

FAP Meeting Minutes #7 AY2016-17
October 6th, 2016; 11 a.m. – Noon
Conference Room-Financial Services; Boynton Hall

In Attendance: Tanja Dominko (Secretary), Tahar El-Korchi (Chair), Fabienne Miller, George Pins, Jeffrey Solomon - Executive Vice President/CFO, Kristopher Sullivan - Assistant Vice President Academic Affairs

Invited Guest: Judi Trainor, Associate VP for Finance

1. Approval of the Agenda
Agenda was approved as distributed
2. Approval of Minutes from Meeting #6, September^{29th}, 2016
Minutes were approved as amended
3. Report on WPI Operating and Capital budgets 2015-16 (Guest: Judi Trainor, Associate VP for Finance)

Ms. Trainor introduced several documents that will be presented to the Board of Trustees Budget and Finance Committee on October 13th:

- FY 2016 year end operating results will be presented in the old and new reporting formats. The new reporting format presents revenues and expenses by functional categories (expenses by type and expenses by function), match financial statements , IPEDS reporting, and can be used for comparisons with other institutions.
- **Instructional spending trends:** Ms. Trainor developed a comparison between WPI and 8 peer institutions recommended by Ms. Alison Donta-Venman – Director of Institutional Research (Illinois Institute of Technology, Clarkson University, Stevens Institute of Technology, Drexel University, Rochester Institute of Technology, Rensselaer Polytechnic Institute, Tufts University, Carnegie Mellon University), and a separate comparison with 2 aspirational peers (MIT, CalTech). Using % distribution of functional expense categories within core expenses, WPI compares well with averages of the above chosen peers and even with the two aspirational peers MIT and CalTech. Ms. Trainor continued that a more informative measure for comparison, however, can be represented by core expenses per instructional FTE. According to Ms. Trainor, WPI has been reporting spending per FTE based on 45 credit hours per student which, was not reasonable and over-reported our spending per FTE. With adjusted calculation of 36 credit hours defining an undergraduate and 24 credit hours defining a graduate FTE, our spending per FTE compares with the above peers in all core expenses except in research dollars/FTE, where we spend \$3,723 and peers spend 6,290/FTE. When compared with MIT and CalTech, our dollar amount spending/FTE is several fold lower across all the categories indicating that this comparison

may not be of appropriate strategic value. She suggested that we continue identifying appropriate peers for comparison that will be more informative. Ms. Trainor also provided a description of expenses included in various functional categories.

- **Operating budget:** Ms. Trainor reported that May 2016 projection of the operating surplus in FY2016 (\$6.7M) was exceeded and the FY2016 ended with \$11.7M operating surplus. Among factors contributing to the surplus are: a) increase in revenue mainly from undergraduate and graduate tuition, summer sessions, indirect cost recovery and auxiliary operations (total of \$5.5M increase); and b) decrease in expenses due to open Faculty and staff positions (\$3.4M), cost of gas, and unspent portion of budget contingency (total of \$5.2M in savings). An additional \$1M was budgeted as an operating surplus within the budget.

Mr. Solomon explained that conservative budgeting and budgeting for surplus and contingency represent a safe practice and contributes to safe operating margin of 5-6% for Moody's "A" Median institutions. The surplus had been added to university reserves that today range between \$20-25M in liquid assets.

FAP will continue discussing the operating budget and the format in which a report would be the most informative.

- **Capital budget:** Ms. Trainor reported end of the FY2016 results, summarizing that \$23.9M was expended on capital projects, including \$13.5M on deferred maintenance.

4. Adjourned at 12:10 pm.

Tanja Dominko
Secretary