

Financial and Administrative Policy DRAFT
Minutes
20th Meeting, AY 2022-23
Monday, February 27, 2023, 9:00 am
Meeting held remotely; Zoom meeting ID: 997 1982 8892

Members: David Spanagel (HUA, Chair), Hal Walker (CEAE), Rob Dempski (CBC), Joe Sarkis (BUS), Kris Sullivan (Associate VP of Academic Affairs), Mike Horan (Executive VP and CFO, *Ex Officio*)

1. The meeting was called to order at 9:03am
2. The agenda was approved
3. The Minutes of the 19th meeting were approved as amended
4. Recap and debrief of February Board of Trustees Committee meetings

Mike Horan gave the committee a recap and debrief of the February Board of Trustees Committee meetings on Budget & Finance and Facilities & Infrastructure. Mike Horan started by summarizing the new short-term investment policy being implemented. WPI is putting \$85M into short-term investments (5-year time horizon) with the interest generated to go to support building renovations. Of this \$85M, \$45M is coming from the new co-generation agreement. The other \$40M is being redirected from the endowment. This new policy is motivated by the recent attractiveness of more short-term investments, as such should generate more revenue than keeping the funds in the longer term investments.

Mike Horan also discussed the recent bond buy-back program. Historically, with interest rates low, WPI could sell bonds at a premium (at 125% of value). However, the increase in interest rates over the last few years has resulted in a drop in the price that bonds can be sold (currently selling at 100% or lower). It is now fiscally advantageous to buy back some of the outstanding bonds. The Board of Trustees has approved \$10M for this purpose.

Mike Horan also summarized work by the Budget and Finance committee to examine the fiscal response of over 1000 colleges to the recent financial stress affecting higher education. Mike Horan indicated that there was no single way colleges are dealing with this stress. In general, however, schools that have a greater than \$1B endowment or a university hospital are able to weather with this stress easier.

Mike Horan then shared with FAP that the discount rate of the incoming class is coming in higher than planned. The goal or target was to increase the discount rate from 47.5% to 49.5% for the incoming class. Based on current projections, the discount rate would come in higher than this target, at 52%. He added that the target size of the incoming class is 1375. One member of FAP indicated that the discount rate of WPI was 42% at one time and that as an institution we

need to balance the discount rate with reputation (and sometimes these two goals can be in conflict). Mike Horan pointed out that we want to be a “high touch” experience and that this by nature is expensive. There was concern on FAP that we could lose our differentiation if we “compete on price,” and can no longer afford to offer our signature “high touch” educational experience. A member of the committee suggested we need either a much larger endowment or diverse revenue streams to deliver “high touch” and offer increasing discounts on tuition.

Mike Horan also shared with FAP that the Facilities & Infrastructure is carrying out a “facilities capacity study.” In general, this study found that we have the capacity to grow, but not in all areas. The study is also looking to track demand over 4 years to see how needs shift. Kris Sullivan appreciated the emphasis on data driven needs assessment that this study represents. He also noted this type of process (i.e., “present data, get feedback, iterate, etc.”) has resulted in greater collaboration and consensus building with the Deans. Mike Horan also informed FAP that the budget request for capital projects for the upcoming budget year is \$30M. He indicated WPI is not going to go to the bond market or tap the \$85M in the short-term investment pool for the coming year. Instead, capital projects will be funded through operations. The \$30M will cover three main project areas: the renovation of Stratton Hall, the renovation/replacement of the track, and enhancing IT infrastructure. For the replacement of the track, some of the cost will fall on the following year budget.

Two important questions arose in the context of this discussion item: 1) Should faculty members assigned to the BOT be asked to provide some feedback to Faculty Governance? and 2) What is the role of faculty reps on the BOT? FAP Chair Spanagel recommended that COG be encouraged to reexamine the mechanisms by which Faculty appointees to Trustee Committee are both expected to and permitted to share information with the community at large.

5. The meeting was adjourned at 10:01am.

Respectfully,
Hal Walker
FAP Secretary