



**Minutes of the Meeting of the Massachusetts College of Liberal Arts
BOARD OF TRUSTEES FISCAL AFFAIRS COMMITTEE**

March 28, 2023

87 Blackinton St, North Adams, MA

Audio/Video Conference

Members in attendance

Brenda Burdick, Board Chair*

John Barrett*

Karen Kowalczyk*

Members absent

Franklyn Reynolds

Others in attendance

Dr. James Birge, President

Lisa Lescarbeau, Board Clerk

Joseph DaSilva, Vice President, Administration and Finance

Curt Cellana, Accounting Manager, Administration and Finance

Gina Puc, Vice President for Strategic Initiatives and Enrollment

Bernadette Alden, Director of Marketing and Communications

*Denotes remote participation

As allowed by executive order of the Governor of Massachusetts, in compliance with the provisions of Massachusetts General Laws, Chapter 30 and 15A, Section 9, and with a quorum present in-person and via audio/video-conference, the Fiscal Affairs Committee meeting of March 28, 2023 with Committee Chair Reynolds presiding was called to order at 8:33 a.m.

FY23 Fiscal Reporting

VP DaSilva provided an overview of the FY23 fiscal period through February 2023 including revenue and expenses.

VP DaSilva highlighted individual revenue and expense lines as follows:

- Positive State revenue variance is due to open positions. This will be expended through the end of the FY.
- Tuition and fees: positive variance of \$384K as enrollment compared to budget is up
- Scholarships: positive variance of \$230K due to the MASS State Grant increase
- Revenue overall is \$1.2M positive through the period
- Full time employees expense line AA: \$800K positive variance due to timing of hiring and open positions

- Expense line CC: \$400K positive variance due to lower adjunct faculty and student employment
- Expense line EE is a function of departmental timing of spend with a positive variance of \$232K. This will level off through end of the FY

Overall net revenue is a positive variance of \$2.3M year to date.

FY23 Forecast

VP DaSilva presented the financial forecast for FY23 and highlighted the following revenue and expenses:

- State revenue appropriation of \$20.6M will be utilized through the end of the FY
- Tuition and fees revenue: \$1.56M positive variance due to enrollment up compared to budget
- Reserves will not be utilized this FY
- Revenue as of June 30 is projected to be \$930K positive
- Line AA: \$855K in open positions projected
- Line DD: \$413K associated to open positions projected
- Line JJ: \$482K meals revenue up, \$100K in Title III funds, and purchase of two vans

Overall net revenue is projected to be a positive variance of \$1.5mm at end of FY23.

In response to a question regarding the unbudgeted \$100K cybersecurity expense in Line UU - IT Expense, VP DaSilva noted that cybersecurity insurance requires the college to employ cybersecurity software. This software provides 24/7 monitoring by a third party. This forecast assumes that the College is responsible for the full expense; however, a state initiative through PACE may provide financial support for cybersecurity. This additional program is to encourage insurance carriers to understand that the College is taking steps to mitigate losses associated with a cyberattack.

Trustee Kowalczyk commented on the reserve funds and reported the following balances:

- 2018 - \$13M
- 2019 - \$15M
- 2020 - \$12M
- 2021 - \$14M
- 2022 - \$16M
- Current - \$19.5M

The document regarding reserve funds requested at a prior meeting, while not included with the materials for this meeting, were emailed to Trustees following the January meeting.

Reports of open positions and detail of the State's revenue and expense lines were provided in the meeting materials.

In response to questions regarding open positions, VP DaSilva stated that not all positions currently open are being filled. Some positions have been advertised, but the College is not seeing qualified, sufficient applicants.

Trustee Kowalczyk sought further clarification of the open positions, specifically those related to campus police. There are currently five campus police officer positions, and interviews are underway to fill those positions, with an offer anticipated to be made in the coming days for one position. While these positions may not be filled this FY, the College will continue to advertise and interview to fill in the next FY.

VP DaSilva referred to the list of open positions provided to the Committee members stating that those positions on the list are what administration agreed will be filled in FY24. This list will continue to be refined as the FY24 budget is completed.

