

Robert V. Antonucci

PRESIDENT

**FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES
Finance and Administration Committee Meeting****Tuesday, April 26, 2011
3:00 p.m.****President's Conference Room
Sanders Building
300 Highland Avenue, Fitchburg, MA 01420****AGENDA**

- I.** Call to Order, Gregg Lisciotti, Chairman, Board of Trustees
- II.** Consideration of minutes from previous meeting
 - a)** February 1, 2011
- III.** Discuss the FY2012 Budget
 - a)** Vote on the FY2012 budget recommendations to the Board of Trustees
- IV.** Adjournment

MINUTES OF THE MEETING HELD ON FRIDAY, FEBRUARY 1, 2011 AT 11:00 A.M.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES
Finance and Administration Committee Meeting

President's Conference Room
300 Highland Avenue, Fitchburg, MA 01420

Committee Members Present: David Mullaney, Carol Vittorioso, Gregg Lisciotti, ex-officio

Committee Members Absent: Martin F. Connors, Jr.

Trustees Present: Robert Pontbriand

Also Present: Robert V. Antonucci, Gail Doiron, Sheila Sykes, Michael Fiorentino, Jr., Michael Shanley

Upon a motion duly noted by Mr. Mullaney and seconded by Ms. Vittorioso it was

Voted: to approve the Finance and Administration minutes of the meeting held on
(3-0) October 5, 2010 as presented.

President Antonucci explained that Mr. Lisciotti would chair the meeting in Mr. Connors absence due to investment discussions.

President Antonucci next discussed capital projects. The Board would discuss it further in Executive Session for there was a contract involved. We need to move funds to continue and complete on-going projects.

President Antonucci next discussed investments. He repeated why Mr. Connors would not participate in investment discussions. We may want to invest in Rollstone Bank & Trust where Mr. Connors is the CEO and President. He explained that the Foundation had money invested in the Commonfund and had taken a different strategy with investments in local institutions. We have decided to look at the university's strategy. He explained that an RFP was sent out in conjunction with other institutions to provide better service and efficiencies. The question today is do we want to keep our money with the Commonfund.

Ms. Sykes said that 12 institutions participated in the RFP that attracted high powered players. The schools still had individual choices. The amount we are looking to invest is \$12 million.

Mr. Mullaney asked what other schools were doing. President Antonucci responded that

some participated and they also went with local institutions. Ms. Sykes said all campuses are looking at diversifying. We would like to go with Eaton Vance and local institutions. President Antonucci said we go to local banks to help support the university but we haven't been giving them our investment business. He referenced the *sample of investment services' proposal for the university* sheet included in the packet.

There was a discussion on investments.

President Antonucci discussed the potential conflict with Rollstone Bank & Trust and that Mr. Connors had kept out of the process.

Mr. Mullaney spoke to Mr. Connor's character and what an upstanding and ethical person he is. He is assured that university management has done the research needed and all checks and balances are in place.

Mr. Lisciotti said he understands the importance of doing business locally but the key is the return on investment. The Board has a fiduciary responsibility to get the most money in return.

Ms. Vittorioso discussed the various attributes of the asset managers. Mr. Mullaney said the relationship the university has with investment managers is very important.

President Antonucci said he had interviewed each investment firm and they were all extremely professional and business like. He next explained some of the business we have had with local banks, which have all been public, and the banks have been very good to us.

Mr. Pontbriand said the fiduciary responsibility of the Board is very important, but using local banking institutions makes sense.

President Antonucci asked if there was an interest to move the money from the Commonfund to perhaps three other institutions that we would interview. The consensus was to do a review and move forward with investing with other institutions. The committee will present recommendations at the full Board meeting.

President Antonucci said the budget is coming out this week. The university took a \$4 million cut from last year, one reason is we will not receive any stimulus money. It is early in the process and he thought the numbers would stay where they were.

With no further business before the Committee, the meeting was adjourned at 11:41 a.m.

