



**Final - Approved February 1, 2018**

**REPORT OF THE FINANCIAL AFFAIRS COMMITTEE**

**October 19, 2017**

The Financial Affairs Committee met at 1:00 p.m. on October 19, 2017, at Keene State College in Keene, NH. Present were Committee members Joseph Morone (Chair), Todd Black (Vice Chair), Bob Baines, Ted Dey, Morgan Rutman, Jamie Burnett, Cassandra Ardinger, Suzanne Foster, Wally Stevens; Trustees John Small, Amy Begg, Cathy Green, Chris Pope, Ken Moulton, Shawn Jasper, Ricky Fife, Adam Geddis and President Donald Birx, President Mark Huddleston, President Mark Rubinstein, Interim President Melinda Treadwell and Chancellor Todd Leach. Representing the Governor's Office was Rhonda Hensley.

A number of faculty, staff and students were also in attendance.

Chairman Morone called the meeting to order at 1:00 p.m. He briefly reviewed the items on the consent agenda and there being no questions, called for a motion to approve. He said the focus of the meeting was going to be on capital plans and noted the addition of a UNH capital project for approval.

**I. APPROVAL OF CONSENT AGENDA** (Moved on recommendation of Trustee Rutman (Small not on committee) and duly seconded

**VOTED**, that the Consent Agenda be approved.

(The Committee voted unanimously to approve this motion)

The Items on the Consent Agenda are listed below:

A. Approve minutes of the June 22, 2017 meeting

B. Approve motion to suspend limit on out-of-state undergraduate students at UNH

**MOVED**, on recommendation of the Chancellor, that the following motion be presented for consideration by the Board of Trustees.

**MOVED**, on recommendation of the Financial Affairs Committee that the Board of Trustees suspend for FY19 the limitation of 25 percent imposed by state statute RSA 187-A:10 on the number of undergraduate students enrolled at UNH from domiciles outside the state, it having been determined that such suspension benefits the state and UNH without impairing the opportunity for qualified students of the state of New

Hampshire to attend UNH.

### **End of consent agenda**

## **II Actual and projected financial results, budgeting and multi-year modeling**

### A. Discussion of FY17 financial results and financial statements

Vice Chancellor Provencher reported that the Audit Committee reviewed the financial statements in detail with the external auditors KPMG and the Board of Trustees will consider approving them tomorrow. She said that the UNH Foundation Board had approved their financial statements and that they are consolidated as part of USNH. She shared highlights and trends reporting that UFR to Debt was 66% at June 30, 2017. The Committee discussed the slide depicting student aid trends, noting the increase in financial aid discounting appears to correlate with the reduction in student loans advanced. Vice Chancellor Provencher reported that the Operating Margin (OM) has been declining and Trustee Morone stated that the increase in the discount rate mirrors the declining OM.

Vice Chancellor Provencher reminded the Committee of an accounting change, GASB 75 relative to retiree health that will be adopted in FY18 and will increase the long term liabilities balance by approximately \$60 million.

### B. Fall 2017 enrollment report

Vice Chancellor Provencher reviewed enrollment for fall 2017 noting some volatility in enrollments. She said that PSU is currently the only campus with more NH resident students than non-resident students. There was discussion on capacity for additional enrollments at the campuses and it was reported that KSC had capacity and UNH had some capacity in certain majors, but not in dormitories or dining halls. Vice Chancellor Provencher directed Committee members to the pre-meeting materials for more detail.

## **II. Capital Planning**

### A. Campus 5 year plans

Vice Chancellor Provencher explained the model for the institutions' capital plans noting that they were given a target for budgeted spending of one times depreciation. The Committee reviewed 5 year capital plans for each campus and discussed the differences between deferred maintenance, planned maintenance and strategic investments. Chairman Morone requested that the spreadsheet be expanded to reflect the planned spending on deferred maintenance backlog that was included in each capital plan. Vice Chancellor Provencher pointed out the projects on the agenda today, a gift funded project at KSC and noted that Granite State College has smaller projects that are in process or planned but they do not require a full capital plan as it is not a residential institution.

#### 1. University of New Hampshire

**VOTED**, on recommendation of the UNH President, that the Financial Affairs Committee approve a budget of up to \$6 million for a Biomanufacturing Innovation Center project for the University of New Hampshire (UNH) at 88 Commercial Street in Manchester, to be funded from \$5.2 million in USNH reserves, \$550,000 in Landlord fit-up contributions and \$250,000 from a ARMI grant **AND FURTHER**, that the requirement for approval of schematic design be waived.

{The Committee voted unanimously in favor of this project}

Chairman Morone explained that at the September retreat, UNH was asked to further refine their plans for a Life Sciences Workforce Initiative project. He asked Provost Targett to provide a brief overview of the initiative and its anticipated impact, and noted that the first phase of the project, a Biomanufacturing Innovation Center (BIC) at UNH Manchester was on the agenda for approval and there would be a more detailed presentation on the whole initiative tomorrow at the Board meeting.

Vice President Clement provided information on the project, its funding sources and timeline. He noted that a decision should be made at this meeting because the lease option expires on October 20, 2017.

