



Board of Trustees
Financial Affairs Committee
December 2, 2024 via Zoom
3:00 PM – 4:30 PM

Loughman Living Room, Scanlon Hall

A live stream of the meeting for public viewing will also take place at the following link: <https://www.westfield.ma.edu/live>

Committee Members Present: Committee Chair George Gilmer, Vice Chair Jason Queenin, Secretary Chris Montemayor, and members Daniel Currier, Theresa Jasmin, and Board Chair Ali Salehi, ex-officio.

Trustees Present: Tessa Lucey

Also present were Westfield State University President, Dr. Linda Thompson; Vice President of Administration & Finance, Stephen Taksar; Associate Vice President of Facilities & Capital Planning, Maureen Socha; Executive Director, Facilities and Operations, Thomas Therrien; Director Procurement and Administrative Services, Gary Duggan; Director of Financial Accounting, Steve Scibelli; Associate Vice President of Administration and Finance, Maria Feuerstein; Associate Vice President of Financial Accounting, Lisa Freeman; Director of Dining Services, Melissa Sikes; Interim Vice President of Institutional Advancement, Lisa McMahon, and Director of Athletics, Dick Lenfest.

Committee Chair Gilmer called the meeting to order at 3:00 PM did a roll call of attendees listed above, and stated the meeting was being livestreamed and recorded.

MOTION made by Trustee Currier and seconded by Trustee Montemayor, to approve the minutes of the October 23, 2024, Financial Affairs Committee and October 18, 2024, Investment Subcommittee meeting. A roll call was taken and there being no discussion, **motion passed unanimously.**

MOTION made by Trustee Currier and seconded by Trustee Montemayor, to dissolve the Investment Subcommittee of the Financial Affairs Committee. A roll call was taken and there being no discussion, **motion passed unanimously.**

- **Overview provided on the rationale for dissolution:**
 - Consistency and overlap among committee members.
 - Governance perspective to streamline operations.

MOTION made by Trustee Currier and seconded by Trustee Salehi, the Financial Affairs Committee recommends approval to the full Board: To approve the revised University Business Expenses Policy (0300), as presented. A roll call was taken and there being no discussion, **motion passed unanimously.**

- **Overview of changes to the policy:**
 - Striking language requiring non-university person present for meal reimbursements.
- Comments on the need for flexibility in the policy.
- Recommendation to review presidential expense report:
 - Suggestion to revise approval process for small expenses.

- Board Chair Salehi recommends that the presidential expense report needs to be looked at with regards to having the chair sign an approval for a \$21 business meal.

MOTION made by Trustee and seconded by Trustee the Financial Affairs Committee recommends approval to the full Board: to approve the FY25 revised conditional campus budget of \$131,841,221, as presented, including, but not limited to the following elements: operating budget, capital budget, vehicle lease/purchase program. Further, to authorize the President and/or the Vice President for Administration and Finance to make budget adjustments to these funds as allowed in the Trust Fund Management Policy (0604). A roll call was taken and there being no discussion, **motion passed unanimously**.

Fiscal Year 25 Operating Budget Overview

- Revised budget recommended at approximately \$132 million, down from \$142 million.
 - Reduction primarily due to elimination of budgeted rollovers.
- Budget is a work in progress; a more thorough spending plan is being developed.
 - Revision expected in February.

Revenue and Enrollment

- Revenues increased due to:
 - Tuition fees up by about \$2 million.
 - Residence life and dining fees up by about \$2 million.
 - Positive gains from increased enrollment and fee increases from the previous year.

Capital Projects and Expenses

- Projected capital spending is about \$5.9 million this year.
 - Half funded through the operating budget and half through cash reserves.
- Expenses driven by:
 - Collective bargaining increases and fringe benefit rate impacts.
 - Financial aid increasing by about \$1.7 million (34% increase).
 - Residence life budget increasing by about \$4 million due to debt service and renovations.

Future Planning and Reporting

- Cabinet committed to a deeper dive into the spending plan.
- Additional previous year spending reports will be prepared for the February meeting.
 - Six months of year-over-year comparisons to be presented.

Acknowledgments

- Thanks expressed to Vice President of Administration and Finance Steve Taksar and the team for their work.
- Emphasis on simplifying reporting for clearer financial understanding.
- Recognition of the effort to redo the budget process.