Respectfully submitted,

Gregg P. Lisciotti, ex-officio
Chairman, Finance & Administration
Board of Trustees



 **FITCHBURG STATE
UNIVERSITY**

Fiscal Year 2012 Budget

Table of Contents

FY2012 Budget Narrative Letter	1
FY2010-FY2012 Operating Budgets	6
FY2012 Proposed Fee Increase and State University Tuition and Fee Comparisons	7
FY2012 Revenue Sources and Operating Expenses Pie Charts	8
Requests for Action	9 - 11

Robert V. Antonucci

PRESIDENT

April 22, 2011

Board of Trustees
Fitchburg State University
Fitchburg, MA 01420

SUBJECT: FY2012 BUDGET NARRATIVE

Dear Board members:

Although challenging economic times persist, Fitchburg State continues to embrace and support its 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 has kept us vital and dynamic.

Roughly two weeks ago, Massachusetts House leaders released a proposed budget that held decidedly negative news for public higher education. More specifically, should that budget remain intact, Fitchburg State will face a 16 percent, \$4.3 million cut in state appropriations next year. While debate will continue, additional amendments filed, and a more favorable number conceivable following Senate and conference committee hearings, given the fiscal atmosphere, we are less than optimistic that our numbers will change significantly. While legislative action now assures that campuses will retain out of state tuition, federal stimulus funds have evaporated and a supplemental appropriation for enacted collective bargaining agreements appears slim. We must, therefore, take measures to ensure our solvency and success, preserve our core mission, and make the best possible use of our resources.

Given this financial environment, I would like to present the following overview of our economic plans to address fiscal year 2012.

Budget in Brief
FY2012 Operating Budget
Proposed Student Fee Increase with State University Comparisons

We have crafted the enclosed budget proposal with an option for annual student fee increases, a move that cannot be avoided. Additionally, we will have to tap our reserves, intensify cost containment strategies, and continue to pursue contract consolidations. Our past practice of earmarking a portion of new student fee revenues for scholarships may not be possible in this uncertain fiscal climate.

At our upcoming Finance and Administration Committee meeting on Tuesday, April 26, we will need to decide upon the fee increase before setting the actual budget. For the purposes of this discussion, I have based the numbers in this brief on a \$550 annual student fee increase, and the *FY12 Proposed Budget Highlights and Graphs* reflects that assumption. Once the trustees determine the appropriateness of this recommended student fee amount, the proposed budget will be confirmed accordingly.

FY2012 Operating Budget Scenario (Page 6)

This scenario forecasts revenue totaling \$81,830,209 (column E, line 17) with a proposed \$550 annual student fee increase. Even with this increase, we will be left with a deficit of \$3,096,135. Our current savings will be used to address this deficit. This would signal the third successive year that we have projected a need to dip into savings to address a budget shortfall, thereby leaving us with a moderate cash reserve to handle any deficit that might occur in FY2013 and beyond.

Proposed Student Fee Increase with State University Comparisons (Page 7)

This spreadsheet lists our proposed annual student fee increase using an enrollment multiplier of 3,400 FTE. The additional revenue would be \$1.87 million. Additionally, this spreadsheet illustrates where these increases would place Fitchburg State students in comparison to their peers at other Massachusetts state universities. The operational areas that would realize additional revenues from these increases will include: additional full- and part-time faculty positions, classroom materials, substantial renovations to the Hammond Building, and long overdue preventive maintenance work.

Budget Highlights

Staffing

During my presidency, I have worked hard to maintain staffing patterns conducive to high quality service. During the past year, however, and for the foreseeable future, positions may be frozen or left unfilled, with the exception of full-time faculty. With increased program demands and expanding enrollment, I have authorized funds to fill 24 full-time tenure track faculty positions. It is important to note that the state appropriation of \$24.3 M falls well short of the \$29.9 M 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 33 percent onto those payroll dollars to cover employee fringe benefits – or another \$1.9 M.

**Summary of Revenue Sources
(Page 6, Column E, Line 17)**

Total revenue, from all sources, is projected to be \$81,830,209. Our primary revenue sources are state appropriations and student fees.

FY2012 Revenue Sources with Out of State Retained Tuition	
State Appropriation	23,467,616
Retained Out of State Tuition	836,941
DCAM	200,000
Financial Aid	5,500,000
Grants	1,614,835
Auxiliary Services	8,734,939
Tuition and Fees	34,779,743
Investment Income	500,000
Sales and Service	3,100,000
Unrestricted Net Assets	3,096,135
Total	<u>81,830,209</u>

**Summary of Operating Expenses
(Page 6, Column E, Line 35)**

Total operating expenses are projected to be \$81,830,209. 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 maintenance, and the new expenses associated with the major renovation that will commence this summer at the Hammond Building.

