



## BOARD OF TRUSTEES

Finance and Capital Assets Committee

June 25, 2020

Minutes

### Meeting held virtually via Zoom

In accordance with Massachusetts Gov. Charlie Baker’s Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

A live stream of the meeting for public viewing also took place on YouTube.

**MEMBERS PARTICIPATING REMOTELY:** Committee Chair Sullivan, Secretary Magovern, Trustees Boudreau, Neves, Queenin and Williams

**MEMBERS EXCUSED:** Vice Chair Hagan

**TRUSTEE GUESTS PARTICIPATING REMOTELY:** Trustees Alvarado, Martin, and Martinez-Alvarez

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

Committee Chair Sullivan called the meeting to order at 11:00 AM.

**MOTION** made by Trustee Magovern, seconded by Trustee Williams, to approve the minutes of the April 30, 2020 meeting.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Not audible at time of vote	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

Ms. Tricia Oliver, Chief of Staff, shared the FY20 Sponsorships report, showing the University was authorized to spend \$30,000 for public purposes. It was discovered after the report was created that the University had not been invoiced for the fall 2019 Baystate Health Annual Ball so the \$5,731 total figure should read \$11,631. In FY19, the total amount spent was \$20,908 and the difference is because of canceled events due to COVID-19 and the University’s sponsorship of the City of Westfield 350 in 2019.

Mr. Stephen Taksar, Vice President for Administration and Finance, shared an update on the Investment Subcommittee, stating they met on May 27 to review quarterly performance by Eaton Vance. The multi-month transition plan for cash to be invested in various equities and bonds for a staggered approach is still being followed. Custom benchmarks for the transition year and ongoing benchmarks more relevant to the investment structure were discussed. There is currently no change recommended to the investment strategy and the Investment Policy will be reviewed at the next meeting.

Mr. Taksar reviewed the new Residential Dining Plan, stating the Executive Committee met on May 27 to review and approve the request for a new dining plan for one year, a combination of the unlimited and basic plans, now called the OWL plan. The impact was a revision to tuition and fees, resulting in decrease in the cost of attendance by 0.2% and overall cost by 0.2%.

Mr. Taksar and Maureen Socha, Executive Director, Facilities and Operations, gave a FY21 Capital Projects Update:

- The Division of Capital Asset Management and Maintenance (DCAMM) multi-year, five-year plan was restructured based on new emergencies and projects.
- DCAMM funding of major capital projects was restructured in the process of requests and approvals. We received DCAMM approval for funding for Parenzo Hall in 2019, and submitted a \$5.0 million project for the Center for Diversity and Inclusion in December, 2019. In May, DCAMM and the state decided to postpone any decision on any major capital project proposal.
- Ms. Socha presented the FY21 projected capital projects. For DCAMM projects, they pay the majority and we have a match. The Dower boiler replacement is a priority and the next phase of the security camera update is ongoing, with a grant received to assist in the funding. The cameras will be placed around campus and at the South Lot by June 30. A mechanical, electrical, plumbing, and fire campus master plan is desperately needed. The correct figure for the dining floor replacement is \$1,300,000 instead of \$1,300 as listed.
- Construction managers have been selected for the Parenzo and Scanlon Hall Renovation projects, which are on budget. The Parenzo schematic design is almost complete and Scanlon Hall renovations will be done by October/November so the move can take place from Parenzo to Scanlon.
- Preventative maintenance needs to move forward.

Mr. Taksar discussed the Multi-Year Planning Model:

- A report cannot be prepared that makes sense today. Using an annual budget cycle to make long-term decisions doesn't work either. We need a useful longer-term process for information and it is recommended to defer a multi-year analysis when there is less uncertainty. We need to start modeling FY22 early next fall, right after the confirmed enrollments for the fall of 2020, taking immediate steps to understand the multi-year impact two years out until we can get to a full five-year projection.
- The Board of Higher Education's work on liquidity, through Parthenon, pointed to FY22 as a more critical year to think about and suggested we get to that analysis as soon as possible; fall would be the right time.

