

**Massachusetts Technology Collaborative Finance and Audit Committee  
June 14, 2021**

**APPROVED MINUTES**

Present: Committee Members: Joseph Dorant, Paige Fetzter; Mass Tech Collaborative Staff: Carolyn Kirk, Brianna Wehrs, Jennifer Saubermann, Lisa Erlandson, Mary Creamer, and Kelly Kleanthous.

Start Time: 2:02 p.m.

Location: Zoom Videoconference

<b>Agenda Topic</b>	<b>Discussion</b>	<b>Action Taken/Required</b>
Approval of Minutes	The Minutes of the December 1, 2020, meeting were presented for approval.	The minutes for the December 1, 2020, meeting of the Finance and Audit Committee were approved by the Committee unanimously and without abstention.
FY22 Budget Review	<p>Ms. Kirk and Ms. Erlandson began the presentation of the FY22 budget. Ms. Kirk stated the budget is in the same format as the last 2 years. She indicated she is cautiously optimistic; MassTech did well in the Governor’s budget but did not do well in House but made up ground in the Senate. Ms. Kirk said as of right now we are building the budget based on what has come out of the Senate, while the budget is being finalized by the conference committee. The budget assumes the following state funding amounts: \$950,000 for the MassCyberCenter; \$1,500,000 for Security Operations Center (“SOC”)/cyber range services (Ms. Kirk indicated the difference between the two is that a SOC provides services, while a cyber range provides training); \$2,500,000 for the Innovation Institute; \$1,350,000 for the Internship and Mentorship Programs; and \$2,500,000 for Advanced Manufacturing Training Grants (previously funds ran through EOHED with the program administered by MassTech), totaling \$8,800,000 for the FY22 Appropriations Budget.</p> <p>Mr. Dorant asked if anyone was writing letters to those in the conference committee and Ms. Kirk indicated she did submit a letter requesting funding at the levels included in the Senate budget.</p>	The Committee members unanimously voted to adopt Motion #1 endorsing and recommending approval of the Fiscal Year 2022 budget.

Ms. Fetzner inquired if the bill drafted by Senator Lesser addressing inclusion was included, and Ms. Kirk responded that is covered by the Internship and Mentorship Program, under which MassTech funds many diversity programs.

Next Ms. Erlandson and Ms. Kirk presented information on the operating expenses and number of employees in each MassTech division and department. Staffing levels in the FY22 are as follows: Innovation Institute- 11 employees, MeHI- 16.5 employees, MBI- 4 employees, Center for Advanced Manufacturing- 4 employees, MassCyberCenter- 4 employees, and Central Office and Program Support- 22.75 employees, for a total of 62 employees, which is just under FY21 numbers. Ms. Kirk indicated that personnel includes all of the FY21 budgeted positions plus one, but is offset by a reduction in MeHI staff as the Medicaid services program ends. The FY21 budget assumed staggered new hires, most in the second half of the fiscal year, while the FY22 budget assumes most new hires are in the first quarter as the hiring freeze that was put in place in FY21 is now lifted.

Next presented was the revenue source slide, showing revenue by division starting with state appropriations. Ms. Erlandson stated that revenue that comes in as a pass-through has been stripped out of this analysis in order to get an accurate picture of the financial status of the operations for each division. For the Innovation Institute, expenses are \$2.8 million, and they are operating off appropriated line items. Ms. Kirk said that we "scrape off" administrative dollars from state appropriation programs and find other revenue to offset expenses- the goal is to break even. In the case of the Innovation Institute, she indicated that because of the slowdown in hiring and program awards in FY21 there is money rolling over to FY22. Next, Ms. Erlandson spoke about MBI, indicating the FY22 revenue comes from capital bond funds. The Center for Advanced Manufacturing's state funding has been through capital programs, and will now use some of the Advanced Manufacturing Training Grant appropriation to cover the costs of administering those training programs. They have also received a federal grant and have some rollover dollars from FY21, so there may be some excess funding to put towards grants or other programs. The MassCyberCenter is funded through state appropriations, a federal grant, and sponsorship dollars. Ms. Erlandson next spoke about the Central Office and Program Support. She stated that funding sources include the Kopin building lease revenue, and a back-office services contract with the Massachusetts Life Sciences Center. Mr. Cox asked how we would make up the revenue if we lost the

Kopin lease. Ms. Erlandson stated that Kopin has a window later this year when they must tell us if they want to exercise their 5 year extension option. The lease currently runs through April 2023, their business is good, and Westborough is their primary location, so we are hopeful for an extension. Mr. Cox asked if they wanted could they expand, and Ms. Kirk stated that yes, MassTech would be open to an expansion on the Westborough campus.