FY2012 Operating Expenses	
Salaries and Benefits	37,631,953
Financial Aid	5,500,000
Grants	1,614,835
Auxiliary Services	8,832,904
Utilities	4,089,966
Scholarships	2,812,949
Information Technology	3,645,532
Capital	5,000,000
Operation & Maintenance	8,613,909
Hammond Building	2,000,000
Debt Service	2,088,161
Total	<u>81,830,209</u>

University Investments

Commonfund: We continue to monitor our investments with Commonfund, where our initial investment of \$12M (invested on Feb. 1, 2008) has increased to \$13.6M. Financial market volatility had led to appreciable losses in the fall of 2008 prior to the steady recovery experienced in the last two years.

Investment Portfolio with Commonfund as of March 31, 2011	
Total Portfolio Value: \$13,663,684	
	<u>Market Value</u>
High Quality Bond Fund	6,847,973
Multi-Strategy Equity Fund	3,094,990
Intermediate Term Fund	1,794,639
Short Term Funds	<u>1,926,082</u>
Total	<u>13,663,684</u>
Year to date investment gains	706,868
Year to date interest/dividends	262,013

Massachusetts Municipal Depository Trust (MMDT): Historically, MMDT has been our standard vehicle for managing short-term cash needs. For the past few years, we have funded capital projects from these

savings and will need to do that again with the extensive renovations that will occur at the Hammond Building starting this summer. Our projected FY2011 year-end unrestricted/undesignated cash balance is approximately \$10 million. During FY2012, our goal is to sustain a balance of approximately \$6 to \$7 million, a figure that will hinge on the level of student fee increases.

Facilities Improvement Program

An ambitious facility improvement program (\$48 million expended in the last six years) has transformed the campus and helped 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 services center; partial modernization of Edgerly, Thompson, Percival, and Miller Halls; completion of the Mara Village housing plan, and, of particular note, our continued work on the design for a \$57 million science facility (to include a new 54,000 square foot building and a complete modernization of the existing Condike Science facility).

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 20 properties over the last four years, immeasurably improving our landscape with new and improved parking, additional green spaces, and facilities upgrades. Add to this our ambitious plan to renovate the Hammond Building, in partnership with the Massachusetts Building Authority, with a completely revamped front entrance, new and improved mechanical systems, a relocation of the bookstore, a new commuter café, and novel exterior glass housing for a new elevator. These and other efforts at strategically modernizing the campus, where affordable, will continue.

Technology Improvement Program

Our goal of providing state-of-the-art technologies continues, as illustrated by our 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, high-tech phone switch, new VOIP phones, a piloted lecture capture system, and new VMware workstations. These efforts continue to place us among the best, most technologically advanced campuses in the Massachusetts university sector.

Cost Containment/Savings/Avoidance

Initiatives

While our goals and objectives remain focused on our 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:

Cost Containment/Savings/Avoidance Initiatives	
Phone Services	21,220
Software & Web Options	14,000
Bulk Mail	18,000
Banking: Fees & E Commerce	63,800
Procard	13,449
MHEC Cost Avoidance	<u>3,580,627</u>
Total	<u>3,771,096</u>

system-wide (community colleges, state universities and UMass campuses) procurement initiatives, contract consolidations, expanded use of bulk mail, and major cost avoidance via our purchases with the Massachusetts Higher Education Consortium (MHEC).

Summary

This budget plan represents an operational sketch outlining how best to address our current and future economic needs. There is little doubt that our budget challenges will continue for additional years, which means we must intensify our efforts to enhance current revenue, protect operating dollars, increase assets, and contain costs. The \$10 million capital campaign, which will be coming to a close on June 30, will assist with the anticipated budget shortfall.

At the same time, we must continue to operate as a first-rate university regardless of the depth and breadth of the financial challenges we face. 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 signature is written in a cursive style with a large, stylized initial 'R'.

