



Draft for Committee Review and Approval

REPORT OF THE FINANCE COMMITTEE ON INVESTMENTS
Meeting
October 22, 2021

The Finance Committee on Investments met at 10:30 a.m. on October 22, 2021, at Plymouth State University. Committee members participating at the meeting location: Mike Pilot, Todd Black, Amy Begg, Catherine Provencher; Committee members participating by videoconference: Morgan Rutman and Greg Tewksbury; Other trustees participating at the meeting place: Joe Morone, Jamie Burnett, Cathy Green, Senator James Gray, President Donald Birx, President James Dean, and President Melinda Treadwell; Other trustees participating via videoconference

Staff: present at meeting location, (UNH) Marcel Vernon, Chris Clement, and Wayne Jones; (PSU) Tracy Claybaugh; (KSC) Nathalie Houder; (USNH) Karen Benincasa

Jeff Croteau from Prime Buchholz participated via video conference.

Additional Staff and students participated by video conference.

Chairman Rutman called the meeting to order at 10:30 pm. and it said that Trustee Begg had been appointed as a temporary member of the Committee by Board leadership. A quorum sufficient to conduct business was noted.

I. APPROVAL OF MINUTES (Moved and duly seconded)

VOTED, that the minutes of the April 15, 2021, meeting be approved.

{The Committee voted unanimously to approve this motion}

II. FOLLOW UP FROM SEPTEMBER 30, 2021, FAC MEETING

A. Review Cash Flow 5-year Proforma

Chairman Rutman said that the FY22-FY26 Cash Flow Proforma was reviewed at yesterday's Board retreat and referred Committee members to the "key takeaways" slide.

B. Approve \$50 million of Long-term Treasury Quasi-endowment

VOTED, that the following motion be presented for consideration by the Financial Affairs Committee,

MOVED, 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.

{The Committee voted unanimously in favor of this motion}

Chairman Rutman reported that at its September meeting, the Financial Affairs Committee reviewed and discussed multiple scenarios with Prime Buchholz for freeing up quasi-endowment funds for one-time investments as campuses prepare for the downward pressure that will be caused by market and demographic changes. He described the scenario that the FAC and Prime Buchholz believed provided the best outcome and said he recommends that \$50 million be withdrawn in the near future and invested in the short-term investment pool. He said the move will protect the \$50 million from market volatility. He said the risk is the potential loss of performance on the \$50 million once it is removed from the endowment and invested in the more conservative short term investment pool.

The Committee discussed the current cash balance in the quasi-endowment and the timing and mechanics of the move with Mr. Croteau, who said that it is a very favorable time to make the move based on the strong performance in the month of September. Trustee Rutman said the FAC has the authority to liquidate quasi-endowments and would consider the motion that afternoon.

III. CAPITAL INVESTMENT ITEMS

A. FY22-FY26 Capital Spending Priorities

The Committee briefly reviewed the 5 Year capital plans. It was noted that these plans anticipate returning to spending at 100% of depreciation after FY22. Vice Chancellor Provencher said the 100% of depreciation spending does not include gifts, grants or state funds. Chairman Rutman said that the five-year plans are a wish list and decisions may need to be made on what to move ahead with and what to delay or possibly eliminate after further analysis of facilities, strategies, etc. He said no decisions on these projects would be made today, but this Committee is responsible for reviewing capital investments and making recommendations to the Financial Affairs Committee.

The Committee discussed the capital planning and project approval process with trustees and FINEC sharing comments and suggestions for improving the current process. The following points were made:

- Trustees need a way to evaluate and prioritize projects across the system
- A longer term look at projects (2-5 years) would allow for better decision making and more flexibility within annual spending plans
- Deferred maintenance will continue to need attention
- A strategic look at all property owned and leased across the system is critical to decision making
- Campuses should be incentivized to dispose of unused property and reinvest proceeds in plant investments critical to mission

- In general, operating margin over the 1% target could be used/invested by the campus on one-time strategic investments
- The Investment Committee should work with campuses to develop a funding plan for their priorities and consider how to provide bridge funding if accelerating a project makes sense
- Fundraising is an important component for capital projects and should be actively encouraged, supported and pursued

Vice Chancellor Provencher said that in January 2022, the FY23 budget assumptions and parameters would be presented to the Financial Affairs Committee for approval and would include provisions for spending funds in excess of the 1% margin target on strategic and non-recurring investments.

In terms of criteria for evaluating projects, the following were suggested:

- The extent to which a project addresses critical services or life safety issues
- Demonstrates positive ROI
- The extent to which a project eliminates deferred maintenance
- The availability of outside funding (donor, public private partnerships, State)
- Additional criteria to be identified

Campuses shared their progress on strategic planning and space utilization reviews. Vice President Vernon shared some positive results of the UNH Foundation.

Trustee Morone said part of this Committee’s role is to set discipline in the capital and investment process to avoid decisions being made on a first come basis. Vice Chancellor Provencher was charged with working with her team and the campuses to develop evaluation criteria and a decision matrix to assist the Committee in its role in investment approval and capital planning.

B. Approve Budget for Renovation of Huddleston Hall

VOTED, 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 Clement shared highlights of the proposed renovation of Huddleston Hall noting that the project will address deferred maintenance on a prominent UNH building. The project includes \$6.3 million in donor funding which represented the overall increase in the FY22 budget.

C. Revised FY22 Capital Budget

As part of the motion above, the UNH capital budget for FY22 was increased by \$6.3 million.

IV. INFORMATIONAL ITEMS

Vice Chancellor Provencher described the items that were included in the informational items and noted that at a future meeting, the Committee might want to have Sightlines present their report on facilities condition and related benchmarking.

- A. Ongoing Capital Project Report
- B. Update from Prime Buchholz
 - a. Review Endowment and Short-Term Operating Portfolio results for the period ending September 30, 2021
- C. Benchmarking and Facilities Assessment Update by Sightlines

V. OTHER BUSINESS

- A. Next meeting date is January 20, 2022
- B. The Committee adjourned at 11:45 a.m.