Budget Overview

- Appreciation for leadership shown by Committee Chair George Gilmer.
- Current budget reflects a 6-7% increase in spending compared to the past five years.
- Emphasis on allowing the university to grow and invest in necessary areas.

Staffing Concerns

- Trustee Montemayor inquired about changes in staffing patterns.
 - Noted reduction in salary but expressed concern about maintaining adequate staff levels.
- A deeper dive into staffing needs is necessary.
 - Current vacancies are being reallocated to strategic investments.

Quarterly Report Discussion

- Focus on the revised conditional budget for fiscal years 2024 and 2025.
- Comparison of first quarter spending from previous years.

- First quarter spending increased from \$26.8 million to \$32.6 million.
- Revenue increased by approximately \$3 million due to higher fees and student enrollment.

Reporting Consistency

- Quarterly reports aim to provide an apples-to-apples comparison.
 - Adjustments made for accrual entries to align spending timing.
- Importance of understanding the context of revenue and spending patterns.
 - The budget is a collective effort from the entire university, not just Finance Administration.

Importance of Accurate Information

- Entire cabinet must contribute accurate information for budgeting.
- Steve Taksar and his team will tabulate and track actual spending.

Assurance of Financial Stability

- Board assures there will not be a shortcoming at the end of the year.
- University has met obligations throughout the years.

Audit Findings

- Finance and administration area had no findings in the recent audit.
- Recommendation to eliminate the use of reserves in budgeting and focus on multi-year planning.

MOTION made by Trustee and seconded by Trustee The Financial Affairs Committee recommends approval to the full Board: to approve a \$4.4 million dollar debt borrowing, through the MSCBA, to fund the critical repairs as outlined in the summary document presented today for the on-campus apartments. Further that the assumptions in Option A will be the approved financing plan in working with the MSCBA on the next bond issuance in FY25/FY26. A roll call was taken and there being no discussion, **motion passed unanimously**.

Residential Hall Capital Project Overview

- Critical repairs needed in apartment buildings due to plumbing stack issues.
 - Repairs made last summer; long-term solution developed.
 - Proposal to repair one building per semester to minimize student impact.

Specific Buildings and Timeline

- Welch, Conlin, and Seymour buildings need repairs.
 - Welch will be the first building addressed.
 - Repairs planned for summer, spring, and fall to keep two buildings operational.

Age and Condition of Buildings

- Buildings are 49 years old with no significant plumbing upgrades.
- Importance of maintaining desirable student residences.

Long-term Maintenance Plans

- Other buildings have similar plumbing infrastructure issues.
- Ongoing communication with MSCBA regarding capital upgrades and urgent repairs.

Deferred Maintenance Funding

- Half of the buildings are owned by the state, the other half by MSCBA.
- The total amount of deferred maintenance exceeds the university's capacity to absorb.
- Fair share money collected was intended to support the campus.

Legislative Efforts

- A legislative breakfast is scheduled for February with Massachusetts State legislature members.
 - Student-led presentation to discuss the critical nature of deferred maintenance.
 - A tour will be provided to showcase potential improvements.

- A state-led initiative will produce a report on better funding for deferred maintenance by December.

Plumbing Project Financing

- Approval is sought to borrow \$4.4 million for plumbing project.
 - MSCBA will fund \$1.7 million for the project.
 - Recommendation to bond the loan over a 10-year period at approximately 5% interest.
- Debt service payment estimated at \$570,000 over 10 years.
 - First-year principal payment can be deferred to lessen cash flow impact.

MSCBA Funding Process

- Universities make payments into MSCBA for capital improvements based on the number of beds.
- Funding allocation varies yearly based on priority of needs.
 - This year, the university is receiving \$1.7 million.
- Limited funding from MSCBA; many projects requested but few funded.

Debt Borrowing Recommendation

- Recommendation to borrow funds instead of using cash reserves.
- Financial Affairs Committee recommends approval for a \$4.4 million debt borrowing through MSCBA for critical repairs.
- Assumptions in option A will be the approved financing plan for upcoming bond issuances in FY25 and FY26.

Investment Policy Update

- New investment advisors recommend changes to the investment policy.
- Suggestion to invite advisors to discuss issues at the next meeting and update the policy thereafter.

Facilities and Capital Projects Update

- Introduction of the new OWL on campus as part of beautification funds.
- Overview of ongoing and completed projects, emphasizing busy schedule and future plans.
- Explanation of the five-year capital plan and funding requirements, including a stipulation from DCAM regarding spending by 2026.

