

REPORT OF THE FINANCIAL AFFAIRS COMMITTEE
October 22, 2020

The Financial Affairs Committee met (via teleconference) at 2:30 p.m. on October 22, 2020.

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

Staff: Susan LaPanne, Tracy Claybaugh, Lisa Shawney, Jay Calhoun, Wayne Jones, Scott Stanley, Marlin Collingwood, Catherine Provencher, Karen Benincasa, Ronald Rodgers, Tia Miller, Ann McClellan, Robin Derosa, Lisa Thorne, Ockle Johnson, MaryBeth Lufkin, Bill Poirier, Christine Ashford, and Lorna Jacobsen.

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, Chairman Black called the meeting to order and noted the presence of a quorum sufficient for the conduct of business. He described the objectives of the meeting and noted the need for a non-public session at the end of the meeting. He reviewed items on the consent agenda asking if any of them needed discussion.

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

MOVED, 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 June 25, 2020 meeting

MOVED, that the minutes of the Committee's meeting of June 25, 2020 be approved.

- B. Approve suspension of the limitation on out-of-state students at UNH for FY22

MOVED, on recommendation of the Financial Affairs Committee that the Board of Trustees suspend for FY22 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.

- C. Annual Debt Report

- D. FY22 FAC work plan

End of Consent Agenda

II. Review USNH systemwide risks assigned to the Financial Affairs Committee

Vice Chancellor Provencher described the Enterprise Risk Management process at USNH saying that each year the Audit Committee reviews a list of top strategic risks presented by the Director of Internal Audit and compiled with input from campus and system management. Assignment of risks to USNH Board committees is part of the governance process and provides a formal means for various committees to review and monitor top 10 risks.

In April of 2019, the Audit Committee assigned two areas of risk to the Financial Affairs Committee – Finances and Talent Management. Because of COVID and the need to immediately focus on that major risk, no additional risk areas were assigned this year. Vice Chancellor reviewed the risks in the Finance and Talent Management area and described monitoring and mitigation strategies.

III. Actual and Project Financial Results

- A. Presentation on USNH Financial Statements

Vice Chancellor Provencher reviewed USNH's financial position at the end of FY20. She said USNH ended the year with a decrease in net position of \$1 million. USNH was able to maintain its cash position at the end of the fiscal year. An increase in year over year liabilities was the result of student refunds that were not cashed but instead applied to fall semester charges.

- B. FY21 Financial and Enrollment Projections

Vice Chancellor Provencher reviewed the high-level projections for FY21 and compared them to the financial model done in June. Total FY 21 projected operating revenue aligns with that of the financial model prepared earlier in the year. She noted the following:

- FY21 Enrollment is higher than the model and retention rates are better
- Discount rates are higher than model
- Graduate enrollment is higher than model

- Auxiliary revenues declined primarily based on lower enrollment & lower number of students on campus

In response to a question, Vice Chancellor Provencher provided background on the Granite Guarantee program noting that it does contribute to the overall increase in discount rate but is a popular program that assists many students.

Vice Chancellor Provencher reviewed the impact of one-time COVID costs and said that COVID-related One-Time Costs/Revenue Reductions are projected to be (net) of \$105M: She said that the increase is primarily due to an increase in testing cost of \$40 million.

The potential to reduce the cost of COVID testing was discussed and UNH discussed their current lab capacity and their hope that by spring, UNH will be able to conduct the testing for PSU and KSC. President Dean said that UNH Faculty and Staff, currently tested by Convenient MD, will move to the UNH Platform at Thanksgiving. Various other ways to decrease the cost of testing were discussed including, testing frequency, changes to the pooling level, competition in the marketplace and successful vaccine introduction. Campuses are not considering changes to their testing program this semester since they have been successful.

IV. Ongoing Systemwide Initiatives

A. Status of COVID Enhanced Retirement Program (CERP)

Vice Chancellor Provencher shared results of the CERP noting that applications closed on October 15. She said that 464 employees had submitted applications, more than twice what had been initially estimated. She reviewed estimates of costs, savings and payback periods noting that these estimates were based on average salaries and not the actual applicants. She explained the financial statement vs cash impact of the CERP. The program will provide its intended benefit of reducing significant future employment costs. Trustees expressed the need to be vigilant balancing the targeted future savings and the need to fill vacant positions.

B. IT Reorganization

Bill Poirier, USNH/UNH CIO, shared information on the IT reorganization and his efforts to optimize services across USNH under one CIO. He said the goals were to improve service delivery, realize economies of scale, and increase value to the USNH community. Mr. Poirier explained the challenges of the project, his approach, the status of work and the outcomes. He said the reorganization is complete and work is ongoing on infrastructure and assessing major business systems. He shared cost savings to date and projections through FY23.

C. Strategic Procurement

USNH CPO Christine Ashford shared progress on strategic procurement work. She described her goals and approach to the work including establishing sourcing experts and reviewing and consolidating contracts. She reported on the status of initiative in procurement including reorganization, filling positions vacated by employees taking the CERP, negotiating terms on

contracts, review and revision of procurement policies and collaboration with CCSNH. She expressed confidence in the ability of meeting savings targets.

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. Also in attendance were Peter Hart, Adam Fennel and Jennifer Ramey, from Huron Consulting.

VOTED, that the Financial Affairs Committee go into nonpublic session for the purposes of discussing the future restructure of the systemwide finance and business services of the University System, as authorized under the NH Right to Know Law pursuant to the provisions regarding matters likely to affect: (1) collective bargaining strategy, and (2) employee compensation, dismissal, or promotion and 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 the no actions were taken while in nonpublic session.

Various trustees expressed their appreciation for the work of the employees across all campuses, the system office and USNH students for their efforts to end the fiscal year strong and for the successful reopening.

V. Other Business

A. 66 Main Street, Durham, NH

Vice Chancellor Provencher reported that the Town of Durham is planning on including \$2.1 million in its budget for the next year for a potential purchase of 66 Main Street property. She noted that we are not yet near negotiation stage.

B. Next regularly scheduled meeting date of the FAC is January 21, 2021

C. The Committee adjourned at 5:10 p.m.