



**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>

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**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 31<sup>st</sup> 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.

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Chris Montemayor, Secretary

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Date