The Financial Affairs Committee met at 1:00 p.m. on June 27, 2019 at Granite State College in Concord, NH. Present were Committee members Chairman Joseph Morone, Todd Black, Jamie Burnett, Kass Ardinger, Morgan Rutman, Wally Stevens, and Alex Walker; Trustees John Small, Amy Begg, Jacqueline Eastwood, Cathy Green, Shawn Jasper, Ken Moulton, Scott Mason, Chris Pope, , Marjorie Smith, Christian Merheb; President Donald Birx, President James Dean, President Mark Rubinstein, President Melinda Treadwell and Chancellor Todd Leach.

From PFM (USNH’s Financial Advisors), were Ryan Conway (by phone), Alex Theissen, and Casey Fox; Tim Elliott from Elliot Sidewalk; Alan Resnick from Brailsford and three representatives from the Town of Durham.

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

Chairman Morone called the meeting to order at 1:00 p.m. and asked those in attendance to introduce themselves. He gave an overview of the items on the agenda and said there would be a need for a non-public session at the end of the meeting.

I. **Approval of Consent Agenda** (Moved on recommendation of Trustee Black and duly seconded)

**VOTED**, that the consent agenda for June 27, 2019 meeting be approved.

(The Committee voted unanimously to approve this motion)

Chairman Morone reviewed items on the consent agenda. Trustee Jasper asked for a correction to the minutes to clarify that he did not object to the non-public session on April 25th, he just questioned the need for some of the discussion to take place in non-public. The following items were approved as part of the consent agenda:

- Approve minutes of the April 25, 2019 meeting (with change requested by Shawn Jasper)
- Approve the UNH Foundation Budget for FY20
- Approve the Keene Endowment Association (KEA) budget for FY20

II. **Approval of FY20 Operating Budget**

A. Admissions updates

Chairman Morone reviewed updated admissions information as of June 17, 2019. He said freshman paid deposits when compared to the prior year are down 9.5% at UNH; down 9.4% at
PSU and down 11.1% at KSC. Campus presidents shared comments on the contributing factors for their results and strategies they were employing to address the decline. Price competition, fewer international students, and ineffective messaging were mentioned. Chancellor Leach pointed out that USNH has lost market share for resident students that cannot be attributed to demographics.

B. Update of State Operating Appropriation Request

Chancellor Leach provided an update on the state operating budget request and state budget process. He said a continuing resolution was passed which will result in USNH and state agencies operating under the FY19 appropriation levels. Representative Smith provided some additional information on the budget process, noting that the continuing resolution provides State spending authority for three months.

C. Approve FY20 Operating Budget (Moved by Trustee Black and duly seconded)

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

MOVED, on recommendation of the Financial Affairs Committee, that the operating budget for University System units applicable to the fiscal year beginning July 1, 2019 and ending June 30, 2020 (FY20) be approved by the Board of Trustees as presented in the attachments AND FURTHER that for/during FY20:

1. In the event the State operating appropriations authorized in law are higher or lower than currently included in the USNH operating budget, the budget will be adjusted to reflect the final amounts authorized by the State using the FY20 allocation method for the block grant or as directed by the State budget.
2. 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.
3. Campuses and the System Office are authorized to adjust revenues and expenses between the attached revenue and expense categories as needed to meet the attached operating margin % approved.

(The Committee voted unanimously to approve this motion)

Vice Chancellor Provencher reviewed the FY20 Budget indicating it was prepared using the budget planning assumptions and parameters adopted by the Financial Affairs Committee in January 2019 and using the price of attendance (POA) approved by the Financial Affairs Committee and Board of Trustees in January 2019. She said the motion provides authorization to adjust the budget to reflect the final amounts approved by the State using the FY20 allocation method.
The proposed FY20 operating budget includes $868 million of Total Operating Revenues (2% increase compared to the most recent fiscal year 2019 projections) and Total Operating Expenses of $861 million (1.5% increase compared to the most recent fiscal year 2019 projections). The resulting consolidated operating margin for USNH if the proposed budget is adopted is 0.8% or $7 million.

She reviewed the components of the consolidated operating margin and risks in the proposed budget.

Vice Chancellor Provencher said the UFR:Debt ratio projected for FY20 is 52.7%. Chairman Morone said USNH will have $20 million less in unrestricted funds based on current FY19 and FY20 estimates as compared to the September 2018 Multi-Year Plan. There was discussion about the impact of the endowment returns on UFR and that based on current estimates, unless USNH is able to generate improved Operating Margins, investment capacity is limited.

