



*Fiscal Year 2014 Budget*

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**Robert V. Antonucci**

PRESIDENT

April 25, 2013

Board of Trustees  
Fitchburg State University  
Fitchburg, MA 01420

**SUBJECT: FY2014 BUDGET NARRATIVE**

Dear board members:

Although the economic recovery remains stubbornly sluggish, we continue to embrace and support our strategic goals: high-caliber classroom instruction, extensive co-curricular student programming, ambitious capital and technology improvement plans, and well-reasoned operational practices—the sum of which keeps us vital and dynamic.

Massachusetts House leaders have released a proposed budget that calls for level funding of our standard state appropriation and includes reserve funds to cover the recent collective bargaining agreements. While budget debate will continue and additional amendments will be filed between now and the end of June, we do not anticipate any significant alterations to the current House proposal.

Cumulative effects of the national fiscal slowdown continue to present us with challenges. We must, therefore, take measures to ensure our solvency and success, preserve our core mission, and make the best possible use of our resources.

What follows is an overview of our economic plans for Fiscal 2014.

## ***Budget in Brief***

### **FY2014 Operating Budget**

#### **Highlights**

This proposal includes a recommendation for a capital fee increase, a move that cannot be avoided but one we have attempted to minimize. Additionally, we will have to dip into our reserves, intensify cost containment strategies, and continue to pursue contract consolidations.

The amount of the fee increase will be determined at the Finance and Administration Committee meeting Thursday. For discussion purposes, the numbers in this outline are based on a \$275 annual capital fee increase, and the *FY14 Proposed Budget Highlights and Graphs* reflects that assumption. Once the fee level is finalized, the proposed budget will be adjusted as necessary.

#### **FY2014 Operating Budget Scenario (Page 6)**

This scenario forecasts revenue totaling \$86,374,737 (column E, line 19) with a proposed \$275 annual capital fee increase. Even with this increase, we will be left with a deficit of \$986,803. Current savings will be used to address the deficit. As in the previous three years, we will once again be able to balance the amount drawn from unrestricted assets. Our overall goal is to strike a balance between fee increases and maintaining adequate cash reserves to fund future capital investments and potential deficits.

#### **Staffing**

During my presidency, I have worked hard to maintain staffing patterns conducive to high-quality service. During the past year positions have been frozen and, with the exception of full-time faculty, we continue to carefully analyze each position that becomes vacant. It is important to note that our state appropriation of \$27.3 million falls well short of the \$34 million needed to fully fund our payroll. This shortfall is a further drain on the budget because every payroll dollar not covered by the state appropriation adds an additional 27.6 percent to cover employee fringe benefits – or another \$1.8 million.

**Summary of Revenue Sources**  
(Page 6, Column E, Line 19)

As noted, total revenue from all sources is projected to be \$86,374,737, with state appropriations and student fees far-and-away the largest segments.

**Summary of Operating Expenses**  
(Page 6, Column E, Line 37)

Total operating expenses are projected to be \$86,374,737. The bulk of these expenses are directed toward faculty and staff salaries and benefits, student aid and scholarships, physical plant expenditures, technology costs, operation and main-tenance, and expenses associated with the continued major renovation of the Hammond Campus Center and Library.

**FY2014 Revenue Sources**

State Appropriation	27,399,272
Financial Aid	5,500,000
Grants	2,034,513
Auxiliary Services	9,215,217
Tuition and Fees	37,130,841
Retained Out of State Tuition	1,600,000
Investment Income	567,506
Sales and Service	1,940,585
Unrestricted Net Assets	<u>986,803</u>
Total	<u>86,374,737</u>

**FY2014 Operating Expenses**

Salaries and Benefits	41,565,045
Financial Aid	5,500,000
Grants	2,034,513
Auxiliary Services	9,182,564
Utilities/Space	3,580,037
Scholarships/Insurance	2,873,142
Information Technology	3,444,299
Capital	5,000,000
Operation & Maintenance	9,761,294
Debt Service	<u>3,433,843</u>
Total	<u>86,374,737</u>

**University Investments**

The transferal of university investments from the Commonfund to two local investment firms (Rollstone Bank and Trust and Enterprise Bank) and the national firm Northern Trust was completed early in the fiscal year. The initial investment of \$17 million has increased to \$18.3 million. The portfolios returned 7.16% as of March 31, 2013.