Trustee Barrett further questioned open positions and funds that would go to reserve if unused. VP DaSilva confirmed that, while budgeted positions remained unfilled resulting in unused funds, this is a function of not being able to find qualified candidates and not intentionally overbudgeting to build reserve.

FY24 Budget

VP DaSilva presented the draft FY24 budget and provided the following revenue highlights:

- State revenue of \$21.5M is what is anticipated as the College's state appropriation at this time. This could increase as the State System is looking at a fee lock that has not yet been finalized at state level.
- Tuition and fees of \$1.9M and \$14.9M, respectively, includes a proposed 3% fee increase
- Grants – \$1.4M from federal and state grants
- Scholarships will remain stable at \$4.4M FY to FY
- ARPA and HEERF have expired
- Reserve use in this draft is \$0, but will be added for budget approval at the next meeting of this Committee and the full Board of Trustees
- Housing revenue of \$2.6M is included as approved by Boston as of March 27
- Interest income is \$165K with recent investment strategies to optimize ROI of funds; 4.5% average interest income on US Treasury Security funds
- \$47.2M budgeted revenue

In response to questions regarding the proposed 3% increase in student fees, VP DaSilva explained that this is the amount college administration has determined is the optimal increase for this budget

and is what peer institutions are proposing. This will generate \$350K in additional revenue in FY24.

Trustee Barrett further questioned the proposed fee increase and expressed his belief that Trustees do not understand the College's financials. He claimed administration intentionally is not filling police officer positions that students pay as part of their fees and stated this is morally wrong.

VP DaSilva clarified that the State appropriation covers salaries including police officers, and that fees assessed cover the services offered to students.

President Birge clarified that the budget being presented at this meeting was to begin discussion and is not the final version that administration will seek this committee's and the board of trustee's approval of. That version will be presented to the Fiscal Affairs Committee at their next meeting and the full board at their June meeting.

Following discussion of alternate fee increases, it was agreed that administration would model increase at 0%, 1%, 2% and 3% for presentation at the next meeting of this committee. As well, an analysis will be done on financial aid and how it offsets increases for students.

VP DaSilva presented the following expense highlights for the draft FY24 budget:

- FT salaries: flat FY over FY at \$21.8M
- Travel: flat FY to FY at \$424K
- Line CC: increases as changes to improve student orientation are made including an earlier return to campus for students.
- Pensions: increase as fringe cost overall includes payroll tax that increases from 1.85 to 2.45%
- Line EE: includes a campus wayfinding and signage project currently underway, hockey ice time, and NECHE accreditation fee and visit expense
- Line FF: includes hockey equipment purchases that need to be made at program launch
- Line GG: energy costs – MCLA's current pricing ends in November. Energy costs are going up and will impact this line. Transitional housing projected at BT is included in this increase.
- Line HH: A consultant who specialized in higher education signage has been engaged, and several grants have reached life end and have been eliminated from this line.

Financial support of the hockey program was discussed. Trustee Barrett recalled that the board had been led to believe that ice hockey would be raised and paid for through alumni support. While President Birge did not recall that the board had been told hockey would be paid for in that manner, he did state that the Foundation has raised approximately \$100K for the program and that another alum has indicated they will match that amount. As well, increased revenue from hockey enrollment will contribute to the program expense.

Trustee Kowalczyk further clarified that the \$572K in expense line FF was not exclusive to hockey, rather the increase in the line year over year is partly attributed to the hockey program. The increase year over year is \$182K, which VP DaSilva noted also includes the changes to the new student orientation program. The notes with that line on the report provided are only two highlights of the expenses included in the overall number.

Trustee Barrett continued questioning of the ice hockey program and related expenses. He expressed concern that the report did not break down each individual cost budgeted in that overall line. President Birge provided enrollment information relative to the program: 51 men and 43 women have applied to MCLA to participate in the ice hockey program. Each team roster has room for 25 players.

Trustee Barrett requested a report of the cost of the hockey program expressing concern, again, that he had been led to believe that alum donations would pay for the program, and that he anticipated it costing the College down the road. Specifically, he requested to know what part of the fees paid by students supports the hockey program.

President Birge noted that fees collected from students support all student activities across all divisions. Providing such detailed reporting to the Board of Trustees is unprecedented and crosses into the purview of administration.

