



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

March 22, 2022

87 Blackinton St, North Adams, MA

Audio/Video Conference

Members in attendance

Karen Kowalczyk, Chair*
Mohan Boodram, Board Chair*
John Barrett*
Denise Marshall*

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

*Denotes remote participation

Complying with the provisions of Massachusetts General Laws, and with a quorum present, Trustee Kowalczyk called the meeting to order at 8:30 a.m.

2nd Quarter FY22 Report

VP DaSilva provided an overview of the first quarter FY22 fiscal reporting including revenue and expenses. State revenue is a positive variance of \$223k as a result of the state funding formula. Tuition and fees are negative \$215k and \$605k, respectively, as enrollment is down 6% from budget. Grant revenue is down through December 31, but this is a timing issue and will balance as reimbursement for expenditures is received. Miscellaneous revenue is a positive variance of \$184k due to foundation funds endowed to the College for operating expenses. Overall revenue is down YTD from budget by \$1.5MM.

Regarding foundation funding operational expenses to the College, it was explained that this has been the practice and the foundation does provide funds for operational expenses that the College incurs. VP DaSilva will provide that information to committee members following this meeting.

VP DaSilva reviewed expense lines next. Line AA – full-time employees – has a positive variance due to positions that remain open and timing of hiring. Line CC – special employee compensation – is \$200k positive and is attributable to the lack of student employees. Line EE – Administrative expenses and supplies – has a positive variance of \$190K due to a decrease in subscription expenses and an error in budgeting for student health insurance. It was noted that the student health insurance in this line is a pass through; students pay for the insurance through the college

and there is no revenue or expense to the College for this item. Line HH – consultant services – is \$191K positive to budget because of the lower grant revenue noted prior, and COVID expenses lower than budgeted. Line NN is \$129k to the positive due to Hoosac Hall being off line and reduced residence in the town houses. Line RR – educational assistance – is a positive variance of \$150k as a result of lower enrollment.

The increase in debt service is a result of paying down loans with Berkshire Bank, and the positive variance in travel is due to COVID restrictions that caused many events to be held virtually.

Overall adjusted actual for the second quarter shows a positive variance of \$1MM.

FY22 Forecast

VP DaSilva reviewed the FY22 fiscal reporting forecast consisting of eight months actual, July 2021 through February 2022. State revenue for the period reflects a positive variance of \$763K due to formula funding. Enrollment including Spring 2022 is down 7% overall. Miscellaneous revenue is negative as a result of lower enrollment and PELL. Interest income is down \$23k to budget due to lower bank interest rates. Through eight months, revenue is down \$1.25MM from budget.

Trustees discussed the disbursement and timing of financial aid to students and the impact on financial reports presented. The variance in this line is due to timing of FASFA and aid filings, and the beginning of the semester.

Student transfer numbers for January 2020 vs. January 2022 will be provided to Trustees post meeting as requested.

VP DaSilva reviewed expenses for the eight-month period. Line AA has a \$600k positive variance as a result of open position and delayed hirings. Line BB will continue to see limited and reduced travel. Line EE is expected to remain under budget as a result of the prior noted student health insurance budgeting issue and lower subscriptions. Line FF expenses are directly related to reduced occupancies. Line HH is \$160k under budget. Line KK is over budget and will remain over as a result of purchases to replace defective and outdated equipment including vans for student transportation and a tractor for facilities operations. Line NN is \$190k positive variance to budget is expected to be balanced at the end of FY. Lines SS and TT will see the positive impact of the MSCBA bond restructuring.

Overall the forecast is for a positive variance of \$1.18MM assuming operations continue as forecast.

Finance staff will provide additional detailed reporting for the next meeting of the Fiscal Affairs Committee as requested by Trustee Kowalczyk.

VP DaSilva clarified the impact of reporting on a cash basis vs. an accrual basis, and the payroll accounting process.

Small/Five Year Critical Capital Repairs

VP DaSilva provided an overview of the financials for the Colleges small and five-year critical repairs projects. Initial funding for small repairs from the Division of Capital Asset Maintenance and Management (DCAMM) was \$450k. Once all projects in the small repairs funds are complete, all DCAMM money will be expended and the College will be responsible for a balance of \$1.5k.

DCAMM has allocated \$4.564MM to the College for the FY19-23 period. These funds require a 20% match by the College. Projects planned for use of these funds were outlined in the material provided in advance of the meeting. Roof repairs on the Amsler Campus Center are scheduled to begin in mid-May following commencement. Other projects include windows in Freel Library, electrical upgrades in Amsler Campus Center, and infrastructure upgrades for the IT equipment space.

DCAMM has announced another round of 5-year funding (FY24-28) and it is anticipated that MCLA will receive the same amount as in the past. As such, any projects not completed by FY23 end will carry over into FY24 with new funding. Work is being done ahead of the funding announcement to have shovel ready projects that ensure half the funds are used within three years as any funds not used by then will be available to other state universities for their use.

FY23 Draft Budget

VP DaSilva reviewed the first draft of the FY23 budget. The deficit in this first draft consists largely of revenue loss, HERF funds no longer available, MSCBA debt increase, and the 20% match for 5-yr critical repairs funds. It is important to note that this is not the final budget being presented to the board, this is a first look only and considerable work will be done to address the deficit and balance the budget. The College is still waiting on the final House budget for state revenue figures.

Line AA – full time employees – includes the salaries increase that are still waiting on approval by the Commonwealth. The house is expected to increase the state revenue to cover the cost of increases resulting from collective bargaining.

Line BB – travel – is expected to increase to pre-pandemic levels. Line CC is decreased due to the lower number of student employees. Line NN is increased to account for the 20% match needed for DCAMM critical repairs funding. Line SS is decreased as a result of the Berkshire Bank loan payoff. Line UU increased as Title 3 funding ended and expenses covered by that grant now have to be assumed by the College.

Management will begin work to balance the budget in preparation for presentation to this Committee at the May meeting.

Committee members discussed the impact of declining enrollment on the College's viability long term. New degree programs such as nursing, and new athletics programs, for example, will have positive impacts on enrollment. MCLA continues to be negatively impacted by COVID, which is a national trend. Multi-year projections show increased enrollment based on strategic work and efforts focused on retention being done at the College. It is expected that the budget will be balanced, and the Trustees may be asked to provide capital through the College's reserve funds, which has been done in the past.

Committee members discussed the Nursing program being developed. The curriculum has been built and the next step in the process is for presentation to the State for approval. Student recruitment will begin for entry in fall 2023.

Investment Advisory Committee

President Birge discussed work on the Investment Advisory Committee. An investment policy is being developed and will be presented to the board of trustees at the June meeting.

Other Business

President Birge discussed the plans to move to a consent agenda at the April 7 Board of Trustees meeting. This means that a full report out by the committees will not be done, and minutes will be approved as part of the consent agenda process.

VP DaSilva commented on the College's receipt of the A133 single audit which has an unmodified opinion. There was one finding – out of the 32-student audit sample, 2 students financial aid /enrollment information within that sample was not transmitted to the Clearing House. This issue has been addressed by placing additional safeguards in place to prevent a recurrence of this reporting error.

Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 9:42 a.m.