**Investment Portfolios as of March 31, 2013**

**Total Portfolio Value: \$18,313,684**

	<u>Market Value</u>
Fixed Income	7,488,045
Equities	8,282,178
Other Assets	1,621,628
Short Term Funds	<u>921,833</u>
Total	<u>18,313,684</u>
<b>Year to date investment gains</b>	<b>995,457</b>
<b>Year to date interest/dividends</b>	<b>311,919</b>

**Massachusetts Municipal Depository Trust (MMDT):** Historically, MMDT has been our standard vehicle for managing short-term cash needs. As part of the review of our investments, we examined our cash management and began to move some of these funds to other vehicles (again including local institutions) that are currently providing a better return.

### Facilities Improvement Program

An ambitious facility improvement program continues to transform the campus, and helps ensure our long-term viability. These funds have allowed us to address the majority of new facilities and building modernizations targeted in our master plan. Among the actions: modernization of the Anthony Building as a one-stop student service center; modernization of Miller Hall as faculty offices; partial modernization of Edgerly, Conlon and Thompson Hall; and, of particular note, continued work on the \$57 million science facility, and ongoing renovations to the Hammond Campus Center and Library.

In addition, a number of items not initially included in the plan have been addressed: renovation of the Alumni and Development Center; construction of a self-standing campus police station; acquisition of the Wallace Civic Center; relocation of our Center for Professional Studies to Main Street, and satellite Service Center trade shop renovations. Moreover, the university, primarily through the efforts of our Foundation, has acquired more than 20 properties over the last several years, immeasurably improving our landscape with new and improved parking, additional green space, and facilities upgrades. This past year the Foundation acquisitions along with MSCBA revenue bonds allowed for the single largest parking expansion in history with over 300 on-campus spaces added. In the coming year we will continue to address our capital needs, albeit on a more modest basis.

### Technology Improvement Program

Our goal of providing campus-wide state-of-the-art technology continues, as illustrated by the additional mediated classrooms, core infrastructure upgrades, new learning management systems, expanded wireless network, enhanced security measures, 24/7 help desk improvements, comprehensive nightly backup systems, updated e-mail archiving systems, new VOIP phones, a piloted lecture capture system, and new VMware workstations. These efforts place us among the most technologically advanced campuses in the Massachusetts university sector.

### Cost Containment/Savings /Avoidance Initiatives

While our goals and objectives remain focused on the three-pronged mission of teaching, learning, and service, we know it is imperative that our spending patterns be set with an eye toward containing costs. We have intensified efforts to realize

appreciable savings and are continually enacting new strategies. A partial list of recent initiatives includes: system-wide (community colleges, state universities and UMass campuses) procurement initiatives, contract consolidations, a new credit card processing system, and major cost avoidance via purchases through the Massachusetts Higher Education Consortium (MHEC).

#### Cost Containment/Savings/Avoidance Initiatives

Credit Card Processing	50,000
Utilities	369,000
Insurance Review Savings	100,000
Photo Voltaic system/Sanders-Anthony	32,500
MHEC Cost Avoidance	<u>1,353,818</u>
Total	<u>1,905,318</u>

**Summary**

This budget plan represents an operational sketch outlining how best to address our current and future economic needs. There is little doubt that budget challenges will linger, which means we must intensify our efforts to enhance current revenue, protect operating dollars, increase assets, and contain costs.

At the same time, we must continue to operate as a first-rate university. I am optimistic that this fiscal plan positions the institution for a viable, progressive, and successful future.

Sincerely,

A handwritten signature in black ink that reads "Robert V. Antonucci". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

