



DRAFT

**REPORT OF THE FINANCIAL AFFAIRS COMMITTEE
March 3, 2022**

The Financial Affairs Committee met at the Young Student Center at Keene State College on March 3, 2022, at 3:00 pm.

Committee members participating at the meeting location: Mike Pilot (Chair), Kass Ardinger, Todd Black, Jamie Burnett and Greg Tewksbury; Committee members participating by teleconference: Morgan Rutman; Other trustees participating at the meeting location: Joe Morone, Rick Ladd, Frank Edelblut, Mackenzie Murphy, Jamie Burnett, Cathy Green, David Westover, Shawn Jasper, Senator James Gray; Jose Calvo, Alana, Lehouillier, President Donald Birx, President James Dean, and President Melinda Treadwell; and representing the Governor, Johnathon Melanson:

Staff: present at meeting location, (UNH) Marcel Vernon, and Wayne Jones; (PSU) Tracy Claybaugh and Ann M.;(KSC) Nathalie Houder, James Beeby and MaryBeth Lufkin; (USNH) Catherine Provencher, Karen Benincasa, and Kara Bean

Additional Faculty, Staff, and students participated by video conference

I. Call to Order:

At 3:00 pm Chairman Pilot called the meeting to order and reviewed the items on the agenda. He also noted that after successfully spending the last couple of years working to reduce the cost structure in response to the changing market, we are now at a point where we need to invest in the future as well as partner with the state to support the needs of both our students and the citizens of New Hampshire.

II. Approve Consent Agenda (Moved and duly seconded)

VOTED, to approve the consent agenda for March 3, 2022.

Items on the consent agenda:

- A. Approve minutes of the October 22, 2021, meeting
- B. Approve the project budget for KSC Redfern Arts Center

-End of Consent Agenda -

II. FY22 Financial Projections

A. FY22 P1 Financial Update

Vice Chancellor Provencher described the purpose of the projections and said they show good news for ending the fiscal year in a good cash position. She shared highlights saying that net tuition and fees is in alignment with budget and noted that gross tuition has dropped, and financial aid increased. She said that revenue from grants and contracts is higher than budgeted due to State GOFERR funds, FEMA COVID recovery grants and increased grant activity at UNH. She noted that employee compensation has reduced primarily as a result of the CERP.

Vice Chancellor Provencher said the FY22 P1 External Operating Margin including one-time impacts is better than the FY22 budget by \$46.4M, and a 1% recurring operating margin (excluding one-time impacts) is projected. She reviewed the reasons for the increase in External Operating Margin which included \$39 million in one-time grant recoveries which are net of one-time expenses, \$6M increase in sales of auxiliary services driven by housing and dining at UNH and \$3M lower in employee compensation driven primarily by significant position vacancies at PSU partially offset by increases primarily at UNH.

Vice Chancellor Provencher reviewed the campus projections relative to budget and said that at the System Office there was a \$1.8M decrease due in large part to the \$1.5M reduction in Short Term Investment earnings projected. She said that projected FY22 systemwide recurring operating margin, excluding grants, is \$7.6M higher than budget.

The Committee reviewed financial aid trends by campus which show a continued increase in financial aid which will impact future revenues. Trustee Rutman requested information on the breakdown of public and private aid. The need to monitor and understand position vacancies was noted as well as the need to understand grant activity and direct vs. indirect costs. Provost Jones suggested a presentation by Dr. Marian McCord on research activity be included in the Board's agenda when they are at UNH. A request was made to include the impact grant activity has on the larger State, in addition to the impact on USNH, in both programs and dollars.

Vice Chancellor Provencher reviewed the increase in the one-time benefits which are expected to be realized in FY22 which will significantly recover the losses incurred in FY21. This includes in the increased federal/state recoveries and additionally includes approximately \$4 million of a temporary expense reduction anticipated at PSU as a result of an unusually high number of vacant positions primarily in the staff areas such as facilities. PSU has had challenges hiring employees in the current market.

Vice Chancellor Provencher reviewed the FY22 updated 'recurring' projections, excluding grants, in total and by campus. Excluding grants, revenues are up \$3 million, and expenses are down by \$4 million for an overall favorable variance of \$7 million anticipated for FY22. She also mentioned the FY22 variances versus FY21 actuals of \$10 million which is primarily the result of expense reductions.

Vice Chancellor Provencher reviewed high level projected cash flow and projected cash flow for FY22 noting significant improvement projected based on newly anticipated COVID-related cost recoveries, improved operations, and the inflow of the \$50 million from prior Board action to transfer funds from the endowment fund. She described the FEMA eligibility changes for Safe Opening expenses that provided an opportunity to substitute expenses previously funded by GOFERR with other COVID related expenses.

III. Update on ongoing System-wide Restructuring Initiatives

Vice Chancellor Provencher said restructuring initiatives are working and reducing costs and revenues are higher than anticipated post-COVID. She said that if FEMA/GOFERR recoveries projected are realized, from a cash perspective, USNH has recovered the majority of the COVID related impacts. She noted that the capital budget is anticipated to be within budget for FY22 and major projects are still on schedule.