Ms. Erlandson mentioned that with regards to MBI, costs listed include those related to the Last Mile, the Middle Mile Network, and associated 3<sup>rd</sup> party costs. Mr. Dorant asked, in regards to MBI, if MassTech is taking advantage of federal funding through the American Rescue Plan, and Ms. Kirk responded that we have set up a program, funded with \$9.2 million in state fiscal recovery dollars, and we are in talks in with the Administration to scale to a much larger program using funds from the American Rescue Plan Act. Ms. Kirk stated there are currently no approvals to discuss on this topic at this time. Ms. Erlandson indicated that with regards to the \$9.2 million program, MassTech projects to incur \$1.8 million of expenses in FY21 and the remainder will hit in FY22. The full \$9.2 million will be paid out to us but we will recognize that revenue as the expenditures are incurred in FY22. This is reflected on the balance sheet and income statement.

Ms. Kirk next presented the FY22 grant budget slide. Ms. Kirk indicated some grant awards will be higher in FY22 because of COVID-19, which resulted in a slowdown of prior year grant-making. A robust \$60 million authorization for capital programs that will be administered by MassTech was approved by the Administration, with initial awards being included in our FY22 budget assumptions. Ms. Kirk indicated that the full board will hear from each division head on plans for each program, however she provided an overview of for the Committee.

At the Innovation Institute, personnel numbers are holding steady from FY21 to FY22. An expenses slide was presented. In FY22 the Institute continues to focus on economic recovery targeting growth in tech and innovation sectors along with ecosystem support in talent, entrepreneurship, and regional impact. Ms. Kirk indicated Mr. Larkin is hiring a Deputy Director for the Institute, which will free up some of his time, allowing Mr. Larkin to assist in standardizing work across divisions and with stakeholders. The Institute is allocating \$1.5 million for grant awards in FY22.

Next discussed was MeHI, which Ms. Kirk stated will be down to 16.5 employees from

FY21, due to EOHHS contracts concluding, which the staff is aware of. Specifically the Medicaid team contract is coming to close, and employee reductions will be staggered in the second half of the fiscal year. Ms. Kirk stated that the Digital Health program recently won a very competitive \$700,000 federal grant, mostly pass-through funds. MeHI continues to draw off Chapter 224 funds and will continue to spend down in targeted areas.

Ms. Kirk next discussed MBI, stating they have been extremely busy and have brought on an additional resource, who was an internal transfer. Included in the expenses is \$2 million for the Middle Mile Network, \$1.1 million of that includes pole attachment licenses and railroad crossing fees; all standard contract obligations we are responsible for under the Network Operating Agreement (“NOA”). The other \$1 million is for capital upgrades and replacements, which are responsibilities MassTech has as owner of the network. Regarding the COVID-19 response, Ms. Kirk stated that of the \$9.2 million allocated, \$5.3 million is budgeted to be awarded and go out the door in FY22.

Regarding the Center for Advanced Manufacturing, Ms. Kirk indicated that Christine Nolan was hired last December as the new Director. The Center is currently working on the MassBridge Program, which is funded through a Department of Defense grant. Ms. Kirk said that there are 7,000 manufacturers in the Commonwealth, and Ms. Nolan wants to galvanize this community. As a first step, she would like to hold a “Manufacturing Mashup” in Worcester, a large gathering where manufacturers can meet and network, and she is currently working on that. A slide was presented showing awards to be funded from MassBridge and state contracts. Ms. Kirk indicated that Advanced Manufacturing Training Grants now run directly through MassTech.

Next discussed was the MassCyberCenter. Ms. Kirk indicated that the Center has 4 employees budgeted, and the Center has been extremely busy. Ms. Helm has become the media go-to regarding cyber hacks, and the Center has been educating municipalities. Awards totaling \$1,618,200 are budgeted from FY21 rollover funds, FY22 appropriation, and sponsorship contributions.

Regarding the Central Office and Program Support, Ms. Kirk stated this encompasses all support services such as Human Resources, Legal, Finance, Government Relations, and Communications; all non-customer facing departments. She said these groups were pretty steady-state for staffing from a budget perspective year over year, and she

presented an organizational chart to show the structure.

Ms. Kirk went on to explain that she unbundles all Ms. Erlandson's analysis to show how funding is spread across expenses, and then Ms. Erlandson reassembles to present it in a financial statement format. Ms. Erlandson stated all of this rolled-up information and detailed financials are included in the meeting materials that were sent in advance.