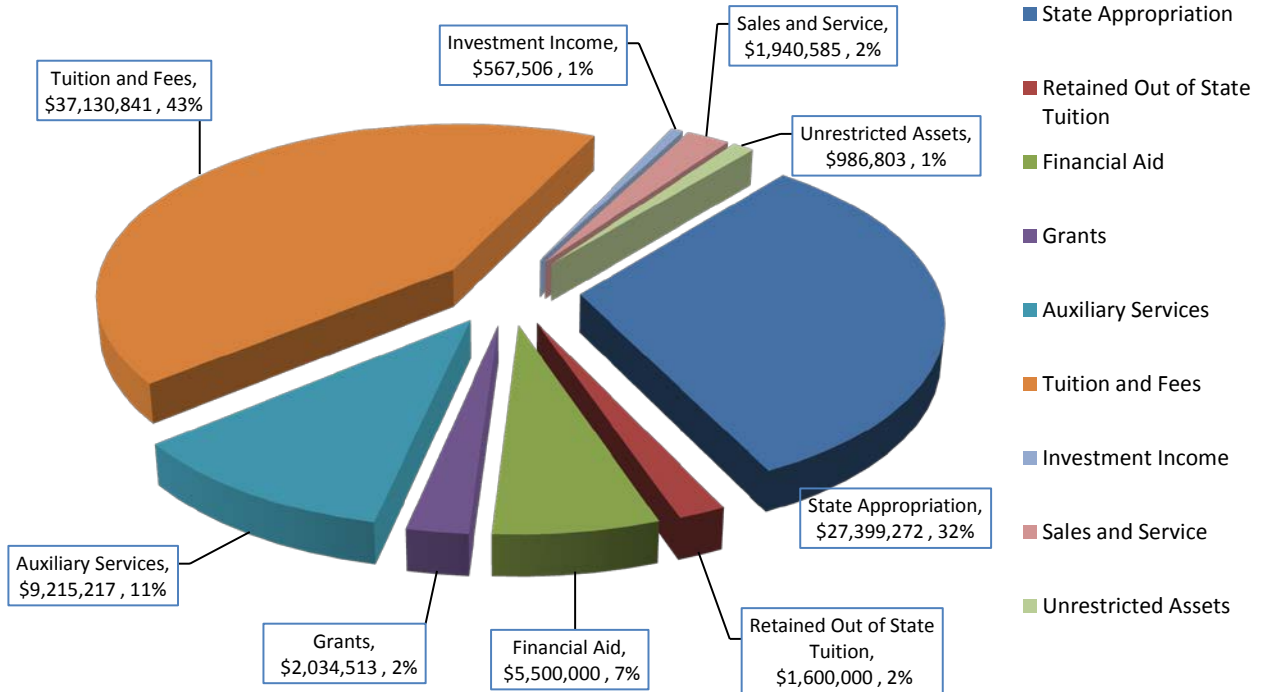
Robert V. Antonucci  
President

	A	B	C	D	E
	<b>Annual Operating Budgets FY12 - FY14</b>	<b>FY2012 Actual</b>	<b>FY2013 Budget</b> \$410 annual fee increase 3400 FTE No Stimulus	<b>FY2014 Budget Forecast</b> No fee increase 3400/3200 FTE	<b>FY2014 Budget Forecast</b> \$275 annual fee increase 3400/3200 FTE
1					
2					
3	<b>Revenue Sources</b>				
4	State Appropriation	23,467,647	23,467,647	24,947,847	24,947,847
5	Collective Bargaining		1,462,955	2,451,425	2,451,425
6	Estimated Stimulus / Other State Appr.	232,496	203,098	-	-
7	DCAM	6,768,104	500,000	-	-
8	Financial Aid	5,302,117	5,500,000	5,500,000	5,500,000
9	Grants	993,416	1,614,835	2,034,513	2,034,513
10	Auxiliary Services	8,386,807	9,139,704	9,215,217	9,215,217
11	Tuition and Fees				
12	Tuition and Fees	33,724,731	35,381,345	35,423,341	36,330,841
13	Retained Out of State Tuition	1,658,972	1,400,000	1,600,000	1,600,000
14	Non State Supported Tuition	735,051	800,000	800,000	800,000
15	Investment Income	357,741	500,463	567,506	567,506
16	Sales & Service	2,804,977	1,866,787	1,940,585	1,940,585
17	Capital Roll	1,716,350			
18	Unrestricted Assets	1,744,716	1,500,000	1,894,303	986,803
19	<b>Total Revenue Sources</b>	<b>87,893,125</b>	<b>83,336,834</b>	<b>86,374,737</b>	<b>86,374,737</b>
20					
21	<b>Operating Expenses</b>				
22	Regular Employee Compensation	29,330,540	32,478,532	34,064,926	34,064,926
23	Pension and Ins-Related Exp.	2,194,427	2,772,638	2,001,617	2,001,617
24	Part-Time Salaries	4,820,614	5,112,847	5,498,502	5,498,502
25	Financial Aid	5,380,437	5,500,000	5,500,000	5,500,000
26	Grants	1,163,512	1,614,835	2,034,513	2,034,513
27	Auxiliary Services	9,029,662	9,141,462	9,182,564	9,182,564
28	Department Budgets:				-
29	Utilities' Expenses Space Costs	3,370,859	4,000,592	3,580,037	3,580,037
30	Scholarship Expenses Insurance Costs	3,090,739	2,972,642	2,873,142	2,873,142
31	Information Technology	3,567,667	3,124,788	3,444,299	3,444,299
32	Capital	14,033,216	5,500,000	5,000,000	5,000,000
33	Operation & Maintenance	7,849,840	8,528,114	9,761,294	9,761,294
34	Hammond Building	2,120,000			-
35	Debt Service	1,941,612	2,590,384	3,433,843	3,433,843
36	Operating Surplus/ Capital Roll / Hammond		-		-
37	<b>Total Operating Expenses</b>	<b>87,893,125</b>	<b>83,336,834</b>	<b>86,374,737</b>	<b>86,374,737</b>



