



SUBJECT: Finance & Facilities Committee Meeting Report for November 20, 2019

The Finance & Facilities Committee of the Board of Trustees met on Wednesday, November 20, 2019, in the Sullivan Training Rooms, Enterprise Center on the Central Campus of Salem State University.

Present for the Committee: Trustees Katzman (chair), Murphy (vice chair) via phone, Russell, Wilkens, Chair Mattera (ex-officio). Also present and participating: Vice President House (committee liaison) and staff associate Beaulieu.

Absent for the Committee: Trustees Butts, Lutts

Trustee Katzman, committee chair, called the meeting to order at 3:31 pm.

*In accordance with the Open Meeting Law all votes taken during this meeting, in which a member participated remotely, were by roll call vote.

Non-state funding plan for BOLD, A Campus Unification and Modernization Project, including science teaching laboratories

Informational items provided in the meeting packet that had been distributed on November 12, 2019 included:

- University's Debt Profile (Attachment C)
- University's Future Debt Service Commitments, including annual debt service with and without Bold included (Attachment C)
- Financial Ratio Trends – per debt policy (Viability, Debt Burden, Primary Reserve, Return on Net Assets, and Net Operating Revenues) (Attachment Financial Ratio Trends – supplemental as per recent practice (Debt Service to Revenue, Spendable Cash & Investments to Total Debt, Operating Cash Flow Margin, Annual Debt Service to FTE, Annual Debt Service per FTE as related to Undergraduate Tuition, Fees, Room & Board, Change in Operating Revenue) (Attachment E)
- Historical Managed Revenue and Expense Trends (Attachment E)
- Project Bold PowerPoint file (as presented at September 25 Finance and Facilities Committee meeting) (Attachment F)
- Debt Policy (Attachment G)

Additionally, a Question and Answer document was provided in a supplementary distribution on mailing on November 19, 2019 (Attachment H.)

Vice President House walked the trustees through a slide presentation (Attachment A) highlighting the benefits of Project BOLD and discussing the financial parameters and impact of the non-state funding plan, in accordance with the debt policy of the university. Financial ratios and the debt service commitment with and without

Project BOLD were reviewed. Discussion and questions and answers occurred throughout the presentation. Trustee Katzman conveyed that Trustee Lutts had communicated that he supports this plan.

Comments indicated considerable knowledge of and support for the impact of this project on academic programs, student life and sense of community, and the ability of faculty to work in updated spaces and with modern equipment. President Keenan closed out the discussion with a passionate speech about the importance of moving this project forward.

A motion to commit university funding for Project Bold was read by Trustee Wilkens and amended by Trustee Mattera. The amendment was unanimously approved in a roll call vote.

Voting in the affirmative: Katzman, Mattera, Murphy (via phone), Russell, Wilkens

Voting against: None

Then, Trustee Murphy **MOVED** to approve the following amended motion, **SECONDED** by Trustee Russell.

MOTION (Attachment B)

The Finance and Facilities Committee hereby recommends that the Board of Trustees approve the following motion pertaining to Project Bold.

Recommended amended motion

Subject to project funding of at least \$25 million from the Commonwealth, additional funds from the sale of South Campus, and contributions from others (fundraising and grants), the Board of Trustees of Salem State University hereby approves:

- (1) Project Bold, which includes: Sale of South Campus (with potential limited period leaseback of Harrington Building), funding the defeasance of remaining Bates Residence Hall debt, renovation of Horace Mann, renovation of the Library to incorporate approximately four new classrooms, an addition to Meier Hall to include seven new, state-of-the-art science labs, and additional parking spaces on North and Central Campuses.
- (2) University contribution for the project in an amount not to exceed \$20 million from a combination of cash and/or liquidated investments, and new debt.

The president, vice president for finance and facilities, and other university personnel are authorized to do all things and take all actions necessary to demonstrate to the Commonwealth the university has a responsible and authorized

financial plan to fund the anticipated gap in order to deliver the transformative potential of Project Bold.

A roll call vote was taken.

Voting in the affirmative: Katzman, Mattera, Murphy (via phone), Russell, Wilkens

Voting against: None

There being no further business to come before the committee Trustee Katzman, committee chair, adjourned the meeting at 5:06 pm.