Funding Requirements

- Funding requires a 32% match to receive allocated amounts.
- Money must be spent by June 30, 2026, to avoid funding decrease.
- Currently tracking to exceed halfway spend threshold.

Project Timeline

- Planning process takes at least 6 to 8 months before breaking ground.
 - Involves getting project ready, certified by DCAMM, and out to bid.
- Studies are conducted in advance to kick off the schedule.
- Acknowledgment of public impatience due to slow processes.

Executive Order 594 Impact

- All Commonwealth properties must achieve net zero by 2050.
- Replacement of mechanical systems now requires extensive studies for alternatives.
- Estimated cost for Westfield State to meet decarbonization requirements is over \$542 million.

Deferred Maintenance

- Approximately \$150 million in deferred maintenance projects identified.
- First year of switchgear project revealed \$7 million in necessary maintenance.
- Ongoing assessment of campus conditions is crucial for updated financial support.

Current Issues

- Horace Mann building has no heat; both boilers are down.
- Emergency repairs are funded from existing budgets, affecting planned projects.
- Funding sources include university, DCAM, and MSCBA; emergencies draw from limited campus funds.

Emergency Repairs

- Multiple lines for different types of emergencies were established.
- Boiler issues at Horace Mann identified as a part issue.
 - Parts expected to arrive by tomorrow noon.
 - Building closed due to inadequate heating.

Facilities Management

- Facilities team working under an emergency repair through DCAMM.
- New developments prevented boiler from starting yesterday.
- Ongoing plumbing and heating system issues in Lammers.

Deferred Maintenance

- Average age of buildings is 50 years; significant failures expected in future.
- Over \$7 million in repairs identified from switchgear testing.
- Critical renovations needed for several buildings (Bates, Wilson, Dower).

Funding and Support

- Deferred maintenance needs are increasing by \$400,000 annually (due to escalation and end-of-life use).
- Advocacy needed for more funding from DCAMM and MSCBA.
- Importance of student involvement in highlighting deferred maintenance issues.

Developments and Funding

- Anticipated developments in spring to inform approach.
- Issue is larger than Westfield; beyond current resources.
- State ordinances for campuses.
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 - Revenue sources limited to tuition, fees, and state funding.

Annual Debt Report

- Annual debt report provided to the board in December.
- Debt carried by the university is approximately \$20 million.
 - Total campus debt, including residential life program, is about \$96 million.
- Debt service schedules included in the report.

Financial Ratios

- Report includes financial ratio analysis in compliance with GASB standards.
- Composite Financial Index indicates current position is below the target of 3.0.
- Variations in accounting standards impact financial ratios.

Net Operating Revenues Ratio

- Net operating revenues ratio below target due to \$3.3 million increase in expenses.
 - Largest increase attributed to compensation and fringe benefits from collective bargaining.
- Other factors discussed include utility costs and financial aid impacts.

Fixed Assets Inventory Progress Report

- The office is now staffed by our Senior Staff Accountant and our new Accounting and Inventory Analyst.
- The FY24 inventory report shows that 97.8% of our tagged assets have been physically inventoried in the previous twelve months. Another 1.1% of the assets have most recently been inventoried during the preceding twelve-month period. As for the remaining assets, approximately 1.1% have not been inventoried in over two years.

There being no further business, **MOTION** made by Trustee Currier and seconded by Trustee Montemayor, to adjourn the meeting. There being no discussion, **motion passed unanimously**. Meeting adjourned at 2:58 PM.

Materials:

- a. Minutes 10-23-24 (Draft) Financial Affairs Committee
- b. Minutes 10-18-24 (Draft) Investment Subcommittee
- c. Motion – Dissolution of Investment Subcommittee
- d. Motion – University Business Expenses Policy (0300)
- e. University Business Expenses Policy (0300) Clean
- f. University Business Expenses Policy (0300) Track Changes
- g. Motion – FY25 Operating Budget (Revision)
- h. FY25 Operating Budget (Revision)
- i. Motion – Residential Hall Capital Project Funding/Borrowing
- j. Residential Hall Capital Project Funding/Borrowing
- k. Facilities and Capital Projects Update
- l. Annual Debt Report and Ratios
- m. Fixed Assets Inventory Progress Report

Secretary's Certificate

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees, Financial Affairs Committee meeting held on December 2, 2024.

Chris Montemayor, Secretary

Date