

**Massachusetts Technology Collaborative Finance and Audit Committee
June 12, 2020**

MINUTES

Present: Committee Members: Joseph Dorant, Anne Margulies, Paige Fetzer; Mass Tech Collaborative Staff: Carolyn Kirk, Lisa Erlandson, Mary Creamer, Michael Baldino, Jennifer Saubermann, Farhad Vahzegoo, Brianna Wehrs and Stephanie Helm. Damon Cox of the Executive Office of Housing and Economic Development (“EOHED”), representing the Secretary of EOHED Mike Kennealy, was also present.

Start Time: 3:30 p.m.

Location: Zoom Videoconference

Agenda Topic	Discussion	Action Taken/Required
Approval of Minutes	The Minutes of the December 5, 2019 were presented for approval.	The minutes for the December 5, 2019 meeting of the Finance and Audit Committee were approved by the Committee.
FY21 Budget	<p>The FY21 budget materials were reviewed with the Committee.</p> <p>Ms. Kirk began the presentation by explaining that the budget was built on the Governor’s budget, which was developed in January. No action has been taken on the state’s budget by either the Governor or the Legislature, however we needed a starting point. A temporary hiring freeze has been established and grant awards tied to this budget will not happen until we receive a final approved budget by the State.</p> <p>Ms. Kirk discussed the expense budgets for each division and pointed out the comparison of the total FY21 and FY20 budgets on slide 4 of the presentation. The additional staff in the FY21 budget is primarily due to anticipated funding in the economic development bill. If the Legislature doesn’t take action on this bill, we would not proceed with the budgeted new hires associated with the anticipated work. Headcount today is actually 56 as we have lost staff due to attrition and have not authorized backfills at this point.</p> <p>Ms. Erlandson pointed out that the “Other” expenses is higher by about \$800K due to MBI, which includes \$1M in capital expenditures associated with the middle mile</p>	The motion to endorse and recommend that the Executive Committee approve the FY21 budget, as amended by increasing the reserved fund balance by \$1.09M in the Enterprise Fund, was approved by the Committee.

network upgrades; it is otherwise trending lower.

Ms. Kirk discussed the “Expense Offsets” on Slide 5, which shows how budgeted expenditures are funded through revenues and fund balance, and result in remaining amounts available for awards. Ms. Margulies asked what happens to the surplus funds if we don’t award them all. Ms. Kirk explained that any unused funds are added to the fund balance and that Ms. Erlandson will present the Fund Balance table at the end of the presentation.

The projected award amounts for each division were presented and Ms. Kirk further discussed the state’s budget uncertainty and what our actions would be if our funding was cut.

Ms. Margulies thanked Ms. Kirk for presenting a budget that is easy to understand. She indicated her support for our cautious approach and appreciated that we’re prepared to slow things down given the uncertainty of funding at this point. She said the budget was prudent and that she supported recommending the budget for presentation to the full board. [Ms. Margulies then left the meeting.]

The presentation continued with review of the Division Budget Overviews.

During the review of the Central Office budget, Mr. Dorant asked when the Kopin lease will expire. Ms. Erlandson explained that the Kopin lease ends in 2023 and that Kopin is required to notify us fairly soon if they do not intend to renew.

The Innovation Institute is proposing a slight decrease in overall expenses compared to FY20 budget but is budgeting to increase staff by 1 FTE over prior year’s staff level budget.

MeHI’s budget is remaining relatively flat year over year and it was noted about 75% of the staff is dedicated to performing services contracted by the Executive Office of Health and Human Services.

During the review of the MBI budget, Ms. Erlandson explained that we have some funds budgeted to conduct an analysis of the middle mile network.

M2I2 will now be referred to as the Center for Advanced Manufacturing (“CAM”) –but the formal announcement is pending. Farhad Vahzegoo is leading as the interim Director due to Ira Moskowitz’ departure. The biggest difference between last year and this year is the addition of the MassBridge federal award and related expenditures. Additional staff will be required to carry out the program.

With the budgeted appropriation funding, the MassCyberCenter is able to add one additional staff member. Despite the cut in funding compared to last year, we are able to invest funds in financial assistance awards, including the 4th Annual Mass Cyber Forum, with funding remaining from fiscal year 2020.

Ms. Erlandson provided information on the variances in revenue year over year. She also noted that in looking at the revenue and expenditures, we’re showing that we will use \$3M in fund balance. Even though we’re talking about a break-even budget, we show we’re using funds in FY21 because we’ve added to fund balance in the previous two years (especially in Innovation Institute). The budgeted amounts in the proposed FY21 budget for the use of fund balance is within the guidelines established under the Fund Balance Policy that was passed last year by the MassTech Board of Directors. Ms. Erlandson discussed the restricted and minimum reserve fund balances and noted that the budget should be updated to reflect that an additional \$1.09M should be reserved in the Enterprise Fund balance for the Berkshire Bank collateral.

Mr. Dorant asked whether the Executive Office for Administration and Finance (“A&F”) has given MassTech any guidance on the budget. Ms. Kirk responded that there has been no specific direction given by A&F but we are proposing the MassTech budget at the Governor’s level because there is no indication otherwise. Last year we proposed the same, but we did better in the Legislature and had to come back with a revised budget. This year, it is probably unlikely that we’ll do better. It would be irresponsible to begin the fiscal year without a budget. We have precautions and measures in place in the case our funding is reduced. EOHED is aware and comfortable with what our starting point is.

Ms. Fetzer agreed with the conservative approach to start the year. Mr. Cox also expressed agreement and pointed out that MassTech should make sure the budget also aligns with a pivot to COVID-19. Ms. Fetzer added that we should talk about COVID-

	<p>19 resiliency and having the infrastructure to respond more quickly if there is a second wave. Ms. Kirk acknowledged that this is a great approach and indicated that we would highlight the COVID-19 plans and awards in the budget presentation to the MassTech Executive Committee.</p> <p>Mr. Dorant recommended the budget for approval by the Finance and Audit Committee. He thanked the staff and said that they've done a great job explaining a complicated budget.</p>	
FY20 Audit Process	<p>A discussion of the renewal of RSM as auditors took place and Ms. Erlandson explained the procurement process that was undertaken. RSM has been selected to continue as our auditors and that they've reduced their fee from last year. MassTech provided the Finance and Audit Committee members with information regarding the FY20 audit process and the contact information for RSM if they have any questions.</p>	

Materials and Exhibits Used at this Meeting:

1. Draft Minutes – December 5, 2019
2. FY21 Budget Materials
3. FY20 RSM Audit Planning Letter
4. FY20 RSM Audit Engagement Letter