

4-11-2006

University of New Mexico Board of Regents Minutes for April 11, 2006

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MINUTES OF THE MEETING OF THE REGENTS OF THE UNIVERSITY OF NEW MEXICO**April 11, 2006**

The Regents of the University of New Mexico met on Tuesday, April 11, 2006, 1:00 pm in the Student Union, Ballroom C. A copy of the public notice is on file in the Office of the President.

Regents present:

Jamie H. Koch, President
 Jack L. Fortner, Vice President
 Sandra Begay-Campbell, Secretary-Treasurer
 John "Mel" Eaves
 Raymond Sanchez
 Don Chalmers
 Rosalyn D. Nguyen

Acting President:

David Harris

Regents' Advisors present:

Christopher Smith, President, Faculty Senate
 Sabra Basler, President, Staff Council
 Buckner Creel, President, GPSA
 Brittany Jaeger, President, ASUNM
 Angela Vachio, President, UNM Alumni Association
 Robert Bovinette, Chair, UNM Foundation

Guests:

Gary B. Bland, State of New Mexico Investment Officer
 John Perovich, Gig Brummel, Patrick Glennon, Sandia Foundation Board Members
 Patrick Apodaca, University Counsel, and Leslie Apodaca

Others in attendance:

Members of the administration, faculty, staff, students, the media and others.

Regent Jamie Koch presided and called the meeting to order at 1:00 pm.

ADOPTION OF AGENDA, Regent James Koch

Motion approved unanimously to adopt the agenda and delete item XVII, K. "Approval of Consideration of Possible Naming Opportunities."

APPROVAL OF SUMMARIZED MINUTES OF THE MARCH 13, 2006 BOARD OF REGENTS MEETING

Motion approved unanimously to approve the Summarized Minutes of the March 13, 2006 UNM Board of Regents meeting.

APPROVAL OF REGENT'S MERITORIOUS SERVICE AWARD, Regent James Koch

Motion approved unanimously to approve the Meritorious Service Award to Rudy Davalos.

PUBLIC INPUT

Larry Crum

- Good medical healthcare combines cost effectiveness with competent care, along with the faith and trust that you put in your providers. In this way, healthcare is somewhat of an analogy to a person's religious faith. A person's religious faith is based on your comfort level of what is being provided and taught, along with the trust in the relationships that we cultivate along the way. Likewise, trust and faith in your doctors are the basic tenants of good healthcare. So I ask you to consider a hypothetical question. Would you be willing to change your religion to benefit your employer? I'm willing to say no. Essentially that is what you are asking of employees who have past histories with other hospitals and doctors. Beyond that, United Healthcare plan is structured such that if you are not willing to turn your back on those that you trust, or in my case actually saved my life, there will be a financial penalty. Is this the type of compassion and friendship that we want to apply to our employees? Should the fact that a lot of employees built up a relationship with another hospital, using a UNM sponsored healthcare plan, now be ignored and in fact penalized those employees so their employer can make up shortfalls. Financially forcing someone to walk away from their healthcare relationships with established doctors and hospitals to improve the UNMH bottom line is unethical. I agree something needs to be done to assist UNMH deficit. And it should be done at the state level through an equitable taxation, not by penalizing your own employees. Lastly, I want to mention the letter that I assume all employees enrolled in the United Healthcare program received last night in the mail. I will read one paragraph from it, "Unfortunately due to an oversight on our part, United Healthcare originally sent an incorrect certificate of coverage to the University of New Mexico employees near the beginning of the current plan year. Very shortly you will be receiving your corrected certificate of coverage for you United Healthcare." So, clearly what this means to me is that we have been insured for the last nine months, but don't even know the specifics of our actual coverage. Nine months ago when the incorrect certification of coverage came out, why didn't the UNM entity, responsible for our healthcare, even review it to ensure that UNM was getting what we contracted and paid a large sum of money for. Was it not at least checked for basic accuracy? In the past nine months our employee healthcare program has produced misconceptions and confusions about our healthcare as it relates to the plans that we converted from, higher premiums, significantly larger co-pays, and financial strong-arming to change our providers or financial penalties if we choose to not leave the providers who have our faith and trust. Now we are being informed that we don't even know what this coverage is. As a UNM Employee, I am imploring the Regents to help their employees and prioritize the healthcare problem. I ask your