The FY21 Provisional Operating Budget was discussed:

- President Torrecilha shared information from the Board of Higher Education (BHE) meeting Tuesday. The BHE engaged Ernst and Young/Parthenon to look at the liquidity of community colleges and state universities. They viewed three years of data collected for trends in enrollment, debts, reserves and residence hall occupancy showing three scenarios with decreases in state appropriation, enrollment, and residence hall occupancy. Worst-case scenarios would be not opening campuses in the fall. The report showed four community colleges and four state universities that will have liquidity problems if not reopened in the fall. It takes \$9 million per month to keep operations of the campus going. We could spend \$30 million of our reserves, putting aside \$9 million for one month. Leaving \$11 million in reserves, which is exceeding low, is not sufficient to support emergency needs of the University in the fall and spring. State appropriations are not going to increase. It is clear that community colleges and state universities are being asked to weather the storm by themselves.
- Chair Queenin stated developing FY22 is significantly important in the process since this is not a one-year issue. Reductions in expenditures have taken place this year and will continue next year. We need to be strategic and understand what we need to do by vetting each. Decisions need to be made for the long-term success of the University. Leaving us short on resources will make FY22 a challenge. Mr. Taksar does not believe that Westfield State is one of the four universities facing liquidity problems, although

they have counted our investments as part of our cash reserve. The assumption that public universities can take their investments and realize/convert them on a dime is problematic. Using reserves for recurring operating expenses is mortgaging the future, which is not financially prudent.

- It was questioned whether to postpone capital project updates in anticipation of getting through this difficult period. The capital requests have been prioritized on the entire five-year plan. Many of these projects are funded by DCAMM, so the accumulated match funds would be lost if the projects deferred. Emergency repairs need to be done and all are health and safety or emergencies due to a building failure. Those shown on the list are prioritized as urgent needs.

Mr. Taksar continued that this is the most significant uncertainty ever faced in budget planning, adding:

- COVID-19 will create additional significant costs.
- Fifteen to twenty scenarios were run leading up to today. Because there needs to be some sort of beginning budget, a provisional budget is being proposed to start the fiscal year with an updated budget provided at the October meeting.
- The FY21 planning scenarios were presented showing base, provisional and worst-case scenarios.
- Key assumptions were shown, with 3,280 billable students being budgeted for, a 22% decline from FY20-FY21.
- A 10% decrease in state appropriation (approx. \$3 million) is being projected.
- Revenue is projected to drop by 14% - almost \$18 million – every single revenue category is declining. The College of Graduate and Continuing Education (CGCE) operation is holding its own, showing stable revenue for next year.
- Campus projects a \$7.5 million loss even after reductions of \$11 million, resulting in a structural deficit, not an annual deficit. Some planned use of reserves and some capital funding rollovers will be utilized.
- Budget reductions were shown with \$7 million permanent reductions and \$4 million in temporary reductions due to a hiring freeze totaling \$11 million.
- CARES ACT funding of \$4.7 million was received, with \$2.25 million disbursed to students and \$2.25 million for institutional support to offset additional online learning over the summer and as a backfill for refunds offered in the spring. The DHE has strict requirements for use of the funds.
- The MSCBA debt restructuring/refinance may include a \$8.3 million savings overall.
- DCAMM is freeing \$20 million in one-time funds. We can apply for \$1 million, which will alleviate the campus required match and could help with COVID expenditures.
- Need to review and reconsider every option going forward to see how to close the \$7.5 million budget gap.
- It was questioned whether all the faculty and staff are needed to support 750 less students. Mr. Taksar stated there have already been reductions in adjunct faculty by \$2 million, but there are limitations on what the University can do based on union contracts.
- Academic Affairs has been busy adjusting courses for the fall and researching how to account for the decline in students without compromising the safety and quality of instruction.
- Commissioner Santiago just released guidance to all campuses granting local authority to consider bargaining with unions on reductions such as furloughs and layoffs.
- It was questioned whether the CARES ACT and MSCBA savings were reflected in the budget. Mr. Taksar stated the CARES ACT is grant funding and needs to be spent before getting reimbursed. The institutional funds have not yet been received (other than the refund money) and they are not entered in the budget as they do not help the base budget. Enough of the \$8.3 million was reflected so that the Residence Life budget is neutral. The best approach is to isolate the benefit just to Residence Life so we do not have to rely on reserves and savings. The \$2.25 million will cover Academic Affairs' plan on supporting remote learning for faculty (\$500,000-\$600,000), buying computers, expanding software, and then supporting the \$6.5 million in refunds paid in spring.

