



Approved April 20, 2023

REPORT OF THE INVESTMENTS AND CAPITAL PLANNING COMMITTEE
Meeting
January 19, 2023

The Investment and Capital Planning Committee met at 12:30 p.m. on January 19, 2023, at the Memorial Union Building at the University of New Hampshire. Committee members participating at the meeting location: Mike Pilot, Kevin Knarr, Amy Begg, and Catherine Provencher; Committee members participating by video conference: Morgan Rutman and George Hansel; Other trustees participating at the meeting location for some or all of meeting: Frank Edelblut, Cathy Green and Jamie Burnett and President Donald Birx; trustees participating by video conference Senator James Gray.

Staff: present at meeting location, (KSC) Nathalie Houder; (UNH) Marcel Vernon and (USNH) Karen Benincasa, Matt Purcell, and Lorna Jacobsen (scribe).

Jeff Croteau and Ryan O'Quinn from Prime Buchholz were in attendance.

Other staff and guests attended by video conference.

I. Call to Order

Chairman Rutman called the meeting to order at 12:40 pm noting a quorum sufficient to conduct business.

II. APPROVAL OF CONSENT AGENDA (Moved and duly seconded)

VOTED, that the consent agenda of the January 19, 2023, meeting be approved.

{The Committee voted unanimously by roll call vote to approve this motion}

Items on the Consent Agenda:

- a) Approve minutes of the Committee's meeting of October 20, 2022, and the joint meeting with Financial Affairs Committee on October 20, 2022.
- b) Ongoing Capital Projects Report – Information Only.

End of Consent Agenda

III. Update from Prime Buchholz

A. Review of endowment and operating cash portfolio performance for the period ending December 31, 2022

Mr. Croteau commented on the market environment for the period ending December 31, 2022, noting that it had been one of the worst years in a long time for the equity sector. He said the bond market, which is usually a safe harbor, was also down. He said the majority of the negative returns were in the first half of the year and that the last six months had been better, with January to date positive by about 3%. He said inflation has moderated and while it is still 7.1%, Prime is modeling a 2.5% inflation rate in short term and endowment return projections.

Mr. Croteau shared portfolio performance results for the period ending December 31, 2022. The market value of the portfolio was \$546 million, and the portfolio had a return of a negative 12.1% for the quarter ending December 31, 2022, and a return of .2% for the fiscal year to date. He reviewed performance by sector and noted that Private Equity investments had served to lessen the negative returns and if USNH had been invested only in stocks and bonds, the return would have been a negative 17.1%.

Mr. O'Quinn reviewed the current asset allocation reporting that USNH is on target in public equity and working towards the recently increased target for Private Equity. He said USNH is slightly underweighted in Fixed Income but has an allocation to cash. He said the short-term operating portfolio at the end of December totaled \$230 million with another \$30 million in other liquidity at banks to fund USNH operating costs. He said performance for the fiscal year to date was .5 % but yields have been improving.

Chairman Rutman commented that with higher rates, it is important to maximize the amount invested and minimize the amount in accounts that are earning lower returns.

B. Recap of activity since last meeting

Mr. Croteau referred the Committee to the written report of actions taken between meetings and said that the actions were all related to rebalancing and that \$7 million in Varde and \$10 million in Palestra were sold in December. In January, \$3M American Funds Europacific Growth and \$3M MFS International Equity was purchased with Varde proceeds.

IV. USNH Finance Update

A. Review Cash Flow Projections

Assistant Vice Chancellor for Financial Affairs, Karen Benincasa reviewed current cash flow projections noting that Cash and ST Investments balances are expected to be sufficient for FY23; but current projections suggest a possible need for endowment liquidation at the end of FY24. She noted that currently USNH is below the assumption of a 1% return on ST Investments as of December 2022. The Committee discussed the variation in cash balances over the year and Vice Chancellor Provencher said the timing of the spend of the \$50 million in strategic investments will impact cash projections.

B. Treasury Organization Update

Ms. Benincasa provided background on the USNH Treasurer's Office organizational structure in both the pre-FAR state and the current state. She reviewed services provided by the department and shared difficulties that USNH has had in filling certain critical positions within the department.

C. Non-Public Session

At 1:25 p.m. the following motion to enter nonpublic session was made by Vice Chancellor Provencher and duly seconded. The motion was approved by roll call vote. In addition to trustees, campus CFOs attended the non-public session.

MOVED, that the Investment and Capital Planning Committee go into nonpublic session for the purpose of discussing confidential, commercial, financial information, as authorized by the Right to Know Law provisions, RSA 91-A:5, IV.

A. Return to Public Session

Upon a motion to exit nonpublic session, made by Vice Chancellor Provencher, duly seconded, and approved by roll call vote, Chairman Rutman reconvened the public meeting at 1:41 p.m. and the Committee took the following action.

