



Draft for Committee Review and Approval

REPORT OF THE FINANCE COMMITTEE ON INVESTMENTS
Meeting
October 22, 2020

The Finance Committee on Investments met at 12:30 p.m. on October 22, 2020 via ZOOM/teleconference. Participating were Committee members: Morgan Rutman (Chair), Mike Pilot, Todd Black, Gregg Tewksbury and Catherine Provencher; Trustees: Jamie Burnett, Joe Morone, Chancellor Todd Leach, UNH President James Dean; Representing the Governor's Office was Jonathan Melanson; Students Jose Calvo and Logan Slattery,

Also in attendance: Jeff Croteau, Ryan O'Quinn, and Kate Dumas from Prime Buchholz; Katherine Aydelott, Jay Calhoun, Bill Janelle Wayne Jones and Doug Bencks; (UNH); Tracy Claybaugh (PSU), Susan LaPanne, MaryBeth Lufkin (KSC) Karen Benincasa, Matt Purcell, and Lorna Jacobsen from USNH; and Samuel Karasek and Rob Kowliski, journalists.

The following announcement was read by Lorna Jacobsen and attendance was taken.

This meeting is being held by electronic means in conformance with the Governor's emergency declaration of March 13, 2020, and subsequent emergency orders, as well as the applicable provisions of the New Hampshire Right-to-Know Law, RSA 91-A. If during the conduct of this meeting, anyone has difficulty connecting or staying connected to the video or audio feed please contact Tia Miller at Tia.miller@usnh.edu or 603-862-0918.

Chairman Rutman called the meeting to order at 12:30 pm. and a quorum sufficient to conduct business was noted.

I. APPROVAL OF MINUTES (Moved by Vice Chancellor Provencher and duly seconded)

VOTED, that the minutes of the June 25, 2020 meeting
be approved

{The Committee voted unanimously to approve this motion}

II. ITEMS FOR COMMITTEE DISCUSSION AND POSSIBLE ACTION

A. Summary of recent actions/activity in the portfolio

Mr. Croteau discussed actions taken by Prime Buchholz on behalf of USNH and said that consistent with guidance from the committee, Prime Buchholz had continued to raise cash throughout the summer months as part of a risk mitigation strategy to position USNH for any uncertainties related to

COVID 19. He said trades were within policy ranges and executed efficiently. He reviewed rebalance actions and manager replacements and noted an additional \$5 million investment with Greenspring.

Chairman Rutman said the increase in the cash allocation was at the Committee's direction to create a buffer when faced with the unprecedented uncertainties caused by COVID.

B. Endowment and Operating Cash Portfolio Review and Performance for the period ending September 30, 2020.

Mr. Croteau shared portfolio performance results as of September 30, 2020. He noted that the portfolio had a return of 5% for the fiscal year to date and .3% for the calendar year to date. The market value of the portfolio is \$554 million. He noted that in addition to the cash that is held, there is \$245 million in daily liquidity. He discussed performance by sector pointing out over and under-performing managers, and new investments to the portfolio.

Mr. O'Quinn reviewed the short-term operating portfolio which at the end of September totaled \$291 million. He said performance has been positive and the portfolio is generating a yield of 80 basis points.

In response to a question on the ability to include TIPS in the short-term portfolio, Mr. Croteau said it is something that could be considered, but is not consistent with the yield enhancement strategy that was set when Prime starting advising on this portfolio five years ago.

C. Review of Private Capital

Ms. Dumas reviewed the Private Capital exposure and tools Prime Buchholz uses to project cash flows. She shared a graph that depicted the current commitments and investment timing required to reach the target of 15%.

The Committee discussed the impact of COVID on capital calls and distributions. Mr. Croteau said that both capital calls and distributions are down over pre-COVID times. He noted that USNH is still early in its ramp up to the target of 15% in Private Equity and at this point contributions exceed distributions. He estimates it will be another five to six years before the allocation to Private Equity is self-funding.

III. REVIEW CASH FLOW PROJECTIONS

Vice Chancellor Provencher reviewed high level projected cash flow through June 2021 as of October. She said that it looks like COVID testing costs will be about \$40 million more than projected in June. She said that spending at this level may require \$10 million to \$20 million of cash from the quasi-endowment to maintain the target of 60 days of cash on hand. She said USNH is considering requesting additional CARES funds from the State to help with the testing costs. Vice Chancellor Provencher reviewed the assumptions in the cash flow projection and said they are based on the information available at this time.

The Committee discussed the testing costs and the potential to reduce costs if UNH could conduct the testing for KSC and PSU at their lab. President Dean said that he hopes UNH will have the capacity to

expand the testing to include KSC and PSU in the spring. If that is possible, the cost of testing could be significantly reduced.

IV. CAPITAL ITEMS

- A. Approval to proceed with work to complete the UNH Biological Sciences Center. and approval of a revised project budget

VOTED, on recommendation of the UNH President, that the following motion be presented for consideration by the Board of Trustees,

MOVED, on recommendation of the Investment Committee, that the Board of Trustees authorize UNH to proceed with work to complete the renovation and addition to Spaulding Hall “The Biological Science Center” AND FURTHER, that a revised budget of \$95.5 million be approved that includes an additional \$9.5million in UNH unrestricted funds as the source of funding for the increase.

{The Committee voted unanimously to approve this motion}

Vice Chancellor Provencher said that in April 2020 in response to the financial impact of the COVID-19, capital expenditures were curtailed in efforts to preserve cash. As part of that directive, UNH was directed to halt construction in December 2020 after completion of a weather tight shell on the building. UNH presented options in the Committee materials for completion of the project and a request to increase the budget. Vice Chancellor Provencher said that moving ahead in January requires total cash outlay for this project in FY21 of \$37.8M (\$12.8M beyond current commitments). UNH has used the first \$10 million in State funding and said the State has committed \$12 million in the next biennium.

UNH has reviewed options for moving forward to complete the Biological Science Center so the building can be used as soon as possible and to mitigate increases in overall project cost. UNH is recommending “Option B” which would have construction begin again on January 4, 2021 and continue through completion of both phases of the project in April 2024. President Dean said that the Biological Science Project is the top capital priority for UNH and critical for meeting its strategic goals. The project will address urgent facility needs in the life science area and create capacity to increase student enrollments and attract new faculty in high demand, strategic science programs.

The Committee discussed the decision made to curtail work in April which was prudent at that time with so many uncertainties. While there is still uncertainty several factors have changed including the success of institutions at controlling expenses, the success at opening the campuses and the promising restructuring efforts that will cut expenses.

Mr. Janelle explained the reasons for the increase in the project budget attributing it to four factors: project complexity, impacts of COVID-19, high demand in the construction industry, and additional costs identified when the final design was completed. UNH is forecasting a project budget of \$95.5 million if the project is approved to move fully forward.

Several trustees expressed their support for the project, the mission criticality of this project, and noted the hard work on cost containment across the System that is providing the comfort to move forward. A request to review the project approval process which allows a project to be approved before plans are fully developed was made. Trustees stated that the new budget should be considered final and that UNH needs to work within the \$95.5 million.

D. Status of ongoing capital projects

Vice Chancellor Provencher said the report is provided for information and provides updates on ongoing projects.

V. Other Business

A. Next meeting date is January 21, 2021

B. The Committee adjourned at 2:00 p.m.