assistance in helping UNMH receive additional funding, but not at the expense of your employees and their piece of mind. Please help stop the inequity of financial penalizing employees who years ago with the UNM healthcare plan chose others doctors and hospitals and who have kept us healthy enough to remain productive employees to this day.

- Regent Eaves commented that this issue is being discussed at the Finance and Facilities Committee meetings with Susan Carkeek and David Harris. It will be on the agenda for the next meeting. This is all tied up with UNM becoming self-insured in the next year.

Dr. John Geissman

- A meeting was held on the 21 st of March, an open meeting of the UNM faculty to discuss the process of hiring the next permanent president of the University of New Mexico . The agendas included the following: qualifications for the candidates for permanent president of UNM, the role and percentage of faculty on the official presidential search committee, and the means by which faculty select their representatives on the search committee. The following are the results of this meeting: the faculty agreed that the minimum qualifications should apply to each of the designated candidates for the position, each candidate should have earned tenure and subsequent promotion to the rank of full professor at an academic institution, have administrative experience at an institute of higher education in the central administration, have experience in demonstrated leadership in issues of diversity in higher education, have obtained a PhD or equivalent, and be characterized by personal integrity and collaborative leadership. In addition, the faculty agreed that the following are preferred qualifications: national/international perspective as indicated by past/present experience, experience in capital campaigns and fund raising, experience working with legislators, understanding of UNM's climate based on experience serving at an Hispanic, Native American institution, capable of representing UNM externally, commitment to shared governance and academic freedom, and capability of articulating a vision for UNM and its direction. The entire search committee must remain intact through the entire process of selecting the next president. The committee must have the opportunity to provide an official ranked list, preferences, of the designated finalist who participant in the interview process. No fewer than 11 members of the search committees should be faculty representing each of the colleges.

ADMINISTRATIVE REPORT, David Harris, Acting President

- The Regents held a Budget Summit on March 31, 2006. We had a significant attendance. The Budget Resolution that the Regents will adopt this afternoon will incorporate many of the discussions that took place at the Budget Summit.
- Last Thursday, there was an event at the School of Law recognizing Governor Bruce King and dedicating a reading room, which contains his documents.
- Two milestones in the University's partnership with New Mexico Student Loans. New Mexico Student Loans agreed to drop all origination and guarantee fees form 3% to 0%. We entered into a school as lender initiative whereby the University directly funds graduate student loans and resells those loans to New Mexico Student Loans. UNM received a check in the amount of \$925k from New Mexico Student Loans.

APPROVAL OF UNIVERSITY COUNSEL APPOINTMENT, David Harris, Acting President

- Pursuant to Regents Policy 3.3, I request approval of the Board of Regents for the appointment of Patrick Apodaca as our next University Counsel.

Motion approved unanimously to approve the appointment of Patrick Apodaca to the position of University Counsel.

- 18 of the 45 applicants were women or minorities. This constitutes 40%.
- In my opinion, Mr. Apodaca is the most successful candidate and the most fit to serve in this role, which is purely a dual reporting responsibility to the President and the Board of Regents. Mr. Apodaca has been practicing law in New Mexico for 27 years, he's been a managing partner in the local firm of Keleher & McLeod, and has performed public service in the white house. He is the perfect fit for this job because he is a native New Mexican of Hispanic descent; he lives here, is licensed by the bar and has an excellent temperament.
- Mr. Apodaca stated that he is very pleased and honored to serve as counsel. He sees this as a tremendous challenge that he welcomes.

