

Board of Trustees
Administration and Finance Committee
September 14, 2017 --- 1:00pm – 3:00pm
Alumni Room

MINUTES

Trustees present: Linda Snyder (Chair), Karen Keane, David Lee, Bill McQuillan, Peter Nessen. Pamela Parisi and David Nelson (Ex-Officio). **Trustees absent:** David Lee

Also participating: Bob Perry (Liaison), Don Arpino, Jamie Costello, Maureen Keefe, Howie LaRosee, Peggy Maki, Cam Roberts, Chris Wright, and Susana Segat (Secretary to the Board).

Call to Order

Chair Snyder called the meeting to order at 1:15pm.

Consideration of the Minutes: June 1, 2018 and August 22, 2018

On a motion duly made and seconded, it was unanimously

VOTED: To approve the minutes of the June 1, 2018 and August 22, 2018 committee meetings.

Items Requiring a Vote

Acceptance of final Fiscal Operations Report: 7/1/2017 -6/30/2018

Chair Snyder asked VP Perry to provide the year-end budget update. VP Perry read through the budget summary provided to trustees and asked trustees to particularly note the summary page of actuals. He noted that FY2018 was a challenging budget year due to unforeseen expenditures. Fortunately, we were able to avoid a deficit position by balancing these expenditures with increased revenue. Overall, for FY2018 the college had revenues of \$78,512,967 and expenditures of \$77,434,103, for a net surplus of \$1,078,864. Compared to budget, overall revenues were on target and overall expenditures came in lower by 1%. MassArt ended FY2018 in a slightly better financial position than originally projected. He detailed the undergraduate, graduate, and housing program budgets; other programs & accounts and other financial activities.

VP Perry stated that MassArt would continue to support the current level of institutional financial aid to undergraduate students, maintaining our commitment to make MassArt an affordable option. This strategy has played a significant role in our ability to increase enrollment during the past three years. As we continue to deal with fiscal challenges, the college continues to maintain a high quality academic experience for our students through continued improvements to the physical infrastructure. Through its many multi-college collaborations and aggressive management of vendor relationships, the college works hard every day to ensure that the overall cost to students is reasonable. MassArt faculty and staff continue to work hard to contain costs: it is with their diligence and fiscal prudence that we were able to achieve a balanced budget this fiscal year.

On questions regarding the housing budget, VP Keefe noted that the college should assign 103-105% at the beginning of the year to deal with attrition; that no one is required to live on-campus, but that MassArt guarantees housing for first and second year students; that the college does not certify or inspect off-campus housing. Trustees discussed the MSCBA's role in setting increases, the housing debt, and the lease with Wentworth over Rogers Hall. President Nelson committed to providing a more comprehensive report on housing and the college's housing strategy, including the agreements we have with Capstone, MSCBA, and reserve accounts.

Trustees discussed gifts and money from the Foundation. On questions about how this money is reflected in the budget, AVP Arpino explained that most falls in "Other Programs and Accounts," but some may also be found in "Operating." Trustees discussed legal costs, noting this year's costly HR issues and contract negotiations. They also noted that utilities were over budget, due to temperature issues: AVP LaRosee pointed out that this budget item was increased for next year.

As for increased revenues, VP Perry explained that the \$1.1m surplus was due to the favorable Treehouse refinancing terms. There was also \$900,000 in undergraduate revenue, due to a larger class. President Nelson pointed out that the adjunct budget was about \$400,000 over budget due to a higher class and no proper controls for years. He said that the college needs to develop the discipline to bring this line item under control, and he expects that it would take two years to implement this new academic planning and forecasting program. Trustees expressed concern over the apparent lack of control over the adjunct budget.

Trustees discussed the graduate department budget, whose income was down \$200,000 but whose expenses were down \$400,000. They appreciated the good fiscal management. They noted that the Professional and Continuing Education (PCE) budget was getting into control as they right-sized. It was hoped that PCE's future would evolve through the upcoming strategic plan. President Nelson said that PCE was stabilized for the year and that the college would test accelerated branding and marketing to see if that would draw extra revenue.

Chair Snyder concluded that the college's dedication to controls and growth has created the ability to absorb higher costs. She would like to see a positive budget that lets the college build reserves and fund strategic initiatives. President Nelson said that despite housing costs and adjunct deficits, the college lived up to the trustees' expectation to end the year with a balanced budget. On discussing faculty and adjunct positions, President Nelson said that it would be up to the new provost to approve future positions. Provost Pinder will have the opportunity to rethink the search process and increase coordination between departments.

On a motion duly made and seconded, it was unanimously

VOTED: To accept the final FY18 fiscal operations report: 7/1/2017-6/30/2018

Items for Discussions/Reports

Capital Projects Update

President Nelson provided a progress report. DCAMM granted an emergency waiver and provided \$5.2m in funding directly to the MSCBA. We have all of the necessary permits, contingent on other issues we might find. ~~The cost for the galleries project is now at \$17.2m: the incremental \$5m comes from new conditions and deferred maintenance costs. The cost for the galleries project was predicted to be \$17.2m in August and current data suggests it will be about \$23m: the incremental \$5m comes from new conditions and deferred maintenance costs. (edit approved at 11/16/18 committee meeting).~~ Trustees discussed the funding for the remaining unfunded deferred maintenance. As for the timeline, President Nelson said that OPMs are being interviewed and we continue to plan a timely conclusion: we must occupy by August 15 and the galleries will open around February 2020. He noted that the monthly reports would be sent to the A&F committee on a regular basis. Trustees discussed the timeline for hiring an OPM and the need for forensics. Trustees requested that the bond documents be reviewed to confirm expectations. President Nelson offered to give a presentation on our deferred maintenance program at the next A&F meeting.

Facilities Project Report

AVP LaRosee gave an update on the Accelerated Energy Project (AEP). The bids are out to replace heat units in Collins and Kennedy and lighting campus wide (except South). Still to be done are the windows in three Kennedy floors (600,000) and the Collins rooftop (\$3m). The estimated cost of the AEP is \$11.8m, paid by college utility savings to DCAMM. DCAMM holds the bond and the risk. President Nelson asked staff to research Sightlines to establish how MassArt compares with the other colleges on deferred maintenance costs.

New Business

Foundation Audit

VP Perry reported that the Foundation audit was completed last month. There was the potential for a management letter regarding recurring issues on reconciling accounts. No fraud, theft, or abuse was found. To mitigate potential problems, the Foundation comptroller was removed, a temporary agency was hired, and internal controls for reporting structures was changed. Trustees discussed some of the issues regarding the comptroller's position. VP Perry thanked AVP Arpino for agreeing to get monthly updates, access to the system, and independently audit as the need arises. He said that he has talked to the Foundation audit committee, is satisfied that the books are clean, and that he was comfortable with the plan going forward. Trustees will continue to receive the Foundation's full yearly audit on a regular basis. Trustees discussed their responsibilities for knowing how the Foundation functions, whether it has been functioning properly, and the responsible use of the MassArt brand. The Foundation's total revenue this year was \$6m, due to the Unbound campaign. President Nelson said that Institutional Advancement would make a comprehensive presentation to the BOT: the relationship between the BOT and the Foundation shouldn't be complicated. The Foundation received and disburses funds: it is one of the departments within Institutional Advancement.

Trustees agreed that the Foundation does good work and they would like to have more say about its budget without rupturing their success. President Nelson said that the strategic plan would affect the work of the Foundation, as well as MassArt's work. Our processes and our reporting will also be different.

Adjournment

On a motion duly made and seconded at 2:55pm, it was unanimously
VOTED: To adjourn.