



DRAFT

**REPORT OF THE FINANCIAL AFFAIRS COMMITTEE
October 22, 2021**

The Financial Affairs Committee met at Merrill Place at Plymouth State University on October 22, 2021, at 12:15 pm.

Committee members participating at the meeting location: Mike Pilot (Chair), Kass Ardinger, Todd Black, Frank Edelblut, Wally Stevens, and Alex Walker; Committee members participating by teleconference: George Hansel and Morgan Rutman, Other trustees participating at the meeting location: Joe Morone, Amy Begg, Jamie Burnett, Cathy Green, Senator James Gray, President Donald Birx, President James Dean, and President Melinda Treadwell; Participating by video conference Trustee Mackenzie Murphy and representing the Governor, Johnathon Melanson; USSB members Jake Riley, Ashley Ackert, Ty Gioacchini, and Reshma Giji.

Staff: present at meeting location, (UNH) Marcel Vernon, Chris Clement, and Wayne Jones; (PSU) Tracy Claybaugh; (KSC) Nathalie Houder; (USNH) Catherine Provencher, Karen Benincasa, Ron Rodgers, James McGrail, and Tia Miller,

Additional faculty, staff, and students participated by video conference

I. Call to Order:

At 12:15 pm Chairman Pilot called the meeting to order. He reviewed the items on the agenda noting that the agenda item for take-aways from the September 30 FAC meeting would be skipped given the in-depth discussion at yesterday's retreat.

II. Approve Consent Agenda (Moved and duly seconded)

VOTED, to approve the consent agenda for October 22, 2021.

Items on the consent agenda:

- A. Approve minutes of the April 15, 2021, and September 30, 2021, meetings
- B. Approve/recommend suspension of statutory limitation on out-of-state students at UNH

-End of Consent Agenda -

III. Actual and Projected Financial results

A. Presentation on FY21 Financial Statements

Vice Chancellor Provencher referred the Committee to the highlights in the materials provided and reported that the statements were discussed in detail at the Audit Committee meeting with the Audit Committee and external auditors. She said the Committee voted to accept the financial statements.

B. Update on fall 2021 enrollment and impact on primary student revenues relative to FY22 Approved Budgets

Vice Chancellor Provencher gave an update on R+30 enrollment results. She said that Student Revenues (Net Tuition, Mandatory Fees, Auxiliary Revenues) are estimated to be slightly below the FY22 approved budget by about \$2.3 million systemwide. Campus presidents provided insights on their fall enrollment and updated estimates.

Provost Jones said that strong graduate student enrollment at UNH Law and UNH Manchester offset a drop in graduate enrollment at Durham. He said enrollments in the colleges of Life Science and Agriculture and Health and Human Services were strong and in the College of Liberal Arts slightly down.

President Birx said undergraduate enrollment at PSU is down 5.1%. He attributed at least some of the decline to the fact that jobs are still reasonably good and many people have stayed working rather than enrolling in colleges. PSU's reliance on students from the North Country region which has been hit hard by the pandemic, with families suffering financial stress. He is hopeful for a recovery this year.

President Treadwell acknowledged Marybeth Lufkin, vice president for enrollment and student engagement for her role in KSC's positive enrollment results. She noted that KSC benefited by US News and World Report rankings in five categories.

IV. Follow-up from September 30, 2021, meeting

- A. Take-aways/Conclusions – This item was discussed at the BOT retreat on October 21, 2021.
- B. Approve liquidation of \$50 million of Long-term Treasury Quasi endowment (Moved and duly seconded)

VOTED, on recommendation of the Investment Committee, that the Financial Affairs Committee liquidate \$50 million from the Long-Term Treasury Quasi-Endowment **AND FURTHER**, that the liquidated funds be invested in the short-term operating pool until such time as needed.

{Motion unanimously approved by the Committee}

Chairman Pilot said that at the September 30 FAC meeting several scenarios that might be

implemented to free up cash from the quasi-endowment to use for strategic investments were reviewed and discussed. After reviewing and comparing the outcomes and risks of each scenario presented by Prime Buchholz and reviewed with the Financial Affairs Committee on September 30th, the Investment Committee recommends to the Financial Affairs Committee that \$50 million be withdrawn in the near future and invested in the short-term investment pool. He said the move will insulate the \$50 million from future/potential market volatility.

Vice Chancellor Provencher reported that the Investment Committee had approved this motion earlier in the day and discussed the mechanics of the liquidation/reinvestment in the Short Term investment pool in terms of timing.

V. Ongoing system-wide restructuring initiatives

A. Review rationale for separation incentive plans and review results of COVID Enhanced Retirement Program (CERP)

Vice Chancellor Provencher said that USNH employment costs are approximately 60% of total annual operating expenses. She reviewed results of the CERP noting that 480 employees took the CERP/employee separation and no longer work for USNH although about a third of those positions have been or will be refilled. She explained the complexities of tracking the results and said total vacancies and headcount must also be monitored. She reported that from September 2020 to September 2021, there was a decrease in employees of 267, and said the CERP is helping USNH achieve cost savings by FY23. Provost Jones said that UNH is focusing on salary budget dollars, not just position counts and one benefit of the CERP is that positions can be filled where the greatest needs are today.

Trustees stressed the need to control the positions that are added back and said CFOs and Presidents will need to monitor add backs and general employment levels and spending carefully.

