Committee on Budget and Finance Meeting

Summary of August 5, 2015 meeting

The committee:
- reviewed the bylaws, set goals and objectives
- approved for recommendation to the board a bond resolution and delegation of authority to fund new projects and refinance outstanding bonds
- received a quarterly investment report from UBS investment consultants
- received an update on the supplemental budget process and schedule

Regarding Review of Bylaws and setting goals and objectives - the committee reviewed a draft provided by the committee chair, and noted that the review of RTRF overlaps with the R&I committee. The committee goals for the year included: approve supplemental budget request, approve operating budget, improved financial reporting, financial evaluation of professional schools, in-depth review of Manoa financial issues, strategic use of RTRF funds in the budget, plan to fund deferred maintenance, establish relevant financial metrics. Administration concurred with the goals and added that while aggressive, they aligned with administration plans and milestone objectives.

Regarding Approval of Bond Resolutions, delegation, and authorization for the CFO to enter into agreements - Administration presented a proposal for approval of up to $225M of bond financing. $8.5M would be for new projects with the balance going to refinance current debt to achieve savings in debt service. The final amounts will be established based on interest rates at the time of sale, with a target of going out in early September. The delegation or authority is required so UH may act swiftly in response to bond conditions. The bonds will be a mix of tax exempt and taxable components. New money will be taxable 30 year revenue bonds to fund new buildings for UHH Pharmacy and UH Law School Community Legal Outreach Center project, if projects are approved by the board, to allow flexibility for private activity such as food concessions. Outstanding bonds to be refunded are 3 previous series, where some are taxable bonds involving the JABSOM, student housing and other miscellaneous bond funded projects. Calls and refunds will be made only if the result is positive debt savings for each maturity.

Regarding the UBS Quarterly Investment Performance report - Administration provided a quarterly report from UBS that itemized funds in the legacy endowment portfolio. The result showed a mixed market, with a flat line in general in the US, and as to the portfolio value, the performance report shows stable incremental increase. A fossil free investment section was added to show progress towards the divestment policy. The committee and Administration agreed to work together to further refine this report. At the request of the committee, UBS will provide annual investment fee and internal fees charges, and split out equity investments to compare with board policy and performance in comparison to benchmarks.

Regarding the Supplemental Budget Process planning update, Administration reported that the instructions and guidelines were distributed to campuses to formulate requests for the supplemental budget request with a due date of August 17. It is anticipated that Administration will generally review the proposals at its September 2 meeting. Administration is also considering holding a budget workshop in September. It is anticipated that the Governor’s Office will submit its guidelines to departments and agencies in late September/October, and submission of budgets will occur between October/November.