The Financial Affairs Committee met at 1:00 p.m. on January 16, 2020 at the UNH Franklin Pierce School of Law in Concord, NH. Present were Committee members Todd Black (Chair) Kass Ardinger, Christopher Pope, George Hansel, Mike Pilot, Morgan Rutman, Wally Stevens and Alex Walker; Trustees Joseph Morone, Jamie Burnett, Jacqueline Eastwood, Shawn Jasper, David Westover, Cathy Green, Frank Edelblut, Scott Mason, Marjorie Smith, Joseph Scala, Cailee Griffin, President Donald Birx, President James Dean, President Mark Rubinstein, President Melinda Treadwell and Chancellor Todd Leach.

Several faculty, staff and students were also in attendance.

Chairman Black called the meeting to order at 1:00 p.m. and provided some context for the upcoming agenda items by reminding the Committee of discussions from the retreat and October meeting on debt capacity, target operating margins and the need for turnaround plans for PSU and KSC.

I. Approval of Minutes (Moved on recommendation of Chairman Black and duly seconded)

VOTED, that the Financial Affairs Committee approve the minutes of October 24, 2019.

(The Committee voted unanimously to approve this motion)

II. Actual and projected financial results

A. Campus FY20 (P1) projected financial results

Chairman Black shared highlights of the fiscal year 2020 projections compared to the FY20 approved budget. He reported a Total Operating Revenues decrease of $10.2M or -1.2%; and a Total Operating Margin decrease of $6.7M from 0.8% to 0.0%. He said all residential campuses were off and asked each campus to offer comments on their revised projections for FY20.

Each campus provided information on the factors that contributed to their respective projections and shared strategies each will employ to minimize the negative impact to operating margin. GSC and System Office projections were flat with budget. Several committee members expressed the need for the committee to be able to assess if the campuses are making progress and achieving the results expected from the strategic investments being made. Concerns were expressed about the ability to achieve flat net tuition results in FY21 with increased discounting experienced in the last several years and no increase in the price of resident tuition. Vice Chancellor Provencher said that increases in non-residential tuition rates will help keep net tuition flat and increased state appropriation will help total operating revenues.
The spendable cash to debt ratio was discussed and Chairman Black said a target of 1.3 was set in October. He said this would result in approximately $45 million being available for investing provided USNH breaks even. As debt is paid back, and providing no new debt is taken on, additional capacity will be available for capital investments and/or other strategic investments.

1. Approve UNH’s strategic investments for FY20 (Moved by Trustee Rutman and duly seconded)

   **VOTED,** 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 University of New Hampshire be authorized to spend an additional $3.34 million over the previously approved FY20 budget for specific strategic purposes.

   (The Committee voted unanimously to approve this motion)

President Dean and Vice Chancellor Provencher described the UNH strategic initiatives included in the request to use an additional $3.34 million over the previously approved FY20 budget. It was noted that they are all related to priorities in the UNH strategic plan and are opportunities for revenue growth and cost containment. Several of the significant initiatives were mentioned including the work being done on cost containment by Huron Consulting, and investments in the advancement area to prepare for a capital campaign.

Trustee Rutman said the potential return of $5 million in revenues and $12 million in cost containment after three years for an investment of $3.34 million is a good investment but said it will be important to track and measure the results. The Committee discussed how success would be measured for UNH initiatives as well as the PSU and KSC turnaround plans. Trustee Morone said the presidents should be prepared to tell the Board how they will track progress and measure success. He said that going forward the target margin at UNH will be 1.5%, breakeven at PSU and KSC, and 6% at GSC. The funds available are to be considered a bridge and future investments should be built into the UNH operating budget within the target operating margin. Vice Chancellor Provencher was asked to develop some reporting that would assist the committee with assessing the actual results achieved as a result of strategic investments at all campuses.

B. Review preliminary application and admission results for Fall 2020

Chairman Black said that this item was discussed earlier in the day at Educational Excellence Committee.

C. Approve FY21 budget planning assumptions (Moved by Chairman Morone and duly seconded)
VOTED, that FY21 budget planning assumptions and parameters as outlined on the attached by approved for use in developing the FY21 budget

{The Committee voted to unanimously approve this motion}

FY 21 Operating and Capital budget planning assumptions and parameters were discussed. The expectation that USNH will have a negative margin for the next three years because of the purposeful strategic investments was noted. For Board approved budget parameters, strategic investments will include both one-time strategic investments as well as operating margin relief until the full results of the strategic investments and turn around initiatives are achieved. The Committee had a lengthy discussion on the expectations for operating margins for PSU and KSC. The difficulty in setting an OM target without knowing the specifics of their turnaround plans was explained. KSC and PSU were directed to return in April with their turnaround plans which will include strategic investment and the amount of margin relief projected in each of the next three years. The Committee recognizes that PSU and KSC margins will be negative during this period with the understanding that by FY 2024 each campus will break even.

Trustees insisted that the campuses have metrics to demonstrate progress is being made on turnaround plans. Success will not be entirely objective but a combination of subjective and objective measures. A suggestion was made by Trustee Jasper to look at faculty to student and staff to student ratios over time to track the impact of fewer students. Trustee Morone said that UNH Law is also operating under a three-year turnaround plan using funds from the quasi-endowment as a bridge.