Robert V. Antonucci
President

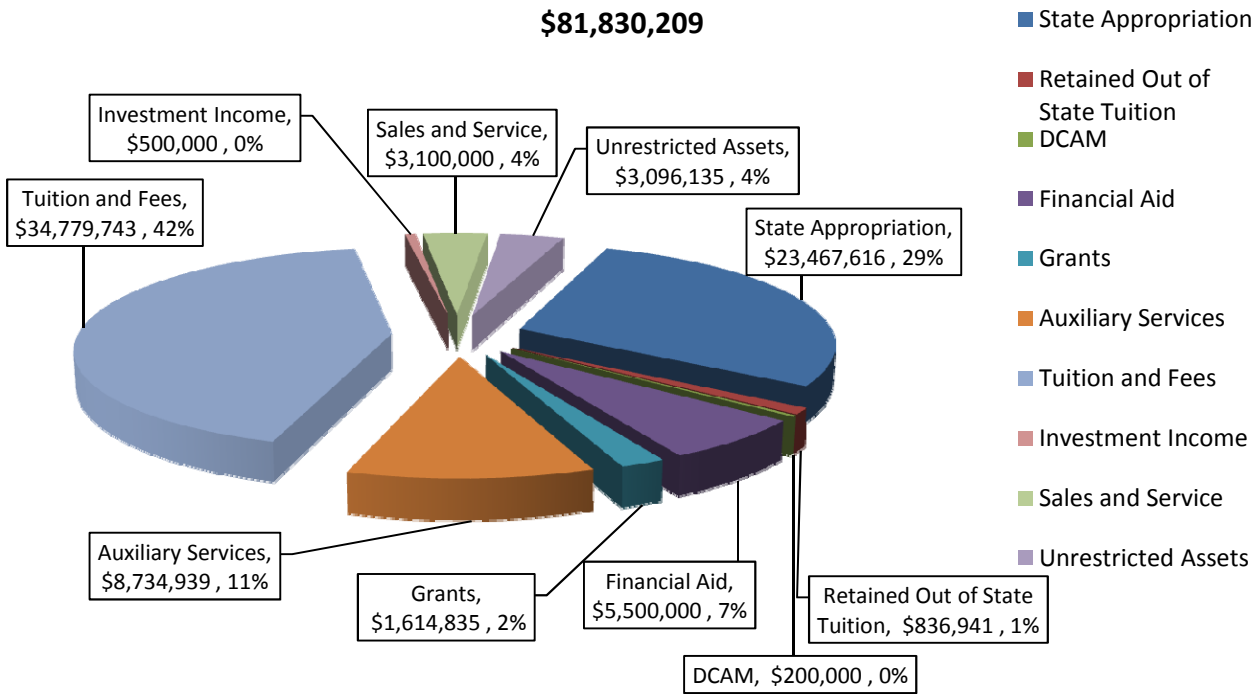
	A	B	D	E
1	FY2010 to FY2012 Operating Budgets			
2	Annual Operating Budgets FY10 - FY12	FY2010 Actual \$500 annual fee increase 3200 FTE	FY2011 Adjusted Budget \$900 annual fee increase 3400 FTE	FY2012 Budget Forecast \$550 annual fee increase 3400 FTE No Stimulus
3				
4	Revenue Sources			
5	State Appropriation	21,414,936	24,304,557	23,467,616
6	Retained Out of State Tuition			836,941
7	Estimated Stimulus	6,666,991	3,308,366	-
8	Other State Appropriations	14,437	283,985	-
9	DCAM	3,000	1,100,000	200,000
10	Financial Aid	4,633,613	5,500,000	5,500,000
11	Grants	1,327,688	1,614,835	1,614,835
12	Auxiliary Services	8,143,919	8,331,964	8,734,939
13	Tuition and Fees	30,535,290	32,909,743	34,779,743
14	Investment Income	513,007	500,000	500,000
15	Sales & Service	3,088,502	2,891,454	3,100,000
16	Unrestricted Assets			3,096,135
17	Total Revenue Sources	76,341,383	80,744,904	81,830,209
18				
19	Operating Expenses			
20	Regular Employee Compensation	27,252,204	28,514,229	29,949,289
21	Pension and Ins-Related Exp.	2,092,347	1,968,281	2,575,709
22	Part-Time Salaries	4,661,900	4,989,919	5,106,955
23	Financial Aid	4,676,645	5,500,000	5,500,000
24	Grants	1,492,660	1,614,835	1,614,835
25	Auxiliary Services	7,651,564	8,477,432	8,832,904
26	Department Budgets:			
27	Utilities' Expenses	3,254,020	3,507,763	4,089,966
28	Scholarship Expenses	2,859,224	2,812,949	2,812,949
29	Information Technology	4,615,218	4,264,125	3,645,532
30	Capital	5,784,261	9,853,605	5,000,000
31	Operation & Maintenance	6,213,946	7,922,685	8,613,909
32	Hammond Building			2,000,000
33	Debt Service	2,742,892	1,319,080	2,088,161
34	Operating Surplus	3,044,502		
35	Total Operating Expenses	76,341,383	80,744,904	81,830,209

