

**Massachusetts Technology Collaborative Finance and Audit Committee  
May 31, 2017**

**MINUTES (OPEN SESSION)**

Present: Committee Members: Ann Margulies, Leland Cheung, and Joseph Dorant. Mass Tech Collaborative Staff: Tim Connelly, Chris Andrews, and Lisa Erlandson.

Start Time: 11:00 a.m.

Location: Mass Tech Collaborative Boston Office

<b>Agenda Topic</b>	<b>Discussion</b>	<b>Action Taken/Required</b>
Approval of Minutes	The minutes for November 15, 2016 were presented for approval.	The minutes for the November 15, 2016 meeting of the Committee were unanimously approved by the Committee members in attendance.
General Update	<p>The Committee was informed that RSM would be performing the FY17 annual audit and that RSM agreed to a reduced fee. The proposed rate for the audit was \$75,900 and RSM agreed to reduce the rate to \$70,000.</p> <p>Mr. Andrews also indicated that the State audit of MBI was released without any findings.</p> <p>An analysis of Tim Connelly’s expenses was distributed to the Committee. This process will be done on a regular basis as recommended by RSM at the Committee meeting November.</p>	The Committee reviewed the expenses and indicated that they were very reasonable.
FY18 Budget Presentation	Mr. Andrews reviewed the budget presentation slides with the Committee. The business units slide shows the three major divisions, <i>Innovation Institute</i> , <i>MeHI</i> , and <i>MBI</i> with each of its major programs and initiatives as well as <i>Other MassTech Programs</i> which now includes the following areas: campus, internship program, Research and Communications, Grant Administration and Outsourced Corporate	After the Executive Session, the Committee was presented with the motion to endorse the FY18 and recommend approval by the Executive

	<p>Services.</p> <p>The structure of the organization was discussed and the importance of doing more tied to our core mission. Mr. Connelly indicated that focus should be on the Innovation Institute and MeHI activities. MBI activities are less tied to the core mission; and although the middle mile network is a solid network, the last mile efforts have been more complicated.</p> <p>Mr. Connelly explained that his goal is to obtain a \$5.5 million appropriation to cover the core operations which would include the Innovation Institute programs and Digital Health which ties into the overall cluster development activities. MassTech will need to earn the operating appropriation by increasing the confidence and trust from the State. In addition to the state appropriation and bond funding, there are other independent sustained revenue flows which are depicted on slide 3 of the presentation. The MeHI revenues received in prior years under Chapter 224 are being used to fund its operations in FY18. About \$8M of MassTech’s fund balances will be used in FY18 including \$5.5 million of the MeHI fund balance, \$1 million of Innovation Institute core funds, and \$1 million of Innovation Institute’s Specialty Funds based upon the assumed budgeted appropriation level of \$2.23 million.</p> <p>A discussion of options for campus monetization ensued and included options for leasing buildings, solar farms, senior living, and incubator and accelerator space. Mr. Dorant suggested that perhaps there are other state entities that are renting elsewhere that may be interested in utilizing some of MassTech’s campus. It was explained that the Mass Export Center already rents space, both in Westborough and Boston, from MassTech.</p> <p>Mr. Connelly noted that his focus is on Programs and MassTech’s mission as well as expense control. The personnel costs trends as shown on slide 6 are decreasing. There are currently about 64 FTEs totaling about \$9M which are projected to be at about \$8M and below 60 FTE by the end of FY18. The goal is better output and getting the best people in the right seats. Much of this is being done through attrition and a freeze on hiring. Professional fees are also trending down from about \$1 million in FY16 to \$300K in FY18 and that is expected to be lower over time as well.</p> <p>The Financial Assistance includes a budget for both awards, which is the commitment of funds, and the expenses which is when the grant work is done and payment can be</p>	<p>Committee and it was approved by all members.</p>
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made. Most of the Financial Assistance in FY18 relates to the MBI town last mile projects.

The Innovation Institute's focus is on cluster development and staff is now being focused on specific areas including Cybersecurity, Internet of Things, Robotics, and Digital Health. Digital Health is set up within MeHI based upon its funding source but is a cluster based activity. What used to be considered Big Data is now broken down into Internet of Things and Cybersecurity. In addition to the cluster activities there is now a business assistance "concierge service" intended to provide one-stop shopping for the Massachusetts Innovation Economy.

The Digital Health activities will be a focus of MeHI's investments. MeHI also provides services under a contract with Mass Health that are intended to break even or provide some profit. MeHI is currently working on a bid for an additional component of services related to the MassHIway.

Other MassTech Programs includes the campus, research and communications, and the internship program. There were earlier discussions around the campus and the research and communications activities involve reports for the State as well as MassTech and its programs. The internship program includes continuing the internship stipend program for another year and the legislature has supported the funding for the program but the administration vetoed it.

The shared services costs includes personnel, insurance, and information technology and are allocated across the divisions and programs based upon FTE. These costs have been reduced and there is a continued effort to get tighter and leaner in all areas. Ms. Margulies indicated that the shared services costs are similar to a university's indirect costs rate which is charged to its programs.

A discussion began about MassTech's Consolidated Profit and Loss statement as well as referring to the details in the underlying financial statements and plans for each division provided to the Committee in the agenda package. The consolidated statement shows the budget and forecast of revenues and expenses for FY17 in addition to the FY18 budget. It also shows the use of the fund balances in FY17 of about \$4 million and the budgeted for FY18 of approximately \$8 million and the projected ending balances.

Litigation Strategy	The Committee voted to go into Executive Session to discuss matters related to the ongoing litigation involving the MassBroadband 123 network. It was stated that the purpose for meeting in executive session to discuss these matters is that discussion of the MassTech’s strategy with respect to these matters in an open meeting may have a detrimental effect on MassTech’s litigating position. The proceedings that occurred in executive session are addressed in a separate set of meeting minutes.	The Committee voted to enter into executive session.
Other	Mr. Connelly informed the Committee that Mr. Andrews has decided to transition to a part-time role after taking time off over the summer.	