



**Board of Trustees
Financial Affairs Committee**

February 20, 2025
3:00 PM – 3:30 PM

Owl's Nest, Ely Campus Center

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 Trustees Daniel Currier, and Board Chair Ali Salehi, ex-officio.

Trustees Participating Remotely: Trustee Theresa Jasmin

Also present and participating were Westfield State University President, Dr. Linda Thompson; Vice President of Administration & Finance, Stephen Taksar; Associate Vice President of Financial Accounting, Lisa Freeman; and Mr. Nolan Bean and Stephen Haines from Fund Evaluation Group.

Committee Chair Gilmer called the meeting to order at 2:01 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 December 2, 2024 meeting. A roll call was taken and there being no discussion, **motion passed unanimously.**

FY25 Second Quarter Update / Spending Plan

- Dashboard created to highlight key financial indicators.
- Annual undergraduate enrollment (full-time) is up by about 35 students.
- Division of Graduate and Continuing Education (DGCE) revenue is also up due to increased enrollment.
- Expenses are increasing slightly beyond initial assumptions.

Strategic Investments and Cash Reserves

- Spending on strategic investments and capital is slower than anticipated; about halfway spent of the \$6 million strategic investment pool.
- Universal cash reserves are dipping due to increased spending and timing issues with federal fund drawdown.
- Cash tracking shows a larger dip in 2023 related to a \$15 million payout for the Parenzo Hall project.

Enrollment Details

- DGCE is about flat.
- Overall grad enrollments are up, undergrad enrollments are down.
- Total annual enrollment (full-time undergrad + DGCE) is tracking slightly ahead of budget (4305 vs. 4270 budgeted).

Spending Plan Update

- Spending plan is about 75% complete.
- Members of the Cabinet reviewed spending plans, focusing on strategic investments and rollovers.
- Deep dive on capital budget regarding project status and actual spending.
- Remaining steps: Validate adjustments submitted by vice presidents, finance staff review, and deep dive into larger expense categories (e.g., compensation, department expenses).
- Trend analysis will be finished in about a month.

FY25 Status

- Revenues are solid, expected to hit the revenue budget.
 - Caveat: Uncertainty regarding federal grants; several million dollars of grants on the table (reimbursable expenses).
 - Estimated spending might reach \$138 million, about \$6 million over the approved budget.
 - "There's still a lot of moving pieces in this analysis."
 - Potential impact on cash reserves: Additional \$6 million use, on top of the already assumed \$6 million.
- #### Year-over-Year Comparison
- Compensation is tracking higher due to collective bargaining increases and new positions.
 - Department of Operations is tracking higher, largely due to increased adjunct costs (estimated to exceed budget by close to \$2 million).
 - Previous \$10 million rollover budget up until last December.

Spending and Assessment

- Strategic investments were made beyond the use of cash, and position funding was reallocated to strategic institutional priorities, yielding \$2.5 million to \$3 million.
- Financial aid increased substantially last year, about \$1.7 million, and a separate report is produced for this.

Q2 Report

- The Q2 year-to-date report is a financial statement report that adjusts for timing issues, showing a positive \$60 million difference between revenues and expenses.
- The Q2 report is adjusted for timing issues, unlike the transaction-based year-to-date report.
 - Spring bills are sent out in November/December, and revenue is calculated when those bills are sent out.
- Cash investment balances are down by about \$5 million so far, partly due to timing, with a significant drawdown of federal financial aid expected next week.
- The university typically spends more in the second half of the year because the summer months are less active.
- Spending starts slowly in the first six months and picks up in the last six months, with less than 50% of the budget spent in the first half.

Board Discussion

- The University is generating \$125 million in revenue with a spending projection of \$138 million, meaning \$12 million to \$13 million will come from the cash reserve.
 - This equates to spending 15% of the cash reserve in one year.
- There is a need to ensure value for strategic investments in enrollment, marketing, and data collection.
- The 2026 budget needs to calculate the top-line revenue number accurately and have an expense plan agreed upon by the cabinet.
- Stephen Taksar hopes the \$138 million spending projection will decrease by year end.

Grant Revenue and Spending Patterns

- Grant revenue is budgeted at about \$5 million, with concerns about the impact of potential federal funding cuts.

- If federal grant revenue were to disappear, it could compound financial issues.
- The current spending pattern of \$138 million is outsized compared to the University's historical spending of \$115 million to \$120 million over the past five years.
- There is a need to understand how the incremental spending is being invested and whether the University is getting value for it.

Budgeting Process

- The University cannot afford to spend 15% of its reserves to cover deficits and must live within its means.
- There is an ongoing effort to change the budgeting process to review actual spending versus budget projections.
- The goal is to continue reviewing budgets against actual spending and to work with the cabinet to control costs.
- There is hope that the year-end spending will be closer to \$125 million to \$128 million, rather than \$138 million.
- Stephen Taksar sees the following financial elements: \$3.9 million in one-time backlogs, \$60,000 in additional financial aid, \$1.8 million in batch on the rollovers, and \$800,000 in compensation.
- There is hope that the \$138 million reserve will not be fully utilized.
- The focus should be on FY26, while minimizing damage in FY25.
- Stephen Taksar didn't want the Board to be surprised in two months with a number that far down the line, so they are providing a worst-case number.
- The Board appreciates the candor and wants them to continue providing accurate numbers.
- There is a need to ensure the organization lives within its means going forward.
- The Board is aiming for a capital revenue style moving forward for FY26, with a budget that has upside potential beyond break-even.