FY2012 State University Tuition and Fee Comparisons

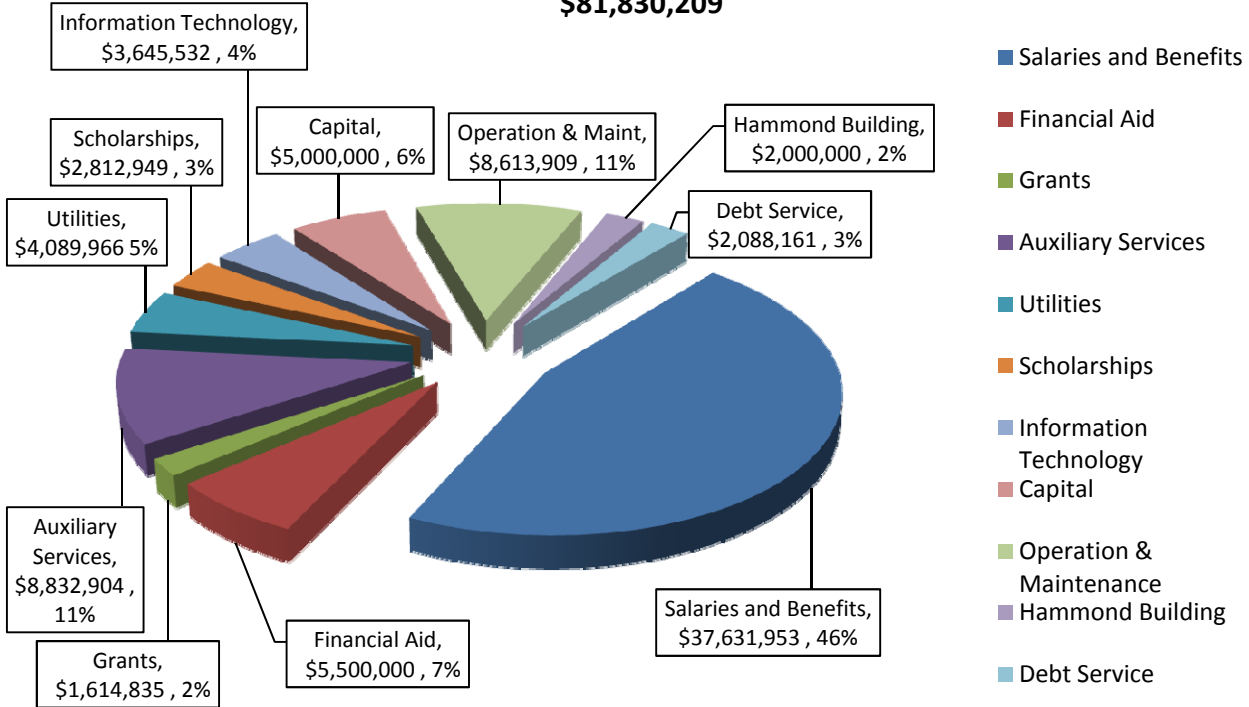
Aggregate Revenue Generated by Proposed Student Fee Increase				
University	Tuition & Fees Current	Annual Increase	Tuition & Fees Proposed	Add'l Revenue 3400 FTE
Fitchburg State	7,800	550	8,350	1,870,000

