



Approved 1/19/23

**JOINT MEETING OF FINANCIAL AFFAIRS COMMITTEE AND THE
INVESTMENT AND CAPITAL PLANNING COMMITTEE
October 20-21, 2022**

The Financial Affairs Committee and the Investment and Capital Planning Committee met in joint session at the Merrill Place Conference Center at Plymouth State University.

Financial Affairs Committee and Investment and Capital Planning Committee members participating at the meeting location: Mike Pilot (FAC Chair), Jamie Burnett, Kevin Knarr, Peter Paul, George Hansel, and Gregg Tewksbury; Committee members participating by video conference: Morgan Rutman; Other trustees participating at the meeting location: Alex Walker, Representative Rick Ladd, Frank Edelblut, Cathy Green, Shawn Jasper, Senator James Gray, Joel Nkounkou, David Westover, and Zachary Christie; President Donald Birx, President James Dean, and President Melinda Treadwell;

Staff present at meeting location, (UNH) Marcel Vernon, Wayne Jones, Marian McCord, (PSU) Tracy Claybaugh and Marlin Collingwood; (KSC) Nathalie Houder and James Beeby; (USNH) Catherine Provencher, Chad Pimentel, Karen Benincasa, Tia Miller, Lisa Thorne, Matt Purcell, and Lorna Jacobsen (scribe).

Additional Faculty, Staff, and students participated by video conference

I. Call to Order:

At 2:30 pm Chairman Pilot called the meeting to order and reviewed the items on the agenda.

II. Approve minutes (Moved and duly seconded)

MOVED, that the minutes of the June 23, 2022, joint meeting of the Financial Affairs and Investment and Capital Planning Committees be approved.

{The Committees voted unanimously by roll call vote in favor of this motion}

III. Review updated enrollment and impact relative to FY23 budget

Vice Chancellor Provencher provided a high-level financial update as of October, noting the total system-wide recurring Operating Margin is on target with FY23 budget. She reviewed primary student revenue informed by the Fall 2022 enrollment results noting that there is an unfavorable variance vs. FY23 budget of approximately \$2 million systemwide, however lower projected

expenses are expected to offset this revenue shortfall.

IV. Update on Strategic Investment Planning Process

A. Presentation on Space Utilization

Vice Chancellor Provencher welcomed Greg Dumont from Dumont Janks who presented a summary of the space utilization study that was recently conducted for USNH. He described the methodology and terminology used in the study and reported on types of space by campus and analyzed classroom demand and utilization, office utilization, student life space, residential life space and occupancy. He pointed out the need for computer data management systems to assist in making good decisions regarding facilities and said those are not universally available now. He noted that COVID restrictions had impacted the total beds available but noted that a minimal occupancy rate of 95% is needed in order to achieve financial stability.

Committee members discussed the findings, made observations, and asked questions. Trustee Jasper said that it is not sustainable to keep growing and urged an end to leasing space given the excess of space that exists primarily in administrative/office space. The importance of right-sizing the institutions was mentioned by several trustees. Vice Chancellor Provencher said an inventory of leased space is underway and said an RFP for systemwide master planning services is being drafted.

B. Review System Investment Capacity

Chairman Pilot described how investment capacity is determined, explaining Unrestricted financial resources (UFR) to outstanding debt (UFR:debt) is a metric used to measure balance sheet investment capacity and described what sources of funds are available to actually pay for investments.

Vice Chancellor Provencher reviewed the currently estimated System investment capacity explaining Unrestricted Financial Resources (UFR) is the unrestricted equity on the balance sheet and said a conservative 50% floor is being used to estimate available investment capacity over the next 5 years. She reviewed a five-year projection, using FY23 adjusted budget as a baseline and factoring in a number of assumptions over the next 5 years, including but not limited to, declining enrollment and increased discounting. In what was deemed to be the ‘most likely’ 5-year scenario, the low point in capacity was projected to be in FY28 with \$84 million. She discussed the impact of debt funding on the investment capacity noting the capacity would increase to \$97 million if Hetzel is debt funded because of the UFR:debt ratio calculation. She said that once the overall investment plans are approved, the cash needs by year will be determined and layered into the projection.

Vice Chancellor Provencher commented on the risks including the possibility that the assumptions are not valid, investments made will not generate the return that has been estimated, cash flow requirements are under stated, or that the investment plan is too conservative. She noted that even with the investments, it is possible PSU and KSC will fall short of achieving a positive margin at the end of the 5-year period. Lastly, there is a “holdback” of capacity at about \$40 million for unfunded System-wide infrastructure and other initiatives including the possible ERP project

Chairman Pilot said the stakes are high and the funds that are available are at a premium and once spent, there will not be a chance to do over. He said the joint meeting would be extended to allow for thorough presentation and discussion of the strategic investment proposals. Items for the Financial Affairs Committee, originally scheduled for 4:00 PM, will be addressed by the Full Board tomorrow. Total investments requested by each campus were reported and he asked each President to present their proposals for strategic investments.