B. Approve Contract Amendment

VOTED, on recommendation of the chief administrative officer, that USNH continue its agreement for OCIO investment services with the existing investment advisor, Prime Buchholz, through June 2025 and expand the level of services to include short term investments; **AND FURTHER** that the USNH Treasurer be authorized to finalize and sign the necessary documents with Prime Buchholz **AND FURTHER** that USNH policies and guidelines are updated to reflect the change to an OCIO model for the USNH Short-Term Investments

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

V. CAPITAL ITEMS

A. Status of Campus Master Planning

Vice Chancellor Provencher discussed the master planning process and timeline. She said request for proposals (RFP) have been published for KSC and PSU with UNH following soon. She said there has been collaboration on the process and she expects the process to last about 18 months and involve many stakeholders. The space utilization study was used as a stepping off point for developing the RFPs.

B. Approval of Revised Budget for UNH Huddleston Hall {Moved and duly seconded}

VOTED, on recommendation of the UNH President, that the Investment and Capital Planning Committee approve a revised budget of \$23.2 million for renovations to

Huddleston Hall at the University of New Hampshire, **AND FURTHER**, that the revised funding sources be \$12.2 million in UNH operating funds and \$11 million in donor gifts.

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

Ken Weston, UNH Executive Director of Campus Stewardship and University Architect provided background on the project and described the changes requested by the donor. In response to a question, he said the additional \$800,000 in UNH capital budget did not mean that other needed projects were being eliminated to provide funding for this project but that the cash flow on certain projects will be spent in FY25 rather than FY24.

The Committee asked questions about the reduction in the contingency amount from the original budget of \$1.8 million to the current request of \$1 million and whether this represented an identified reduction of risk in the project. UNH administrators were asked if they thought this budget would be adequate or if they anticipated coming back to the Committee with another request for an increase in the budget. UNH administrators responded that there are still some uncertainties, and they would be more comfortable with a higher contingency. After some discussion and agreement by UNH, the committee increased the owner's contingency from \$1 million to \$1.4 million with the additional \$400,000 to be funded by UNH funds.

C. Approval of Plymouth State University Hyde Hall Project (Moved and duly seconded)

VOTED, on recommendation of the PSU President, that the following motion be presented for consideration by the Board of Trustees, **MOVED**, on recommendation of the Investment and Capital Planning Committee, that the Board of Trustees authorize that a \$30.5 million project budget be approved for PSU to proceed with work to complete the renovation of Hyde Hall “The Hyde Hall Innovation Center” **AND FURTHER**, that the source of funds be \$6.5 million in state funding, \$10 million of USNH strategic funding, \$4 million of gift funding and \$10 million in PSU unrestricted funds.

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

USNH Director of Capital Planning Matt Purcell described the Hyde Hall Project, the scope of work, budget, funding sources, and the importance of the project to PSU. He said there is urgency to start the project as there have been numerous equipment failures and there is a risk of losing the use of portions of the building.

The Committee discussed the funding sources and asked questions about the uncertainty of the \$4 million in additional State funding and the Gift funding. Vice Chancellor Provencher said the status of the \$4 million in additional State funding would not be known until June 2024. President Birx said he expects PSU will be successful with the gift funding and the actual amount might be higher. Vice Chancellor Provencher indicated that there has been a request of \$8.4 million in GOFERR funding for HVAC system that could be an alternate source of funding.

President Birx described the balance between infrastructure components of the project and the work designed to improving the classroom pedagogy and utilization. He said the investment in this building is critical to PSU and replacing only the infrastructure would not accomplish long term strategic goals.

The Committee approved the project understanding there is funding risk. The Committee requested the minutes of the meeting reflect that by approving the total project budget, PSU is accepting the risk of future state and gift funding not materializing and will make up any shortfall by deferring other deferred maintenance projects.

D. Approval of Plymouth State University Student Apartment Strategic Investment Project
(moved and duly seconded)

VOTED, on recommendation of the PSU President, that the Investment and Capital Planning Committee of the Board of Trustees authorize that a \$5.0 million project budget be approved for PSU to proceed with work to complete the renovation of six (6) of the White Mountain Apartments **AND FURTHER**, that the project be funded through \$5.0 million of USNH strategic funds approved by the Board of Trustees in October 2022 as the source of funding.

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

President Birx described the planned project to renovate 6 units in the apartment complex that are badly in need of repair. He said if not renovate, PSU could lose the use of the apartments. Mr. Purcell said they are using a Design-to-build approach so the construction manager will not exceed the funding available but do as much as possible with the available funds.

VI. Other Business

A. Next meeting date is April 20, 2023

B. The Committee adjourned at 2:45 p.m.