

FAP Minutes, Meeting #15

AY 23-24

Meeting Date: 11/12/2023

Members Present: Hal Walker (CEAE, Chair), Rob Dempski (CBC), Suzanne LePage (CEAE), Stephan Sturm (MA), Kris Sullivan, (Associate VP for Academic Affairs), Mike Horan (CFO), Joseph Sarkis, (BUS), Mark Richman (SOF).

1. The meeting was called to order at 2:05 pm.
2. The agenda was approved as submitted

Chair Walker ask CFO Horan to present his updated presentation on the financial situation for WPI. The CFO started by stating emphatically that WPI was not struggling financially and that our balance sheet is sound. But he added that we do need to allocate our resources strategically, allocating resources to support strategic priorities.

The CFO provided a budget review for the year and highlighted the most important budget items as follows:

- UG population growth was less than expected (1357 vs. 1400)
- Last year's class population was 1354, this year's class population was 1357 with a 3.5% tuition rate increase.
- This increase in the tuition rate was offset by the increase in discount rate from 47.9 % to 51.8%.
- WPI admitted 70 total transfer students. The discount rate for transfer students is usually 54%. However, for this year it was 47% which helped increase revenue.
- New operating revenue - WPI was able to generate nearly 10 million dollars with undergraduate tuition rate increases.
- Housing was under budget by 1.5 million dollars because we have approximately 100 plus vacant rooms, some of which were set aside to accommodate what was expected to be a larger first-year class. In addition, the townhouses in Salisbury Estates and South Village for graduate and upper-class students were not filled completely.
- For graduate student enrollment, WPI allocated a 4% growth for this academic year, but that was not achieved. Graduate tuition is down 3 million dollars.
- WPI added 9 new faculty hires with startup packages for FY24.
- The creation of the new grad student union created a 2 million dollar shortfall due to RA and TA budget deficit. This RA shortfall in the budget is anticipated for only 1 year while the TA budget increase will flow into the following years.
- The WPI food and labor costs with Chartwells increased by 1.4M
- Utilities increased by 1.5M

The CFO added that we need to find new sources of additional revenue and/or reallocate funds to other line items. In his view, we anticipate an enrollment cliff coming over the horizon. Students are demanding better value proposition for their education, which will limit our ability to increase tuition rates too aggressively in the coming years.

CFO Horan noted that the only issue that Moody's addressed in our last financial update is that the amount of debt on our balance sheet is of concern to them. Over the last 8 years, WPI has borrowed approximately 370 million dollars in low interest loans and we did a lot of large projects with the assumed debt. However, this has limited our ability to be flexible with future opportunities as they present themselves. Our Moody's rating changed from A1 to A2 because of the size of our debt and that will affect the rate of future borrowing.

Professor Walker asked about any additional new changes from the initial budget summaries from earlier in the Fall.

CFO Horan stated that overall, we are concerned about the enrollment cliff. 80% of the areas we recruit from will get hit hardest by the enrollment cliff. CFO Horan added that we opened up regional recruiting offices in different areas including Southern California, Chicago, New Jersey and New York. We will add more to ensure that we have a bigger pipeline and a more diverse group of students in order for us to become more selective. New recruitment regions require more marketing and digital marketing to promote the WPI brand to a broader audience.

On the graduate student side, we contracted with an office in India to recruit grad students from India. This recruitment office has been successful in recruiting 1400 students to another university. We are targeting a recruitment cohort of approximately 250-300 grad students per year. We are also working with the deans and provost office and have allocated faculty in certain areas to accommodate this large increase in the future. The provost and provost office have been working with the deans to ensure sufficient academic resources when this jump in grad recruitment occurs.

In the IP space, WPI hired a consultant to review our potential patent inventory. The consultant was impressed with the level of talent and IP that WPI generates, and we are working towards creating the appropriate IP contractual resources to grow this enterprise. We have had one successful hit in Ascend Elements. The other areas are to invest in Research infrastructure to grow the IP pipeline and to be able to recruit qualified faculty in certain areas.

A FAP Member stated that for the bond agencies we are doing great and can obtain good rates for future credit, but for employees, we are struggling, and we cannot keep pace with the cost of living increases. So, if we look at all investments that are made based on some ROI, what is the structure used to assess ROI for Human Resources?

CFO Horan responded that the answer will depend on many factors. This varies based on type of employee we are assessing. For example, an advancement gift officer, Horan can quickly calculate their ROI. For a research faculty, it takes time, 2-3 years to get their labs and research

operations up and running. for teaching faculty, the returns are more immediate. We want to grow research, that is a focus for us.. On the staff side, WPI is reviewing all staff operations and organizations and going through a benchmark process. WPI's goal over the next couple of years is to understand the support costs and to keep those support costs as low as possible without sacrificing quality.

