



**Board of Trustees**  
**Financial Affairs Committee**

April 22, 2025  
1:45 p.m.

President's Boardroom, Horace Mann Center

A live stream of the meeting for public viewing will also take place at the following link: <https://www.westfield.ma.edu/live>

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**Committee Members Present:**, Vice Chair Jason Queenin, Secretary Chris Montemayor, and Trustees Daniel Currier, Theresa Jasmin and Board Chair Ali Salehi, ex-officio.

**Trustee(s) Excused:** Committee Chair George Gilmer

Also present and participating were Westfield State University President, Dr. Linda Thompson; Vice President of Administration & Finance, Stephen Taksar; Associate Vice President of Financial Accounting, Lisa Freeman; Associate Vice President of Facilities & Capital Planning, Tom Therrien; and Stephen Haines from Fund Evaluation Group.

Committee Vice Chair Queenin called the meeting to order at 1:45 PM, did a roll call of attendees listed above, and stated the meeting was being livestreamed and recorded.

**MOTION** made by Trustee Currier and seconded by Trustee Montemayor, to approve the minutes of the February 20, 2025 meeting. A roll call was taken and there being no discussion, **motion passed unanimously.**

**FY25 3<sup>rd</sup> Quarter Update**

- Two reports: a third quarter budget aligned with a third quarter adjusted calculation and an unadjusted year-to-date report through March.
- Spending will be at least \$132 million this year, possibly around \$135 million.
- Will not be more than the \$148 million spending plan projected at mid-year.
- Reasons for being over budget: debt for residential life and campus, investment in financial aid, new positions, and high part-time adjunct costs.
- Spending last year was up to \$122 million. This year, expecting \$150 million.
- "If you look at the unadjusted year-to-date report, we've already spent \$10 million more than last year at the same point in time. So there's really no doubt we're going to spend at least \$132 million."

**FY26 Budget**

- Working on the FY26 budget, aiming to complete it by the June 11 meeting.
- Guiding principles: spend within means, separate previously approved projects, and strategic plan should include the budget.
- Board approved the parameters for the planning cycle in December.
- Approved the tuition fee schedule for FY26 in February.

- Fall enrollment update is critical for revenue projections.
- Eliminated rollover funding from the initial FY26 budget.
- Reviewing revenue assumptions and separating grants from the operating budget.
- Capital challenges underway.

#### Early Approval & Budget Review

- Seeking early approval on items needing a lead time, a small subset critical for repair and cleaning.
- Cabinet reviewing all expense categories after revenue is settled.
- Innovation fund proposals received and under review.

#### Budget Timeline & State Funding

- Asking for partial capital budget approval today, more to come in June.
- Difficult to predict federal and state processes' impact; 33% of revenue budget is state appropriation.
- Provisional budget model allows adjustments through the summer, updating enrollment projections monthly.

#### Two-Step Budget Approval

- Provisional budget allows campus to open in July with a budget and respond to changes before final budget in October.
- Final FY26 budget in October, changes could be minor or significant.

#### Anticipated Challenges

- Deferred maintenance escalating, balancing budget with revenues will be challenging.
- Potential federal funding reductions to the state could impact state agencies and departments.
- Maintaining enrollment is critical.

#### Fringe Benefit Rates

- Comptroller's office announced fringe benefit rates are down, from 45% to 35%.
- Reduction of fringe benefit rates already accounted for in the budget model.
- Collective bargaining costs have increased, partially offsetting the fringe benefit rate reduction.

#### **University Cash Summary**

- Investments increased by \$2.8 million over the last 12 months.
- Cash usage is most significant in the last three months of the year, as most revenues have already been received.
  - Example: March to June of last year saw a \$4.8 million reduction in cash.
- The University has one main operating account, which includes restricted cash.
  - State and private grants, and agency fundraising accounts made up close to \$4 million of that balance as of March 2025.
  - Previously approved, but not yet used, reserve funds are also in the bank account but not available for use.
- Estimated cash decrease by year-end (not including investment accounts) is \$17 million.
  - Large outstanding items make it hard to predict the year-end cash balance.
  - The State is late in processing spring financial aid (estimated \$3.2 million).

