



**DRAFT**

**REPORT OF THE FINANCIAL AFFAIRS COMMITTEE**

**February 1, 2018**

The Financial Affairs Committee met at 1:00 p.m. on February 1, 2018, at Plymouth State University in Plymouth, NH. Present were Committee members Joseph Morone (Chair), Todd Black (Vice Chair), Bob Baines, Ted Dey, Morgan Rutman, Jamie Burnett, Kassandra Ardinger, Wally Stevens and Alex Walker; Trustees John Small, Amy Begg, Cathy Green, Chris Pope, Shawn Jasper, Scott Mason, Adam Geddis, Rick Ladd, James Gray 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.

Representatives from Baker Tilly in attendance were Raina Rose Tagle and Christine Smith.

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

Chairman Morone called the meeting to order at 1:00 p.m. noting that the bulk of the meeting would be on the current fiscal year budget. He noted the need for a non-public session later in the meeting. He briefly reviewed the items on the consent agenda and there being no questions, called for a motion to approve.

- I. Approval of Consent Agenda** (Moved on recommendation of Trustee Rutman 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 October 19, 2017 meeting
- B. USNH Debt Report
- C. UNH update on Ecoline

**End of consent agenda**

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

- A. Campus FY18 P1 projection and FY19-FY22 multi-year plan update

Vice Chancellor Provencher reviewed the updated "P1" projection compared to the FY18 approved budget noting an approximate 1% decrease in both operating revenues and expenses.

She said the projected system wide operating margin (OM) has decreased approximately \$1 million compared to budget and the UFR debt ratio is projected to improve from 49% to 52% after restating to include the full OPEB impact. She reviewed P1 to FY7 actuals and noted an \$11 million OM decrease system wide. She reviewed the capital expenditure projections, explaining that most of the variance over September was due to the approval of the UNH Pandora project in Manchester.

Chairman Morone reviewed financial summaries by campus pointing out areas where each campus was performing better or worse than budgeted. Vice Chancellor Provencher pointed out some of the risks, opportunities and open items. The Committee discussed the reasons for the downward trends, the reasonableness of targets and the likelihood of achieving those targets.

#### 1. Non-public session

At 1:46 p.m. the following motion to enter into nonpublic session was made by Trustee Morone. The motion was duly seconded and approved by roll call vote. In addition to trustees, system and UNH campus administrators attended the non-public session.

**MOVED**, that the USNH Board of Trustees Financial Affairs Committee go into nonpublic session for the purposes of (1) discussing personnel issues including matters relating to collective bargaining, (2) discussing the hiring, dismissal, and compensation of certain public employees, (3) discussing strategic matters which if discussed in public could provide a competitive advantage to certain private interests to the detriment of the interests of the general community, and (4) consulting with legal counsel, as authorized by RSA 91-A:2, I (a) and (b) and 91-A:3, II (a), (c), and (d).

#### **Return to Public Session**

Upon a motion to exit nonpublic session, made by Trustee Black, duly seconded, and approved, Chairman Morone reconvened the public meeting at 2:50 p.m. and announced that the Committee discussed strategic issues and priorities and that no actions were taken while in nonpublic session.

#### 2. Update on KSC, GSC, and PSU synergies work

Chancellor Leach shared demographic information and described factors that are contributing to the need to continue to develop synergies as a way of reducing costs. He reported on progress to date, future plans and introduced representatives from Baker Tilly who are helping develop a plan and identify opportunities.

Baker Tilly representatives discussed the benefits and common “win” areas based on their experience in working with higher education institutions as well as barriers to success. Baker Tilly described models for delivery, gave examples of each and discussed their pros and cons. They shared key factors leading to success including strong leadership, clear vision and governance structure, metrics, accountability and institutional fortitude.

When asked to identify high impact areas, Baker Tilly representatives described areas where savings have been achieved in other Systems. They noted that all models can deliver savings, but that savings tend to increase with increased consolidation.

The Committee discussed the current governance structure which provides autonomy to the campuses and asked for information on how other Systems operate to achieve the kind of synergies Baker Tilly described. Baker Tilly was asked to continue this work to identify and quantify high impact areas for savings and recommend strategies for achieving them, independent of whether or not there is currently consensus or agreement on a model for delivery.

**B. Approve FY19 Assumptions and Parameters (Moved by Trustee Black and duly seconded)**

Moved, that FY19 budget planning assumptions and parameters as outlined on the attached be approved for use in developing the FY19 budget.

*{The Committee voted unanimously in favor of this motion}*

Vice Chancellor Provencher reviewed key operating and capital budget assumptions and parameters. She noted that they are in line with what was discussed at the September retreat and have been reviewed and approved by the Administrative Board.

After review of the Price of Attendance (POA) components, the Financial Affairs Committee voted unanimously to approve and recommend to the Full Board the maximum FY19 tuition rates, mandatory fees and room and board rates as described in the meeting materials and consistent with the motions below. The resulting undergraduate POA increases will be 2.5% for resident students at UNH and 3.5% for nonresident students; 2.4% for resident students at KSC and 2.6% for nonresidents; 2.7% for resident and nonresident students at PSU and 2.3% increase for resident students at GSC and 2.9% for nonresidents.

