Framingham
State University

FSU Board of Trustees Finance Committee Meeting — Thursday, March 10, 2016

I. Update on Financial Auditing Services RFP
   - Recommendation to bring in two finalists for interviews
   - Interviews to be conducted by a committee to include representatives from both the FSU BOT Finance Committee and the FSU BOT Compliance, Audit, Risk (CAR) Committee

II. Establishment of a Warren Conference Center and Inn Trust Fund
   - Preview of full BOT request for establishment of a new trust fund related to the upcoming acquisition of the Warren Conference Center and Inn

II. FY2017 Budget Development Discussion
   - Context and initial parameters identified to inform development of the FY2017 budget – for discussion

PACE - Partnership to Advance Collaboration and Efficiency
Massachusetts State Councils of Presidents

Financial Auditing Services Summary
FY2016 (3 +1 +1)
February 2016

RFP Audit Review Committee:
Betty Ann Learned, Assistant Director of PACE
Richard F. Haskell, Director of Fiscal Services, Northern Essex Community College
Russell Bethoney, University Controller, Salem State University

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Overview:
The goal of the Joint Request for Auditing Services Proposal was to identify qualified CPA firms capable of performing yearend audit services for Massachusetts institutions while also providing a discounted pricing structure based on the number of State Universities, Community Colleges and Foundations that utilize their services. There are a total of 23 institutions and 8 foundations that expressed interest in this process. The RFP Audit Review Committee (the "Committee") was representative of both State University's and Community Colleges. Inclusion did not necessarily assure participation but was used as a means for prospective vendors to assess the interest in joint services.

The Committee process included conference calls during October 2015 through February 2016 as well as several meetings. Potential participating institutions were asked to suggest CPA firms that should be considered to receive the RFP. A draft of the bid was prepared and submitted to the potential participating institutions for feedback and comments. Once the bid was finalized, it was listed on the Commonwealth's COMMBUYS website, the PACE website, and published in the Boston Globe and digitally distributed electronically to vendors previously identified by the participating institutions.

Nine RFP responses were received by the deadline of February 12, 2016 by 2:00 pm. Based upon the Committee's review, each bid was evaluated on how adequately it met the requirements of the RFP. All firms who responded had adequately met the expectations and requirements of the RFP. All proposals are available for the institutions to review by contacting the PACE office. The Committee evaluated and graded each firm as to its experience with public and private higher education institutions below. The Committee has compiled their detailed pricing proposals in a separate document and should be reviewed carefully.

Firm Grading:

The following is the grading system developed by the Committee regarding the audit firms who responded to the RFP. This grading system evaluates whether an audit firm has or has not experience with assurance/audit services with Massachusetts State Institutions and Public and Non-public higher education institutions. The Committee believes this grading is an important distinction when evaluating and considering a new audit firm, rather than just basing a decision on a firms proposed pricing estimates. Below these grade categories are a chart of audit firms, firm size, their grading and the base price for an annual audit based on tier.

Grading A: Experienced with assurance/audit services and includes Massachusetts State Universities and/or Community Colleges.

Grading B: Experienced with assurance/audit services and includes public and private higher education institutions – No Massachusetts public experience.

Grading C: Experienced with assurance/audit services with private higher education institutions - No experience with public higher education institutions.

Grading D: No public or private experience with assurance/audit services with any higher education institutions.

				Base Price for Annual Audit*		
Firm Name	**Firm Size**	**Grading**		**Tier 1**	**Tier 2**	**Tier 3**
Cohn Reznick	National	A		$98,000	$87,600	$79,000
O'Connor & Drew	Regional	A		$79,000	$70,000	$60,000
Grant Thornton	National	A		$130,000	$118,000	$110,000
CBIZ Tofias	Regional	B		$87,000	$79,000	$72,000
Clifton Larson Allen	National	B		$76,000	$56,000	$46,000
RSM	National	B		$68,000	$46,750	$38,250
Blum Shapiro	Regional	C		$55,750	$38,250	$30,000
David A. Levy	Local	D		$113,100	$80,200	$53,700
Ron L. Beaulieu	Local	D		$38,000	$33,000	$28,000

* Please refer to the Pricing Sheet which will list the discounts for the number of institutions serviced by a particular firm.