Prepared by: D. Beaulieu, staff associate, finance and facilities

SSU Project Bold Funding

Finance & Facilities Committee 11/20/19

Karen House

SSU Project BOLD

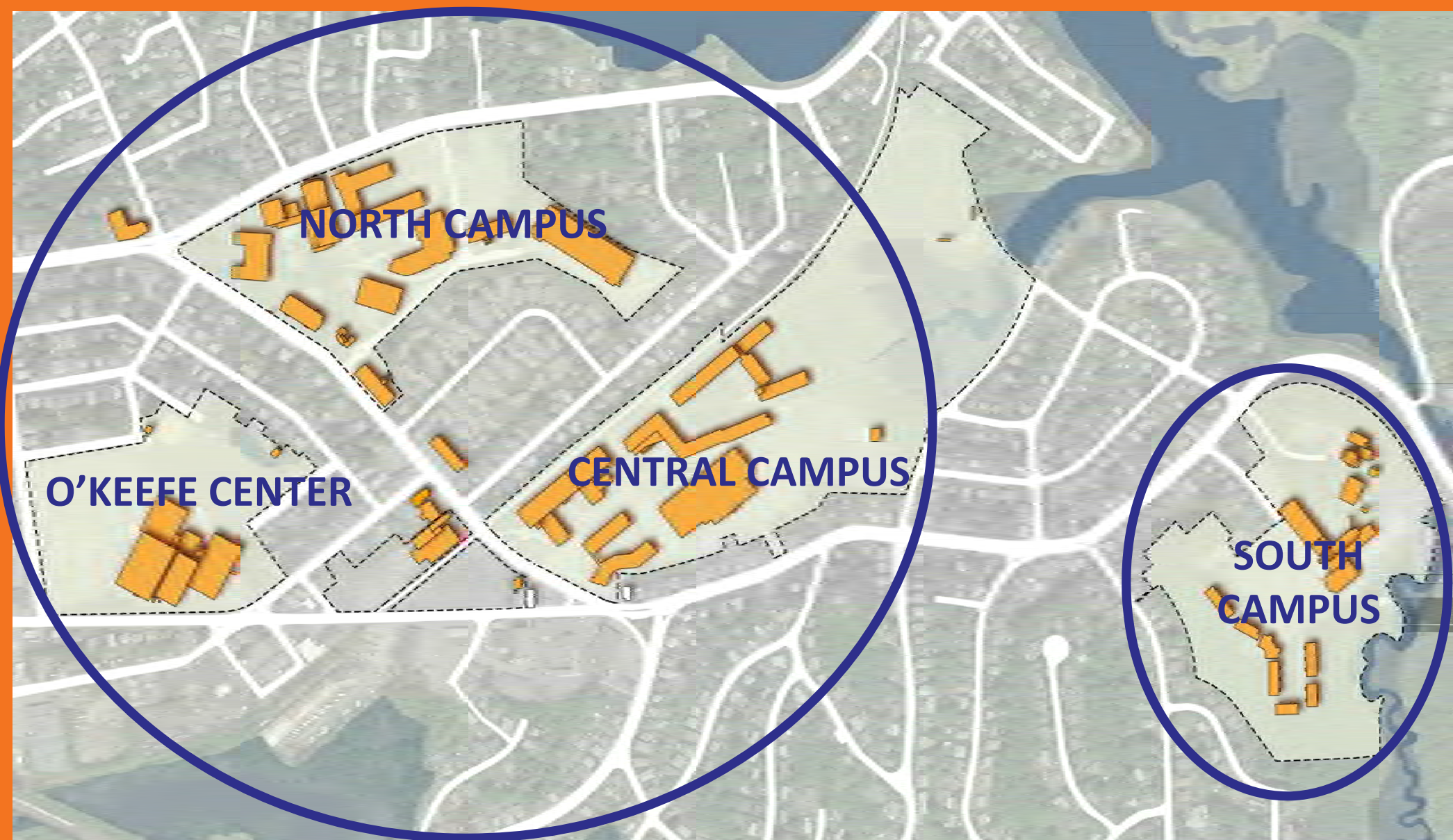


Project Bold – Who Benefits?

- Students
- Faculty
- University
- Community

So much more than a building project!

