

**Springfield Technical Community College  
Committee on Ways and Means Report  
February 14, 2022**

**Present:** Trustees MacArthur Starks, Jr., Jeffrey Sattler, Marikate Murren, Samalid Hogan and Maurice Lindsay.

Also present:

President John B. Cook and CFO/Vice President of Administration, Andrea Nathanson

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

**Investment Subcommittee Report**

Trustee Murren presented the investment report from the Investment Subcommittee meeting held on February 3, 2022. Please see attachment 1 for the minutes to the meeting.

**FY 2022 2nd Quarter Trust Fund and Vendor Expenditure Reports**

Jonathan Tudryn, Controller presented the second quarter FY 2022 Trust Fund Reports and Vendor Expenditures over \$20,000 as required by the Board of Higher Education Trust Fund Guidelines. The General Education Trust, Health Trust and the Capital Improvement Trust funds are generally where they are expected to be through the second quarter. Tuition and Fee Waivers are higher than budget primarily due to an increase in dual enrollment. The vendor expenditures exceeding \$20,000 report was also presented.

**FY 2022 Financial Update & Outlook**

**Cash Flow Projection**

Mr. Tudryn presented the cash flow projection for FY 2022. The College currently has approximately \$5.6M available at TD Bank. The projected year end cash balance is approximately \$3.2M.

**FY 2022 Revenue & Spending and Projection**

Jason Cohen, Senior Director of Finance and Budgets presented the FY 2022 Revenue and Spending Report as of January 31, 2022. Assuming Spring enrollment down -11% from last year (a gap of 6% compared to the budgeted 5% decline), there is a projected net surplus of \$494K at year end. Total revenue is projected to be favorable by \$308K due to anticipated additions to the state appropriation totaling \$912K, offset by tuition & fees projected to be unfavorable by -\$604K. Overall expenses are projected to be favorable to budget by \$186K due mainly to savings from temporarily-vacant positions offset by DHE-authorized pay increases and increased operating expenses. There was agreement between Trustees and management that a seasonally-adjusted budget variance reporting would be useful in the future when software systems can accommodate the enhanced reporting.

**FY 2023 Budget Process and Perspective**

Dr. Cook and CFO/Vice President Nathanson facilitated a discussion, including the context and forecasting related to development of the FY 2023 budget. A first draft of the FY 2023 budget, as per past practice, will be presented at the March Ways & Means meeting.

### **Multi-Year Scenario & Analysis**

VP Nathanson presented the Committee with a multi-year scenario analysis which modeled assumptions that welcome input from the Committee: this include elements related to total full-time employees, credits/enrollment, state support/appropriation, student fee increases, etc.

The model and outlook was not considered a draft budget, but an illustration of projected financial challenges that need to be addressed in a multi-year context and outlook. With enrollment continuing to decline, a floor of 70,000 credits was modeled; modest increases to student fees were included; expense inflation held at a modest 2%; with deficits projected therefore for FY 2023 to FY 2027, and between \$6.0M to \$7.0M. To further illustrate the structural deficit, VP Nathanson also presented Impact of Enrollment Scenarios, demonstrating that even with annual enrollment growth of 3%, there would still be a significant deficit in FY27. A breakeven scenario for FY27 would require enrollment of 110,000 credits, or 11% annual growth over the next five years. Trustee Starks noted that he would like to see an overview of past expenses, including personnel, in relation to current expenses, as a way to further see the outlook on FY 2023, and future budget planning.

### **Preliminary Budget Assumptions**

President Cook and CFO Nathanson further presented an overview of key budget elements to be considered and demonstrated to the Committee the difficult decisions that lie ahead for STCC.

Key points include:

- Regarding state support, and college advocacy efforts, STCC receives the second largest state appropriation the 15 MA community colleges. The current appropriation is approximately \$28 million, is now over 50% of revenue, and nevertheless, subject to a legislative process of approval.
- Enrollment declines have been substantial since 2013, which was the height, post-Great Recession, of STCC enrollment. Enrollment was down -29% from 2013 to 2020, and down another -27% between 2020 and 2022 given pandemic conditions. These declines are seen at other Northeast and Massachusetts community colleges.
- Sustainability is the goal, and given the revenue (enrollment and expense) outlook, it will be necessary to align expenses with revenue.
- Salary (full and part-time employees) makes up 66% of total College expenses; Operational/Utilities at 20%; Facilities and IT capital at 9%.
- Administration will necessarily need to focus on full-time employees, given that expense represents 50% of the STCC budget, but all budget elements and expenses are being examined.

