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April 11, 2017 Finance and Facilities (F&F) Committee Meeting

Senior Vice President for Finance and Administration

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THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
April 11, 2017 – Meeting Summary

Committee Members Present: Regent Tom Clifford and Regent Marron Lee.

Committee Members Absent: Regent President Robert Doughty

Administration Present: Chaouki Abdallah, President; David W. Harris, EVP for Administration; and Craig White, Provost/EVP for Academic Affairs.

Presenters in Attendance: Dana Allen, VP of Alumni Relations; Dorothy Anderson, VP of Human Resources; Bruce Cherrin, Chief Procurement Officer; Brenda De La Pena, Director of University Benefits; James Lewis, President of Alumni Association; Liz Metzger, University Controller; Lisa Marbury, Executive Director of ISS; Steve McLaughlin, Chair of Department of Medicine; Henry Rivera, Executive Committee Member of Alumni Association; and Chris Vallejos, AVP of ISS.

ACTION ITEMS:

- 1. Call to Order, Confirmation of a Quorum, and Adoption of Agenda.** Chairperson Marron Lee called the meeting to order at 12:34 p.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. Due to time constraints, Regent Lee removed Action Item 5 and Information Items 10 and 11 from the agenda. Information Item 9 was deferred to the full Board of Regents meeting. **Regent Clifford moved to adopt the agenda as amended and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 2. Finance and Facilities Committee Meeting Summary from March 7, 2017.** Regent Clifford stated that he was not in attendance at the March 7, 2017 F&F meeting, but due to a short quorum, he seconded the motion. **Regent Lee moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 3. Approval of Disposition of Surplus Property for Main Campus for February and March 2017.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus for February and March 2017. There were 11 items on February's disposition, none with net book value. There were 56 items on March's disposition, none with net book value. Mr. Cherrin noted that one item was a piece of equipment from Center for High Tech Materials (CHTM) and was donated by Intel several years ago. **Regent Clifford moved to approve and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 4. Approval for UNM Taos Project – STEMH Technical Career Center Phase II.** Chris Vallejos made the presentation. Regents' approval was requested for the STEMH Technical Career Center Phase II capital project at the UNM Taos Branch Campus.

The projected is valued at \$4.89M with three funding sources; approximately \$4M from the 2016 General Obligation Bond, \$800K from Taos Educational Gross Receipts Tax Account, and \$90K from the 2015 Severance Tax Bond. The project will fully plan, design, provide site prep, construct, equip, and furnish a single story addition to the existing Career Tech Center building. The UNM Taos Branch Campus enrollment continues to increase in STEMH, and they have shown a lot of progress in that area of programming.

Regent Clifford inquired about the increased enrollment and what the numbers are. He is curious if it is a part of a multi-year plan as they have another capital project for Taos. He would like to see a discussion regarding the UNM Taos Campus.

President Abdallah stated he believes the 43% enrollment increase is in the STEMH area, and he is unsure if it is an overall increase. They can provide exact numbers to the Regents.

Mr. Vallejos stated that the previous capital project brought before the Board for the UNM Taos Branch Campus was for their downtown campus Nursing Program. They had a partnership with the Town of Taos who gave the UNM Taos Branch Campus the building. UNM completed renovations on the building and it is currently up and running; no further renovations are needed. They are focusing on the Klauer Campus and can bring the UNM Taos Branch Campus Director to a future meeting to discuss their facilities/master plan. **Regent Lee moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

5. ~~Approval of Five-Year Capital Plan.~~ Item was removed from the agenda.
6. **Discussion and Possible Approval of FY 18 Employee Benefits.** Dorothy Anderson and Brenda De La Pena made the presentation. Ms. De La Pena replaced Elaine Phelps as the new Director of University Benefits. Information was presented on FY 18 Employee Benefits for possible approval. The information presented was included in the agenda eBook.

Ms. De La Pena reviewed the proposed expansion to the Wellness Incentive Program, "Know Your Health Status." The program is for onsite biometric screenings conducted by Catapult, UNM's third party Preventative Health partner. Biometric screenings are available to those enrolled in UNM's medical plan. The program was initially only offered to employees to receive a one-time \$200 premium incentive for participation, and will be expanded to include spouses/partners covered under the UNM Medical plan to receive a one-time \$100 premium incentive for participation.

Ms. Anderson reviewed the change to the benefit plan regarding the VEBA Trust. The trust was written with the expectation that it would eventually cap at 1.0%, but they've deferred it the past three years to 0.75% avoiding a 0.25% increase. The request is to cap the VEBA contributions at 0.75% so they do not have to come back year after year to ask that it be deferred. There is a VEBA Committee in place, and if at any time the committee decides it needs to be increased, they will have the ability to do that. The funded status of the VEBA Trust is \$31.2M.

Regent Clifford inquired what percentage of the liabilities they have funded.

Ms. De La Pena stated they are currently waiting on the GASB 45 to be completed for FY 16, anticipated in September 2017, so they will have a better view at that time.

