

Committee on Financial and Administrative Policy (FAP): Minutes

Meeting #2: Sept. 7, 2023

Zoom

10 – 11 am

Members Present: Hal Walker (CEAE, Chair), Joseph Sarkis (BUS), Suzanne LePage (CEAE), Stephan Sturm (MA), Mike Horan (CFO)

1. Meeting was called to order at 10:02 am.
2. Agenda was approved as distributed.
3. The minutes of Meeting 1 were approved as amended.
4. University Budget Update (Mike Horan)
 - a. The previous year's budget and actual was presented to FAP. Some highlights were presented.
 - i. Actual Operating Revenues (~\$285 million) were relatively consistent with budget, graduate tuition was a little more than expected.
 - ii. Actual Operating Expenses (~\$283 million) were also close. Leaving a surplus of about \$2 million. Much of the surplus was due to COVID government subsidies. The actual budget came in under in terms of surplus without subsidies. Surplus was about 2.2 million after subsidies. This type of surplus may not occur in the next year since government COVID subsidies have been discontinued.
 - iii. Auxiliaries (revenues) were down, most was in housing—160 beds were left open with a higher than expected vacancy rate. The University is looking at way to decrease the vacancy rate in coming years. As a residential school we only have 48% residency, this is lower than a typical residential school of 68%.
 - iv. Another major cost increase resulted from food costs which were up 30% over the year and reflected in Food Service contract.
 - v. Bond debt was presented as the “Achilles Heal” of the budget. Previous to COVID, earlier than 2015, about 80 million in debt, it is now \$380 million. Good news is the debt was taken at a low interest; and current interest rates have risen. Because of this shift, WPI is saving by buying back debt with a 12 – 15% returns on that debt. The plan for the upcoming year is to buy back an additional \$10 million in debt.
 - vi. Endowment is now at \$615 million. The high point was about \$650 million with a low at \$525 million due to market fluctuations. FAP discussed some global scholarship and use based on Endowment. The original plan was to fundraise \$50 million to fund these scholarships, which is still an on-going effort.
 - vii. Compensation remains a concern for high demand areas such as IT. Last year IT had significant turnover due to compensation and benefits issues. Many employees left for other jobs, employee vacancies saved some compensation costs. Although, overall savings from employee costs arose from less use of medical benefits than budgeted.
 - b. Presentation and Discussion of next year's financial budget (Horan)

- i. Actual student class size for admitted students is 1357 students; less than the 1400 budgeted.
- ii. Also affecting the budget is the 52% “discount rate” which was higher than what we budgeted. Retention rate of 96% is very high and remains robust compared to competitors.
- iii. Housing is at 90% forecast, when we budgeted for 96% occupation. Some transfers. Biggest miss and may represent a loss of \$1.5 million.
- iv. Graduate student enrollment was a little less due to some visa concerns.
- v. This year, the new revenue generated from operations was not enough to address all of the needs of the University including our investments in undergrad admissions (regional recruiting), Grad enrollment (opened India office), New faculty hires etc... The University this year has focused on finding ways to reallocate existing resources towards the demand noted above.
- vi. To address potential deficits. Travel was cut back on all departmental budgets – \$1.4 million cut out of an \$8.5 million spend last year. One contribution to this is a policy of no reimbursement for alcohol. Filling in positions from turnover will be delayed or eliminated based upon the need that was discussed during the budget process.
 - vii. A major budget hit will be expenses from renovations for Stratton Hall (approximately \$25 million).

The conversation will continue in the next meeting since there was a lack of discussion on some of these proposed cuts and budget constraints.

A financial update to the community will occur in October.

5. Meeting was adjourned at 10:56 am.

Respectfully,

Joseph Sarkis
FAP Secretary