D. Approve FY21 proposal for endowment payout (Moved by Trustee Rutman and duly seconded)

VOTED, on recommendation of the Investment Committee, that payout from the USNH endowment pool to support purpose for fiscal year 2021 be approved at 4.0% of the trailing twelve quarter average market value per unit as of December 31, 2019, and that the administrative fee payout be not more than 1% of the trailing twelve quarter average market value per unit at December 31, 2019, 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 to unanimously approve this motion}

Vice Chancellor Provencher reported that the Investment Committee had approved the proposal for endowment payout at its morning meeting. She said there is no change in methodology over prior year and the methodology is consistent with UNHF.

E. Approve FY21 non-resident undergraduate tuition and resident and non-resident graduate tuition rates (Moved by Trustee Stevens and duly seconded)
VOTED, on recommendation of the 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 2020-21, the tuition rates as presented on the attached schedule be adopted as the maximum amounts authorized.

{The Committee voted to unanimously approve this motion}

Chairman Black reviewed the proposed tuition increases and the total price of attendance. In response to a question on non-resident tuition pricing, President Treadwell said that KSC is priced competitively and perceived as a good value to non-resident students.

F. Approve FY21 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 January 17, 2020: MOVED, on recommendation of the Financial Affairs Committee that, effective for fall semester 2020 (FY21), mandatory student fees be adopted in amounts not to exceed $3,418 at UNH-Durham; $2,884 at KSC; and $2,622 at PSU; AND FURTHER, that maximum housing and dining rates be adopted as the maximum per the attached schedules.

{The Committee voted to unanimously approve this motion}

Chairman Black reviewed the mandatory fee proposals and invited comments from the students in attendance. Students from each campus shared their process for fee approvals and offered opinions on the fee increases and communications with administration during the process. Students noted areas and services that were important to them and areas where there was less support for a fee. A suggestion was made to itemize the fees on student bills as “mandatory fees” did not adequately describe the important services supported by these fees. Chairman Black thanked the students for their feedback.

III. Strategic Initiatives and Plans

A. Update on capital-related items

1. Non-Public Session

At 3:10 p.m. the following motion to enter nonpublic session was made by Trustee Black. 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.

VOTED, that the Board of Trustees go into nonpublic session for the purposes of (1) discussing personnel matters including the performance of one or more public employees, (2) confidential, commercial, or financial information, (3)
matters of market strategy which, if discussed in public, would likely benefit a party or parties whose interests are contrary to those of the general public, (4) matters likely to affect collective bargaining strategy, and (5) consultation with legal counsel as authorized by RSA 91-A:2, I (a) and (b); 91-A:3, II (a), (b), and (d); and 91-A:5,

**Return to Public Session**

Upon a motion to exit nonpublic session, made by Chairman Black, duly seconded, and approved, Chairman Black reconvened the public meeting at 3:40 p.m. and announced that no actions were taken while in nonpublic session.

IV. Capital Items

A. Renovations to the Whittemore Center – Update

Chairman Black referred Committee members to materials provided in advance of the meeting including answers to questions that were raised at the last meeting. He noted that UNH decided to do a scaled down version of the project. The cost of the project is $4.6 million which, pursuant to Board policy, is within the president’s authority to approve capital projects. Accordingly, the project no longer requires FAC approval.

B. Approve Athletic Fields at PSU

**VOTED**, on the recommendation of the Plymouth State University President, that the Board of Trustees Financial Affairs Committee approve a project budget of $3.1 million for an artificial turf field at Plymouth State University, **AND FURTHER**, that the source of funds for the project are $2.0 million from gifts specific for this project and $1.1 million in Plymouth State University unrestricted funds.

{The Committee voted unanimously to approve this motion}

President Birx gave background on the field situation at PSU and said this project addresses a critical need for an artificial turf field on the PSU campus. Matt Purcell, USNH Director of Capital Planning, gave an overview of the proposed project. He said the installation of an artificial turf field is a key component of the 2015 Master Plan and important component to keeping PSU a relevant entity in athletics. He said the field will also be used by student sports clubs and community organizations. Mr. Purcell said permitting is just about completed. He pointed out that the funding includes $2 million in gifts of which about $1 million is in hand with the remaining funds coming over the next 20 years through bequests. In response to a question, President Birx said donors are aware that their funds will be used for this purpose.

B. Update on ongoing capital projects including update on Spaulding Hall Renovation Budget
Vice Chancellor Provencher called attention to an item in the appendix that describes a likely budget overage with the Biological Science Initiative. She said the budget was approved 1.5 years ago at $86 million and bids were received totaling $91 million. This is a four-year project. Any overages will be covered within the UNH capital budgets. UNH will likely need to return at some point for a budget increase approval. In response to Trustee Jasper, Vice Chancellor Provencher said the contingency for the project is $8 million and it may be possible to use some of it to cover the cost increases identified to date.

III. Other Business

A. Discussion on new market tax credits

Prior to discussion of this item, Trustee Hansel recused himself citing a conflict of interest.

President Treadwell provided information on a proposed Monadnock Business Hub to be housed in the current Monadnock Hall to be financed through a public private partnership with Monadnock Economic Development Corporation using grants and new market tax credit program. She said KSC is bringing this forward to get a greenlight to explore this opportunity.

The Committee said that KSC can continue to explore this opportunity involving legal counsel, finance as appropriate, but they will need to come back to the Committee before any commitments are made.

B. Next Meeting date is April 23, 2020 at PSU
C. The Committee adjourned at 4:15 p.m.