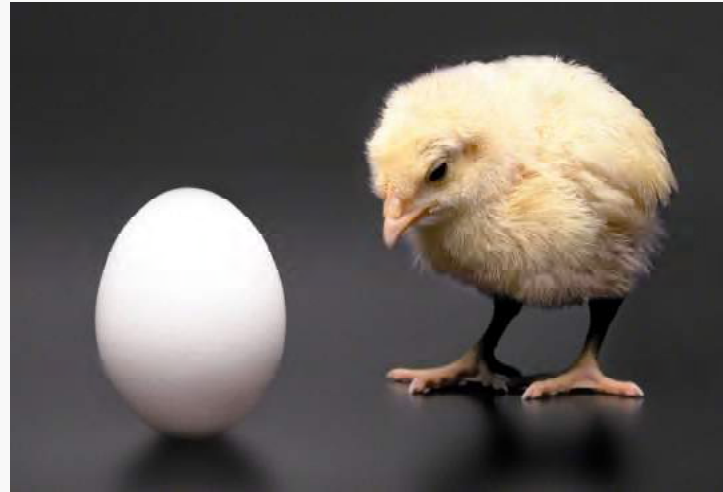
UNIFICATION: EXIT SOUTH CAMPUS



UNIFICATION: NORTH CAMPUS



Project Budget: \$66M



- Collaborative funding - transformative project
- Someone has to commit first
- Access other funding

Motion request is maximum of \$20M from university

- Contingent on minimum of \$25M from Commonwealth
- Plus proceeds of South Campus
- Several scenarios of debt vs. cash
- Will continue seeking grants & gifts

Bold: SSU Cash & Debt \$20M Max

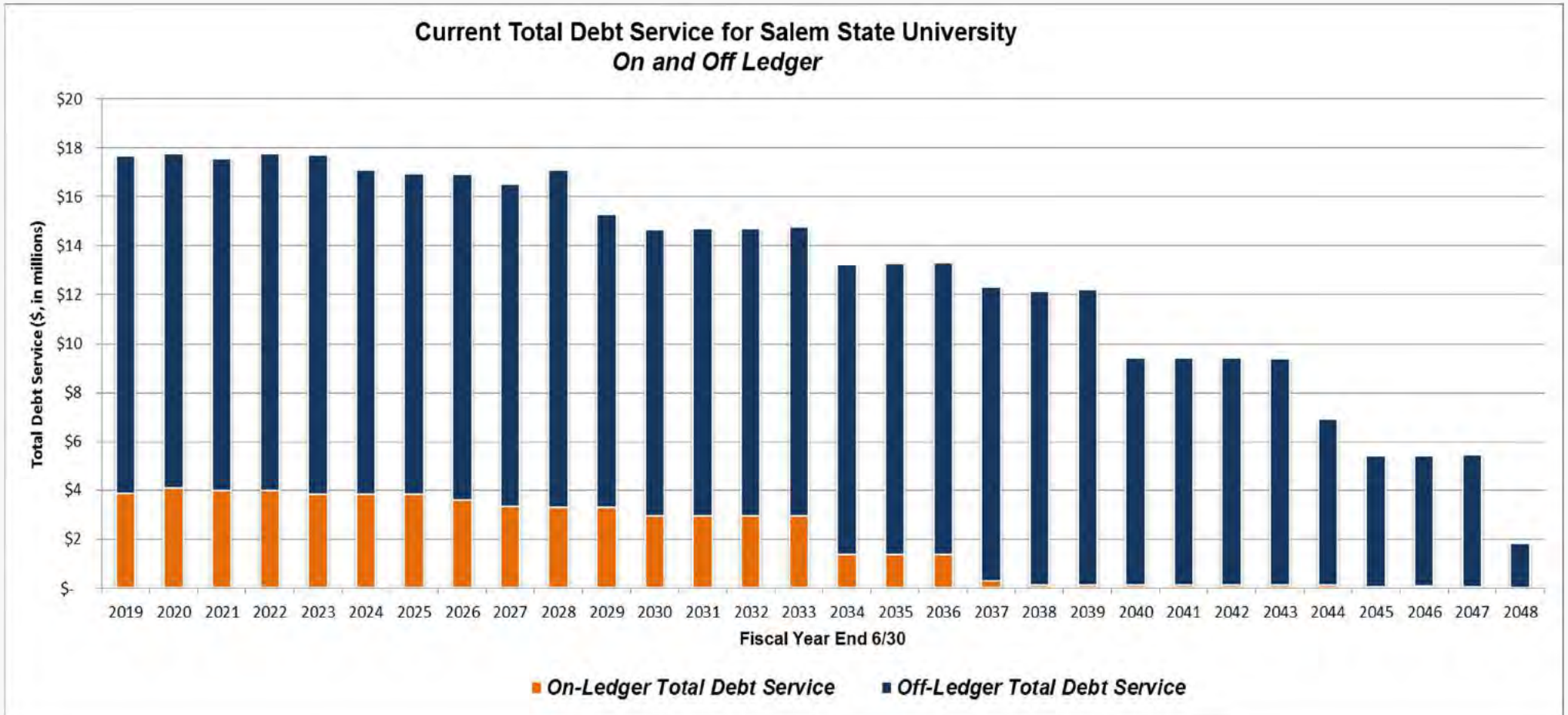
- Cash on Hand
 - 6/30/19: \$31.3 million (+\$7.8M)
 - 6/30/18: \$18.6 million
- Investments
 - 6/30/19: \$16.5 million (+\$1.7)
 - 6/30/18: \$14.8 million