B. Employee Benefits

Mr. McGrail said USNH had two primary goals when undertaking the benefits change. One was to align with higher education peers and the other was cost savings of approximately \$17 million per year. He described changes to the benefit plans that have moved USNH closer to these goals noting that the USNH medical plan is still slightly better than peers.

Mr. McGrail provided an update on the plan to reduce the standard maximum employer retirement match from 10% to 8% as the 8% is more aligned with peers. Although this change was made for new employees starting on or after January 1, 2021, last summer, the Administrative Board decided to delay the retirement match reduction one-year for current employees to provide more time for union negotiations and to recognize employees for working hard through the pandemic with no pay increase. The

Administrative Board recently voted to delay the decision to reduce the retirement match for another year (effective January 2023) for similar reasons. Vice Chancellor Provencher said that the impact of the delay in the retirement reduction for FY22 was \$3 million for ½ year budgeted in FY22 and for FY23 it will be another \$3 million impact (annual impact of \$6 million) putting a large part of the \$17 million target for savings in jeopardy. USNH is working to minimize the budgetary impact of the delay and believes that some other favorable variances will make up for part of the impact in FY22. A more comprehensive update will be available in January 2022 when the P1 projections are completed.

C. Strategic Procurement

Vice Chancellor Provencher introduced Josh Dubroff, the new Director of USNH Procurement who joined USNH on August 30.

Mr. Dubroff described his background saying he is familiar with both the technology and the processes in higher education procurement and is confident he will be able to make USNH Procurement a high functioning partner. He identified current challenges including the fact that half his team is new, the supply chain issues caused by the pandemic, and the need for concentrated work on UShopNH. He estimated that about \$1.1 million of the FY22 \$3 million savings target is at risk but has identified other projects and opportunities that will help close the gap. He indicated that time is a limiting factor for FY22; however, he also indicated that the FY23 savings target for FY23 of \$5 million (June 2020 Financial Model) is still a reasonable savings target for FY23.

Chairman Pilot thanked Mr. Dubroff and said he was encouraged by the update. Provost Jones commented that he appreciates Mr. Dubroff's efforts and outreach at UNH.

D. Financial Administrative Redesign

Vice Chancellor Provencher said that increased efforts communicating changes have been initiated including mini-summits, expanded FAQ documents, updated SharePoint sites and other campus and departmental support. Each campus reported on the status of the restructuring and there were differences in how each campus described the progress and climate on their campuses. Common to all were a need for more training, education, and communication given that this and other restructuring activity is transitioning the community to more of a self-service model of operating which is a large cultural shift for the organization. Also, the impact of the CERP on employee resources and institutional knowledge was significant; however, not all related to the FAR transition as the CERP impacted all areas of the organization. Chairman Pilot noted that the success of this major restructuring project will shape other shared services initiatives planned in the future and asked FINEC to consider if additional resources were needed to support the initiative.

E. Summary of Systemwide Initiatives

Vice Chancellor Provencher reviewed a dashboard that showed progress on all initiatives saying that FAR, IT and Systemwide initiatives were on track and Benefits and Procurement were delayed and below target savings.

VI. Capital Items

A. Approve project budget for renovations to Huddleston Hall (Duly moved and seconded)

MOVED, on recommendation of the UNH President, that the following motion be presented for consideration by the Board of Trustees,

MOVED, on recommendation of the Investment and Financial Affairs Committees, that the Board of Trustees approve a project budget not to exceed \$17.5 million for the renovations to Huddleston Hall with the source of funds being UNH operating funds (\$11.2 million) and donor gifts (\$6.3 million) AND **FURTHER**, that the FY22 capital budget for UNH be increased by \$6.3 million.

{The Committee voted unanimously in favor of this motion}

Vice President Chris Clement presented the renovation project noting that Huddleston Hall is a prominent, iconic building at UNH. He described the elements of the project and the advantages including the ability to address deferred maintenance and life safety in the existing building, provide a more fitting home to the Honors College, and utilize a generous gift. He described the project cost, funding sources and timeline.

Provost Jones described the impact the project will have on recruiting and retention saying that it will increase the competitiveness of UNH in attracting and retaining New Hampshire's and the region's most high-achieving students.

Vice Chancellor Provencher said that the Investment Committee approved the project earlier in the day but because it is over \$10 million, the FAC must vote and make a recommendation to the full board. She said that the second part of the motion is approval to increase UNH's capital budget by \$6.3 million which is the increase in the gift funds which will be received as a result of this generous donation.

Trustee Hansel referred to discussion at the Investment Committee and said that the proposed project is a great opportunity but that it is hard to make decisions in isolation and he would like to see a more complete summary of projects going forward. Trustee Rutman provided a brief recap of discussion at the Investment Committee meeting saying that the committee will work to develop a framework for vetting capital projects systemwide and establishing criteria for prioritization.

B. Revised FY22 Capital Budget

Approved as part of motion above.

VII. Other Business:

- A. The Committee watched a video of new commercials for USNH institutions featuring students.
- B. In response to an inquiry, Provost Jones reported that construction on Spaulding Hall is going well and there is a great deal of enthusiasm. He noted the need for additional equipment for the inside and said UNH is exploring public/private partnerships.
- C. The Committee adjourned at 1:55 p.m.