



DRAFT

**REPORT OF THE JOINT MEETING OF FINANCIAL AFFAIRS COMMITTEE
AND THE INVESTMENT AND CAPITAL PLANNING COMMITTEE
June 23, 2022**

The Financial Affairs Committee and the Investment and Capital Planning Committee met in joint session at the Memorial Union Building at the University of New Hampshire on June 23, 2022.

Financial Affairs Committee and Investment and Capital Planning Committee members participating at the meeting location: Mike Pilot (FAC Chair), Kass Ardinger, Todd Black, Alex Walker, Greg Tewksbury and Amy Begg; Committee members participating by videoconference: Jamie Burnett and Morgan Rutman; Other trustees participating at the meeting location: Joe Morone, Representative Rick Ladd, Frank Edelblut, Jackie Eastwood, Cathy Green, Shawn Jasper, Senator James Gray; Jose Calvo, Christiana Thornton, McKenzie Murphy, Alaina Lehouillier, President Donald Birx, President James Dean, and President Melinda Treadwell; and representing the Governor, Jonathon Melanson: Other trustees participating by videoconference: David Westover; Kevin Knarr, Peter Paul, and Joel Nkounkou.

Staff present at meeting location, (UNH) Marcel Vernon, Wayne Jones, and Bill Janelle; (PSU) Tracy Claybaugh, Ann McClellan, and Marlin Collingwood; (KSC) Nathalie Houder, James Beeby and MaryBeth Lufkin; (USNH) Catherine Provencher, Heidi Hedegard, Ron Rodgers, and Lorna Jacobsen with Karen Benincasa, Tia Miller, Lisa Thorne and Matt Purcell participating via videoconference

Additional Faculty, Staff, and students participated by video conference

I. Call to Order:

At 2:00 pm Chairman Pilot called the meeting to order and reviewed the items on the agenda.

II. Approve Consent Agenda (Moved and duly seconded)

VOTED, to approve the consent agenda for June 23, 2022.

Items on the consent agenda:

- A. Approve minutes of the March 3, 2022, meeting
- B. Approve use of reserves for funding CERP negative balance

C. Approve capital projects recommended by the Investment and Capital Planning Committee

-End of Consent Agenda –

III. Status Update FY22

A. FY22 Financial Update

Vice Chancellor Provencher noted a delay in the approval and processing of FEMA claims submitted so a large portion on one-time Federal revenues may move into FY23; however, expects FY22 could still close with Operating Margin (OM) around break-even for the year. She stated that the fiscal YTD loss on the ST Investment Pool would also result in a decline in OM of approximately \$5 million; however, some campuses may perform better than the P1 projections such as KSC.

IV. Review and approval of FY23 operating and capital budgets excluding strategic investments

VOTED on recommendation of the Chief Administrative Officer and the Presidents' Council, that the following motion be presented for consideration to the Board of Trustees:

MOVED, on recommendation of the Financial Affairs Committee, that the Board of Trustees, approve operating budgets and capital budgets, excluding strategic investments, for University System applicable to the fiscal year beginning July 1, 2022, and ending June 30, 2023 (FY23) as presented in the attachments.

AND FURTHER requires campuses and the system office to reduce FY23 expenditure budgets in the event FY23 projected operating revenues are less than the approved budget; campus revenue updates to be provided to the Financial Affairs Committee of the Board of Trustees in October 2022 and full projections, as historically provided, in January 2023 (P1) and April 2023 (P2)

AND FURTHER authorizes funding for COVID testing costs deemed necessary by the Presidents between July 1, 2022, and June 30, 2023

{The Committee voted unanimously in favor of this motion}

On a recurring basis, the FY 23 operating budget is projected to be at a \$700,000 loss. Provencher reported on operating margins by campus and said that UNH is on target for a 1% margin and

reviewed the factors contributing to the losses at PSU and KSC including inflationary increases and enrollment decline at PSU. Chairman Pilot said that the operating losses at PSU and KSC should not be viewed as failure on the part of campus leadership as they have worked hard to make the cuts that were needed.

Vice Chancellor Provencher presented a slide that compared FY23 budget to FY19 budget and said that even with inflation, USNH has been able to roll back \$15.3 million in operating expenses. She highlighted the employment cost reductions during the period and said those reductions are despite salary increases.

Vice Chancellor Provencher reviewed the capital budget for FY23 indicating it is within the Board parameter of 1 X depreciation. She said the total budget is \$93.5 million including \$10 million in carryforward funds. She directed the Committee to the detailed list of projects by campus in the appendix.

Vice Chancellor Provencher shared risks and opportunities in the FY23 budget including inflationary pressure, the financial markets, and the employment market. She said opportunities include the possibility of funding from the State or Federal Government for certain investments.

Presidents Birx and Treadwell provided additional details on their campus projections and FY23 budget and responded to questions from Committee members. Inflation and enrollment challenges were mentioned by both and strategies to improve enrollment were shared.

Committee members were asked if they had suggestions for other things that could be done or other areas of focus to improve financial results. Included in the discussion were the following ideas: Focus on ways to improve retention, focus on mental health and wellness, focus on students and mission and take critical look at items that are not core, look at energy spending and risk mitigation, space utilization. Prior to the vote on the budget, Chairman Pilot initiated a discussion on plans for a strategic investment planning process (see discussion in V. below).