- The U.S. House of Representatives passed the Heroes Act of \$46 billion for Higher Ed with funds to be delivered to governors, who will divide among public Higher Ed, but the Senate is unlikely to approve it. Lobbyists are trying to make the case that if funds are approved, they should go directly to institutions and not state houses.
- Billing for all returning and new students is the same as the past for right now. State universities are not in a position to refund tuition and fees. The general fee supports all the operational, salaries, instruction and technology across the board. If the University has to shut down again, refunds would be the same as spring.
- Provost Prusank stated that it does not cost the institution less for online learning and there is not a different rate for online or on-ground learning. Each way of learning must match each student's needs. All services will be provided both on-ground and online. Academic Affairs has three task forces. One specifically for academic support for students, another on professional development for faculty and staff to help with remote versions of support; and strategies to help students in their online learning. Data from spring semester surveys of faculty, staff, and students will help to build professional development for the fall.

**MOTION** made by Trustee Sullivan, seconded by Trustee Magovern, to approve the FY21 provisional operating budget as presented and to authorize the President to make budget adjustments to these funds.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Yes	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

**MOTION** made by Trustee Sullivan, seconded by Trustee Magovern, to approve the FY21 proposed capital budget and capital projects greater than \$500,000, as presented in the FY21 Major Capital Projects for Facilities Plan.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Yes	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

Mr. Taksar stated the requirement that the Board approve all leases. They are in the process of acquiring a new vehicle, as they did not obtain all the vehicles approved last year, acquiring just the critical vehicles as needed.

**MOTION** made by Trustee Sullivan, seconded by Trustee Magovern, to approve FY21 expenditures for the vehicle lease/purchase program, as presented.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Yes	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

**MOTION** made by Trustee Sullivan, seconded by Trustee Magovern, to authorize the University to spend up to \$30,000 in FY21 on sponsorship and/or attendance at community events, consistent with University guidelines for the expenditure of such funds. The University will report all expenditures made under this umbrella approval no later than the June 2021 meeting of the Board of Trustees.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Yes	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

Steven Scibelli, Director of Financial Accounting, stated the University is entering the fourth of a five-year plan to match sister universities and the Commonwealth as a whole in the amount of capital threshold carried. This is a financial statement impact only and does not affect the budget.

**MOTION** made by Trustee Sullivan, seconded by Trustee Magovern, to approve and adopt the updated Westfield State University policy on Fixed Assets, Capitalization, and Inventory Control (0601), as presented, increasing the capital threshold to \$40,000, effective July 1, 2020.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Yes	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

There being no further business, **MOTION** made by Trustee Magovern, seconded by Trustee Boudreau, to adjourn.

There being no discussion, **ROLL CALL VOTE:**

Trustee Boudreau	Yes	Trustee Queenin	Yes
Trustee Magovern	Yes	Trustee Sullivan	Yes
Trustee Neves	Yes	Trustee Williams	Yes

**Motion passed unanimously.**

Meeting adjourned at 12:37 PM.

Attachments presented at this meeting:

- a. Minutes 4-30-20 (Draft)
- b. FY20 Sponsorships
- c. FY21 Capital Projects Update
- d. Multi-Year Planning Model Update
- e. Motion – FY21 Provisional Operating Budget
- f. FY21 Provisional Operating Budget (Narrative)
- g. FY21 Provisional Operating Budget (Campus)
- h. FY21 Provisional Operating Budget (Trust Fund)
- i. FY21 Provisional Operating Budget (Scenario Planning)
- j. FY21 Provisional Operating Budget (Scenario Assumptions)
- k. FY21 Provisional Operating Budget (Tuition and Fees)

- l. Motion – Capital Projects Greater 500K
- m. Capital Projects (Funding Plan)
- n. Capital Projects (Facilities Plan)
- o. Motion – Vehicle Lease Program
- p. Vehicle Lease Program
- q. Motion – FY 21 Sponsorships
- r. Motion – Fixed Assets Capitalization and Inventory Control Policy
- s. Fixed Assets Capitalization and Inventory Control Policy (Narrative)
- t. Fixed Assets Capitalization and Inventory Control Policy (Revised)