



DRAFT

**REPORT OF THE FINANCIAL AFFAIRS COMMITTEE
June 21, 2018**

The Financial Affairs Committee met at 12:30 p.m. on June 21, 2018, at Granite State College in Concord, NH. Present were Committee members Joseph Morone (Chair), Todd Black (Vice Chair), Bob Baines, Ted Dey, Morgan Rutman, Kass Ardinger, Jamie Burnett, Wally Stevens, and Alex Walker; Trustees John Small, Jacqueline Eastwood, Suzanne Foster, Cathy Green, Chris Pope, Shawn Jasper, Ken Moulton, Rick Ladd, James Gray, Scott Mason, 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 12:30 p.m., went over the agenda, and explained the reasons for a non-public session later in the meeting. He reviewed the items on the consent agenda. Vice Chancellor Provencher described the reasons for the approval of the UNHF and KEA budgets. Trustee Rutman and President Huddleston provided background on the history of the UNHF and their recent successful fundraising campaign. Trustee Black pointed out that both KEA and the UNHF have external auditors and their activity is consolidated in the USNH financial statements. Trustee Small offered praise and congratulations to President Huddleston for the successful campaign and his support of the UNHF over the years.

I. Approval of Consent Agenda (Moved on recommendation of Trustee Morone 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 April 19, 2018 meeting
- B. Approve UNH Foundation Budget for Fiscal Year 2019

MOVED, on recommendation of the UNH President, that the following motion be presented for consideration of the Board of Trustees

MOVED, on recommendation of the Financial Affairs Committee, that the attached budget for the University of New Hampshire Foundation

for Fiscal Year 2019 be approved.

C. Approve Keene Endowment Association Budget and Goals for Fiscal Year 2019

MOVED, on recommendation of the Keene State College president, that the Board of Trustees approve the following motion.

MOVED, on recommendation of the Financial Affairs Committee, that the FY2019 budget for the Keene Endowment Association as summarized in the attachment be approved.

End of consent agenda

II Actual and projected financial results

A. Report on fall 2018 enrollment reports

Vice Chancellor Provencher shared data on the paid deposits as of June 4, 2018 to the same point last year. She noted a decline system-wide of 2.7% over the prior year and said the numbers are in line with campus budget projections. Campus representatives provided additional information and answered trustees' questions regarding their respective institutions. UNH made note of the change in its leave of absence policy causing timing differences in the re-admission counts as noted in the Board material. Chairman Morone commented that the drop in non-resident students at PSU and KSC could be a warning sign and will need to be monitored.

B. Approve FY19 operating and capital budgets

Vice Chancellor Provencher reviewed highlights of the FY19 Operating and Capital budgets noting that campus budgets are in adherence with the budget assumptions and parameters adopted earlier in the year. She said the consolidated operating margin (OM) is targeted to be 1.3% and the Unrestricted Financial Resources (UFR) to Debt at 54% system-wide including the impact of accounting changes for post-employment benefits effective for FY 18. She noted the hard work by all the campuses to bring in budgets within the parameters. Chairman Morone said the ability of UNH to get back on track in FY19 puts the whole System on a healthy trajectory.

The Committee discussed the UFR to Debt ratio target, the expectations of the rating agencies with regard to the target, and the implications on debt capacity. Vice Chancellor Provencher said she would discuss the ratio with the rating agencies and bring a recommendation to the September retreat for either keeping the 50% floor or lowering it. Lowering the floor would provide additional debt capacity.

Vice Chancellor Provencher explained the new reporting format which breaks out the "All Funds" activity by Gifts, Grant Funds and All Funds excluding Gifts and Grants. The Committee spent time reviewing the consolidated budget and each campus budget. Campus representatives provided comments and answered specific questions on their respective budgets.

Chairman Morone reminded the Committee of the Board's commitment to the PSU stabilization plan. President Birx answered questions about investments to date, remaining funds and the outlook for success. He said PSU is expected to breakeven in FY21. He noted positive feedback from students and said PSU was able to maintain the size of their incoming class.

Interim President Treadwell said they are presenting a break-even budget and she is proud of how hard the campus has worked. She is especially proud of the fact that while the number of applications was much lower than in the previous year's enrollment cycle, KSC was able to convert more applications to admissions without lowering standards and met its projections for fall 2018. Chairman Morone pointed out that both KSC and PSU are going through structural changes on their campuses.

In response to questions on GSC's drop in tuition and fees revenue, Vice President Shawney and President Rubinstein discussed a new grant, professional programs with employers and other ways GSC is looking to diversify its revenue stream.

The Committee reviewed the capital budget and Vice Chancellor Provencher said it is in line with the parameters set by the Board of Trustees. She noted that the projects listed on the schedule are those that exceed \$2 million.

At the end of the budget discussion, Chairman Morone called for a non-public session to discuss certain aspects of the budget which have strategic, competitive and potential personnel implications in more detail. He noted the vote to approve the budget would occur after the non-public session.