State Universities and Community Colleges Tiers:

The below summarizes an institution in its respective tier based on operating expenses provided to the Committee:

Tier 1 – Greater than $100 million in operating expenses
Salem State University
Westfield State University

Tier 2 – Between $50 and $100 million in operating expenses
Bristol Community College
Bunker Hill Community College
Holyoke Community College
Massasoit Community College

Tier 2 – Between $50 and $100 million in operating expenses - Continued

Middlesex Community College
North Shore Community College
Northern Essex Community College
Quinsigamond Community College
Springfield Technical Community College
Fitchburg State University
Framingham State University
Massachusetts College of Art and Design
Massachusetts Maritime Academy
Worcester State University

Tier 3 – Less than $50 million in operating expenses
Berkshire Community College
Cape Cod Community College
Greenfield Community College
Massachusetts Bay Community College
Massachusetts College of Liberal Arts
Mount Wachusett Community College
Roxbury Community College

Foundation Tiers:

The below summarizes a foundation in its respective tier based on operating expenses provided to the Committee:

Tier 1 – Greater than $1 million in operating expenses
Fitchburg State University
Massachusetts Maritime Academy
Salem State University

Tier 2 – Between $500,000 and $1 million in operating expenses
Holyoke Community College
Westfield State University

Tier 3 – Less than $500,000 in operating expenses
Massasoit Community College
North Shore Community College
Northern Essex Community College
FSU Foundation Supporting Organization, Inc.

Framingham
State University

Attachment #4

Framingham State University

Request for Trustee Action

Date: March 22, 2016

Subject: Establishment of a Trust Fund for Warren Conference Center and Inn

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The statutory authority for establishment of Massachusetts public higher education trust funds is found in Massachusetts General Laws Chapter 15A, Section 9(n) and 22(e);, Chapter 73 Section 14; and, Chapter 75 Section 11. The language contained in the various statutes provide authority for both the Board of Higher Education and institutional boards of trustees to seek, accept, establish and administer trust funds for campus projects, programs, and activities. The statutes stipulate that all income received be held in trust and be expended for the purposes for which the trust funds were established. The Massachusetts Board of Higher Education has promulgated Trust Fund Guidelines that recommend standards to ensure the proper control of the receipt and expenditures of trust funds. These guidelines also call for the identification of the purpose of the trust fund and its associated activities.

RESOLUTION

Pursuant to the provisions of the General Laws of the Commonwealth of Massachusetts (Chapter 15A Section 9(n), Section 22(e); and Chapter 73 Section 14), the Framingham State University Board of Trustees (the "Trustees") hereby approve the establishment of a new trust fund to be entitled, "Warren Conference Center and Inn" Trust Fund. The purpose of the trust fund is to receive income associated with the operation of the Framingham State University Warren Conference Center and Inn and to expend funds for the needs of the Warren Conference Center and Inn as well as the general operations of the University as detailed and approved through the annual budget development process.

Framingham State University

FY2017 Budget Development Discussion

FY2016 and Historical Budget Context

FY2017 Preliminary Budget Development Approach

March 9, 2016

Framingham State University

FY2017 Budget Development Discussion

FY2016 and Historical Budget Context

FY2016 Budget Review

Operating Budget

- FY2016 state appropriation support of $27.6M – an increase of 3.8%
- Balanced budget (no reserves use or other operating budget support from one-time funds)
- Coverage of collectively-bargained personnel contracts for all three units
- Selective increases in staff and faculty positions – above rate of enrollment growth
- Comprehensive student costs below Massachusetts sister state universities average:

State Universities Student Cost Comparison: AY2015-2016

Peers Tuition and Fees, Room and Board - Updated at Reported Amounts

	FY16 Resident Tuition and Fees	FY16 Room	FY16 Board	**FY2016 Total**	Total Increase	% Increase
Bridgewater	$8,900	$7,678	$3,528	$20,106		
Fitchburg	$9,935	$6,572	$3,130	$19,637		
Framingham	$8,700	$7,660	$3,340	**$19,700**	$780	4.0%
Salem	$9,246	$8,481	$3,430	$21,157		
Westfield	$8,815	$7,798	$3,708	$20,321		
Worcester	$8,858	$8,019	$3,520	$20,397		
Sister Universities Average	$9,151	$7,710	$3,463	**$20,323**		
Framingham Rank - Sister Colleges				**2nd Lowest**		
FSU $ Difference from Avg.	-$451	-$50	-$123	**-$623**		
FSU % Difference from Avg.	-4.9%	-0.6%	-3.6%	**-3.1%**		