Campus budgets were reviewed and presidents given an opportunity to explain elements of their budgets and answer questions. Discount rates were shared and discussed. Vice Chancellor Provencher reviewed a slide that showed the impact on campus operating margins of fully allocated costs that are currently held centrally. Chairman Morone said that a topic for the September retreat will be the differential contributions by institution and the development of reasonable targets.

III. Approval of FY20 Capital Budget

A. Report of previously approved capital projects

Vice Chancellor Provencher referred trustees to a report on progress on the ongoing capital projects noting that all were on target and on budget.

B. Update on USNH State Capital Appropriation

(Discussed under item II. B)

C. Approve FY20 Capital Budget

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

**MOVED**, on recommendation of the Financial Affairs Committee, that the capital budget for University System units applicable to the fiscal year beginning July 1, 2019 and ending June 30, 2020 (FY20) be approved by the Board of Trustees as presented in the attachments **AND FURTHER** that for/during FY20:

1. In the event the State capital appropriations authorized in law are higher or lower than currently included in the USNH capital budgets, the budgets will be adjusted to reflect the final amounts authorized by the State.
2. **Campuses and the System Office are authorized to adjust individual capital project spending as needed assuming the total USNH annual capital budget funded by USNH sources in FY20 is not exceeded without additional approval and adjustments are compliant with Board of Trustee policy for capital projects.**

(The Committee voted unanimously to approve this motion)

Vice Chancellor Provencher reviewed highlights of the FY20 Capital Budget. She said the estimated capital expenditures for FY20 are $95 million of which $76 million is estimated to be funded by USNH sources. The projections include the Board-approved and System-funded strategic investment for UNH Spaulding Hall Expansion and Renovation of $8 million in FY20. Annual depreciation expense is approximately $67 million. She said there is no new debt anticipated for capital projects in FY20.

**IV. Discussion of financial planning, strategy and risk exposure for USNH institutions**

A. Status update on Manchester

President Dean introduced Mike Decelle, Dean of UNH Manchester. Mr. Decelle provided an overview of UNH-Manchester, discussing its mission, role, programs and outcomes. He addressed trustee questions on the demographics of students, the use of adjunct faculty, how UNHM advances the overall UNH strategy, and how its programs align with UNH Durham programs. Mr. Decelle described the current fiscal deficit, noting it is driven by lower enrollment than had been projected at the time UNHM moved to the Pandora building, high lease expense and increases in financial aid and central assessments. He discussed strategies for maximizing enrollment. Mr. Decelle shared the very positive outcomes of UNHM students noting that graduates are more likely to stay in New Hampshire.

Committee members asked questions and offered comments about how UNHM and UNH Durham could coordinate in ways to share core classes and administration and take advantage of UNH’s fixed assets. Trustee Baines, as a former Mayor of Manchester, conveyed the importance of UNHM to the City of Manchester.

A. Non-Public Session

At 4:15 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 the acquisition, sale or lease of real property, (2) 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 (3) consulting with legal counsel, as authorized by RSA 91-A:2, I (b) and 91-A:3, II (c), and (d).
Upon a motion to exit nonpublic session, made by Trustee Black, duly seconded, and approved, Chairman Morone reconvened the public meeting and reported that no action was taken during non-public session.

V. Review of UNH multi-year plan

President Dean presented information on UNH’s strategic priorities and initiatives. He discussed critical capital priorities including graduate and undergraduate housing. UNH leaders presented information on a proposed development in Downtown Durham that would sell the vacant property at 66 Main Street and enter into a ground lease with Elliott Sidewalk to develop a hotel on the land where Hetzel and Alexander Halls are currently located. The 66 Main Street would be developed with a portion of the building used for graduate housing. Committee members asked questions about, and discussed the proposal including questions on the selling price of 66 Main Street, the assumptions in the analysis and the possibility of separating the two transactions until further analysis of the housing demand and other components of the project can be studied.

PFM reviewed several scenarios and their impact on USNH’s balance sheet and debt capacity.

B. Non-Public Session

At 6:10 p.m. the following motion to enter nonpublic session was made by Trustee Jasper. The motion was duly seconded and approved by roll call vote. In addition to trustees, representatives from PFM and some system and UNH 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 the acquisition, sale or lease of real property, as authorized by RSA 91-A:2, I (b).

C. 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 6:30 p.m. and announced that while no formal actions were taken while in nonpublic session, the committee did suggest administration move forward with due diligence and purchase and sale negotiations for the 66 Main Street property. There was also discussion of scheduling a July Executive Committee meeting to receive a comprehensive presentation of the UNH housing study in order gain a better understanding of UNH projected future housing needs and its impact of the proposed Downtown Durham Hotel project.

VI. Other Business

A. Chair or Committee comments

B. The Committee adjourned at 6:30 pm
C. Next meeting date is October 24th, 2019 at KSC.