#### **Travel Policy (0390)**

- The travel policy is being revised to streamline the approval process, primarily for the President's Office.
- The change allows the Vice President of Administration and Finance to approve transactions but requires the Board to approve travel requests.
  - The Board Chair will approve the president's travel requests.
  - Vice President of Administration and Finance will approve transactions related to previously approved requests.
- The main change is on page three of the policy.

- The previous policy required the Board Chair to approve even small expenses, which was deemed unrealistic.
- The revised policy maintains checks and balances while making the process more realistic.

**MOTION** made by Trustee Currier and seconded by Trustee Montemayor. The Financial Affairs Committee recommends approval to the full Board: To approve the revised Travel Policy (0390), as presented. A roll call was taken and there being no discussion, **motion passed unanimously**.

#### **FY26 Vehicle Lease/Purchase**

- Six vehicles are part of the leasing program, and one is a police cruiser purchase.
- No additional funding is requested.
  - Savings from a previous leasing program will offset the cost of six vehicles.
  - The seventh vehicle is budgeted through department funds.
- Approval is needed due to the long lead time for ordering and receiving the vehicles.

**MOTION** made by Trustee Currier and seconded by Trustee Jasmin. The Financial Affairs Committee recommends approval to the full Board: Motor Vehicle Acquisitions and Replacements Policy (0280) requires that any new or replacement vehicle is approved by the board of trustees. Early approvals are requested for the procurement of seven replacement vehicles to allow the university to place the orders now for delivery in FY26 due to the long lead time and potential cost increases. This motion is to approve the replacement of six university vehicles and include those vehicles in the leasing program. No additional funds are requested as existing savings in the vehicle leasing budget will cover these expenses as described in the supporting details. Further, to approve the purchase of a replacement police cruiser as requested by the Chief of University Police and approved by the Vice President for Enrollment Management and Student Affairs. The estimated purchase price for a new police cruiser with escalation is \$70,991.00. Funding source for this vehicle is from parking fines revenue. A roll call was taken and there being no discussion, **motion passed unanimously**.

#### **FY26 Preliminary Capital Budget**

- Requesting pre-approval before budget completion due to state procurement laws.
  - Advance bidding and contract negotiation needed to begin work over the summer.
- Normal capital budget is about \$3 million.
  - \$2 million for facilities.
  - \$1 million for information technology.
- Seeking \$900,000 pre-approval for projects listed in the packet.

#### Water Main Issue

- Water main issue is a significant issue that needs to be addressed.
- Water is received from the town, and campus closure would result without water.
- A study identified 3,000 linear feet of the water main as 71 years old.
  - This is the primary loop around Scanlon Hall and in front of Bates Hall.
- Phase one of the water main replacement is estimated at \$1.4 million.
  - This addresses about half of the primary line.
- Phase 2 and 3 replacements align with key infrastructure in those areas.
  - A holistic approach is needed for future projects to replace infrastructure.
- Requesting preliminary approval for \$300,000 approved in FY25 and \$400,000 utilized for the study.
  - Finalizing design documents and will submit project approval in June.
- Proposed financial plan:
  - \$300,000 a year for FY26 and FY27 from deferred maintenance capital fund.

- Supplement with \$400,000 of DCAM five-year funds.
- A leak on the south side of Ely Campus Center two years ago initiated the critical need for assessment.
- Water mains over 60 years old reduce size inside the piping, affecting sprinklers and fire hydrants.

#### Budget Process and Board Priorities

- Board approval does not guarantee project approval, as it will be reviewed at the Cabinet level.
- The full capital request will go back to the Cabinet to review.
- "If we don't proceed with these items, there will be substantial negative effects."
- The Cabinet has a bigger role in the budget process.
- It needs to be a priority of the board to ensure infrastructure is sound.
  - Deferred maintenance is one of the top three risks.

#### Infrastructure Priorities

- Board level confirmation needed due to disruption caused by unsound infrastructure.
- Other items include:
  - Horace Mann Center boiler replacement (second one).
  - Fire damper study and testing (compliance issue).
  - Woodward field lighting replacement (phase one).
  - Scanlon Hall project (critical for minor renovations).

#### Financial Considerations

- Projects are high priority.
- Westfield Gas offers about \$50,000 a year in incentives.
- DCAM Energy to identify key energy projects to replace lighting.