University Cash Summary

- There are two cash reports in the packet: a flex report and a year-over-year cash report.
- The cash report compares the beginning of the fiscal year to the end of January.
- The components of the report are important for understanding the story behind the bottom line.

Investment and Working Capital

- Investments are up, primarily driven by the equities portfolio.
- The Money Market Fund is still performing positively at around 4.5%.
- The working capital account has decreased by about \$8 million, starting the year at around \$20 million.
- A major drawdown in federal financial aid is expected next week, which will significantly change the cash number.
- The MSCB agreement occurred in January this year, while last year it was in February, impacting the drawdown of federal funds.

Cash Reserve Impact

- If the university comes in at \$125 million, as opposed to \$138 million, it would not have to use the cash reserve.
- The \$8 million difference is a timing issue due to funding coming in February.
- The University will be negative in cash for every dollar over \$125 million, and if they end up at \$138 million, that would be \$13 million out of the cash reserve.
- The estimated number based on historical data is that in two to three weeks, the account will be at \$8 million.
- Historically, the University has spent 118 million to 125 million, but there are some new variables that may result in a negative outcome.
- The University will track expenses versus cash flow every month.

- There is an expectation of around \$17 million coming in, but cash collection decreases later in the year when student accounts are paid.
- The University has been fortunate to generate cash reserves in the last 10 years, but this flexibility is evaporating.
- \$2.5 million to \$3 million has been reallocated within the base budget for strategic investments.

FY26 Budget Update

- The budget will be restructured based on best practices, and reports will be reformatted.
- There is a desire to remove specialized funding, such as grants, from the operating budget and report on them separately.
- A hard look will be taken at rollovers.
- Guiding principles for 2026 will be spending within means.

Strategic Plan and Tuition Fees

- Reserves should be limited to specific approved projects, such as capital projects.
- The strategic plan initiatives need to be connected with resource allocation.
- Approval to confirm tuition fees for 2026 is needed so that individual aid can be packaged and sent out.
- Projections are being followed to align with projections for next year.

Acceptable Use of Information Technology Resources Policy

- The policy changes point towards areas where the State will hold less accountability in future audits.
- The State made a wholesale change to the format of the internal control questionnaire, oversimplifying it.
- Westfield State University operates a completely independent network with a different firewall than the State's.
- The policy change has a direct impact on the merchant risk management plan and will help solidify changes related to cyber risk.

MOTION made by Trustee Currier and seconded by Trustee Montemayor. The Financial Affairs Committee recommends to the full board to approve the revised Acceptable Use of Information Technology Resources policy. A roll call was taken and there being no discussion, **motion passed unanimously**.

FY26 Tuition and Fee Schedule

- The State controls tuition, while universities control fee settings.
- Westfield State University is in the middle of the pack compared to other state universities in terms of cost.
- Last year, tuition and fees increased by 3%.
- The recommendation is a 3.6% tuition and fee increase, including an optional fitness center fee.

Fitness Center Fee

- Currently, students who opt into the fitness center pay \$185 per year.
- If the fitness center fee is applied to all students, it would be \$156, included in the 3.6% tuition fees.
- Most schools do not charge a separate fee for access to the fitness center.

Dining and Residential Life

- Efficiencies in dining operations means no increase is envisioned for next year.
- Residential Life costs will increase by about 2.5%, less than inflation.

Overall Cost Increase

- The 3.6% increase is a \$437 increase to all students.
- Adding in other costs, the net increase for a residential student will be \$657, equal to a 2.5% increase.

- The recommendation was supported by the cabinet and presented to the Student Government Association SGA twice.
- The SGA is agreeable to the concept of shared sacrifice.
- Dining services not increasing fees was well-received.
- The tuition fee increases are gross numbers, not net costs.
 - The discount rate doubled from the prior year.
 - Financial aid grants would offset the sticker price cost.
 - The current financial aid model has a discount rate of around 30%.

MOTION made by Trustee Currier and seconded by Trustee Queenin. The Financial Affairs Committee recommends approval to the full Board: To approve the FY26 tuition and fee schedule, as presented. A roll call was taken and there being no discussion, **motion passed unanimously**.

Investment Portfolio Update: Fund Evaluation Group

- The Investment subcommittee was combined with the Finance subcommittee.
- Investment assets as of December 31st were roughly \$38.5 million, up from \$37.2 million at the end of June (2024).
 - In January, the accounts were up about \$730,000.
 - There's been roughly \$2 million in appreciation since the account inception.
- The asset mix is approximately 51% in equities, 48% in fixed income, and 1% in cash.
- For fixed income, the biggest driver of returns was the movement in yield.
 - The 10-year treasury moved from around 4.5% down to 3.7-3.8% and then back up 74 basis points in the fourth quarter.
 - The portfolio has been conservative with the fixed income portfolio and emphasized the short end of the yield curve.
- U.S. equities dominated global equity returns.
 - The strength of the U.S. dollar proved to be detrimental for international and emerging market performance in the fourth quarter.
 - As the dollar has weakened year-to-date, international and emerging markets are driving returns higher in January and February.