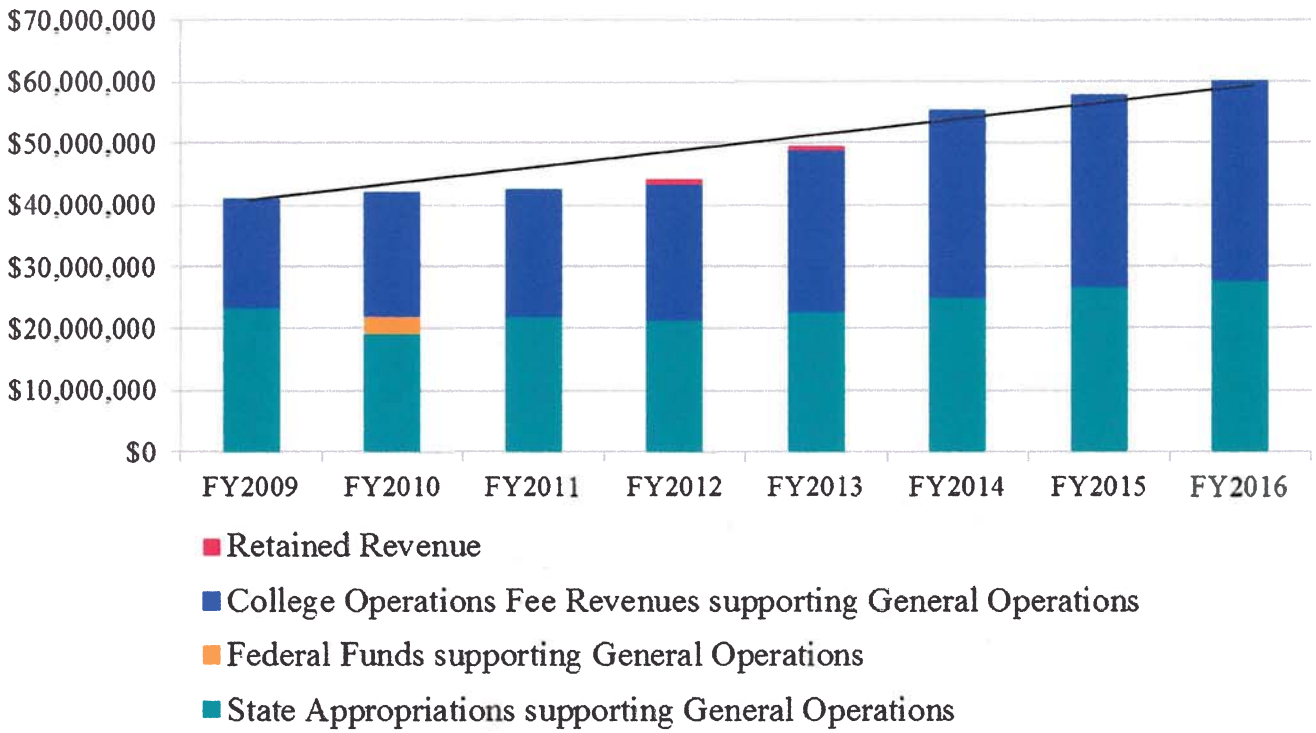
Assumptions:	**Fees: $380 increase (4.6%)**	*Revenue Impact: 5.2%*
	Rent: $280 increase (3.8%) - weighted avg rate	
	Board: $120 increase (3.7%)	
Comprehensive Charges:	**$780 Increase (4.0%)**	

Context – General Operations Historical Support

General Operations Support

The impact of reduced state funding during the recession on general operations was somewhat mitigated by increases in student revenue (combination of rates and enrollment increases) and use of federal stimulus support resulting in relatively stable general operations funding during the recession; since FY2012, general operations revenues have grown significantly.

General College Operations Budget (State Appropriations and College Operations)



Average Annual Operations Change: 6.5%
(Impact of both enrollment-based costs and annual costs increases)

Average Annual Enrollment Growth: 3.1%
(Day Program)