Total Cash & Investments 6/30/19: \$47.8M

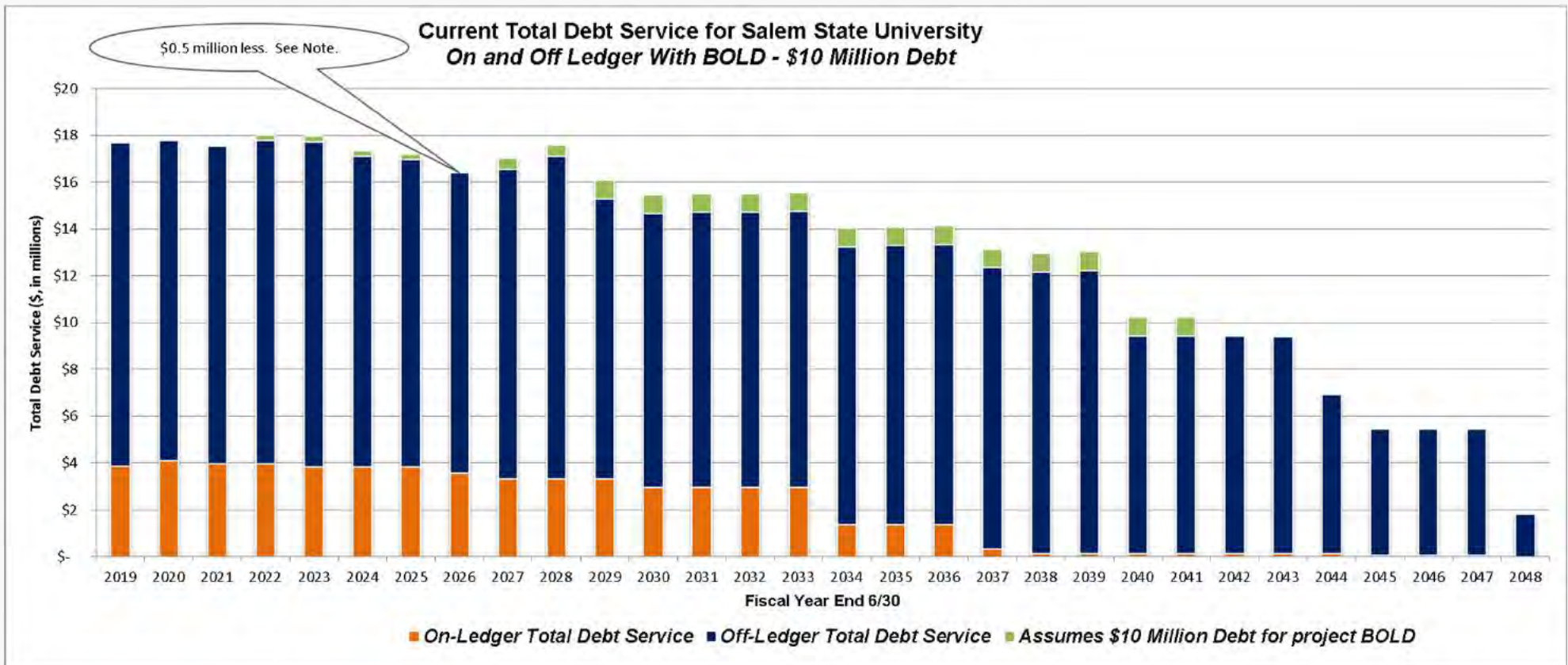
Debt Policy

- Distributed in pre-read materials
- Ratios are guidelines
- Requires:
 - Approval of project
 - Approval of financing