Market Overview: January and February

- Despite negative headlines (AI, Nvidia pullback, California fires, D.C. tariffs), the market has overcome them.
 - The S&P is up almost 3% in January and over 4% year-to-date.
- The viewpoint is "cautiously optimistic," with expectations of choppiness and pullbacks.
- Earnings have exceeded Wall Street's expectations.
- The market is up despite tariff concerns.
- Tariffs and inflation:
 - Tariffs could spur inflation, which contradicts President Trump's focus on lowering inflation.
 - President Trump measures his success by the stock market's performance.
- The market reacts as if tariff rhetoric is unlikely to threaten it materially.
- It is encouraged to not get caught up in the rhetoric.
- ISM Manufacturing activity:
 - The ISM number moved up over 50 in January, indicating expansion after 26 months of contraction. This suggests the economy is gaining momentum and confidence.
 - The ISM is a leading indicator for earnings growth for smaller and mid-cap companies.
- Earnings reports:
 - 79% of S&P companies have outperformed in Q4 earnings.
 - Outperforming companies exceeded expectations by 6% on average, while underperforming companies missed by 3%.
 - Earnings growth is driving the market higher.

- The market perceives inflation in specific areas (car insurance, shelter) as positive.
 - The Magnificent Seven (MAG7) businesses are generally wonderful but have slightly frothy valuations.
 - The portfolio owns a lot of MAG7 stocks, but slightly less than the benchmark weight.
 - Nvidia is underweighted by about 0.5%.
 - A strong dollar has impacted tech stocks, with some MAG7 names trailing due to revenue generated outside the U.S.
 - Amazon said that FX could create a \$2 billion headwind for their earnings.
 - Apple said 2.5% of revenue could be curtailed by FX.
 - Bitcoin is not owned in the portfolio.
 - There's a small chance it becomes ubiquitous, but a higher probability it flounders.
 - Bitcoin doesn't generate cash flow and is considered "digital gold," falling more into speculation than investing. It's not ready for institutional pools of capital.
- Investment Policy Statement (IPS) Recommendations
- Adjust objectives to reflect UP MIFA standards, focusing on returns, diversification, and a long-term perspective.
 - Adjust asset allocation to better reflect the University's spending and purchasing power.
 - The current allocation is roughly 50% equity, 50% fixed income.
 - The IPS has a target of 60:40.
 - The larger account is around 70% equities, 30% fixed income.
 - The goal is to move the portfolio to a 60:40 or 70:30 allocation.
 - Recommendation to move the policy closer to 60:40 allocation.

Investment Policy (0430) Review

- The proposed changes are for consideration, with a review period before approval at the next meeting.
- The changes aim to clean up outdated parts of the policy due to the change in investment advisor.
- The Board is required to review the investment policy annually.

Further Discussion

Tuition and Fee Recommendations

- Stephen Taksar further explained tuition and fee schedules:
- The Division of Continuing Graduate Education (DCGE) fee recommendations are also part of the approval, with increases in the range of 2-3%.
- Undergraduate fee increase: 3%.
- RN and BSN: 2%.
- Graduate general fee increase: 3%.
- Graduate fee for social work: 3%.
- Physician's assistant exam fee: no change.
- Physician's assistant fee increase: 2%.

Motion Amendment / Materials Discussions

- Trustee Jasmine questioned if a motion was needed on the updates to the investment policy statement.
 - It was found to just be a discussion point today and will be approved at the next meeting.
- There was a suggestion to amend the motion to include details about the tuition adjustments for DCGE.
 - The current motion supplied incorporated all fees, therefore motion adjustment is not needed.
- Discussion around the PowerPoint presentation utilized in a public meeting will be available to the public.

There being no further business,

MOTION made by Trustee Carrier and seconded by Trustee Queenin, to adjourn the meeting. There being no discussion, **motion passed unanimously**. Meeting adjourned at 3:23 PM.

Materials:

- a. Minutes 12-2-24 (Draft)
- b. FY25 Second Quarter Update/Spending Plan
- c. Motion - Acceptable Use of Information Technology Resources Policy (0380)
- d. Policy – Acceptable Use of Information Technology Resources (0380) NARRATIVE
- e. Policy – Acceptable Use of Information Technology Resources (0380) CLEAN
- f. Policy – Acceptable Use of Information Technology Resources (0380) TRACK CHANGES
- g. Motion – FY26 Tuition and Fee Schedule
- h. FY26 Tuition and Fee Schedule
- i. University Cash Summary
- j. Travel Expenses for the President and the President’s Direct Reports
- k. 4Q Review (Investments)
- l. Policy – Investment (0430) TRACK CHANGES

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 February 20, 2025.

Chris Montemayor, Secretary

Date