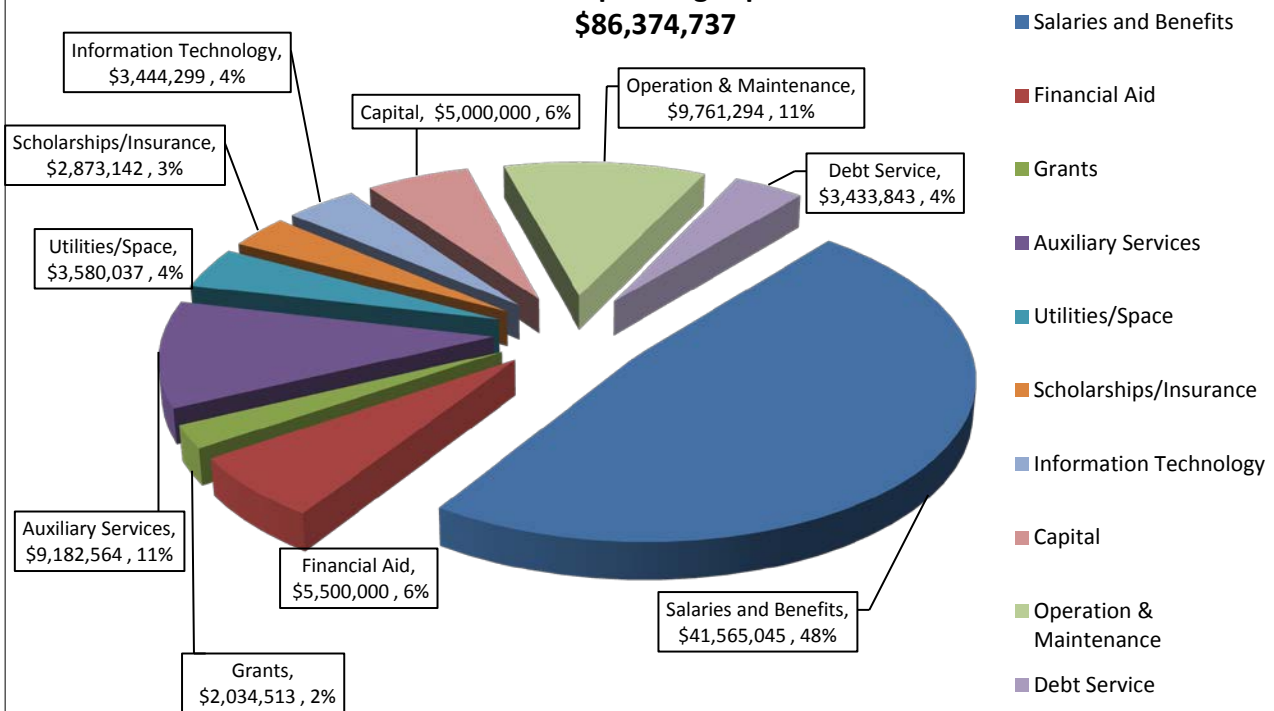
### FY2014 Revenue Sources

**\$86,374,737**



### FY2014 Operating Expenses

**\$86,374,737**



**Fitchburg State University  
REQUEST FOR BOARD ACTION**

TO: <b>Board of Trustees</b>	DATE:  April 25, 2013
FROM: The President	REQUEST NUMBER:  13-12/13
SUBJECT: Capital Fee Increase	

It is requested that the Board of Trustees of Fitchburg State University increase the following annual Capital fee, effective for the fall semester 2013.

Day School Capital Fee Increase

Capital Fee:           \$275.00 for FY2014

**Fitchburg State University  
REQUEST FOR BOARD ACTION**

TO: <b>Board of Trustees</b>	DATE:  April 25, 2013
FROM: The President	REQUEST NUMBER:  14-12/13
SUBJECT: FY2014 Draft Budget	

It is requested that the Board of Trustees of Fitchburg State University approve the FY2014 Draft Budget as presented by the President.

**Fitchburg State University  
REQUEST FOR BOARD ACTION**

TO: <b>Board of Trustees</b>	DATE:  April 25, 2013
FROM: The President	REQUEST NUMBER:  15-12/13
SUBJECT: Roll Forward of Funds to FY2014 Budget	

It is requested that the Board of Trustees of Fitchburg State University vote to approve that on-going capital projects roll forward into the FY2014 University Budget.

Minutes of Meeting Held on April 25, 2013 at 1:00 p.m.