**MOTION** made by Trustee Currier and seconded by Trustee Montemayor. The Financial Affairs Committee recommends approval to the full Board: To approve a preliminary and partial capital projects budget of \$976,500.00, which will enable the University to begin the procurement process to bid the proposed work for this summer. The projects are listed on the FY26 Preliminary Capital Budget Plan with a brief description. Early approval of these specific projects is critical to solicit competitive bids and award these projects as soon as possible. The full capital budget, including all projects and Information Technology requests, will be provided in June 2025 with the FY26 Provisional Campus Budget. A roll call was taken and there being no discussion, **motion passed unanimously**.

#### **Investment Policy (0430)**

Fund Evaluation Group (FEG) Stephen Haines spoke about the following:

##### Proposed Changes - Page 1

- Statement of Purpose:
  - Added "prudent" to uniform Prudent Management Institutional funds law (up MIFA).
  - Replaced "manager" with "advisor" to identify fund evaluation group.
- Investment Subcommittee:
  - Defined duties for the board of trustees, Financial Affairs Committee, management/staff, and the investment advisor.
  - Deleted the paragraph for the subcommittee for investments.

##### Proposed Changes - Page 4

- Investment Objectives:
  - Added "reasonable" to the reasonable preservation of capital.
  - Removed minimizing price volatility.
  - Returns of investments should be viewed long term and focus on returns and not necessarily income.
  - Added prudence to diversification and portfolio management.

- Added that investment decisions should be made in a long-term perspective.

#### Asset Allocation

- Asset allocation mix will be calculated in aggregate balances across the university accounts.
- Targeted asset allocation goals of 60% equities, 40% fixed income remain unchanged.
- Acceptable ranges moved 5% both to the downside and upside.

#### Shocks and Rebalancing

- The goal is to have flexibility during shock environments, avoiding the need to buy or sell equities or fixed income.
- Rebalancing will be done slowly and deliberately.
- The term "manager" was replaced with "advisor" to include the consulting group.
- Rebalancing will be actively done on the margins, especially during market fluctuations caused by headlines rather than fundamental changes.

#### Asset Allocation

- A question was raised about the asset allocation ranges, specifically whether it's possible to reach 80% equity given the minimum fixed income requirement of 25%.
- Similarly, concerns were raised about achieving 65% fixed income with a minimum equity requirement of 40%.
- The speaker gave an anecdote about the Fed chair possibly being replaced and how that could shock the system.

#### Governance Structure and Fixed Income

- The governance structure was updated to the Financial Affairs Committee.
- Focus is on long-term funding in the fixed income section.
- No individual corporate bonds will be bought or sold; this is left to investment managers.

#### Custom Benchmark

- The recommended changes to the custom benchmark involve the underlying components, while the weightings remain generally the same (60% equities, 35% fixed income, 5% cash).
- For equities, the recommendation is to use the MSCI All Country World IMI Index, which includes US, international developed, and emerging markets, as well as large-cap, mid-cap, and small-cap stocks.
- For fixed income, the recommendation is to use the Barclays Agathon Index, which includes both Treasuries and corporate credits.

#### Prohibited Investments and Spending Policy

- A tweak was made to the policy on prohibited investments, specifically regarding derivative securities, forward swaps, and futures.
- Direct purchases of these instruments will still be prohibited, but commingled vehicles like mutual funds may use them.
- The investment advisor (FEG) will calculate the annual spend and document it.

**MOTION** made by Trustee Currier and seconded by Trustee Jasmin. The Financial Affairs Committee recommends approval to the full Board: To approve the revised Investment Policy (0430), as presented. A roll call was taken and there being no discussion, **motion passed unanimously.**

#### **1<sup>st</sup> Quarter Review**

- As of the end of Q1, the asset allocation was 50% equities, 48% fixed income, and 1% cash.
- The cash is earning around 4% in yield.
- The asset allocation has been maintained at roughly 50/50 since the account was transferred to FEG, and this will continue due to market headwinds.