COMMENTS FROM REGENTS ADVISORS

Christopher Smith, President, Faculty Senate

- The Government Relations Committee is looking at organizing a summit and instructional day on the higher education act reauthorization. This is an important piece of federal legislation that will impact our students and how they pay for college.

Brittany Jaeger, President, ASUNM

- Congratulations to the two students who won the university wide technology business plan.
- I like to commend those that are directly involved in organizing and actually following through with the Star Scholars event.

Angie Vachio, President, UNM Alumni Association

- We've been to receptions in Farmington , Gallup , Clovis , Roswell , Hobbs , Las Cruces and Alamogordo and we have seen 514 students for the Star Scholars program.
- We hosted, along with the Lobo Club, pre-reception game for the mountain west regional conference, men's and women's basketball championship.
- We co-hosted, along with the president's office, the reception in Washington DC to honor our New Mexico congressional delegation.
- Every year at graduation, we invite back our 50 year graduates. The class of 1956 will be coming back this year. We call them our "golden grad."
- We will have a student recognition reception on April 20 th at 7:00 pm.
- We want to connect students as alumni. We have these little cards we will put in caps and gowns to collect demographics.

Robert Bovinette, Chair, UNM Foundation

- The mission of the Foundation is to raise private support for the University and to manage the long-term invested assets. On the fund raising side, we have raised \$38.4M thus far this fiscal year, against a \$47.1M goal. On the investment side, the consolidated investment fund produced a return of 10.8%.

Sabra Basler, President, Staff Council

- Thanks to the Rules and Election Committee and to Don Burge. There will be a ballot asking the campus if it should be smoke free or not.

- The Higher Ed Advisory Board is meeting April 24 th – 25 th .
- Staff Week is coming up in June.
- On July 27 th we are hoping to gather all statewide higher ed staff for a gathering to realize what our issues are, especially retirement.
- We are working on the Whistle Blower Policy with Carol Stephens.
- Custodians making \$8 an hour comes out to \$16,640 a year.
- We need to educate the staff on the concept of self-insurance. I hope Susan Carkeek can start a committee of staff and faculty.
- Please don't cloud compensation issues with the bail out of the retirement fund.

Buck Creel, President, GPSA

- We have a new president for the GPSA who will start after the next Regents meetings.
- I went to a student protest in Las Cruces . NMSU is reluctant to grant the students a graduate student government.

SANDIA FOUNDATION, John Perovich, Patrick Glennon, Gig Brummel

- We have six board members and they all participate. In addition to cash, we have three other classes of assets: common stock, alternative investment and real estate. About 95% of our assets were real estate. Over the past 30 years, we have diversified. Sandia Foundation has distributed \$55.5M and UNM has received \$26M.
- The Regents should be familiar with Sandia. We are a silent foundation. There are not a lot of people that know about us, except our beneficiaries. It is important that you hear about our investment practices.
- Our objectives are: long-term growth of capital, avoid excessive risk, fiduciaries, and exceed a blended equity.
- 18% of our equity positions currently in international, that is below what most of the national strategist are calling for. It has served us very well.
- We have 68% of our assets in U.S. equities and 14% in fixed income and cash management.
- We have a deep responsibility to monitor and evaluate our managers and consultants.
- 40% of our portfolio is equity investments. 60% of our portfolio is real estate. When Mr. Woodward died he left 70 parcels of real estate. These are valued at roughly \$50M. for the 35 parcels (170 acres) remaining. This real estate is all income producing. We buy, sell, develop and manage real estate. Currently we have four different parcels under construction: UNM Press Building , Starbucks, Carls Junior and a car dealer.
- We generate right now about \$2.8M a year in net income from our real estate operations. On a return on investment basis, that is 18%. Most of these properties are legacy properties that have been around for a long time and have a low book value.

