The Financial Affairs Committee met (via teleconference) at 2:30 p.m. on June 25, 2020.

Participating on the call were Committee members Todd Black (Chair), Kass Ardinger, Christopher Pope, George Hansel, Mike Pilot, Morgan Rutman, Alex Walker and Wally Stevens; Trustees Joseph Morone, Amy Begg, Jamie Burnett, Jacqueline Eastwood, Shawn Jasper, David Westover, Cathy Green, Marjorie Smith, Scott Mason, Caliee Griffin, President Donald Birx, President James Dean, President Mark Rubinstein, President Melinda Treadwell and Chancellor Todd Leach. USSB: Victoria Bergstrom and Tyler Minnich


The following statement was made, and attendance taken by Lorna Jacobsen:

This meeting is being held by electronic means in conformance with the Governor’s emergency declaration of March 13, 2020, and subsequent emergency orders, as well as the applicable provisions of the New Hampshire Right-to-Know Law, RSA 91-A. If during the conduct of this meeting, anyone has difficulty connecting or staying connected to the video or audio feed please contact Tia Miller at Tia.miller@usnh.edu or 603-862-0918.

Call to Order: At 2:30 pm, Chair Black called the meeting to order and noted the presence of a quorum sufficient for the conduct of business. He noted the need for a non-public session during the discussion of the FY21 budget. He reviewed items on the consent agenda asking if any of them needed discussion.

Vice Chancellor Provencher noted that the FY21 capital budget, one of the items on the consent agenda, had been reviewed by the Investment Committee in April.

I. Approval of Consent Agenda (Moved by Trustee Black and duly seconded)

VOTED, that the consent agenda for the Financial Affairs Committee meeting on June 25, 2020 be approved.

(The Committee voted unanimously in favor of this motion)

Items on the Consent Agenda:
A. Approve minutes of April 23, 2020 meeting

B. Approve FY21 Budget for Keene Endowment Association

C. Approve FY21 Budget for UNH Foundation

D. Approve FY21 Capital Budget

Vice Chancellor Provencher made note that Investment (and Capital Projects) Committee approved FY 21 capital spending at its April 2020 meeting but there remains significant uncertainties related to FY 21 spending. Accordingly, capital spending for FY 21 will be revisited.

End of Consent Agenda

II. Actual and Project Financial Results and Budgeting

A. Admissions Update

Campus presidents gave updates and commented on admissions and paid deposits for incoming freshman and transfer students for Fall Semester 2020. Discount rates for incoming students were reported with UNH increasing by about 8% over prior year, PSU slightly above and KSC slightly below prior year. Presidents and other trustees expressed concern that the increase in discount rates at one institution can create competition within USNH for the same students. There was discussion on the overlap of applicants between UNH, PSU and KSC. Chancellor Leach said the Clearinghouse data on applicants will be evaluated as it has been in the past three years. As was discussed at Educational Excellence Committee in the morning, Chancellor Leach acknowledged there are data challenges because USNH has disparate systems and definitions. The Administrative Board was charged with bringing back a more complete analysis of applicants and overlap within USNH to inform a more coordinated admissions process with consistency in discount rates.

B. Update on Federal Relief programs

Item not discussed.

C. Approve FY21 Operating 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 operating budget for the University System applicable to the fiscal year beginning July 1, 2020 and ending June 30, 2021 (FY21) be approved in total by the Board of Trustees as presented in the attachments; AND FURTHER that budget adjustments between campuses/units are authorized within the total
System-wide Expenses approved; **AND FURTHER** that any required changes and modifications to the operating budget, including revisions to the estimated COVID-19 and one-time costs, required during FY21 are delegated to the Executive Committee of the Board.

{The Committee voted unanimously in favor of this motion}

Chairman Black gave an overview of the FY21 budget calling attention to significant components on the expense side including one-time COVID costs of $38 million and a COVID enhanced retirement and separation plan for employees. Several questions were posed about items included or not included in the budget. He said the projected loss in FY21 is $85 million including all the currently estimated onetime costs.

Vice Chancellor Provencher said the budget is like no other before and contains a material amount of uncertainty. She said the budget does not include an amount for room and board refunds if the semester is interrupted. It also does not include any reimbursement USNH may get from FEMA or any additional CARES dollars. She said the expense of the separation plan needs to be accounted for in the year it is offered and accepted. Because of the accounting requirement, the cash impact of the separation plan differs greatly from the income statement or operating margin impact. USNH is estimating $33 million for this expense in FY21, providing a tool for future years of salary savings for campus restructuring.

There was a discussion about the students potentially ending the first semester at home after Thanksgiving rather than returning to the campus. The Committee discussed the need for disclosures about refund policies in advance of accepting payments for the semester. Concerns about the public health risk of traveling and returning to campus were noted.