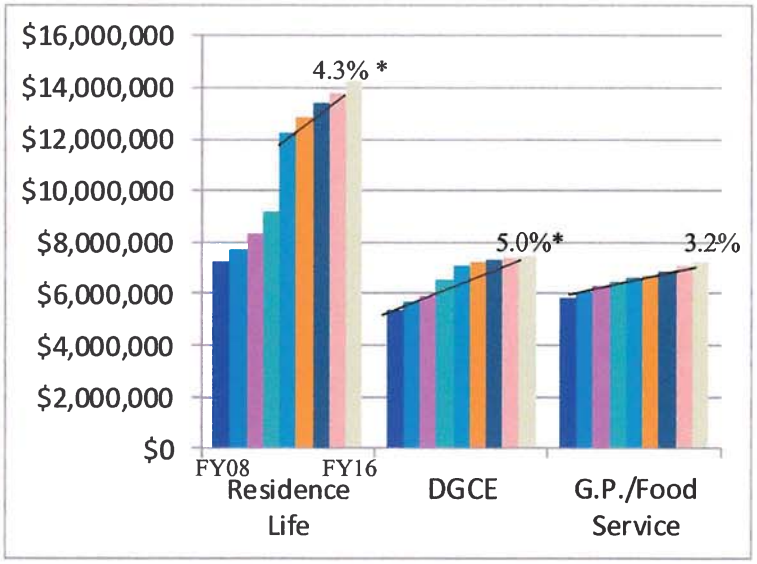
Context – Trust Funds Historical Support

Trust Funds Support

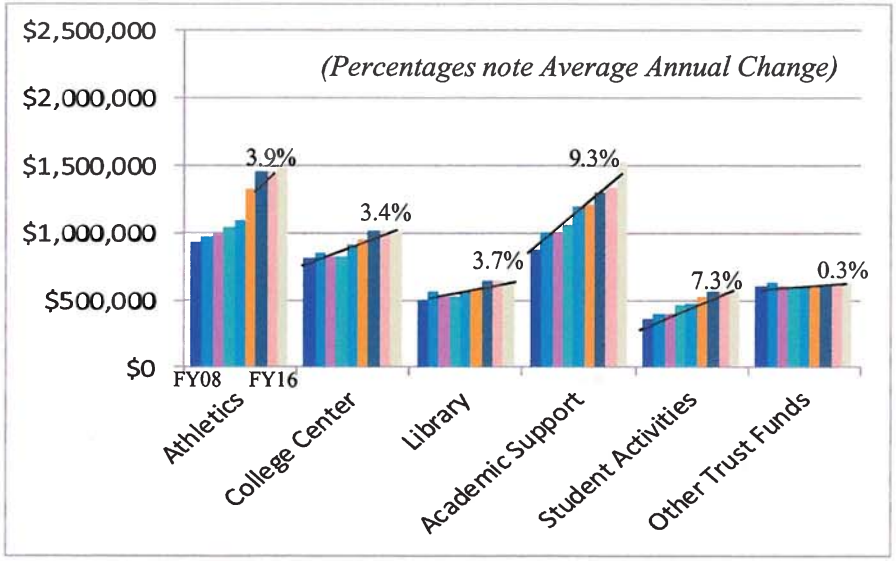
Trust Funds that have revenue generating capability (Residence Life, Continuing Education, and Food Service) have experienced changes based on student enrollment and rates while other local trust funds (Athletics, College Center, Library, Academic Support, and Student Activities) have seen changes based on enrollment impact and changes in College Operations transfers support.

Trust Funds Budgets – FY08-FY16

(Percentages note Average Annual Change)



Average Annual Increase in General Operations: 6.5%
Average Annual Enrollment Growth: 3.1%



* Residence Life has assumed some additional utilities costs and increased revenues have been directed to debt service and operations for the new hall. The increase in FY2012 is due to the opening of North Hall.
* DGCE revenues reflect both rate and enrollment changes; annual transfers in support of College Operations have increased, on average, 2.7% annually.
* Food Service revenues have also supported dining capital renovations.

Note: Fee rates for these noted Trust Funds have not been increased over the past five years (fee increases have been directed to general operations) with changes resulting from enrollment impact *and increased general operations transfer support* or additional expenses picked up on College Operations.

Framingham State University

Context – Historical and Future Key Variables

Historical Support

Major Variables:	**FY2011-FY2016** Five Year ***Annual*** *Average* Change	**FY2016** Current Year Change
State Appropriations	5.2%	3.8%
Student Enrollment (FTE)	3.1%	-0.9%
Faculty Growth (FT / FTE)	3.3% / 5.3%	6.5% / -2.6%
Staff Growth (FTE)	3.3%	2.5%
Tuition and Fees (Day) / Comp. Costs	5.3% / 4.3%	4.6% / 4.0%
Student Financial Aid	*11.6%*	*4.8%*

Modeled Projected Future Support

Major Variables:	**FY2017-FY2021** Five Year ***Annual*** *Avg. Projected* Change	**FY2017** Upcoming Year Budget
State Appropriations	3.4%	3.0%
Student Enrollment (FTE)	0.0%	0.0%
Faculty Growth (FT / FTE)	2.3% / 0.4%	0.5% / 0.4%
Staff Growth (FTE)	1.1%	1.8%
Tuition and Fees (Day) / Comp. Costs	4.3% / 3.9%	4.4% / 4.0%
Student Financial Aid	*5.5%*	*5.0%*

Note: At this stage of the budget development process, these parameters do not result in balanced budgets in the out-years of the five year pro forma (after accounting for recent BPC-recommended adjustments). Additional adjustments will need to be made as the budget development process proceeds.