Trustee Burdick reminded Committee members that, as part of strategic planning, the Board and Administration agreed on initiatives including hockey, nursing, and radiologic technology programs. Hockey is one piece of that strategic planning.

Trustee Kowalczyk reminded members that the categories/accounts are given to the College by the state and may not necessarily make sense as to the detail of what is included. Trustees are provided a summary and it would be excessive reporting if every line item was detailed.

VP Puc responded to questions regarding current student fees. Tuition and fee for in-state, residential students is \$23K before any aid is applied. Dependent on family income, this number with aid typically ends up between \$5-7K per student. Of the \$23K, \$21K is fees which include housing and meal plans. Tuition is \$1,500 per semester and fees, without detailed data available at the immediate time, are roughly \$7.5-8.5K. It is important to note, again, that these are before any financial aid is applied.

Trustee Barrett asked again what students pay and expressed concern with the proposed 3% fee increase, and how it affects those who do not receive additional aid. While he stated the College increased the fee by 5% last year, that number was corrected as the increase approved by this committee and the Board of Trustees was 3% in FY23.

Trustee Barrett again expressed concern with starting a hockey program that will enroll 50 students and the expense associated with that program, and that he does not understand the bottom line associated with the program.

Trustee Burdick reminded committee members that new programs are viewed from a fiscal perspective including the impact on student fees and related expenses. The review at this meeting is done to allow time to consider the preliminary budget, and for administration to prepare the final budget for board consideration in June.

Athletic Turf Field Replacement

VP DaSilva reviewed the need to replace the athletic turf field at the athletics complex. Field upgrades were last done in 2007, and at 16 years has reached its end of life. Photos of the field conditions were provided with the materials for this meeting. Drainage continues to be an issue and forces athletics games to be relocated to either other universities or other fields that may be available in the city. As we continue to recruit students to enroll and play sports, it is imperative to address field conditions.

A consultant for turf fields was hired and MSCBA has provided a project manager. An assessment was done to determine what is needed to make the playing surfaces state of the art and to allow full utilization. The cost of upgrades is estimated to be \$1.6M and includes new turf, drainage, benches, and the incorporation of a softball field. The annual expense to the College as debt service through MSCBA at a 3.92% interest rate will be \$121K. This amount is included in the FY24 budget as presented. Without this field upgrade, the College will face continued safety issues for athletes, and serious challenges of not being able to use the athletics field which may impact future enrollment.

Upon motion duly made and seconded, with no further discussion, it was unanimously:

VOTED: to recommend to the Board of Trustees seeking bond issuance of \$1.6M from the MSCBA to upgrade the College's athletics field.

MCLA Pittsfield Lease Renewal

President Birge provided a review of the lease of space at 66 Allen Street in Pittsfield, MA, which will reach the end of its 5-year term this FY. Administration is recommending non-renewal of this lease and will pursue alternate locations to maintain a presence in Pittsfield.

Upon motion duly made and seconded, with no further discussion, it was:

VOTED: to not renew the lease for space located at 66 Allen Street, Pittsfield, MA.

Chair Burdick abstained from voting.

Investments

VP DaSilva provided a brief update on the state of the College's investment activity. The request for proposal resulted in 17 respondents in late fall 2022. The Investment Advisory Council selected four finalists who presented to the Council in February. Based on these presentations, the Council recommends approval of Francis Investment Consulting Group to serve as the College's primary investment management firm. Francis Investment has experience with boards and non-profit agencies and manages assets of \$24M; \$8M of which is higher education institutions. MCLA will invest \$10M with Francis Investment.

VP DaSilva stated that Francis Investment has also offered to conduct board development and provide presentations on investment performance and the firm's strategies.

Trustee Kowalczyk asked for clarification of the firm's asset size noting that at \$10M MCLA would comprise nearly one third of their assets under management.

Upon motion duly made and seconded, with no further discussion it was unanimously:

VOTED: to recommend approval of Francis Investment Consulting Group to serve as the College's investment management firm.

Additional biographical information on Francis Investment will be provided for the Board of Trustees consideration of the recommendation at the April 20, 2023 meeting.

Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 9:35 a.m.