



DRAFT

**REPORT OF THE FINANCIAL AFFAIRS COMMITTEE
October 25, 2018**

The Financial Affairs Committee met at 1:00 p.m. on October 25, 2018, at Plymouth State University in Plymouth, NH. Present were Committee members Joseph Morone (Chair), Bob Baines, Ted Dey, Suzanne Foster, Morgan Rutman, Jamie Burnett and Wally Stevens; Trustees John Small, Jacqueline Eastwood, Cathy Green, Chris Pope, Shawn Jasper, Ken Moulton, Rick Ladd, James Gray, Scott Mason, Christian Merheb, Nadia Hasan, and President Donald Birx, President James Dean, 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 reviewed the items on the consent agenda and there being no questions, requested a motion for approval.

- I. Approval of Consent Agenda** (Moved on recommendation of Trustee Dey 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 21, 2018 meeting
- B. Approve suspension of statutory limitation on out-of-state 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 FY20 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** Recap of Trustee Retreat

Trustee Morone described the three priorities set by the Board of Trustees at the retreat held in September. He asked the Chancellor's Office to report on progress since September.

A. Performance dashboard

Vice Chancellor Provencher said the system office has been working on a high level, system-wide set of metrics for the Committee's consideration. The financial metrics were chosen because they are used by bond rating agencies. The draft metrics have been shared with the Administrative Board and will be reviewed again at the November meeting. She noted that campus metrics will be developed as well. She said the academic metrics are being provided for information and are being shared with the Educational Excellence Committee.

Trustee Morone said that a key take away from the trustee retreat was the need for the Board to use metrics more to monitor and drive performance. Committee members provided feedback on the financial and academic metrics. The following comments were offered:

- Some of the metrics are meaningful at a campus level, but not at a system level
- Trustees should decide what it is they want to know, and then develop metrics that align
- It would be useful if the metrics also included projections based on the 5-year model
- Metrics that measures efficiency, utilization of facilities and condition of facilities would be good additions for the FAC.
- It would be helpful to limit the number in the system dashboard to no more than 6

In response to the discussion, Chancellor Leach explained that the Administrative Board will review revised metrics in November.

B. Identified synergies

1. IT service delivery and collaboration

Vice Chancellor Provencher introduced Russ Battista, USNH CIO who described the status of the work that has been done since the Board retreat in meeting the charge to create a cost effective IT organization. He described the process to hire a consultant and said a contract had been signed with Strata Information Group (SIG) and they have been provided with data to inform their work. He described the two phases of work and said the Phase I work is already underway and includes conducting interviews and group discussions with stakeholders on all campuses. He said SIG will describe their work in more detail at the Board meeting, and they expect to deliver a report by the end of December. Mr. Battista said Phase II work will focus on implementation of recommendations and appointing an interim CIO. He said the Administrative Board is the executive sponsor of the project and the CIOs/CFOs are serving as a steering committee. He noted that currently there are five IT organizations across the system and this is the first attempt to aggregate the costs of delivering IT services. He is optimistic that SIG has the expertise and that the plan is good shape to move forward on this initiative.

Vice Chancellor Provencher said the interim CIO will report directly to the Administrative Board.

The Committee discussed the plan and some members expressed concern about the lack of a single individual to own the project and questioned whether it might be better to hire a CIO and charge them with developing a plan and be responsible for the outcomes rather than designing a plan and structure and hiring someone to implement it. The ability to hold the Administrative Board accountable if satisfactory savings are not realized was questioned.

Chancellor Leach said the initiative is really 4 change efforts (one for each institution) and while we don't want to lose the opportunity for savings, it is important to do it right. He said each president is responsible for their respective campuses and the Admin Board will be accountable for the success of this plan.

Trustee Small said that he thinks an outside view will be helpful and said the Board has been very clear that the leadership team is responsible and noted the success of the project is one of the goals for all the presidents.

The importance of keeping the Board informed of progress was noted and an update was requested for each meeting.

2. Branding and communication strategy

Chancellor Leach described the work to develop and execute a well-coordinated system-wide branding/marketing/communication plan for USNH. He reviewed the objectives and timeline as well as the capabilities of the existing organization and some of the shortfalls of the current approach.

Chairman Morone asked for the cost of marketing and communications across the system and said it will be important to implement a system-wide communication plan using existing resources and not spend additional funds.

Trustee Stevens suggested sharing the metrics discussed earlier with this communication group as some of them might be helpful to other audiences. The Committee discussed the need to do a better job of getting the message out and said this initiative is an opportunity to develop content that complements the campus messages.