Universities Sorted by Annual Tuition and Fee Costs					
Universities	Tuition	Fee	Total	Amount of Increase	Total Annual Tuition & Fees
	Per DHE FY2011				FY2012
MA College of Art	1,030	7,970	9,000	700	9,700
Fitchburg State	970	6,830	7,800	550	8,350
MCLA	1,030	6,546	7,576	500	8,076
Westfield State	970	6,462	7,432	500	7,932
Salem State	910	6,320	7,230	500	7,730
Worcester State	970	6,186	7,156	500	7,656
Framingham State	970	6,096	7,066	495	7,561
Bridgewater State	910	6,144	7,054	500	7,554
MA Maritime Academy	1,342	5,268	6,610	400	7,010

FY2012 Revenue Sources with Out of State Retained Tuition
\$81,830,209



FY2012 Operating Expenses
\$81,830,209



Fitchburg State University
REQUEST FOR BOARD ACTION

TO: Board of Trustees	DATE: May 3, 2011
FROM: The President	REQUEST NUMBER:
SUBJECT: Student Fee Increases	06-10/11

It is requested that the Board of Trustees of Fitchburg State University increase the following annual student fees, effective for the fall semester 2011.

Day School Student Fee Increase

University Fee: \$550.00 for FY2012

**Fitchburg State University
REQUEST FOR BOARD ACTION**

TO: Board of Trustees	DATE: May 3, 2011
FROM: The President	REQUEST NUMBER:
SUBJECT: FY2012 Budget	07-10/11

It is requested that the Board of Trustees of Fitchburg State University approve the FY2012 Budget as presented by the President.

**Fitchburg State University
REQUEST FOR BOARD ACTION**

TO: Board of Trustees	DATE: May 3, 2011
FROM: The President	REQUEST NUMBER:
SUBJECT: Roll Forward of Funds to FY2012 Budget	08-10/11

It is requested that the Board of Trustees of Fitchburg State University vote to approve that on-going capital projects roll forward into the FY2012 University Budget.

MINUTES OF THE MEETING HELD ON FRIDAY, APRIL 26, 2011 AT 4:00 P.M.

FITCHBURG STATE UNIVERSITY BOARD OF TRUSTEES
Finance and Administration Committee Meeting

**President's Conference Room
300 Highland Avenue, Fitchburg, MA 01420**

Committee Members Present: David Mullaney, Carol Vittorioso, Gregg Lisciotti, ex-officio

Committee Members Absent: None

Trustees Present: Matthew Costello, Anthony Mercadante

Also Present: Robert V. Antonucci, Gail Doiron, Sheila Sykes, Michael Fiorentino, Jr., Michael Shanley, Jay Bry, Sean Goodlett

Upon a motion duly noted by Mr. Mullaney and seconded by Ms. Vittorioso it was

Voted: to approve the Finance and Administration minutes of the meeting held on
(3-0) February 1, 2011 as presented.

President Antonucci explained that Mr. Martin F. Connors, Jr. had officially resigned as a member of the Finance & Administration Committee and also its Chairmanship in order to avoid any appearance of a conflict of interest and to avoid any potential issues.

President Antonucci welcomed Mr. Anthony Mercadante to the Board. He said it was a long ordeal and he thanked Mr. Mercadante for remaining patient during the process.

Mr. Lisciotti explained that Mr. Mercadante could participate in the discussion but would not be eligible to vote until he was sworn in on May 2, 2011.

Mr. Mercadante asked about the potential conflict. President Antonucci responded that we do business with Rollstone Bank & Trust and we are getting a ruling from the ethics commission.

President Antonucci next explained the budget and the four distinct pools of funding sources. The House is debating on the state appropriation that is usually finalized at the end of June. He would get back to the Board in the fall with any changes to the budget. We need to send out the student bills and fees need to be set. He referenced page three and said we will be able to retain any out-of-state tuition. We are not sure if it will be part of the Senate budget. We currently send tuition back to the state.

There was a discussion on in-state and out-of-state tuition.

President Antonucci explained about the reserves and recommended using the reserves. He said we were trying to hold off on our fee increases as much as possible.

There was a discussion on enrollment.

Mr. Mullaney asked about any DCAM funds. President Antonucci responded that we always have a project ready should any DCAM funds become available. Mr. Mercadante asked if the money had to be used for capital projects. President Antonucci responded yes.