EVP Harris stated the actuarial analysis will be part of their audit; it is updated every two years with a full actuarial analysis. They had reduced their future liability from \$130M to around \$90M. They are unsure what impacts the \$31M will have on the liability as they use a set calculation and not the set dollar amount.

Ms. Anderson reviewed the medical increases for FY 18, which had changed from the original projection presented at the February F&F meeting. That projection was a 5.1% increase for Active Employees, a 16% increase for Pre-65 Retirees, and a 4.4% increase for UNM. The Pre-65 Retirees are partially blended and their claims aren't fully mixed with the Active Employees. The Pre-65 Retirees had a 5% shift, they are paying 5% more in premiums as part of an agreement. In addition to that, they are also paying the 5.7% increase so that becomes that average which was calculated by their actuaries. The percentages are based on paid claims data, including both medical and prescription. After the February F&F meeting the UNM Retiree Association requested that UNM set the total Pre-65 Retiree premiums equal to the premiums of the Active Employees. Due to the partial blending of the Pre-65 Retirees, they were not paying the same amount and were risk-adjusted. They requested the University move away from that. That will lead to a small increase on the Active Employees. The Pre-65 Retirees' share of the cost will go up by 5% as well, which is why they were being hit with the 16%. In 2014, the Health Plan Committee (HPC) was formed with representatives from UNM, Retirees, Faculty, Staff, and UNM Health with the goal to look at the cost of Pre-65 Retirees as they saw a significant increase. One recommendation was to set the claims the same because it had previously been done that way prior to 2012, FY 13. They will continue with the shift in contributions but blend the premiums. This year since the premiums are lower compared to national trend they decided the blend should occur at this point in time. They asked Aon to look at national trend, which they determined was at 7.5% locally. They can have Aon present the information at the full Board of Regents meeting. The request to move forward with the full blending of the Pre-65 Retirees with the Active Employees will change the projected medical increase to a 5.7% increase for active employees, a 7.9% increase for Pre-65 Retirees, and a 4.1% increase for UNM.

Regent Clifford would like background information regarding medical inflation that went into the analysis.

President Abdallah inquired what the average would be dollar amount increase be for employees.

Ms. Anderson stated the impact of 5.7% to an employee on the lowest single status would be a \$5.19 monthly increase; the original projection was at \$4.64, or a \$0.55 difference. The impact of 5.7% to an employee on the higher end would be a \$39 monthly increase; the original projection was at \$35. The cost to UNM I&G Main Campus would be \$637,744 for the 5.7% increase; the original projection of 5.1% would have been a \$615K increase. The total UNM will be paying is \$1.9M, and the total the employees will be paying is \$1.5M.

The request for approval to move forward with the benefits plan included three changes. Due to postponing Budget Summit, they need the appropriate amount of time to begin communicating open enrollment, and to allow faculty adequate time to enroll before they leave for the semester. They would like to move forward with the first change of expanding the wellness incentive to include a \$100 premium discount for spouses/partners of active employees that are covered on the UNM Medical Plan who participate. The second change would be to cap the employee and employer VEBA contributions at 0.75%. The third change would be to set medical insurance rates with an overall 5.1% increase and set the premiums the same for active employees and Pre-65 Retirees prior to implementing the final 5% contribution shift.

Regent Clifford inquired if the Budget Leadership Team (BLT) had received a brief on the benefits. He inquired if they looked at anything in the benefits such as co-pays or deductibles, and would like the Aon consultant to speak to the Regents about alternative options to reduce the \$1.9M increase to the University as they are in difficult budget times.

Ms. Anderson stated they spoke to the BLT, Faculty Staff Benefits Committee, Faculty Senate, and Staff Council about possible changes and their preference across the board was just the 5.1% increase. They discussed changing the plan design with an Aon consultant, but it was determined the University's plan is very competitive to others. Any changes would begin to take away from the plan.

President Abdallah stated that the employees are also being hit by a 5.1% increase, so it would be less take home pay for them; shifting and giving less benefits could be difficult. Every year they have a 2-3% increase in the cost of doing business. The request was built into the current budget scenario.

Ms. Anderson stated they continue to work/partner with UNM Health and HSC to figure out what they can do to assist in managing the costs. The wellness initiatives are making employees more aware of the health, and they had several employees taken to the hospital immediately when they saw how severe results were. Numerous employees did not have primary care physicians. They hope last year will be a benchmark year to start building on that information to create wellness programs around those diseases that are most prevalent. There were seven individuals who newly discovered they had diabetes, and many individuals diagnosed with different blood pressure issues. According to Catapult, the cost for diabetes is \$10K per year in a controlled state rather than \$30K in an uncontrolled state. Last year they were going to start charging co-pay for insulin but the University community decided to leave it at zero co-pay. They felt they would rather bear that cost to ensure the employees that needed the medication would have access to it.