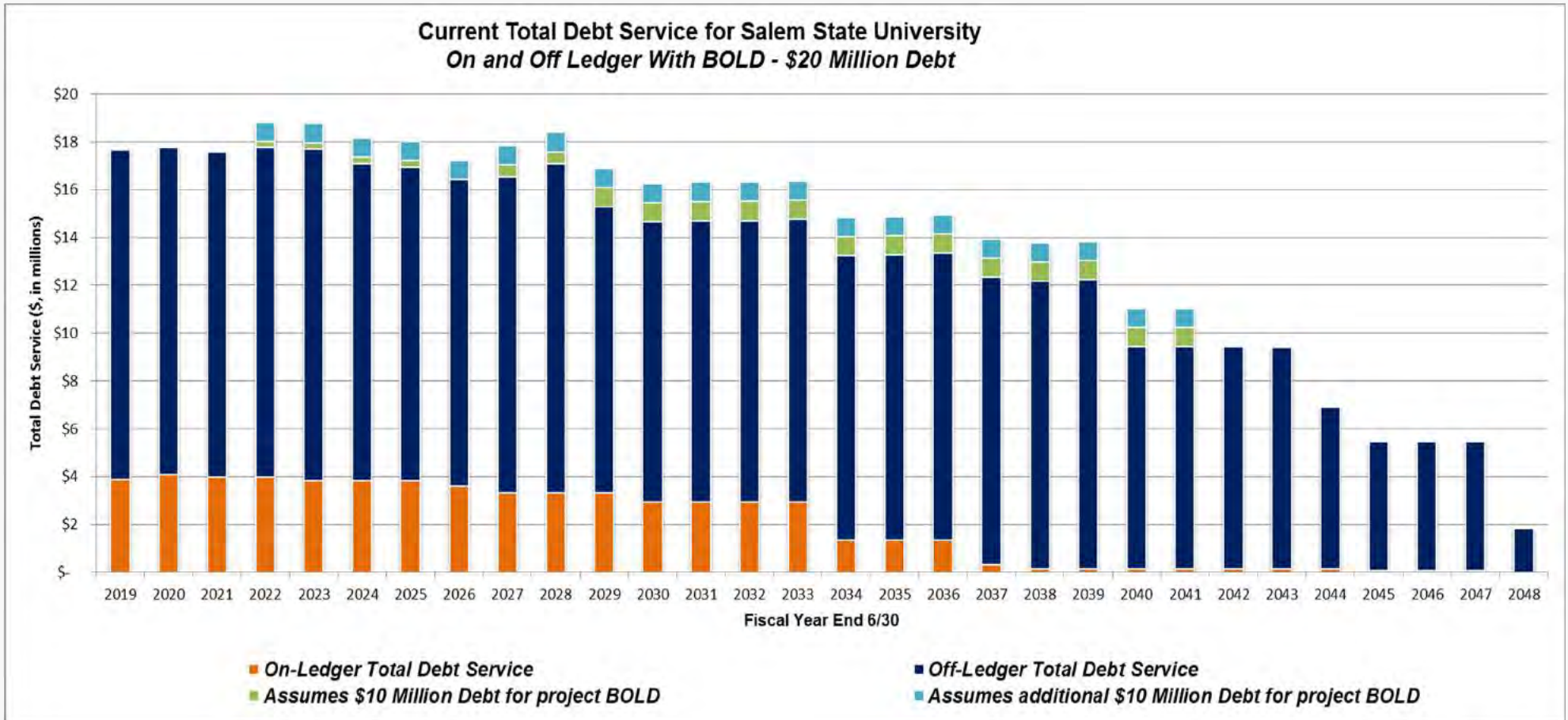
Debt Service Without BOLD



With BOLD \$10 Million Debt



With BOLD \$20 Million Debt

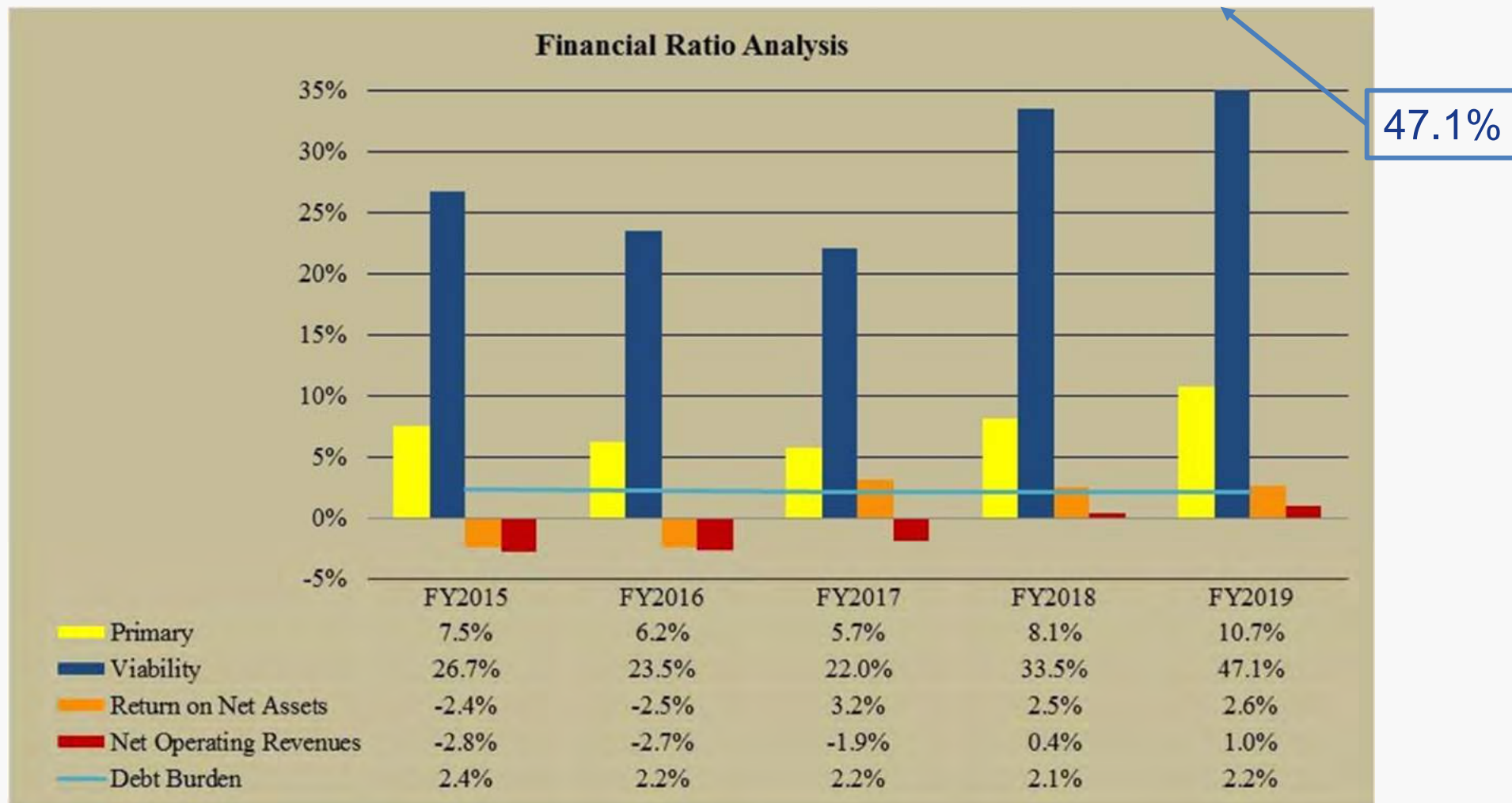


Impact of Bold Debt

	\$10M	\$20M
Net new debt service, FY22 - FY28	\$215K	\$1.0M
Per student	\$33.40	\$158.02
as % of current T/F rates	0.3%	1.40%

Net new debt service, FY29 - FY41	\$800K	\$1.6M
Per student	\$124.61	\$249.22
as % of current T/F rates	1.10%	2.20%

Ratio Analysis: trending up. More favorable in FY19 than in the last 5 years.



Ratio Analysis - supplemental

- PFM debt study work produced additional ratios to monitor
- Based on Moody's scorecard methodology
- Uses On and Off ledger debt
- Does not include SSUF & SSUAC

Ratio Analysis - supplemental

- Debt Service Burden: 9.87% (guideline 10%)
- Spendable Cash & Investment to Debt: .22x (guideline between 0.50x and 0.85x)
- Operating Cash Flow Margin: 5.47%
High since FY11
- Debt Service per Student: \$2,960 or 11.5% of UG T/F/Rm/Board
- Change in Operating Revenue: \$3.2M

What about the future?

- Enrollment challenges
 - Bold will help with recruitment & retention
- Manage to our reality
 - FY18 and FY19 financial results - strongest years recently, despite enrollment loss
 - At \$10M Bold debt, annual debt service after FY28 is less than today
- Do nothing is not responsible
- Improving the asset value (Meier Hall, Horace Mann) mitigates financial risk of additional debt
- **Leveraging Commonwealth funding and South Campus proceeds by contributing up to \$20M from SSU is manageable, given what we gain**

Why Be Bold?



Discussion and the Motion