FY2017 Budget Development Discussion

Preliminary FY2017 Budget Development Approach

FY2017 Budget Objectives

- Develop the annual budget within the context of a five year balanced budget plan
- Account for impact of projected stable enrollment
  - Increase faculty and staff levels in *selective* areas of identified need
  - Continue to improve Full-Time Faculty/Visiting Lecturers ratio (address "15% issue")
- Minimize impact on student costs
  - Retain cost position (among the lowest) within the state university segment
  - Provide additional financial aid to support the most needy students and deploy aid as part of a comprehensive enrollment management strategy
- Maintain reserves and manage debt consistent with Financing Policy financial ratio targets
- Complete capital projects as scheduled within the five year capital plan
- Fund identified Strategic Priorities Initiatives.

FY2017 Budget Development Assumptions

Assumption	Budget Plan
Collective Bargaining	**Contract costs per instituted agreements (MSCA, APA, AFSCME); 3.5% annual increases.**
State Appropriations	**Initial FY2017 budget development plans based on anticipated increase of $840K (3.0%) – FY17 collective bargaining costs only.**
Student Charges	**Tuition and Fees increase of $380 (4.4%); aggregate student cost increase (including room and board adjustments) of $790 (4.0%).** Note: If state funding is anticipated to fall below current assumption, student academic fees will be adjusted accordingly. For every $100K state funding shortfall, student fees would increase $25
Enrollment	**Assume aggregate enrollment target of 4,000 total FTE UG (fall) students (level enrollment).**
Inflation/Major Initiatives	General assumption of 2%-3% inflation; major exception is fringe benefits chargeback rate that is increasing 14% and student financial aid increase of 5.7% (due to multi-year growth initiative); **net increase of approximately 3.5% on average.**
Staffing Levels	Current budget assumptions based on hiring of **5 additional tenure track faculty with resulting 1.0 FTE net increase** (accounting for conversion of full time temporary position) and **6.0 FTE additional staff** (IT Security; Maintainer; International Educ.; Continuing Educ.; Enrollment Mgt.; Student Conduct)
Strategic Priorities Fund	Allocate resources to **Strategic Priorities Initiative Fund** to support FY2017 initiatives.

Framingham State University

FY2017 Budget Plan *Preliminary* Overview

FSU's FY2017 *Preliminary* Budget Overview

	Cost	Fee Impact
➢ **Personnel Incremental Costs** (4.4% increase)		
▪ **Collective Bargaining; Additional Faculty and Staff**	($1.5M)	$380
Note: Includes 5.0 new Faculty tenure track positions and 6.0 new Staff positions		
➢ **Non-Personnel Inflation** (3.5% net increase)		
▪ **Operations; Fringe Benefits Costs; Maintenance; Equipment; IT; and Debt Service**	($0.6M)	$150
➢ **Strategic Priorities Initiatives Funding (SPIF)**		
▪ **Incremental (net) costs of SPIF initiatives**	($0.2M)	$50
➢ **State Funding - Line-item Appropriation ($28.5M)**	$0.8M	($200)
▪ **Assumption of FY17 State Positions Collective Bargaining Costs Coverage Only**		
➢ **Student Net Revenue – Charges, Enrollment and Aid Net Impact**	$1.5M	($380)

FY2017 Preliminary Sliding Fee Schedule

Preliminary Fee Schedule – College Operations Associated Fee Ranges

Based on Various State Funding Levels

	State Funding Level	College Operations Fee Increase (Preliminary)
At Current Funding Level -	**$27.7M**	**$580**
Governor's Budget Submittal -	$27.9M (1.0%)	$530 (6.1%)
	$28.1M	$480
	$28.3M	$430
At Preliminary Budget Level -	**$28.5M (3.0%)**	**$380 (4.4%)**
	$28.7M	*Net Income/Contingency Restoration*
	$28.9M	*Faculty/Staff Position(s) / Financial Aid / Other TBD*
	$29.1M (5.0%)	$320 (3.7%)
	$29.3M	$260
At BHE Budget Request Level -	**$29.6M** (6.5%)	**$200** (2.3%)