Regent Clifford stated he was uncomfortable approving the benefits outside the parameters of the budget discussion. **Regent Clifford moved to that the item be forwarded to the full Board of Regents without recommendation for further discussion and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

7. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairperson Marron Lee recommended action item 3 to be placed on the full Board of Regents' consent agenda. **Regent Lee moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

INFORMATION ITEMS:

8. **Discussion of Restated Bylaws of the UNM Alumni Association.** Dana Allen, James Lewis, and Henry Rivera made the presentation. Information was presented to the Committee regarding the restated bylaws of the UNM Alumni Association. Information presented was included in the agenda eBook.

Ms. Allen introduced James Lewis, Alumni Association President, and Henry Rivera, Alumni Association Executive Committee Member and UNM Law School Alumni.

Mr. Lewis stated that when he became President, it became prevalent that revisions were needed for the bylaws and Articles of Incorporation. He put together a committee including himself, Ms. Allen, Mr. Rivera, and Rosalyn Nguyen to review both governance documents. The committee was very meticulous and put in many hours of work since June 2016. They presented the information to the Alumni Association Executive Committee and Board and they approved the changes in February 2017 to make the bylaws a more workable and user-friendly document. The modified documents require Regent approval.

Mr. Rivera reviewed the changes to the Articles of Incorporation and bylaws. The Articles were adopted in 1962 and had not been amended since then. In modifying the Articles, they removed the requirement that they have members, as the NM Non-Profit Corporation Act permits them not to have members. They felt it would be a better option for the Alumni Association as they have between 180-200K members and it becomes difficult to accommodate all of the requirements in order to be faithful to the statue. They will continue to have members, but will have more flexibility in how they deal with them and the way they promote giving to the University. They also amended the Articles of Incorporation to permit them to amend the Articles.

The changes to the bylaws were reviewed; unlike the Articles, they were extensively amended. Bylaws were attached to the original Articles from 1962 and had been amended several times since then; the bylaws they worked with were last amended in 1989. Article II was revised to remove the provision about members. Article IV, Section 4 was revised to incorporate provisions required by the Memorandum of Understanding (MOU) executed with the Regents in 2016 that Board members were to be approved by the Regents. Article IV, Section 10 was revised to include two Regents on the Board, required by the MOU, and to put one Regent on the Executive Committee. Article V, Section 1 was revised to give flexibility on meeting dates; one meeting will be the Annual Meeting.

Regent Clifford inquired about Article IV, Section 3, which gives the Association President the ability to appoint up to three board members, and inquired the size of the board.

Mr. Rivera stated the Alumni Association Board 38 members; six ex-officio members and two Regents. The board members are nominated through a process under the Board Development Committee and are elected by the Board. Final approval is by the Regents. They are elected by the Board because they do not have members. Members can bring forward nominations.

Article V, Section 5 was revised to permit the Board to meet by telephone or other technology that allows all participants to hear each other at the same time, a provision which was absent from the old bylaws. They are allowed to vote by telephone. Electronic voting in their capacity would be voting by email. They do have the ability under the statute to agree to an action without a meeting, if they took advantage of that, they could do it by email but it would have to be a unanimous consent by the Board.

Regent Lee inquired if they have proxies.

Mr. Rivera stated they do not have proxies because board members typically cannot vote by proxy. Shareholders and members can vote by proxy.

Regent Lee disagreed and stated they can discuss that issue further.

Article VII, Section 1 was revised to permit the Association President to appoint the Executive Committee. In the past they utilized a nominating committee but they would seek recommendation from the President, the change was to avoid the duplicative efforts. He noted that they adopted a Conflict of Interest Policy which they have never had in the past; the IRS likes non-profits to have that. They have also adopted a guiding principles policy, which is similar to a whistle-blower policy which they received edits and feedback from the University Counsel. The University Counsel has been very helpful in reviewing all of the documents, they were pleased to receive their comments, and they accepted all of them.

Regent Lee appreciates the information and work put into revising the governance documents as it needed to be done. She is concerned about the selection of the Executive Committee by the President, she has served on many non-profit boards and she does not believe it is good governance. She is also concerned about proxies. She is pleased with the direction the Alumni Association is going. She would like to sit down and review both the old bylaws along with the restated bylaws for comparison.

Mr. Lewis stated for clarification on the Executive Committee, they typically have officers of the organization including the President, President-Elect, and immediate Past-President; out of seven people they are talking about three or four appointments.

Mr. Lewis stated they collaborate a lot with the UNM Foundation and the Alumni Association President serves on the UNM Foundation Board.

Regent Lee inquired if the membership requirements for the UNM Alumni Association have been reviewed.

Mr. Rivera stated it had not been addressed yet but the next steps would be to adopt policies dealing with the membership issue; it may be challenging.

Regent Clifford appreciated all the work that went into the documents and would like more time to review in detail.

9. **Monthly Consolidated Financial Report for Main Campus.** Item was deferred to the full Board of Regents meeting. There was no discussion on the item.
10. ~~**BLT Progress Report on FY 17-18 Budget Development.**~~ Item was removed from the agenda.
11. ~~**Differential Tuition for Emergency Medical Services.**~~ Item was removed from the agenda.

COMMENTS:

There were no comments.

EXECUTIVE SESSION:

No executive session was held.

Regent Lee moved to adjourn at 1:18 p.m., and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.