President Antonucci discussed page seven and the projected fee increases that other Universities are considering. We have an obligation to fund collective bargaining contracts where the governor has not guaranteed the funding. We have to honor the contracts. We have to fund the faculty contracts if the state does not give us the funds.

President Antonucci referenced page eight that explained revenue sources and the operating budget. Mr. Lisciotti noted that we will not be receiving any stimulus dollars which we did receive last year.

President Antonucci said we are going to take \$3.3 million out of reserves based upon 3,400 students. This is an estimated budget based on what we know right now.

Mr. Costello commented on scholarships. President Antonucci said that we will try to take some of the fee increase funds and use for scholarships. This would be something we would look at next fall.

There was a discussion on scholarships.

Mr. Mercadante asked about the state maintenance funds. President Antonucci said we are doing okay but without stimulus funds it is challenging. He said at this point there will be no layoffs.

Mr. Mercadante asked if the institutions fight each other for funding. President Antonucci said we lobby as a system. He does not really know how they come up with the numbers. Ms. Sykes commented that a lot of it is history.

President Antonucci discussed tuition waivers. There is a whole category of waivers that we must provide tuition.

Mr. Mullaney said that going forward if significant revenue sources don't come along its going to be very tough.

President Antonucci said we already know that we have a collective bargaining cost, along with energy costs and not knowing the state appropriation is difficult.

Mr. Lisciotti said the only way to offset the fee increases is by fundraising. Our Development Office is short two senior people. He expressed his hope that we invest in the Development Office to have it grow. He thought it was the only way to get some money and we have one of the smallest development offices in the state university system.

President Antonucci commented by sending out a simple mailer, we were able to raise money. That initiative alone did not take a great deal of effort. He said it is more than just hiring staff. He also commented that our students need even more support whereas they are not able to get the jobs that were available in the past because of the economy.

There was a discussion.

Mr. Mullaney asked if it hurts us by having good reserves. Ms. Sykes said we are healthier than others. President Antonucci said we could get penalized for doing well and we also want funds for the future. We have to keep a set amount of reserves should we need to payout salaries should the institution ever close. This is a required amount.

Mr. Goodlett said small classes are valuable and we need to keep them. He suggested slowing down on the capital projects.

President Antonucci said we normally would have higher capital projects. We still have a great deal of work to do on this old campus. If we don't continue capital improvements it affects our admissions.

Mr. Costello said students are concerned with the fee increases even if it's only \$200.00. He said part of their efforts at the recent State House Day was lobbying for more scholarships. He expressed his concerns that some students may not be able to continue school if there is a fee increase. Ms. Sykes responded that the Foundation assists a number of students each year.

Mr. Lisciotti said if we approve a \$550 fee increase we will be at the top and we have been aggressive the past few years.

President Antonucci suggested we set a fee increase of \$500 and see what enrollment is in the second semester.

President Antonucci provided background on the two failed searches in the Development Office. We are going to utilize the services of a search firm.

There was a discussion.

Mr. Lisciotti expressed the concern of making sure there was funding for more staff in the Development Office.

Mr. Mercadante asked about Financial Aid. Ms. Sykes said the in- and out-of-state Financial Aid is based upon need. President Antonucci explained the different types of aid and loans available to students.

The consensus was to approve a \$500 fee increase effective with the 2011 fall semester. The new student fee will be distributed with \$250 devoted to repaying the debt service on the \$16 million bond for the Hammond building and \$250 allocated to the general university fee.

Upon a motion duly noted by Ms. Vittorioso and seconded by Mr. Mullaney it was

Voted: to increase the following annual student fee, effective for the fall semester 2011.
(3-0)

Day School Student Fee Increase

University Fee: \$500.00 for FY2012
(06-10/11)

President Antonucci said we would come back to the Board in the fall with any adjustments.

Upon a motion duly noted by Ms. Vittorioso and seconded by Mr. Mullaney it was

Voted: to approve the FY2012 Budget as presented by the President. (07-10/11)
(3-0)

Upon a motion duly noted by Mr. Mullaney and seconded by Ms. Vittorioso it was

Voted: to approve that on-going capital projects roll forward into the FY2012 University Budget. (08-10/11)
(3-0)

With no further business before the Committee, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Gregg P. Lisciotti, ex-officio
Chairman, Finance & Administration
Board of Trustees