Several trustees had questions on the expected revenues associated with the project, the commitment of Advanced Regenerative Manufacturing Institute (ARMI) to stay in New Hampshire, and the urgency for approval.

Dean Decelle described the vision and answered questions on the expected increased enrollment and the opportunity for renting incubator lab space. He also described the planned scholarship program and the partnership with the NH Art Institute to lease dormitory space for a cohort of up to approximately 90 students. Mr Decelle indicated that enrollment in Manchester could increase by approximately 90-100 students as a result of this investment. It is expected that students from all USNH institutions and possibly CCSNH as well would benefit from learning experiences at the BIC.

The Committee discussed the uniqueness of the opportunity, the chance for collaboration across the system, the fit of this initiative with the workforce demand for the State, and trends in higher education. The risk of not acting now was discussed and evaluated. It was noted that any operating expense for this initiative would need to be funded within UNH's existing operating margin target and that no operating margin relief is available to fund any added operating expenses that result from this project.

## 2. Plymouth State University

### a. Approve PSU PE Center project

**VOTED**, on recommendation of the PSU President that the following motion be

presented for consideration by the Board of Trustees.

**MOVED**, on recommendation of the Financial Affairs Committee, that the Board of Trustees approve the current design and \$10 million project budget for the PE Center Renovation for the Health & Human Enrichment Cluster at Plymouth State University (PSU) **AND FURTHER**, that the source of funds be State Appropriations (\$3 million), University Funds (\$5.2 million) and Strategic Funding (\$1.8 million).

{The Committee voted unanimously in favor of this project}

USNH Director of Capital Planning, Matt Purcell provided background on the Physical Education Center noting that it had been scheduled for demolition in the later phases of the All Well Center project, but those phases were abandoned. He gave an overview of the Physical Education Center renovation discussing the project goals and benefits. Besides addressing some significant deferred maintenance issues, the project will create a new home for the Health and Human Enrichment Cluster and will enhance PSU's ability to address regional and workforce needs. He said that because of the inefficiency of the current building, the renovated space is not expected to increase operating costs.

Mr. Purcell described the scope of the project and reviewed floor plans. Vice Chancellor Provencher said there is another \$4.4 million in the five year capital plan in future years for additional renovations. She said the project is funded within PSU's budget and will not impact UFR:debt at levels discussed at the September retreat.

In response to Trustee Black, President Birx provided additional details on the strategic purpose of the project, indicating that it will allow space for the Health & Human Enrichment Cluster to be physically located together and also free up space currently occupied by divisions that will move to the building.

#### b. Initial review of PSU Smith Hall renovation

Mr. Purcell said this is a first look at the Geneva Smith project and noted that the building is 50 years old and in dire need of renovation. He described the scope of the project and the elements they hope to include such as improvements to the room layout, bathrooms, mechanical systems, windows and entryways. Committee members expressed some concern that a \$4 million budget would not be enough to really create value. President Birx described the desire to keep upper level students on campus and said PSU will work on the design and budget before the project comes back in February for approval. Vice Chancellor Provencher pointed out that the five year capital plan is fluid and if additional funds are needed for this project, it might be possible to postpone another project. President Birx agreed that they will present a plan that provides the best value to the institution which could result in reprioritizing other projects.

Mr. Purcell discussed the timeline indicating they would like to start the project in March so it would be ready for fall of 2018. Chairman Morone said that if it is necessary to seek approval before the next meeting in February, the Executive Committee could act.

Trustee Rutman brought up the possibility of a Public Private partnership.

### 3. Keene State College

(KSC did not have any projects coming to the Committee at this meeting)

#### B. Report on ongoing capital projects

Vice Chancellor Provencher reviewed the status of previously approved projects on all the campuses.

### III. Update on ongoing system wide initiatives

#### A. Strategic Procurement

Mike Durkin, Chief Procurement Officer, described the status of systemwide procurement initiatives. He provided statistics on the volume of transactions, number of suppliers and types of transactions. He described the need for additional work on the e-procurement tool to get more visibility on what is being spent. In response to questions, he said they are working hard on a framework for systemwide contracts but given the individual needs of the campuses, it is sometimes hard to change the culture. It was noted that higher education is heading into a different environment and people need to think differently. Trustee Morone said the Committee needs assurance that if there are big opportunities for savings that those savings are achieved without resistance. For the next report, he requested a list of the biggest opportunities for savings and a status on each.

#### B. Cyber assessment

Vice Chancellor Provencher updated the Committee on the status of the cybersecurity assessment being conducted by Baker Tilly. She noted that they have not identified any big vulnerabilities, but have concluded that while security is in place, USNH relies too heavily on people and they will likely recommend more automation. The report will go to the Audit Committee in February.

#### C. Enterprise resource planning (ERP)

Vice Chancellor Provencher said the contract with Ellucian Services was signed in June and a full time project manager has been hired. She said a great deal of work is ongoing and they have a go-live date of a year from now. In response to a question, she said Baker Tilly is not involved in this work; however, the Director of Internal Audit is involved in both the ERP project and the cyber assessment work being performed by Baker Tilly.

### IV. Other Business

A. The Committee adjourned at 3:30

B. Next meeting date is February 1, 2018 at Plymouth State University