At 2:45 p.m. the following motion to enter nonpublic session was made by Trustee Morone. The motion was duly seconded and approved by roll call vote. In addition to trustees, some system and 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 Dey, duly seconded, and approved, Chairman Morone reconvened the public meeting at 3:15 p.m. and announced that the Committee discussed financial planning, management strategy and risk exposures. No actions were taken while in nonpublic session.

The Committee decided to review the UNH Biological Sciences project for approval prior to

approving the operating and capital budgets for FY 19 as the BSI is part of the FY 19 capital budget.

C. Capital Planning

1. Approve UNH Biological Science Initiative

VOTED, on recommendation of the UNH 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 schematic design and \$86 million project budget, for the renovation and addition to Spaulding Hall at the University of New Hampshire (UNH) **AND FURTHER**, that the source of funds for be \$21 million in UNH unrestricted funds, \$30 million in centrally held Unrestricted Financial Resources and \$35 million in future State Capital Appropriation. **AND FURTHER**, that UNH has the authority to proceed with a scaled down version of the project should state funding not be appropriated in the amount and time frame requested.

(This motion was unanimously approved by the Committee)

President Huddleston provided background on the UNH Biological Science Initiative describing the need for the project and benefits to UNH and the State of New Hampshire. Vice President Clement and Bill Janelle reviewed the plans and discussed aspects of the three phases of the project. It was noted that Phase I of the project, the addition, supports the existing program and can stand alone but it will not provide any additional capacity. Mr. Janelle said the estimate of \$86 million is based on schematic design and equates to \$480 per sq. ft which is less than similar buildings built by peers.

The funding strategy was discussed, and it was noted that the motion provides UNH with the authority to scale down the project should funding from the State not be in the amount or time frame requested. Trustees expressed thoughts on strategy for securing the state funding including an earlier start with the entire legislative body, involving industry voices and stressing the financial commitment USNH is making to the project.

2. Report on previously approved ongoing capital projects

Information was accepted as submitted without presentation or discussion.

3. Update on USNH State Capital Budget request

Chancellor Leach reported that the first public hearing on the FY20-21 state capital budget request took place this morning and USNH's proposal was well received.

Following approval of Biological Sciences Initiative, Trustee Jasper asked for clarification on the "other projects" category in the capital budget. Vice Chancellor Provencher explained that each President has authority on their campuses to approve projects under a certain threshold. At PSU,

GSC and KSC that threshold is \$2 million. At UNH the threshold is \$5 million. Vice President Clement listed some of the projects that make up that category at UNH. A request was made to include a list of projects in the appendix in the future.

Motion to approve FY19 Operating and Capital Budget (Moved by Trustee Dey and duly seconded)

VOTED, on recommendation of the Financial Affairs Committee, that the operating and capital budgets for University System units applicable to the fiscal year beginning July 1, 2018 and ending June 30, 2019 (FY19) be approved by the Board of Trustees as presented in the attachments subject to the following adjustment:

1. Adjust and allocate, from the System Office to the campuses, the full liability for Other Post-Employment Benefits (GASB 75 implementation/UFR reduction) based on final actuarial valuation and additionally adjust and allocate the annual impact to Operating Margin for FY19 accordingly.

And further **MOVED**, that during FY19:

1. In the event budgeted revenues are not realized by individual campuses and the System as a whole, expense reductions will be made by the respective campuses and the System to maintain the campus and overall System operating margin percentages included in the attachments.

{The Committee voted unanimously in favor of this motion}

2. Update on Synergy efforts

Information was accepted as submitted without presentation or discussion. *Subsequent to the meeting, a decision was made to present the information at the full Board meeting.*

D. Approve guidelines for FY20-21 state operating budget request

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 approve FY20-21 Biennial State Operating Budget Request guidelines and direct the Chancellor, in consultation with the Chair of the Financial Affairs Committee and with input from the Administrative Board, to finalize details of the request consistent with the guidelines below **AND FURTHER** delegate authority to the Executive Committee to approve

submission of the detailed operating appropriation request to the Governor that complies with these guidelines.

- An inflationary increase of \$2 million in FY20 with an additional inflationary increase of \$2 in FY21 for “maintenance of effort” which represents a 4% increase biennium over biennium.
- Additional funds of \$12 million in FY20, and \$15 million in FY21 to be targeted for one-time *strategic* initiatives that compliment and support USNH’s commitment to the State of New Hampshire’s workforce needs.

(This motion as amended was unanimously approved by the Committee)

Vice Chancellor Provencher explained that approval of these guidelines will allow the Chancellor in consultation with the Presidents and Chair of the FAC to develop a budget request for FY20-21 that is consistent with discussion that took place at the last Executive Committee meeting. The motion also delegates the approval of the final document to the Executive Committee.

Chairman Morone amended that the word “strategic” be inserted in the second bullet before the work initiatives. He stressed the need to have a compelling strategic request tied to workforce needs for the additional dollars and not just a series of separate investments in various items.

III. Ongoing Systemwide Initiatives

A. Update on strategic procurement

Information was accepted as submitted without presentation or discussion.

B. Enterprise Resource Planning

Information was accepted as submitted without presentation or discussion.

IV. Other Business

A. Chair or Committee comments

B. The Committee adjourned at 4:00 pm

C. Next meeting date is October 26, 2018 at PSU