STATE OF NEW MEXICO INVESTMENT OFFICER, Gary B. Bland

- All of the participants of the funds we oversee are in the state of New Mexico. We focus on the state of New Mexico.
- After doing an evaluation and some personnel adjustments, we have changed the goals and direction of this fund. The performance of this fund has been very successful over the past year.
- We combined the internal re-organization with the summation of the outside investment managers and have the equity component fairly well in hand.
- Asset allocation is what it's all about.
- All of these structures are available in pools. Our outside clients share our cost structure and at the same time they do their own asset allocation. They participate at 20 basis points. Our overall costs this year will come in at 17 basis points.
- We have two great initiatives: 1.)The infrastructure of available financial people in the state of New Mexico is very thin. We are very quickly promoting and moving people on in these various sections of our asset allocation and in the management section of our portfolio. Replacements for retirees should come from the state. 2.) We will need the bench strength. Part of the severance tax funds will be managed by the students at the business schools at UNM, NMSU and possibly other institutions. We are going to setup that experience pool.
- We loan money to the film business in New Mexico . They are approved by the film office and an outside investment advisor. The funds are then guaranteed by a bank. We are not taking a capital risk; we are taking an income risk or a time value of money risk. We have generated 2,600 jobs in the film business and \$100M in salaries and spending.
- We will be reporting in our May numbers a positive rate of return in the New Mexico Private Equity Program for the first time.

PRESIDENTIAL SEARCH – SCOPE OF WORK FOR RFP, Susan Carkeek, VP, Human Resources

- We want to make sure we have a procedure so when we do hire a consultant, the consultant compliments what that procedure is.
- We looked at some of the preliminary search procedures. To begin the process, our tradition has been to create a Regent Committee that serves as the basis for guidance from the Board.
- Regent Koch is appointing three Regents to this committee: Sandra Begay-Campbell, Mel Eaves and the Chairman will be Raymond Sanchez. In August we will appoint the following search committee of 16 members: three Regents, five faculty members, one dean, one undergraduate student, one graduate student, one Staff Council, one branch faculty, one clinical chair from the School of Medicine, one alumni, and one community representative. That group will be broken into three sub-committees. The three Regents will be the recruiting team. A big issue to do is looking at woman and minority candidates. The individuals on the search committee will be chosen in August. The committee will be minority, female majority. There will have to be a minimum of eight minority, female committee members. The search firm will not drive this process; the committee is going to drive this process.
- The scope of services in the RFP is reflective of the procedures we designed. The evaluation criteria are provided for you as well. The Regents on the committee will evaluate the RFP and bring back to the Board a selection of a consultant for your approval.

Motion approved unanimously to approve the RFP.

PROPOSED LABOR MANAGEMENT RESOLUTION, Susan Carkeek, VP, Human Resource

- Susan Carkeek asked that this issue be tabled until the May meeting.

Motion approved unanimously to table the proposed Labor Management Resolution.

COMMENTS FROM THE REGENTS

- Sandra Begay-Campbell commented that the retirement of Nancy Brandt was announced at the Clinical Operations Board.

ACADEMIC/STUDENT AFFAIRS COMMITTEE, Raymond Sanchez, Chair

- At the meeting this morning we received information on the Lobo Web going online, ASUNM made comments regarding an item on today's

agenda, and Provost Dasenbrock delivered a presentation on the progress of the University.

- Provost Dasenbrock commented that they will coming to the Board next month with ideas about special accreditation. An idea is to cut summer tuition by 15%. Summer school is underutilized and the ability of students to take summer classes is very important to how fast they graduate and stay in school, particularly for minority students.

Motion approved unanimously to approve a new Associates Degree in Natural Resources Conservation – UNM Gallup.

- Brittany Jaeger presented the ASUNM Resolution on Review Days. The proposal tries to not have as many conflicts with schedule changes and aids the students in their study time. ASUNM proposes that their not be any Saturday finals. This is a way to help students prepare for finals and to help in retention of students. This proposal will be presented to the Faculty Senate in two weeks.

Motion approved unanimously for the Board of Regents to support this proposition.