Chairman Pilot congratulated management on the remarkable results that were accomplished in the middle of a pandemic. He indicated that the changes to the organization have been hard but were necessary and have put USNH in a good position to move forward. He said the FTE adds in the future may erode cost savings if not managed and actively monitored and asked each CFO to describe how they are monitoring and the process they use on their campus to fill open positions. Each campus described their process and number of vacancies and President Dean offered some words of caution indicating that while all the presidents understood that the viability of our institutions was on the line, the changes and cuts in personnel have been very difficult and have had real costs associated with them including a negative impact on morale, concerns about service impacts to students and other employees, and increased stress on employees. Information on the breakout of academic support positions and other positions was requested if available. It was noted that academic shared services should continue to be explored and a suggestion was made to investigate partnering with CCSNH in certain areas like facilities.

IV. Approve State Capital Appropriation Request

VOTED, on recommendation of the Investment and Capital Planning Committee, that the six-year capital projects plan for FY24-FY29 as described in the attached document be approved AND FURTHER, that the Chief Administrative Officer is authorized prepare the final document for submission to the State on April 5, 2022.

{The Committee voted unanimously in favor of this motion}

Vice Chancellor Provencher said the Investment and Capital Planning Committee, on recommendation of the Administrative Board, approved the currently approved request of \$17 million for the FY24-25 biennium, a \$20 million request for FY26-FY27 a \$25 million request for the FY28-29 biennium as part of the required submission to the Governor of a 6-year capital plan. USNH is seeking to retain the previously approved \$17 million in state appropriation for FY24-25 authorized in 2019. She said that if approved by the FAC, the request will be considered by the BOT and submitted to the State by April 5, 2022. Details on the projects and the narrative of the request are included in the Appendix

and the amounts included for FY26-FY29 are estimates and subject to change in future budget requests.

V. Report on Enterprise Risk Management Monitoring in the Financial Area

Vice Chancellor Provencher described the enterprise risk management process explaining that the detailed discussion of techniques to monitor and mitigate risks are presented to the Administrative Board each month. She said that the Financial Affairs Committee had been assigned two areas to monitor for enterprise risk management – financial health and talent management. She reported that there are effective mitigation strategies for both risks. In response to a question on cyber security, she indicated that Bill Poirier, UNH CIO has met with the Administrative Board to discuss. President Dean said that cyber security is a priority for the system and significant improvements have been made in the last couple of years.

VI. Initial Discussion of Campus Strategic Investment Requests

Chairman Pilot began the discussion of strategic investments by providing background and sharing his enthusiasm for the opportunity to think strategically after two years of cost cutting, a pandemic and difficult restructuring work. He said he hopes the process will result in a plan to share with the State that will strengthen our relationship by demonstrating how USNH can produce positive outcomes for its citizenry. His expectation is that after today's initial discussion, campuses will return with more detailed proposals in April, receive feedback from the Committee and work through the Administrative Board on a system-wide proposal. Each campus President shared their current thinking on what is needed in the way of strategic investments for their respective campuses. Components of their plans are below:

President Birx shared a slide deck that outlined their plan which included updating residence halls to create a sense of place and improve recruiting and retention. Improvements would be made to freshman dormitories and junior/senior living arrangements. Also included would be academic and athletic facilities that house important programs including Hyde Hall, the East wing of the PE Center and Highland Hall. President Birx outlines programs that PSU would like to institute including Robotics, Game Design, Tourism and Hospitality, Mental Health and professional development for faculty and staff. A vision of the North Woods Apartment Complex was shared as well as cost estimates and funding sources for the other items on the plan.

President Treadwell said it is important to make a recommendation for investments as a system, not only as individual campuses. She said mission differentiation is important and that Keene State College has goals of holding and growing their in-state student market share and recapturing out-of-state enrollment in areas where KSC was successful in the past. She said KSC has spent several years right-sizing and is now looking to invest in program stabilization and growth with specific investments including investments in capital assets. She noted Elliot Hall and renovations to existing residence halls. President Treadwell also mentioned the disinvestment of plant assets not part of core mission as part of the plan.

President Dean said that at UNH investments will be proposed that will grow revenue that is consistent with mission and strategic priorities. A new position dedicated to marketing and growing

revenues will be added in the near future to help support this work. He mentioned several areas for potential increased revenue including undergraduate program auxiliary revenue through a change in the requirement for living on campus for both freshman and sophomores. He said they are exploring what the residential experience should be for each year and will come back with specifics in April. President Dean also mentioned growing graduate programs and online programs and certificate programs. He noted the importance of physical plant to Research and corporate engagement and possible capital investments to renovate Morse Hall.

Committee members ended with some comments thanking the presidents for their presentations and sharing some observations including the difficulty in reconciling new student housing with the worsening demographics, the magnitude of the investment that is needed will outweigh the available funding sources and the need to think creatively about funding and build support in the communities and State as well as increased partnership with the community college.

VII. Other Business

- A. The Committee adjourned at 5:20 p.m.