### Market Fundamentals vs. Sentiment

- Underlying fundamental data for the market is very strong, but sentiment is weak due to headlines causing nervousness and anxiety.
- Earnings look fantastic:
  - In Q1, 4 out of 5 S&P names outperformed estimates by a median of 6%.
  - Currently, 12% of the S&P has reported, with 76% outperforming by a median of 5%.
- Jobs numbers are higher than estimates, and inflation (CPI and PPI) is lower than expected.
- Tariffs pose a challenge as they could negatively impact jobs, earnings, and inflation.

### Portfolio Performance and Strategy

- Despite market volatility, the account finished roughly flat in Q1, down about 40 basis points.
- The account peaked near the last meeting in February and has been protected on the downside.
- The portfolio is overweight in the US (75%) with 25% ex-US, and about half of the fixed income is in Treasuries.
- Diversification worked in Q1, with international developed countries up 7% and emerging markets up 3%.
- The "Mag 7" was down 16% in Q1, while the rest of the S&P was up 1%.
  - The business models of the "Mag 7" didn't change, but they generate about 55% of their revenues outside the US, making them vulnerable to currency volatility.

### Fixed Income and Investment Changes

- The back end of the yield curve is not performing as expected, with the 10-year Treasury yield moving up.
- The portfolio is positioned where yields are highest, around two years out on the yield curve.
- Two investment changes were made in the first quarter, both in small cap:
  - Moved out of a passive exposure and into two active managers.
  - Added Hartford Small Cap Value Fund (sub-advised by Wellington Management Company LLC) and Driehaus House Micro Cap.

### Outlook and Strategy

- No immediate changes to asset allocation will be made based on current tariff policy.
- "We don't want to be allocating based on those kind of changes in volatility."
- Once there is clarity on foreign policy and trade agreements, they would like to inch closer to the 60/40 IPS target.
- Referencing the 2018 "Trump tariff war 1.0" as a point of reference.

### Tariffs and Market Reaction

- Tariffs were placed on four items, causing the stock market to drop 12% in less than two weeks.
- The speaker mentions a leader with a history of "walking you to the edge, holding you over and kind of threatening you that he's going to drop and then kind of stepping back."

### White House Meeting and Potential Policy Shift

- The CEOs of Target and Walmart went to the White House to explain the consequences of a 245% tariff.
- The Treasury Secretary hinted at a possible backing off from the tariffs.

### Amazon's Supply Chain

- Amazon was contacted to determine how much of their supply chain is sourced through China.
- Amazon reported that "71% of all their sellers in the US source their supply chains through China."
- A high tax on imported goods would affect everyone, regardless of income.

### Investment Perspective

- Stephen Haines hopes the tariff threats are leverage and not a long-term concept and believes it would be "very odd for someone to make decisions that are so detrimental in the long term."

There being no further business,

**MOTION** made by Trustee Currier and seconded by Trustee Jasmin, to adjourn the meeting. There being no discussion, **motion passed unanimously**. Meeting adjourned at 2:57 PM.

**Materials:**

- a. Minutes 2-20-25 (Draft)
- b. Finance Committee PPT Presentation
- c. FY25 3Q Update (Narrative)
- d. FY25 3Q Update (Consolidated Report)
- e. FY25 3Q Update (YOY Narrative)
- f. FY25 3Q Update (YOY Actuals)
- g. Cash Summary (Graph)
- h. Cash Summary (Balance)
- i. Motion – Travel Policy (0390)
- j. Policy – Travel (0390) CLEAN
- k. Policy – Travel (0390) TRACK CHANGES
- l. Motion – FY26 Vehicle Lease/Purchase
- m. FY26 Vehicle Lease/Purchase (Leases)
- n. FY26 Vehicle Lease/Purchase
- o. FY26 Vehicle Lease/Purchase (Public Safety)
- p. Motion – FY26 Preliminary Capital Budget
- q. FY26 Preliminary Capital Budget (Narrative)
- r. FY26 Preliminary Capital Budget (Capital Plan)
- s. FY26 Preliminary Capital Budget (Water Main)
- t. Motion – Investment Policy (0430)
- u. Policy – Investment (0430) CLEAN
- v. Policy – Investment (0430) TRACK CHANGES
- w. First Quarter Review (Investments)

**Secretary's Certificate**

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees, Financial Affairs Committee meeting held on April 22, 2025.

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Chris Montemayor, Secretary

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Date