Chairman Black said unlike prior years when campuses had a set of assumptions and parameters approved by the Board to guide budget development, for FY21 campuses have used updated revenue estimates based on most current information and the focus has been on expenses and holding spending and employee compensation flat with FY19.

Trustee Rutman reported that the Investment Committee has asked Prime Buchholz to build cash reserves in the endowment as a contingency.

It was pointed out that while conversations have focused on finances and modeling, the decision to bring students back to campus is not a financial decision and will be made with public health and safety as the chief concern.

Concern was expressed that the budget reflects a best-case scenario and several trustees said they would like to see other scenarios. It was asked that other budget scenarios be developed to include: 1) what if we do not come back to campus in fall 2) what if we need to ask students to leave earlier than thanksgiving 3) what if we cannot come back to campus at all for the academic year 20-21,

Trustee Morone stated that if students come back to campus said and are sent home, the cost for
one half a semester is approximately $50 million minus some level of variable expenses.

At 4:35 p.m. the following motion to enter nonpublic session was made by Trustee Black and seconded by Trustee Rutman. The motion was approved by roll call vote. In addition to trustees, system and campus administrators attended the non-public session.

**VOTED,** that the Financial Affairs Committee go into nonpublic session for the purposes of discussing employee salaries for FY2021 and employee benefits programs, as authorized under the NH Right to Know Law pursuant to the provisions regarding (1) employee compensation, and (2) matters likely to affect collective bargaining strategy, as authorized by RSA 91-A:2, I (a); and 91-A:3, II (a).

**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 5:00 p.m. and announced that no actions were taken while in nonpublic session.

Trustee Morone said that the FY21 budget is different from prior budgets because of the unknowns. He said it authorizes COVID expenses estimated to be $38 million, rolls expenses back to FY19 and includes savings as a result of benefit changes currently under consideration.

Vice Chancellor Provencher said the motion delegates to the Executive Committee of the Board the authority to approve budget revisions as COVID-19 impacts and fall enrollment are known.

Chairman Black thanked Mr. McGrail for his work on developing benefit savings and Vice Chancellor Provencher, her team and campuses for their hard work on the budget. He said that next year’s work plan for the Committee will include regular reports on the savings that are realized through restructuring, benefit changes and separation plans. He asked Vice Chancellor Provencher to develop metrics to track savings.

**D. Update on FY22-23 Planning**

Trustee Black said that planning has been ongoing for FY22-23 and said that cost savings that need to be achieved are $16 million in FY21, an additional $37 million in FY22 and an additional $16 million in FY23. He expressed appreciation to Trustees Morone and Pilot on their work with the campuses and system staff on restructuring.

**E. Biennial Budget Guidelines and delegation to Executive Committee**

**VOTED,** on recommendation of the Chancellor, that the Financial Affairs Committee delegate authority to the Executive Committee to approve guidelines for the FY22-23 Biennial State Operating Budget Request **AND FURTHER** to direct the Chancellor to prepare the detailed request consistent with those guidelines, and with input from the Administrative Board, for approval by the Board of Trustees or Executive Committee on behalf of the Board of Trustees.
Trustee Black said the State requires the University System of New Hampshire to submit its FY22-23 request for State biennial operating support in September. Guidelines for preparation of the biennial budget are traditionally discussed and approved by the Board in the spring but this spring responding to the COVID-19 pandemic has consumed the time and focus of trustees and management. Coupled with great uncertainty surrounding both the USNH and State budgets, development and approval of the guidelines has been delayed. Since the Board of Trustees is not scheduled to meet before October, the Executive Committee can act on their behalf. The Executive Committee has been meeting weekly for the last several months and will continue to do so over the summer to provide guidance to the Chancellor and Administrative Board on budget development.

F. Other Business

A. Comments by Chair

Trustee Black brought forward KSC’s request to replace the surface on an existing turf field, an item discussed earlier by the Investment Committee and deferred. He summarized the discussion of the Committee noting that the issue is time sensitive if KSC plans to use the field for fall sports. He said discussion centered on spending the $1.1 million at this point when there is so much uncertainty with the budget and the coming academic year, and in light of the efforts across the system to preserve cash. He said the Committee recognized that safety is a priority, but the risk of the surface is hard to evaluate without an independent safety assessment. He said there was recognition that Athletics is important to KSC’s brand and several trustees thought that the decision should be the President’s given that under non-pandemic circumstances, this project would have been within her authority. President Treadwell was asked to bring the project to the Executive Committee once a safety assessment had been completed, and clarity on the fall sports season is determined.

B. Next regularly scheduled meeting date of the FAC is October 22, 2020

C. The Committee adjourned at 6:10 p.m.