Committee members discussed the reasons why it is necessary to increase tuition, the perception of high cost and the need to communicate the difference between the sticker price and the net amount students pay. It was noted that with flat state appropriation, USNH needs to balance quality and affordability. USNH Chancellor Leach described the net price calculator and the Granite Guarantee which is now available at PSU and KSC as well as UNH. Information on New England comparator institutions POA was requested for the Board of Trustee meeting tomorrow. Suggestions were made to better market the Granite Guarantee and net price calculator and to ensure that guidance counselors in the state were familiar with both.

**C. Approve FY19 resident and nonresident tuition**

**VOTED**, on recommendation of the Chancellor and Campus Presidents, that the following motion be presented for consideration of the Board of Trustees.

**MOVED**, on recommendation of the Financial Affairs Committee that, effective

for academic year 2018-19, the FY19 tuition rates as presented on the attached schedule be adopted as the maximum amounts authorized.

D. Approve FY19 housing, dining and mandatory fees

**VOTED**, on recommendation of the Campus Presidents that the following motion be presented for consideration by the Board of Trustees on February 2, 2018:

**MOVED**, on recommendation of the Financial Affairs Committee that, effective for fall semester 2018, mandatory student fees be adopted in amounts not to exceed \$3359 at UNH; \$2744 at KSC; and \$2520 at PSU; **AND FURTHER**, that housing and dining rates be adopted as per the attached schedule.

E. Approve FY19 proposal for endowment payout

**VOTED**, on recommendation of the Investment Committee, that payout from the USNH endowment pool to support purpose for fiscal year 2019 be approved at 4.0% of the trailing twelve quarter average market value per unit as of December 31, 2017, and that the administrative fee payout be not more than 1% of the market value per unit at December 31, 2017, with both components to be paid regardless of the current market value of individual endowment funds as allowed under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which was adopted by USNH in 2009.

*{The Committee voted unanimously in favor of this motion}*

Vice Chancellor Provencher reported that the Investment Committee approved the recommended payout as well as the change in methodology at its meeting earlier in the day. She noted that USNH is moving back to a payout based on the trailing twelve quarter average market value per unit.

F. Approve PSU Separation Incentive Plan (SIP)

**VOTED**, on recommendation of the PSU President, that the use of FY18 funds in an amount not to exceed \$2,065,000, be approved for a Separation Incentive Plan (SIP) offered to Plymouth State University faculty, **AND FURTHER**, that such approval will allow for a one-time exception to policy BOT V.C.3.1.1.2 which requires that any separation incentive offering must be included in the original approved budget and less valuable per participant than the previous offering.

*{The Committee voted unanimously in favor of this motion}*

President Birx provided background on the restructuring process at PSU and said the SIP is a tool to make changes in the least costly and disruptive way. He said that approximately 30% of the positions will be refilled in other areas where there is expected growth.

### **III. Capital Planning**

#### **A. Update on previously approved capital projects**

Vice Chancellor Provencher pointed out the report on the status of previously approved projects on all the campuses.

#### **B. PSU Approve project budget, scope and design for Smith Hall renovation**

**VOTED**, on recommendation of the Plymouth State University President, that the Financial Affairs Committee approve the current design and \$8.9 million project budget for the Geneva Smith Hall Renovation at Plymouth State University (PSU) AND FURTHER, that the source of funds be University Funds (\$8.9 million).

{The Committee voted unanimously in favor of this project}

USNH Director of Capital Planning, Matt Purcell provided background on the project noting it was discussed at the October meeting but with a lower budget and scaled down design. He said the building has high deferred maintenance and this project will address that as well as enhance the building for students. Vice Chancellor Provencher described the funding sources.

#### **C. Update on UNH Life Science initiative**

President Huddleston provided background on the UNH Life Science initiative and described its importance for state workforce needs. Vice President Clement described the project phases and funding which includes state capital appropriation. He indicated that UNH will be bringing the project to the April meeting for approval.

The Committee discussed the phasing of the project and the impact if state funds are not realized in the amounts requested. Chairman Morone requested that UNH should provide several scenarios for budget, (no state funding, longer-term state funding at lower amounts per biennium, ideal state funding), phasing and timeline at the April meeting. The Committee needs to be clear at the time of approval what will happen to the project at varying levels of state funding.

#### **D. Update on state capital appropriation request**

Vice Chancellor Provencher reviewed the timing of the State capital appropriation request noting that the Financial Affairs Committee and Board of Trustees will need to approve at the April meetings. She said the funding is by biennium, but the state requests a six year plan. Several trustees commented on the competing priorities for State capital dollars and the Committee reviewed the history of State capital appropriation to USNH. The importance of messaging and

communication with the Governor and Legislative leaders was mentioned and Chancellor Leach said he welcomes advice and feedback.

**IV.** The following reports on ongoing system-wide initiatives were accepted without discussion.

A. Update on strategic procurement

B. Update on Technology initiatives

a. Update on cyber assessment

b. ERP update

c. EPM update

**V. Other Business**

1. The Committee adjourned at 4:30 pm

2. Next meeting date is April 19, 2018 at UNH