials Summary (FY19)
e. First Quarter Financials (FY19)
f. First Quarter Financials (FY18)
g. Annual Debt Report (Summary)
h. Annual Debt Report (10 Year Ratio Table)
i. Parenzo Hall Renovation (Primer Presentation)
j. FY20 Budget Planning Scenarios (Summary)
k. FY20 Budget Planning Scenarios (Models & Assumptions)
l. Motion – Investment Subcommittee Charge
m. Investment Subcommittee Charge
n. Motion – Residence Hall Debt Refinance
o. Residence Hall Debt Refinance (Summary)
p. Residence Hall Debt Refinance (Scenarios)