V. Review and Approve Strategic Investment Planning Process

VOTED, on recommendation of the Chief Administrative Officer and the Presidents' Council, that the following motion be presented for consideration to the Board of Trustees:

MOVED, on recommendation of both the Financial Affairs Committee and the Investment and Capital Planning Committee, that the Board of Trustees, convene a task force led by the Interim Chancellor and supported by the Presidents of PSU and KSC and USNH CAO with the purpose of addressing the following:

- 1) Identify the magnitude of the challenge over the next 10 years
- 2) Identify how USNH can leverage each institution's strengths to have more focus and coordination as a system
- 3) Recommend the vision and plan to achieve a systemwide shared academic and shared student experience
- 4) Identify the systemwide infrastructure needed to support the recommendations of the task force; What investments are needed and what assets and infrastructure should be divested?
- 5) Identify how additional State dollars can best support the overall strategic vision/plan
- 6) Identify opportunities and recommendations for the broader public higher education system in NH

The task force will provide status updates to the Executive Committee at its monthly meetings.

{The Committee voted unanimously in favor of this motion}

President Dean shared a recommendation from the Presidents' Council for a task force to address topics related to strategic planning and investments. He said the task force would identify and quantify risks and opportunities and provide recommendations to the Executive Committee. He said a plan needs to be developed so that the institutions will be viable and remain institutions that student want to attend.

Trustee Pilot said the scope of the task force is broad and will include an assessment of physical plant, pricing, collaboration with the State and other partners. He said outside assistance will be necessary. The Committees discussed the charge of the task force and the legislative members of the board and Governor's representative offered comments on the State's perspective, funding, and suggestions for educating the legislature about USNH. Addressing public higher education needs of NH residents in partnership with the State and CCSNH was discussed.

Trustee Rutman recommended the develop of two plans; one without additional state support and one with additional funding from the state.

VI. Review of updated cash and investment capacity projected as of June 30, 2023

Vice Chancellor Provencher briefly reviewed cash flow and investment capacity, explaining the difference between cash flow and reserves and noting that there is less capacity than previously projected. She said USNH could incur debt to finance residence halls rather than drawdown cash.

Vice Chancellor Provencher recommended that the Committees wait to approve any strategic investments, other than the investments already underway, and briefly reviewed cash flow and investment capacity, explaining the difference between cash flow and

reserves and noting that there is less capacity than previously projected. She said USNH could incur debt to finance residence halls rather than drawdown cash; however, USNH has limited cash available based on the FY23 budget presented.

VII. Urgent Investment Requests

A. Approval of select strategic investments included in FY23 Budget for infrastructure and ongoing work

VOTED, on recommendation of the Chief Administrative Officer and the Presidents' Council, that the Financial Affairs Committee and Investment and Capital Projects Committee recommend the following for consideration by the Board of Trustees:

MOVED, on recommendation of the Financial Affairs Committee and the Investment and Capital Projects Committee that the Board of Trustees, approve the following strategic investments for University System applicable to the fiscal year beginning July 1, 2022, and ending June 30, 2023 (FY23) as presented in the following schedule

- Strategic Investments Requested in FY23 Budget (Systemwide Infrastructure/UNH Requests Only): The FY23 Budget includes \$9.1 million of select Strategic Investments (Operating Expenses) for initiatives that were already started in FY22 and will need to be approved in order to continue into FY23 and \$3M of capital expenditures for ERP as well as a new request for UNH:
- Systemwide Infrastructure - Continuing: » ERP \$3.5M (Total FY23 Budget requested of \$6.6 million; \$3.5 million of operating expenses and \$3M capital) Online \$2.8M
- UNH Request - Continuing: » GSC/UNH Merger \$1.8M
- UNH New Request (Request for Partial Use of FY22 O/M in excess of 1%): Research, Engagement, Outreach \$1M

{The Committee voted unanimously in favor of this motion}

Vice Chancellor Provencher reviewed the list of investments noting that the only new one was the UNH request for use of \$1 million of excess FY 22 margin for Research, Engagement and Outreach.

B. UNH First Look Housing Renovations for Babcock and Hetzel

Vice President Vernon and Mr. Janelle described proposed renovations to Babcock and Hetzel Halls at UNH noting that they are part of the overall housing master plan. The

deficiencies in the current buildings were described and the planned renovation work. Vice President Vernon said Hetzel Hall is currently unoccupied, so completion of the project could generate \$1.9 million of revenue per year. Vice President Vernon described contingency plans and Vice President Jones pointed out that UNH will require sophomores to live on campus which is not the case now.

Some concern about the cost of the renovations was expressed and UNH was asked if they had looked at any other models for renovations.

C. Plymouth State University Recommendation

President Birx described PSU's enrollment challenges and shared recommendations for investments that would improve enrollment and retention. He clarified that some of the investments totaling approximately \$2 million (marked with red dots) were included in the FY23 budget approved earlier in the meeting. President Birx answered Committee questions and provided information on each investment.

D. Keene State College Recommendation

President Treadwell described KSC's efforts to improve utilization of its physical plant and efforts to increase enrollment. She said the original plan for an Athletic Dome with track inside has been scaled down to an outdoor track. Trustee Westover offered comments in support of the track investment.

Chairman Pilot said the desired investments for all campuses exceed the funds available and more work needs to be done on the list. He will look to the President's Council for a proposal to fund the priorities.

VIII. Discuss state operating budget request and delegate

VOTED, on recommendation of the Presidents' Council, that the Financial Affairs Committee delegate authority to the Executive Committee to approve guidelines for the FY24-25 Biennial State Operating Budget Request **AND FURTHER** to direct the Chief Administrative Officer to prepare the detailed request consistent with those guidelines, and with input from the Presidents' Council, for approval by the Board of Trustees or Executive Committee on behalf of the Board of Trustees prior to submission to the Governor.

{The Committee voted unanimously in favor of this motion}

IX. Other Business

A. Chair or Committee Comments

Chairman Pilot thanked Committee members and campus leadership for the candor and

good conversation. He is optimistic that working together, USNH will set a sustainable path for the future.

B. The Committee adjourned at 5:55 p.m.