

**Springfield Technical Community College
Committee on Ways and Means Report
February 13, 2023**

Present: Trustees MacArthur Starks, Jr., Marikate Murren, Jeffrey Sattler, Samalid Hogan, and Norman Roldan. Also present: President John B. Cook.

Absent:

Trustee Starks called the meeting of the Committee on Ways and Means to order at 5:00 p.m.

Investment Subcommittee Report

Trustee Murren reviewed highlights of the investment sub-committee report from the February 2, 2023 meeting. Please see attachment 1 for the report from the meeting.

FY 2023 2nd Quarter Trust Fund Report

Mr. Jonathan Tudryn, Assistant VP of Administration and Controller, presented the report in accordance with trust fund guidelines. The revenue and expenses for all three trust funds fell in line with expectations for the 2nd quarter. Tuition and fee revenue are slightly higher due to fall 2022 enrollment coming in above budget. The college will not recognize the use of reserves until the funds are needed, likely later in the year. The most recent version of the vendor expenditure report was also presented.

Financial Update and Outlook

Cash Flow Projection

Mr. Tudryn presented the cash flow projection for FY 2023. The College had approximately \$6.9M available at TD Bank on February 5, 2023. The projected year end cash balance is approximately \$5.5M. This is a conservative projection and the actual year-end balance may increase due to a variety of factors including the timing of facilities projects and the sources of funds used to pay these invoices.

Enrollment Update – Spring 2023

Andrea Nathanson, VP of Administration and CFO, updated the Committee on possible scenarios for Spring 2023 credits as they relate to financial performance. While Spring 2023 enrollment is not yet final, it is conservatively projected to be even with last Spring, which is favorable to budget. Combined with Fall enrollment also being favorable to budget, the resulting net financial impact is projected to be \$792K.

FY 2023 Budget Outlook

Jason Cohen, Senior Director of Finance and Budgets, presented the FY 2023 Revenue and Spending report, noting that there is a projected \$1.8M favorable variance for the fiscal year. The most significant factors impacting the net income are the addition of FY22 formula funding of \$454K that was added to the FY23 base State Appropriation, actual fall and projected spring enrollment being favorable to budget for a net impact of \$792K, and personnel vacancies contributing \$372K to the bottom line.

FY 2024 Budget Process and Perspective

Dr. Cook provided context for the upcoming FY24 budget process with an overview of the budget process timeline and a discussion of key budget drivers.

Multi-Year Scenario & Analysis

VP Nathanson presented the Committee with a multi-year scenario analysis that modeled a 5-year financial projection based on a set of assumptions (total full-time employees, credits/enrollment, state support/appropriation, student fees, approved reserves from Trustees) which will continue to be reviewed and recalibrated.

The model discussed not a draft budget; rather an illustration of projected financial elements that need to be addressed in a multi-year context. With likely enrollment uncertainty or further declines, FY 24 and subsequent years was level-set with a floor of 70,000 credits; student fees remained frozen; expense inflation set at 5% in FY24 and held at a modest 2% thereafter; with deficits projected for FY 2024 to FY 2028 from \$4.9M to \$7.5M given the expense/revenue ratio. To further illustrate the ongoing structural deficit, VP Nathanson also presented a set of enrollment scenarios demonstrating how even with annual enrollment growth of 3%, there would still be a significant deficit in FY28, and that is driven particularly by personnel costs (at a total of about 66% of annual budget). A breakeven scenario for FY28 would require enrollment of 115,000 credits, or 12% annual growth, from FY25 – FY28, which is very much unlikely.

VP Nathanson also shared an overview of key drivers that will be considered throughout the FY24 budget process, including the level of State appropriation (which is determined by the Legislature), student enrollment projections, tuition and fees, and facility and capital investments (inclusive of IT & Cybersecurity). Trustee and Committee Chair Starks asked for budget detail if Trustees opted not to authorize/approve \$3 million from reserves; President Cook responded that given such a scenario, and the need therefore to focus on personnel expenses, an executive session in accordance with the Open Meeting Law would be needed.

VP Nathanson noted the multi-year strategy regarding reserves that has been in motion with Trustees (a total of \$10 million over four years); she further emphasized that balancing the budget will require alignment of expenses with revenues (Year I, and \$4 million was approved for FY 2023).

Old/New Business

Date of the next meeting

March 13, 2023 at 5:00 p.m.