There was a robust discussion among Trustees recognizing the challenge of structural deficits, the strategy of developing increased Reserves in the year prior to ease budget challenges, and the value of detailed analysis and thoughtful consideration of budget reconciliation strategies. Trustees discussed the benefit of an “outside-in” view of STCC, and clear establishment of a strategic outlook.

**Discussion with Committee/Trustee Priorities (First Budget Draft – March)**

Dr. Cook noted that the first draft of a FY 2023 budget will include a request to use college reserves to help ensure a balanced FY 2023 budget, and the assistance Trustees can provide in helping to “smooth-out” the transition to a sustainable footing.

**Date of the next meeting**

March 15, 2022 at 5:00 p.m.

**Adjournment:**

A roll call vote was taken to adjourn at 6:15 p.m. Approved by Trustees Starks, Murren, Lindsay, Hogan and Sattler.

Respectfully submitted by: Carolyn deLiefde

**Springfield Technical Community College  
Investment Subcommittee Report  
February 3, 2022**

**Attendees:** Norman Roldan, Marikate Murren, Anthony Montemagni, Michael Chase, President Cook, Andrea Nathanson, Shai Butler, Jonathan Tudryn, Gerry de Berly, Dorothy Ungerer, Keith Paul, John Reynolds and Nanette Flores.

The committee met with Fiducient Advisors on February 3, 2022 for the quarterly investment subcommittee meeting.

President Cook noted the transition of Investment Subcommittee chairmanship from Trustee MacArthur Starks to Trustee Norman Roldan.

Mr. Chase presented the Quarterly Investment Review Report for the fourth quarter of 2021. The Fiduciary Governance Calendar for the fourth quarter contains an allocation focus:

- Updated Capital Market Assumptions
- Frontier Engineer Asset Allocation Modeling

Mr. Chase proceeded to provide updates on the current 2022-2041 twenty year outlook. Mr. Chase reviewed STCC's portfolio considerations and allocation summary. He also discussed Fiducient's Frontier Engineer allocation system including capital market assumptions and the factors involved in forecasting. From a governance perspective, Mr. Chase indicates that the college's portfolio allocation appears to be in line with strategy and no recommendations for changes are to be made at this time. He also provided updates on asset class returns, fixed income and equity market updates, and market themes.

Investments managed by Fiducient totaled \$29,705,795 at December 31, 2021. This represents a fiscal year-to-date increase in portfolio value of \$10,579,279. The college had invested \$10,000,000 in August, and this is reflected in the increase in portfolio value.

The long-term investment account totaled \$19,780,866 at December 31, 2021. 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).

	<b>QTR</b>	<b>FYTD</b>	<b>Inception</b>
STCC Long Term	4.2	3.3	7.1
L/T STCC Hybrid benchmark	4.2	3.4	7.5

The L/T STCC Hybrid benchmark consists of:

	<b>Weight (%)</b>
Bloomberg U.S. Aggregate Index	25.0
Russell 3000 Index	32.5
MSCI AC World ex USA (Net)	26.5
HFRI Fund of Funds Composite Index	7.5
FTSE EPRA/NAREIT Developed Index (Net)	5.0
Diversified Real Asset Blended Index	3.5

The short-term liquid account totaled \$9,924,930 at December 31, 2021. 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).

	<b>QTR</b>	<b>FYTD</b>	<b>Inception</b>
STCC Short Term	-0.2	-0.2	1.3
S/T STCC Hybrid benchmark	-0.3	-0.3	1.4

The S/T STCC Hybrid benchmark consists of:

	<b>Weight (%)</b>
90 Day U.S. Treasury Bill	30.0
Bloomberg 1-3 Year Gov/Credit	60.0
Bloomberg U.S. Aggregate Index	10.0

An estimated fee analysis was also provided:

Long-Term Investment Account Weighted Average Fee	52 basis points
Short-Term Liquid Account Weighted Average Fee	17 basis points

President Cook noted that the detail provided and monitoring of performance at these meetings is very helpful. Trustee Roldan expressed his thanks to Mr. Chase for the detailed explanations and the opportunity to further connect.

Mr. Chase reviewed the college's recent dollar cost average program where one million dollars has been moved from the short-term pool to long-term pool on a monthly basis until the short-term pool reaches a target of about five million dollars. The Investment Subcommittee had asked for a pause of the program in February for the purpose of reevaluation. After a brief discussion that nothing has significantly changed financially or structurally at the college or in investment market conditions, the team consensus and recommendation from Trustee Roldan was that the dollar cost average program continue.

The meeting adjourned at 5:00 PM.

Respectfully submitted by: Dorothy Ungerer