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES MEETING**  
**Finance Committee**  
**Thursday, April 25, 2013**  
**1:00 p.m.**  
**President's Conference Room**  
**300 Highland Avenue, Fitchburg, MA 01420**  
**Sanders Building**

Committee Members Present: Donald Irving, Michael Mahan, Anthony Mercadante, Carol Vittorioso

Committee Members Absent: Martin F. Connors, Jr.

Also Present: Robert V. Antonucci, Robin Bowen, Jay Bry, Cathy Daggett, Gail Doiron, Nathan Gregoire, Kelli Lundgren

The meeting was called to order by Chairman Vittorioso at 1:00 p.m.

President Antonucci began by announcing Jay Bry has been promoted to Vice President for Finance & Administration and also that Cathy Daggett has been promoted to the Comptroller.

President Antonucci then referenced the FY2014 budget packet. He explained this is a multi-step process; in January the Governor issues the budget, the House of Representatives and the Senate issues their respective budgets, and finally the House and Senate meet to compromise on a final budget.

The President stated this is a draft budget. He also pointed out that there is an error in the book and that this is not a level funded budget. Rather there was an increase of 6.3%. He stated we did not recommend raising fees, but will have a \$275 capital fee recommendation. This fee is for payment on the bond that financed the campus center and parking projects. He further stated that the science building is the only building that is a non-fee driven building.

The President then referenced page two of the budget packet. As mentioned above, we are also proposing a \$275 capital fee increase to offset the cost of the campus center and parking projects. Even with this increase, we will still be left with a deficit. Current reserves will be used to cover the deficit.

While discussing the science center, Mr. Mercadante asked if the project ran under budget, would we be able to purchase equipment. Mr. Bry stated that was the case and we have been able to supply quite a bit of equipment.

In reviewing the staffing portion of the book, it was noted that Fitchburg State's payroll is \$34 million. The state appropriation of \$27.3 million falls short to full fund payroll.

There was a discussion of student/professor ratio. Mr. Bry will provide that ratio at the full board meeting on April 30.

The President then gave an overview of page three, revenue sources, operating expenses and the investment portfolios.

There was some discussion regarding these summaries. At this point, Ms. Cathy Daggett gave an overview of the investments.

President Antonucci then reviewed page four of the packet; background information. The President stated we are still in the process of improving the campus with a variety of modernization projects. He also mentioned technology is very costly and is ever changing, but it is necessary for our students to keep technology current.

There was also discussion regarding the cost containment initiative. Mr. Bry stated that the university has changed its credit card processing system and reviewed insurance costs. By revisiting both, we have significantly reduced costs in both areas. Facilities also evaluated the utility costs with significant savings. President Antonucci stated utilities remain costly as a number of our buildings are older.

President Antonucci then discussed the FY2012 to FY2014 Operating Budget chart. We anticipate an increase in state appropriation, which will make the budgeting process much easier.

There was a question as to why there was only \$5 million in the capital expense line. That amount will increase with the vote to roll over funds from year to year.

Mr. Bry mentioned the largest request currently on campus is the Conlon building. With the new Game Design major, it is imperative to increase office and lab space. Currently there are approximately 100 applicants for the program, with 19 slots available. Mr. Bry further stated he is working on a plan to utilize current space as well as renovate the building. To renovate the building, it is estimated at an approximate \$5 million.

The President also indicated that Industrial Technology and Communications Media continue to grow and therefore it is important that we continue to upgrade technology as well as address the Conlon building space.

The President then referenced the graphs stating that this is, in reality a maintenance budget. We were conservative in our approach and the financials look good.

Mr. Irving asked about the tuition and fees student incur to attend Fitchburg State. The current tuition is \$970 yearly for Massachusetts residents and the fees are \$8740 for commuter students. A resident student can expect costs to total approximately \$17,000 per year. Mr. Bry will obtain a full fee schedule for the April 30<sup>th</sup> meeting.

President Antonucci then moved on to the vote recommendations. The votes will be brought forward to the full Board at the April 30 meeting.

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the recommendation of a \$275 Capital fee increase as presented.  
**(4-0)**

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the recommendation to approve the FY2014 budget as presented.  
**(4-0)**

Upon a motion duly noted by Mr. Irving and seconded by Mr. Mahan it was

**Voted:** to accept the recommendation to approve that on-going capital projects roll forward into the FY2014 university budget as presented.  
**(4-0)**

President Antonucci thanked the Board.

With no further business before the Board, the meeting was adjourned at 1:55 p.m.

Respectfully submitted:

**DRAFT**  
\_\_\_\_\_  
Anthony Mercadante Chairman  
Finance Committee  
Board of Trustees