Adjournment:

A roll call vote was taken to adjourn at 5:57 p.m.

Respectfully submitted by: Dominick Uguccione

**Springfield Technical Community College
Investment Subcommittee Report
February 2, 2023**

Attendees: Marikate Murren, Anthony Montemagni, Matthew Fratini, President Cook, Andrea Nathanson, Gerry de Berly, Shai Butler, Jonathan Tudryn, Dorothy Ungerer, and Nanette Flores.

The committee met with Fiducient Advisors on February 2, 2023 for the quarterly investment subcommittee meeting.

Mr. Fratini presented the Quarterly Investment Review Report for the fourth quarter of 2022. The Fiduciary Governance Calendar for the fourth quarter contains an allocation focus:

- Updated Capital Market Assumptions
- Frontier Engineer Asset Allocation Modeling

Mr. Fratini proceeded to provide a review of 2023 market themes, a twenty-year outlook, and portfolio considerations. An Investment Policy Statement Asset Allocation Summary was presented. Mr. Fratini affirmed that the target allocation is in line with the policy and the asset allocation guidelines. Mr. Fratini also provided updates on economic review and asset class returns. Mr. Fratini provided a summary of the dollar cost averaging activity:

- November 2022 – \$6,000,000 was received and deposited into the Short-Term Account. \$5,000,000 was invested into the Short-Term Portfolio across the Federated MMDT Money Market, Baird Ultra Short Bond and Payden Limited Maturity Fund.
- November 2022 – February 2023 -Dollar Cost Average \$4,000,000 into the Long-Term Portfolio –
 - \$1,000,000 was invested into the Long-Term Portfolio in November
 - Over December, January and February, raise \$1,000,000 each month in the Short-Term Portfolio from Federated MMDT Money Market, Baird Ultra Short Bond and Payden Limited Maturity Fund and invest in the Long-Term Account.

Investments managed by Fiducient totaled \$32,460,047 at December 31, 2022. This value includes a fiscal year to date gain of \$235,726.

The long-term investment account totaled \$22,630,910 at December 31, 2022. A summary of the STCC Long Term Investment Account as compared to the L/T STCC Hybrid benchmark is listed below by quarter, fiscal year to date, and since inception (11/1/2014).

| | QTR | FYTD | Inception |
|---------------------------|------------|-------------|------------------|
| STCC Long Term | 7.3 | 0.7 | 4.3 |
| L/T STCC Hybrid benchmark | 7.4 | 0.9 | 4.4 |

The L/T STCC Hybrid benchmark consists of:

| | Weight (%) |
|--|------------|
| Bloomberg U.S. Aggregate Index | 25.0 |
| Russell 3000 Index | 33.5 |
| MSCI AC World ex USA (Net) | 25.5 |
| HFRI Fund of Funds Composite Index | 7.5 |
| FTSE EPRA/NAREIT Developed Index (Net) | 3.5 |
| Diversified Real Asset Blended Index | 5.0 |

The short-term liquid account totaled \$9,829,137 at December 31, 2022. A summary of the STCC Short Term Investment Account as compared to the S/T STCC Hybrid benchmark is listed below by quarter, fiscal year to date, and since inception (11/1/14).

| | QTR | FYTD | Inception |
|---------------------------|------------|-------------|------------------|
| STCC Short Term | 1.1 | 0.9 | 0.9 |
| S/T STCC Hybrid benchmark | 1.0 | 0.4 | 1.0 |

The S/T STCC Hybrid benchmark consists of:

| | Weight (%) |
|---|------------|
| 90 Day U.S. Treasury Bill | 30.0 |
| Bloomberg Short-Term Government/Corporate | 60.0 |
| Bloomberg U.S. Aggregate | 10.0 |

An estimated fee analysis was also provided:

| | |
|----------------------------------|-----------------|
| Long-Term Investment Account Fee | 49 basis points |
| Short-Term Liquid Account Fee | 17 basis points |

President Cook commented that if we have a relatively large short-term position in a year, we may want to revisit the allocation between the long-term and short-term portfolios. President Cook stated that given budget management and cash position, there may not be a need to divest funds to balance the budget this fiscal year. Mr. Tudryn noted that the potential use of reserves to balance the budget and the Building 20 relocation efforts have been kept in mind as the local cash fund and short-term fund balances are reviewed.

The meeting adjourned at 5:09 PM.

Respectfully submitted by: Dorothy Ungerer