UNH shared the plans, project budget and payback estimate for a comprehensive renovation of Hetzel Hall. It is anticipated that this project will be funded by bonds. It was noted that BOT already approved some strategic investments for UNH at the June meeting as part of the FY23 budget.

PSU presented their strategic initiatives which included renovations to a number of residence halls and apartments, renovations to mechanical systems at the PE Center, Hyde Hall (partially funded by the State) and Highland Hall.

KSC presented their strategic requests including investments in student success initiatives, expansion of recruitment of underrepresented groups, enhancements in the athletic program, the demolition of several buildings and the renovations of Redfern Arts Center.

Committee members asked questions and made comments on the campus proposals.

The housing requirements for each campus were compared with those of other New England Institutions, some of which require juniors to live on campus. UNH said that while details are being worked out, the housing requirement should not impact those sophomores with contracts for housing in Fraternity or Sorority Houses.

Cost per square foot of construction were reviewed for the projects being presented with concern that the cost of Hetzel Hall was higher than other renovation projects.

Recess Meeting: To allow more time for Committee questions and discussion, at 5:00 PM Chairman Pilot recessed the meeting until 9:00 Am on Friday, October 21, 2022.

Return to Order: At 8:50 am on October 21, Chairman Pilot called the meeting back to order. Vice Chancellor Provencher called the roll and noted the presence of a quorum sufficient to do business. In attendance at the meeting location were: Mike Pilot (FAC Chair), Jamie Burnett, Kevin Knarr, Peter Paul, and Gregg Tewksbury; Committee members participating by video conference: Morgan Rutman and George Hansel; Other trustees participating at the meeting location: Alex Walker, Representative Rick Ladd, Frank Edelblut, Cathy Green, Shawn Jasper, Senator James Gray, Joel Nkounkou, David Westover, and Zachary Christie; President Donald Bix, President James Dean, and President Melinda Treadwell;

Chairman Pilot provided background on the process and said the Committees are being asked to approve a framework of the strategic investment plan and the amounts to invest for year one (FY23) of the plan. He said individual projects that are over the Presidents' delegated authority will need to be approved by the Committees or the Board depending on the amount and funding for future years

(beyond FY24) will be approved as part of the annual budget process. He noted that the motion calls for approving revised capital and operating budgets for FY23 to incorporate the investments.

Recommendation from Presidents' Council (Moved and duly seconded)

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

MOVED, on recommendation of the Financial Affairs and Investment and Capital Planning Committees, that the attached plan for strategic investments be approved subject to individual capital project approval where required by policy; AND FURTHER, revised operating and capital budgets for the University System for the fiscal year beginning July 1, 2022 and ending June 30, 2023 (FY23) be approved in total as recommended by the Financial Affairs Committee to incorporate incremental approved strategic investments to be made during FY23.

{The Committees voted unanimously by roll call vote in favor of this motion}

President Dean described the work of the Presidents' Council in arriving at this recommendation and complimented Vice Chancellor Provencher for the work of she and her team in transforming the requests into a financial package. He recognized the other presidents for their collaboration and said the investments are thoughtful and strategic and have been refined and reworked. President Dean indicated his support for the proposed investment.

A Summary of comments/points made by Committee members:

- It is important the Board continues to support the request for additional funding that has been submitted to the State for FY24 and FY25 and important for USNH to demonstrate it uses its resources wisely.
- Concern expressed that there is a disconnect with the Sightlines report on deferred maintenance which indicates USNH is in good shape relative to peers, and the urgent requests from the campuses for addressing deferred maintenance issues.
- Concern with the economic outlook and its impact on construction costs. Would waiting on some projects result in lower costs?
- Questions regarding the cost per square foot of construction and an explanation that the certainty of estimated costs is dependent on the stage of the project, completion of schematic design, and budgeted contingencies. It was noted that this is one metric that can be used to measure success.
- Accountability is critical and a set of metrics will need to be developed to measure the payback on investments.

- An expression of trust in the work that led to the proposals and recognition that there is uncertainty in the future, but there is greater risk in doing nothing.
- Two thirds of available funding is going to KSC and PSU in order for them to have the tools to succeed.

Other Business

A. Chair or Committee Comments

B. The Committees adjourned at 9:50 a.m.