- Regent Brown has established a fund in his wife's name to honor individuals from this campus who have made outstanding public service contributions.
- Provost Dasenbrock commented that in December they did a presentation comparing UNM student success with the other Universities in the state. Graduate enrollments are down from last year, but last year was the highest enrollment of graduate students on Main Campus in the history of UNM.
- We are moving quickly to implement changes to the Office of Graduate Studies. There will be one combined Admissions Office. We have unified non-degree advising between the graduate and undergraduate school.
- Regent Chalmers commented that what he talked about yesterday was not about graduate students. Graduate students are another area for potential growth. When we look at predictions of number of high school graduates in the state of New Mexico it does not look very good for increasing enrollment. Regent Chalmers made the following suggestions: offering incentives to students to take more semester hours, incentives for a retention program, recruit and offer incentives to good students that are degree tracked at community colleges to come to UNM.
- Regent Begay-Campbell commented that we are underutilizing the branch campuses and how they market themselves.

ADVANCEMENT COMMITTEE, Don Chalmers, Chair

- The Advancement Committee met on March 23rd. There are six members and three of the members are Regents. There was a reformation of the Committee and an expansion of their mission statement which will focus on developing relationships with the business community. John Garcia presented a proposed plan to centralized activities focusing on UNM as an economic engine for the state of New Mexico. The Office of Research and Economic Development is in the initial stages of preparing a plan to identify single portal for the community to work with UNM. The Committee was formed with the vision that UNM is a business friendly institution and committed to being an economic driver for the state.
- This is a quarterly meeting and the next one will be in June. The Development Committee has not met since the last time.

FINANCE AND FACILITIES COMMITTEE, John "Mel" Eaves, Chair

Motion approved unanimously for approval of the Equipment Disposition List.

- Curt Porter presented the budget guidelines for the campus to construct their budgets. The faculty promotions are funded. The most controversial item was the tuition decision, which ended up at a 6.115 increase. The health insurance premiums increase was \$900k. The average salary increase will be 4.25%. The compensation is still 4.50%. The compensation pool created by the legislature includes benefits.
- A major consideration in all the campus-wide discussions for the Budget Summit was the library and the absolute minimum requirement of \$750k for library journals. This will be funded from non-I & G funds.
- The I & G portion of the graduate student insurance increase will cost \$180k.
- The Regents and the FF Committee decided to fund our efforts to strengthen the recruitment of minority faculty from the Regents' Endowment.

Motion approved unanimously for the approval of FY 2006-07 budget considerations, including recommended actions for changes to tuition & fees (regular and summer) and employee compensation.

- Action was deferred on the approval of allocation from the Regents' endowment.

Motion approved unanimously for approval of STC Board of Directors appointments of Diana MacArthur and Dr. Gabriel Lopez.

Motion approved unanimously for approval of director appointments to the Lobo Energy Board, Don Chalmers, President, Don Chalmers Ford, and Jon Word, CEO, Contact Wireless.

Approval of Contracts:

Motion approved unanimously for approval of the audit contract services with Moss, Adams LLP (formerly Neff & Ricci, LLP) for audit fees of \$627,000.

- University Counsel was asked to look at the document by which this acquisition of Neff & Ricci and Moss & Adams was carried out.

Motion approved unanimously for approval of UNM Telecommunications – Cell Phone Contract.

Motion approved unanimously for approval of UNM Physical Plant: Ford Utilities Center – Natural Gas.

Motion approved unanimously for approval of the Hibben Center Lease: U.S. Department of Interior, National Park Services.

Motion approved unanimously for approval and notification of bond sale, UNM Gallup.

- Susan Carkeek commented on background material on a spreadsheet showing salaries for the Vice Presidents and the Deans. The average salary for the Deans at the University is about 88% of market, average salaries for our Vice President is about 80% of market. We used that data to come up with the recommendation for these two new hires. The first salary for the Provost is \$245k to run through June 30 th of next year. There will be a reception for Provost Dasenbrock on April 26th at the Faculty Club.

Motion approved unanimously for approval of employment contract for the Provost.