Framingham State University

FY2017 General Operations
Initial Budget Parameters Assumptions

Major Factors Assumptions	FY2016	FY2017	FY2018	FY2019	FY2020
State Appropriations Support (net with coll. barg. reserves funding)	$27,637,347	$28,477,000	$29,487,000	$30,533,000	$31,616,000
% Annual Increase	3.8%	3.0%	3.5%	3.5%	3.5%
Student Generated Net Revenues (rate and enrollment impact)	$28,977,000	$30,290,000	$31,646,000	$33,007,000	$34,404,000
% Annual Increase	1.8%	4.5%	4.5%	4.3%	4.2%
Enrollment (Day FTE) Projections	4,190	4,190	4,190	4,190	4,190
% Annual Increase	-0.9%	0.0%	0.0%	0.0%	0.0%
Student Financial Aid (Institutional Grants/Waivers) Support	$2,400,000	$2,520,000	$2,670,000	$2,831,000	$2,981,000
% Annual Increase	4.8%	5.0%	6.0%	6.0%	5.3%
Annual Debt Service Projection	$4,297,500	$4,600,000	$4,765,000	$4,935,000	$5,187,000
Debt Burden Ratio (including FY2015 issuances)	4.6%	4.7%	4.7%	4.7%	4.7%
Strategic Priorities Fund (includes projected debt service coverage funds)	$3,692,000	$3,767,000	$4,083,000	$4,260,000	$4,427,000
Day Faculty Positions (FTEs - avg. net FTE increase: 0.4%)	269	270	271	272	273
Day TT Positions	175	180	185	189	193
Students per FTE Faculty (FY11 Ratio: 16.5:1)	15.6	15.5	15.5	15.4	15.3
Staff Positions (FTEs - 3 annually plus Bus Dean in FY18 - average *ann. inc.: 1.1%*)	330	336	340	343	346
Students per FTE Staff - including Deans positions (FY11 Ratio: 12.7:1)	12.8	12.5	12.3	12.2	12.1
Personnel Costs	$33,380,347	$34,852,000	$36,523,000	$38,128,000	$39,785,000
Annual Percentage Increase	5.8%	4.4%	4.8%	4.4%	4.3%
Projected Annual Net Income *(outyears to be adjusted as process proceeds)*	$100,000	$0	($100,000)	($150,000)	($175,000)

Student Costs Assumptions	FY2016	FY2017	FY2018	FY2019	FY2020
Projected Student Charges:					
Tuition and Fees	$8,700	$9,080	$9,470	$9,860	$10,260
Increase over prior year	$380	$380	$390	$390	$400
% Increase	4.6%	4.4%	4.3%	4.1%	4.1%
Rent	$7,660	$7,960	$8,260	$8,560	$8,850
Increase over prior year	$280	$300	$300	$300	$290
Board	$3,340	$3,450	$3,560	$3,680	$3,800
Increase over prior year	$120	$110	$110	$120	$120
Framingham Costs	$19,700	$20,490	$21,290	$22,100	$22,910
State College Peers Costs	$20,323	$21,090	$21,890	$22,700	$23,510
Difference - FSU vs Peers	($623)	($600)	($600)	($600)	($600)
Rank	2nd Lowest	2nd Lowest	2nd Lowest	2nd Lowest	2nd Lowest
Aggregate Annual $ Increase	$780	$790	$800	$810	$810
Aggregate Annual % Increase	4.0%	4.0%	3.9%	3.8%	3.7%

FY2017 Budget Development Process

The University's Five Year (FY2014-FY2018) Strategic Plan identifies strategic priorities with associated budget implications. Development of the FY2017 Budget & Five Year Pro Forma Budget anticipates funding of selective strategic initiatives in support of that plan. Final consideration of the FY2017 University budget will be scheduled for the FSU Board of Trustees meeting in May.

FY2016 Budget Development Process

	FSU Process	State Process
Governor's Budget Recommendation		February
Trust Fund Budget Development Guidelines Issued	March	
Trust Fund Managers Develop Initial Budget Recommendations	March	
Administration, BPC, and BOT Review Budget Assumptions	March	
House Budget Recommendation		April
Administration Refinement of Proposed Budgets	April	
Senate Budget Recommendation		May
Board of Trustees Review/Approval of Final Budgets	May	
Reconciled Budget/Governor Veto Process		June