Next, in discussing the FY 22 Budget Summary Income Statement, Ms. Erlandson noted the State Appropriation and Bond Funding amounts and that of the \$9.2 million in state revenue related to MBI approximately \$7.6 million would be expended in FY22. In relation to state agency contracts revenue, she indicated that there are two MeHI contracts, the state M2I2 oversight, and a contract with the Massachusetts Life Sciences Center. She stated that we are starting to expand federal grant revenues. The FY22 federal grant revenue includes the Department of Homeland Security Cyber Grant, the MeHI SPRINT Challenge Grant, and the MassBridge Grant. In terms of network operator revenue, Ms. Erlandson specified funds we get from Local Linx (formerly KCST/Axia) are lower than specified under the NOA, as they are capped at Local Linx's Net Operating Income. Rental Income is related to the Kopin lease, and the subleases in Boston and Westborough, which historically generated about \$20,000 have ended. Finally Other Revenue includes sponsorships and interest income. Ms. Erlandson said overall anticipated revenue in FY22 was approximately \$40 million.

Next discussed were financial assistance expenses based upon awards made in prior years as well as in FY22. Ms. Erlandson said we make awards, and as grantees hit milestones or incur expenses for cost reimbursement grants, grant funds are expensed. The Financial Assistance expenses include R&D awards of \$7.5 million, \$1.5 million to the Department of Education for MassCAN, \$7.4 million for Mass Internet Connect recovery programs, plus amounts being expended for Internship/Mentorship and MassBridge grants. Regarding personnel, Ms. Erlandson stated that budgeted staffing levels year-to-budget-year were comparable but the personnel expenses will increase in FY22 because of the FY21 hiring delays. She stated there is also an increase in professional fees, most notably \$250,000 associated with Middle Mile planning. There is also an increase in facilities support related to getting back into the office.

As a result of the FY22 budget, Ms. Erlandson explained that MassTech would be drawing down \$3.2 million of fund balances, done in deliberate ways. In FY20 and

	<p>FY21 we added to the fund balances, due to the pandemic as we intentionally slowed expenditure during the delayed state budget process when our FY21 appropriation amounts had not been finalized. Over the past few years, MassTech’s revenues and expense have been managed to not require subsidization of programs from foundational fund balances. Ms. Erlandson also stated that the Enterprise fund was added to in FY22, mainly due to Kopin lease revenue. Ms. Erlandson indicated MassTech is looking at a total projected fund balance of \$26.5 million, but about \$18.5 million is categorized as restricted or reserved. This includes funds restricted for awards made but not paid out, statutory restrictions such as the MeHI fund or internship/mentorship, or for a minimum corporate reserve of approximately a quarter of operations in accordance with MassTech’s Fund Balance Policy. The remaining \$8 million is for future operations. The Fund Balance Policy Calculation slide was then presented, which showed the projected ending fund balances and the basis for the allocation as committed for awards, statutorily restricted, or part of the minimum reserve.</p> <p>Ms. Kirk then asked Ms. Erlandson to walk through what was included the materials sent to the Committee members prior to the meeting. Ms. Erlandson indicated that there was a memo that provides some context for each division and major revenue and expense category. There are budget financial statements including the consolidated income statement, budget income statement by division and further detailed by program. These financial statement provide a comparison of FY20 actuals, FY21 forecast, and the proposed FY 22 budget.</p> <p>A discussion regarding expenditures by category then ensued, as well as the fact that MassTech is at a decision point regarding the Middle Mile. The Governor has been briefed and this is now on his radar, and he has asked to be re-briefed in the fall. Ms. Kirk stated that we cannot do this on our own, and will need to bring in outside consultants and legal assistance.</p> <p>Motion 2:57 pm</p> <p>Mr. Dorant noted that he was very pleased with the budget format, said it was easy to understand, and thanked Ms. Erlandson's group.</p>	
RSM FY21 Audit Planning and Engagement Letters	Ms. Erlandson indicated the RSM Engagement Letter for the FY21 audit was included in the meeting agenda packet, and if there was anything else any of the members wanted	No action was necessary.

	to have considered during the audit to please reach out to RSM directly.  As there were no other items to discuss the meeting was adjourned at 3:00 p.m.	
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**Materials and Exhibits Used at this Meeting:**

- 1. Draft Minutes – December 1, 2020
- 2. FY22 Budget and Supplementary Information
- 3. RSM FY21 Audit Planning and Engagement Letters

**Exhibit A – Motions Adopted at June 14, 2021 Finance and Audit Committee Meeting**

Motion #1 [motioned, group seconded]

The Finance & Audit Committee of the Board of Directors of the Massachusetts Technology Park Corporation (“Mass Tech Collaborative Board”), acting pursuant to the authority delegated by the Mass Tech Collaborative Board, does hereby endorse, and recommend approval by the Executive Committee of the Mass Tech Collaborative Board, the Fiscal Year 2022 budget in a form that substantially comports with all material elements of the budget as presented to the Committee.