



DRAFT

FINANCIAL AFFAIRS COMMITTEE

June 27, 2024

The Financial Affairs Committee met at the University of New Hampshire on June 27, 2024.

Financial Affairs Committee members participating at the meeting location: Mike Pilot (Chairman), Kass Ardinger, Jamie Burnett, Emily Coutermarsh, Morgan Rutman, George Hansel, Peter Paul; Other trustees participating at the meeting location: Jacqueline Eastwood, Cathy Green, Representative Rick Ladd, Frank Edelblut, Shawn Jasper, Senator James Gray; Christiana Thornton, Wayne Semprini, David Westover; Eric Carter, President Donald Birx, President James Dean, and President Melinda Treadwell; Other Trustees participating by video conference: Joel Nkounkou and Kevin Knarr

Staff presenting at meeting location: (UNH) Wayne Jones, Sam Fucile; (KSC) Nathalie Houder, MB Luftkin; (PSU) Tracy Claybaugh, and Nate Bowditch (USNH) Catherine Provencher, Chad Pimentel, Karen Benincasa, Tia Miller, and Lorna Jacobsen (scribe).

Additional Faculty, Staff, and students attended both in person and by video conference.

Call to Order:

At 3:15 pm Chairman Pilot called the meeting to order and reviewed the items on the agenda.

Approve Consent Agenda (Moved and duly seconded)

MOVED, that the consent agenda of the June 27, 2024, meeting of the Financial Affairs Committee be approved.

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

Items on the Consent Agenda:

- 1) Approve minutes of the Financial Affairs Committee meeting of March 8, 2024.

End of Consent Agenda

ACTION ITEMS

Approval of Systemwide FY25 Operating and Capital Budgets (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 Committee, that the Board of Trustees, approve the operating and capital budgets, for the University System applicable to the fiscal year beginning July 1, 2024, and ending June 30, 2025 (FY25) as presented in the attachments;

AND FURTHER, in the event revenues are lower than currently planned in the attached budget by institution and in total, require budget adjustments to reduce expenses to the lower revenue levels to meet the Operating Margins as presented in the attachments;

AND FURTHER, require the use of available restricted and external funding prior to the use of any USNH funds with exceptions requiring the approval of the institutional CFO or CFO designee

{The Committee voted unanimously in favor of this motion}

Budget Presentation:

Assistant Vice Chancellor for Financial Affairs Karen Benincasa described the budget process saying that Institutional and Shared Services budgets were submitted in May 2024. In June, after review of the consolidated budget, the Presidents' Council agreed to reduce the consolidated recurring operating loss for FY25 by 1% of operating revenues for each institution. She said that equates to \$8.8M of Operating Margin improvements identified in June (after the budget submission) and/or to be identified in the future as outlined in the materials (\$7M UNH, \$1M PSU, \$.8M KSC). The cash needs for FY25 for UNH and PSU capital were reduced by budgeting below the 1 x depreciation target for the annual plan. KSC's originally submitted budget was less than 1x depreciation target. She said that there is a Total Operating Loss budgeted for FY25 of \$26 million and (\$22M) in Non-Recurring/Strategic Investments of which approximately 50% is for the ERP project.

Assistant Vice Chancellor Benincasa reviewed the budget summary of recurring operating margin by institution, commenting on the variance with targets that had been established. She said that UNH continues to analyze the gift expenditures in excess of annual revenues to determine if the incremental expenses are recurring or one-time/temporary expenditures. Total USNH recurring margin/(loss) could range between a loss of \$4.5M up to a margin of \$8.3M based on that final analysis. She said that both new and total undergraduate enrollment are budgeted to be flat for Fall of 2024. She also mentioned that future demographic declines are expected through Fall 2028.

Assistant Vice Chancellor Benincasa said that USNH is projected to spend \$125 million in capital

projects. She said USNH June 30, 2025 cash and short-term investments are projected to be \$132 million; which is consistent with the projected balance at the time the strategic investments were approved back in October 2022. She said financial pressures for the System continue and appear to be more challenging than expected indicating a need for increased shared services / facilities restructuring and downsizing / pricing strategy to increase revenue and market share. She recommends developing updated multi-year plans during the summer of 2024 to include updated information including updated enrollment, the FY25 budget as a new baseline, updated return estimates on strategic investments and financial sustainability plans, information from campus masters plans being finalized, etc..

Risks and Opportunities were discussed including Fall enrollment may be lower than budgeted, Targeted operating margin improvements may not be realized, rising medical claims, higher employment costs associated with Fair Labor Standards Act (FLSA) changes and a potential credit rating downgrade based on budgeted operating activity. Opportunities include the possibility that Short-Term Investment Returns will be higher than the 4.5% assumption, employee benefits redesign/changes that are currently being evaluated by USNH Presidents' Council and the ability to pause/delay additional Strategic Investment spending would reduce/delay FY25 cash needs.

Campus CFOs reviewed their individual campus budgets including describing their FY25 budget compared to targets, prior year, challenges, planned margin improvement initiatives, enrollment projections, strategic investments, and their capital plans.

Trustees made comments and asked questions including asking for more details on UNH's gift spending, potential savings from additional shared services, duplication of academic programs, employee headcount, the variability of enrollment results between campuses, and the importance of tracking progress against plans.

President Dean described a methodology that the UNH leadership team has been working on that will evaluate everything they do based on mission and margin. He said it is critical to take a strategic look at everything UNH does. The methodology will be shared with the incoming president.

Chairman Pilot thanked Vice Chancellor Provencher for her efforts to assist UNH by filling in on an interim basis. He stressed the importance of UNH having strong financial leadership.

Chairman Pilot congratulated KSC leadership on their ability to overcome a deficit and meet operating margin target set for FY25.

ERP update

USNH CIO Bill Poirier provided an update on the status of the ERP project. He said that over the last 13 months, the ERP team has been working hard and we are still on target for Go live. He reviewed the timeline and key milestones as well as expected work for the summer and fall. He noted that training and change management activities are on track to support Workday system production go-live.

USNH Biennial Budget Guidelines and Delegation to the Executive Committee (Moved and duly seconded)

VOTED, on recommendation of the Presidents' Council, that the Financial Affairs Committee delegate authority to the Executive Committee to approve guidelines for the FY26-27 Biennial State Operating Budget Request **AND FURTHER** to direct the Chancellor to prepare the detailed request consistent with those guidelines, and with input from the Presidents' Council, for approval by the Executive Committee on behalf of the Board of Trustees prior to submission to the Governor.

{The Committee voted unanimously in favor of this motion}

Vice Chancellor Provencher explained the need for a motion so that the guidelines for the biennial budget request could be developed with the Presidents Council over the summer and approved by the Executive Committee. She said that the final document requires approval by the Board of Trustees and has been requested to be received by the State (DAS) by Friday, September 13, 2024.

Other Business

Next Meeting Date is October 24, 2024

The Committee adjourned at 5:30 PM.