

Minutes of FAP Meeting #19 AY2021-22

February 14, 2022

4:00 PM – 5:00 PM

Meeting Held Electronically via ZOOM

Members in Attendance: Tanja Dominko, Joseph Fehribach (FAP Chair), Mike Horan (Executive Vice President/CFO), Joseph Sarkis (FBC Co-Chair), David Spanagel (FAP Secretary; RPC Representative)

Guest: Fabienne Miller (Faculty appointee to Trustee Budget and Finance Committee)

Call to Order. Chair Fehribach called the 19th FAP meeting of the year to order at 4:01 PM.

- 1) **Approval of Minutes.** FAP's Meeting #18 minutes were approved.
- 2) **Budget and Finance Report Preview.** CFO Horan began by describing WPI's current debt service and how plans are underway to refinance \$40 Million worth of 2012 bonds at a substantially lower interest rate (from 4.25% to 2.22%). The current bonds require payments that are interest only with the principal being paid back in the last 5 years of the loan. This new refinancing will increase our total debt service payment by \$125,000 per year but over the next 20 years will pay off more than \$25 million in debt.

CFO Horan proceeded to describe how plans to work with a private partner to build an energy cogeneration plant will provide another \$45 Million of cash (instead of adding to our total indebtedness) to support WPI's next wave of construction needs. This strategy will lock in our energy rates for 40 years but will also enable WPI to try to achieve institutional carbon neutrality more rapidly (expected by 2045), since our private corporate partner can take advantage of the tax incentives for substantial investments in energy savings technologies. Three bids have been received from prospective private partners, each of which proposes a significantly different model for how to meet our 4.5 megawatt electricity demand over the next several decades: one group has suggested constructing a natural gas cogeneration plant; a second group is proposing solid oxide fuel cells; and a third group would preserve our current power plant but add substantial solar capacity in the short term as a bridge until the nature of the next revolutionary energy technology system is clearer.

All three bidders have done preliminary engineering studies. All three have proposed installing a microgrid to limit the risk of power outages. All three are committed to building a campus

Sustainability Center where research and teaching focused on energy issues can be promoted. Some interested students were invited to hear the presentations by these bidders, and the Committee reviewing these bids includes four Trustees, two faculty members (Profs. Strauss and Mathisen) of the Sustainability Committee, and some staff members from the Facilities Department. The choice of whom to work with will come down to the following criteria: return on investment considerations; cultural fit with WPI; and whose plans seem to be the most forward-looking. CFO Horan hopes to be able to announce a vendor/partner choice in time for the May 2022 Trustee meetings. Then the cogeneration construction project will go into a design phase while the \$45 Million of cash will become available for WPI's other impending capital needs.

Regarding the key parameters for developing the next year's budget that Trustees expect to hear about during this winter meeting stage of annual budget preparation, CFO Horan indicated that he is not recommending a specific salary increase pool amount yet, noting that inflationary pressures and other concerns around compensation require more flexible thinking until the final budget is ready in May 2022. He did say that the working model places a few stakes in the ground: an incoming first year undergraduate enrollment target of 1350 students (+/- 25 students) with enhanced diversity to be achieved by increasing the tuition discount rate from 47% to 49% for freshmen; fixed costs estimated to increase by 2.9%; tuition, room and board fees for undergraduates to increase by 2.5%, and graduate tuition rates to remain flat; the endowment draw would be reduced from 4.7% to 4.6% of the (12 quarters trailing average value of the endowment). Campus housing investments in the Town Home apartments (100 rooms) and South Village (150 rooms) are expected to help with next year's revenue.

A snapshot of the current year's operating budget projects a surplus of ~\$7 Million (\$6.3 Million of which depends on expected FEMA reimbursements for Covid-related expenditures). CFO Horan added that the cost of administering our Covid tests has continued to drop significantly to the point where they now cost only about \$8/test.

FBC Co-Chair Sarkis asked whether the 9.5% retirement contribution decision was under reconsideration in the light of the still fluid salary pool size parameter amount and the fact that retirement constitutes a significant portion of the total compensation package for WPI employees. CFO Horan responded that the current labor market is forcing us to "rethink everything." He also noted that WPI's new Vice President for Talent and Inclusion is looking at other benefits

enhancement possibilities as well, since it has become difficult to retain employees and staff (at least in certain sectors).

3) **Adjournment.** The meeting was adjourned at 5:03 PM.

Respectfully submitted,

David Spanagel

FAP Secretary