Our overall enrollment growth will be limited on the UG level, and our focus for growth has shifted towards Grad programs.

A FAP Member asked for more elaboration on the initiative to bring in the India students and how do the finances work. How will these students be able to afford the WPI tuition given the economic situation and the barriers for funding higher education in India?

The CFO responded by stating that the international students want to come WPI or other US institutions, get their degree, go on Optional Practical Training, and find jobs and pay off their loans.

The FAP member stated that the financial benefit maybe large, but for faculty that may work in the opposite direction. The faculty asked if we should try to recruit from regions that are more financially prosperous? Like the Middle East or South Korea? Mr. Horan said that the open doors report indicates that over 50% of grad students come from China and India, these markets have a different recruiting approach and we need to be active in them. We will then move to other regions such as Southeast Asia, Turkey, Middle East, South Korea, and Vietnam since we want diversity in the grad student population.

A FAP Faculty member stated that it would be good to ask the faculty for feedback because they do have extensive experience with international students. He added that we see students with background in computer science that are applying to biochemistry lab. I am very sympathetic to their financial burdens but we have to be cautious on how this will impact our teaching and research environment.

Another FAP member added that these fads come in waves. It is very difficult for us at WPI to recruit financially viable international graduate students because we do not have the brand name. In his view, if we want to enhance this type of pipeline, it would be best to work with partner universities in China, India, S. Korea, Japan, Turkey to create programs like 2+3, or 3+2 for dual degrees and recruit students from good universities that have the capacity to pay

CFO Horan stated that it's interesting that even financially capable international students and their families know the US college market. They have come to realize that universities must compete for these students and expect some kind tuition and scholarships.

Horan also noted that another focus for the University is on growing the endowment. A FAP member responded by adding that it was not an easy task to grow the endowment from 600M to 1B dollars. This FAP member added that WPI does not have the depth of wealthy alums with deep pockets that are able to make those kinds of contributions. This FAP member added that it was not realistic for WPI because we do not have the opportunities like an MIT or Harvard that can jump on startups like a google or Uber or Bose etc like other universities with a large IP track.

Secretary Richman added that he was patiently listening to all this budget information and was very confused. He stated that most of the line items that CFO Horan mentioned created a deficit. For example, there is a short fall due to discount rate, empty housing beds, increased food cost, increased utility cost, decreased graduate tuition, etc. On the one hand FAP is hearing of all these budget shortfalls and on the other hand we are hearing from the CFO and the president that WPI is sound financially. He added that the messaging is not clear, and that the faculty are confused and anxious about the financial well-being of the institution. Secretary Richman added that in his view, the administration and specifically the CFO should do a better job in clearly communicating the situation with the WPI budget and being more transparent in sharing this important information.

The meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Tahar Elkorchi
FAP Secretary

Summary of Meeting Minutes: ChatGPT 😊

1. Financial Update:

- VP and CFO Horan emphasized that WPI is not struggling financially.
- Strategic allocation of resources is needed to meet changing demands.
- Budget review revealed low year-over-year undergraduate (UG) growth.
- Class population increased by 3.5%, but revenue was offset by a higher discount rate.
- Admitted 70 transfer students with a lower discount rate.
- Housing was under budget by \$1.5 million due to vacant rooms.
- Graduate student enrollment fell short, leading to a \$2 million decrease in tuition revenue.

- New operating revenue of \$10 million from tuition rate increases was partially offset by new faculty hires and other expenses.

2. **Debt Buyback Program:**

- WPI used \$40 million from CoGen deal to buy back debt, resulting in a \$3.5 million benefit to the budget.
- CFO emphasized reducing the deficit by \$500,000 for every \$10 million in debt buyback.
- Concerns raised about future debt becoming more expensive and affecting interest gains.

3. **Enrollment Challenges and Initiatives:**

- Anticipation of an enrollment cliff.
- Regional recruiting offices opened to address this, focusing on areas like South California, Chicago, NJ, and NY.
- Contracted with an office in India to recruit graduate students.
- Initiatives to grow intellectual property (IP) and research infrastructure.
- Concerns about financial viability and impact on teaching and research environment raised regarding recruiting international students.

4. **Financial Viability and Endowment:**

- Discussion on recruiting international students from prosperous regions.
- CFO mentioned the need to grow the endowment to \$1 billion, but concerns raised about the feasibility given the lack of alums with deep pockets.

5. **Communication and Transparency:**

- Faculty expressed confusion and anxiety regarding financial well-being.
- Call for better communication and transparency from the administration, especially the CFO.

The meeting covered various financial aspects, including challenges, initiatives, and concerns, with a focus on strategic resource allocation and long-term financial sustainability.