III. Ongoing system-wide initiatives

A. Strategic Procurement

Vice Chancellor Provencher said she is responsible for procurement and noted that it too has been a big change management process. She described work done to overhaul policies and some recent successful collaborative efforts. She said the new e-procurement tool, UShopNH will provide better data and change the procurement culture across the system.

Mike Durkin, Director of USNH Procurement reviewed progress to date, and explained that the threshold for requiring competitive bidding has been reduced from \$35,000 to \$10,000, which

accounts for an increase in requests for exemptions from the requirement. He expects the new e-procurement tool will facilitate sourcing and that number will decrease.

It was suggested that the current procurement report be consolidated to a single page dashboard that includes performance to target and areas of opportunity.

B. Enterprise Resource Planning (ERP)

Vice Chancellor Provencher reported on the status of the ERP project and informed the Committee that Banner 9 went live on October 23. She said USNH has one Finance and HR system but the level of customization has made some initiative to improve business processes difficult.

IV. Actual and projected financial results, budgeting and MY modeling

A. Presentation of 2018 audited financial statements

Vice Chancellor Provencher reported that the Audit Committee approved the financial statements at its meeting earlier. She referred committee members to the materials provided for the Audit Committee.

B. Report on fall 2018 enrollment reports

Vice Chancellor Provencher shared data on residential campus undergraduate admissions by campus as compared to last year. She noted a decline system-wide of 1.1%, (288) for all students new and continuing. She said the big drop at KSC was due in part to a very large senior graduating class. She said the campus CFOs have each reported that fall enrollment results are in alignment with FY 19 budget.

C. Confirmation of preliminary assumptions and parameters

In the interest of time, this item was not discussed. There was no discussion that budget assumptions and parameters for FY 20 should be changed.

D. Debt Report

Vice Chancellor Provencher shared highlights of the annual debt report prepared by PFM, USNH's financial advisors. She reported that this week Standard and Poor's affirmed USNH's AA- rating and stable outlook. She pointed out the list of financial ratios and metrics that are used to evaluate financial health. Vice Chancellor Provencher said that USNH is viewed as having strong credit and reviewed some of the factors contributing to this including being the major provider of public higher education in NH, strong management and governance, strong wealth and liquidity. She mentioned some of the negative factors including slowed net tuition revenue, weak regional demographics and low state funding.

E. Update of state operating budget request

Vice Chancellor Provencher said that the state operating budget request was submitted on September 17 consistent with the guidelines approved by the Board. She directed the Committee to a link for the USNH website which has the request as submitted and will be updated to include testimony and news. She said the Governor has publicly supported the request including the one-time strategic dollars.

F. Status report on UNH Law and UNH Manchester

UNH interim provost Wayne Jones shared slides that depicted a series of metrics for UNH Law over the years FY17-FY19 and a Pro forma three year projection. He discussed steps that have been taken to reduce expenses and initiatives that are underway to diversify and increase revenues. The Committee asked questions, discussed the strengths of the Law School, including its leadership, and the risks associated with the projections. There was discussion on the two endowments supporting the Law School. There was also discussion on accounting for overhead and depreciation of the building and how that impacts the bottom line for UNH Law and other colleges at UNH.

Dr. Jones shared a similar slide for UNH Manchester and the Committee discussed its operating challenges. He said UNH is doing a thorough analysis and will have more information at the next meeting. Trustee Baines provided some history on UNH's presence in Manchester and said it is an important asset in attracting businesses to the city. The importance of a clear mission for UNH-M was mentioned by several committee members, the building lease and its impact on financial performance was also discussed..

For both UNH Law and UNH Manchester, the need to consider the value along with cost was noted. Trustee Morone thanked UNH for the transparency in its review, and said that such transparency enables the Board to understand and support UNH in its efforts to manage the challenges associated with Law and Manchester.

V. Capital Planning

1. Report on previously approved ongoing capital projects

Vice Chancellor Provencher said projects previously approved by the Board were on time and on budget. In response to a question on the warped track floor at the All Well Center at PSU, Matt Purcell, USNH Director of Capital Planning, said agreement on responsibility for repairs was not reached and it is now in mediation.

2. Update on USNH State Capital Budget request

Vice Chancellor Provencher said the state capital budget request is available on the USNH website and will be updated with news and testimony as the budget season progresses.

III. Other Business

- A.** Chair or Committee comments
- B.** The Committee adjourned at 4:00 pm
- C.** Next meeting date is January 17, 2019