- We are recommending a base salary of \$225k for Paul Krebbs, the new Athletics Director. The entire package for this contract is equivalent to roughly \$300k. This includes the bas salary of \$225k, a deferred compensation of \$25k and a guarantee on a personal services contract of \$50k.

There is a bonus package associated with this contract. There are four areas of accountability, they are: team performance, fiscal accountability, academic performance and attendance.

Motion approved unanimously for approval of employment contract for the Athletic Director.

- The Joint Powers Agreement gives us the ability to form a consortium with the other two research Universities in the state. We will be concentrating on the educational and research pieces.

Motion approved unanimously to table the Approval of Consideration of Possible Naming Opportunities.

Motion approved unanimously for approval of Joint Powers Agreement on LANL Contract.

- This report is for the eight months ended February 28, 2006. The First block of data shows the Instruction and General (I&G) fund. About 70% of this fund is driven by Main Campus Instructions and Support efforts. With HSC having only about 20% of its operations focused on Instruction and General. Tuition to date has been billed and collected for Second summer session (July/August, 2005), Fall 2005 and Spring 2006. Still to be billed and collected at the end of February is the 1st Summer session (June, 2006). Total Tuition and Fees is running behind budget, due to weak Graduate Student enrollment. Overall, the I&G operations are \$42.2 million favorable, as most Tuition has been collected, but we have close to 3 months salary and operating expense to be incurred against that revenue for the rest of this Spring semester. Next, Unrestricted Research operations (mainly funded by F & A Revenue transfers from I & G that are primarily research start-up projects and proposal work for Sponsored Contracts and Grants is favorable now with Revenues over Expense by \$1.0 million. This operation will breakeven by year end.

Clinical Operations included the entire HSC clinical operations, whether UNMHs, SOM, CRTS, CON or COP. The UNMHs have seen an increase in Patient collections due to additional DSH payments, pediatric and radiology business increases and finally collecting Value Options claims for the Adult Psychiatric Center. Public Service Revenues are running behind budget, but should catch up by year end, leaving a break-even margin.

Independent Operations, which includes OMI, House staff and other small HSC operations, will break even by year-end.

The large Student Aid awards for Fall and Spring have been made for this year, but revenue will continue to be collected through the end of the fiscal year. Student aid should end the year at breakeven, or slightly unfavorable.

Student Activities (student government, social and cultural clubs) will end the year slightly favorable, since not all clubs spend all their allocation each year.

Auxiliaries are looking to breakeven by year end, except Golf Courses, which will most likely lose \$120K.

Sponsored program, (restricted contracts and grants) should breakeven by year-end, but our expenditure volume will be less than prior year. This is due to several large agencies, including NIH, funding follow-on grants at 97% of this year's grant.

Motion approved unanimously for approval of the UNM - Consolidated Total Operations Report.

- Because of the length of the meeting today, Regent Eaves suggested the Regents read what's in the binder (for the information items) with the exception if item number 22, which is a report from Susan Carkeek. It is the Senior Administrator Report. Most of you are aware of these administrative changes summarized in the April 3rd memo.

AUDIT COMMITTEE REPORT, Raymond Sanchez, Chair

- The Minutes were approved.
- Three audits for publication were approved: College of Education, Office of Graduate Studies and the Department of Parking and Transportation.

Motion approved unanimously for approval of the three audits for publication.

HEALTH SCIENCES COMMITTEE, Regent Jack Fortner

Motion approved unanimously for approval of permanent appointments to UNMH Medical Staff.

Motion approved unanimously for approval of reappointments to the UNMH Medical Staff.

Motion Approved unanimously to go into Executive Session.

Executive Session: Discussion and determination where appropriate of limited personnel matters pursuant to Section 10-15-1.H (2) NMSA

Adjournment at 4:15 p.m.

Meeting re-opened at 4:45 p.m.

Motion approved unanimously to approve the Resolution Establishing Interim Management Leadership Team and Defining Interim Management Leadership Team Roles and Responsibilities.

Final Adjournment at 5:10 p.m.