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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)
June 6, 2017 – Meeting Summary

Committee Members Present: Regent Marron Lee, Regent Tom Clifford, and Regent Alex Romero.

Committee Members Absent: Regent President Robert Doughty.

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

Presenters in Attendance: Amy Wohler, Chair, UNM Naming Committee; Argy Maniatis, Director of University Marketing; Ava Lovell, Senior Executive Office of Finance & Administration, HSC; Bruce Cherrin, Chief Procurement Officer; Cinnamon Blair, Chief Marketing and Communications Officer; Dana Allen, VP, Alumni Relations; Henry Nemcik, President, UNM Foundation; James Lewis, President, Alumni Association; Joe Cecchi, Dean, School of Engineering; John Benavidez, Principal Lecturer, ASM; Kenny Stansbury, Controller, UNM Foundation; Lisa Marbury, Executive Director, ISS; Liz Metzger, University Controller; Marcos Roybal, University Services; Mark Narvaez, Project Assistant, Graduate Studies; Norma Allen, Director, Planning, Budget, and Analysis; Tom Neale, Director, Real Estate.

ACTION ITEMS:

1. **Call to Order, Confirmation of a Quorum, and Adoption of Agenda.** Chairperson Marron Lee called the meeting to order at 12:38 p.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. **Chairperson Marron Lee moved to adopt the agenda and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
2. **Finance and Facilities Committee Meeting Summary from May 9, 2017.** **Regent Clifford moved to approve and Chairperson Lee 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 May 2017.** Marcos Roybal made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus for May 2017. There were 29 items for disposition, with a total net book value of \$4,067.28.

There were some important items of note, such as the annual auto auction. Mr. Roybal explained that items over \$5,000 in value go forward to the F&F committee.

Regent Clifford moved to approve the Disposition of Surplus Property and Chairperson Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

- 4. Project Approval for Smith Plaza/Union Square Renovation.** Lisa Marbury made the presentation. Regents' approval was requested for the Smith Plaza/Union Square Renovation.

Ms. Marbury stated that the Smith Plaza/Union Square is the great room on our central campus. The space is 3.3 acres of about 143,000 square feet. This project will address reconfiguration of existing open spaces, ramps, stairs, and enhance the accessibility, navigation, and safety. It will also improve infrastructure, including lighting, electricity, and Wi-Fi. This renovation has added benefit of enhancing the student experience and potentially the recruitment efforts for the University.

Ms. Marbury stated that the project has a \$3M budget. \$2M comes from the 2016 institutional bonds and the additional \$1M comes from the 2017 institutional bond.

A schematic design was projected in order to illustrate the renovation details, including the contextual plan, illustrative plan, accessibility and elevations, materials and furnishing, planting, major event space and fire lane, auxiliary event space and fire lane, additive alternate, out-of-scope adjacent improvement opportunities, and various viewpoints of what the completed project will look like.

Ms. Marbury stated that a programmatic presentation was given to the ASAR committee earlier, but that this presentation is capital project.

Regent Clifford asked to know more about the process and whether there is a steering committee that is helping to make decisions. Ms. Marbury stated that there is an executive committee for the project, which consists of the University Architect, Kim Kloeppe, Ryan Lindquist, Walt Miller, Willie West, Glenda Lewis, Kyle Biederwolf, and Amber Straquadine.

Regent Clifford asked if the student representatives had advice from architecture students on this project. Ms. Marbury confirmed that a number of workshops, surveys, and charrettes were conducted for students, faculty, and staff.

Regent Clifford asked if this space was being considered for classrooms. Ms. Marbury stated that since this is a historic site on campus, so there is most likely a process subject to rough scrutiny.

Regent Romero inquired about the timing of the project. Ms. Marbury stated that they are anticipating construction beginning in October and completion in Spring 2018.

Regent Clifford moved to approve and Regent Romero seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

- 5. Approval of Capital Outlay Submission to the Higher Education Department.** Lisa Marbury made the presentation. Regents' approval was requested for the Capital Outlay Submission to the Higher Education Department.

Ms. Marbury stated that the Capital Outlay Submission has been condensed from the previous month so that it's easier to understand. The College of Fine Arts renewal and replacement project is a \$30M project, but they are asking for \$3M for planning dollars. Chemistry Renovation Phase 2 is a \$16M project. From the HSC perspective, their first priority is the Nursing and Pharmacy building replacement, which is a \$22.75M project.

Ms. Marbury went into detail about requests from each of the Branch Campuses.

- **UNM Gallup:** multi-purpose facility career tech center and some classroom renovation
- **UNM Los Alamos:** sustainability infrastructure, classroom upgrades, and library renovations
- **UNM Taos:** natural resources center for \$3M
- **UNM Valencia:** no requests

Regent Clifford is concerned that the amount of funding exceeds what the state has available. He is concerned about losing control of prioritizing the funds. Regent Clifford asked how much UNM got in the last GO cycle. Ms. Marbury stated that during the last GO cycle, \$27M was received all for one project, PAIS.

Regent Clifford does not want to advocate for partial funding. Ms. Marbury agreed and continued to further detail the various requests.

Chairperson Lee asked if this request was changed from the last outlay plan. Ms. Marbury clarified that it's the same list, but that it was brought down to those 8 items that were presented.

Regent Clifford reiterated that he wants to advocate for a very clear sense of priorities, going forward.

Regent Clifford moved to approve and Regent Romero seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

6. **Approval of Annual Renewal of Maui HPCC Lease.** Tom Neale made the presentation. Regents' approval was requested for the Annual Renewal of Maui HPCC Lease.

Mr. Neale gave a summary of the history of the lease agreement. In 1992, UNM won an award to establish the Maui High Performance Computing Center (Maui HPCC), which was under an air force research lab contract. We set up the facility under a grant, occupied to lease space. In 2000, the owner of the lease space decided to sell the project and the sale was financed through certificate of participation, which works just like a bond payment.

At that time, UNM entered into a long-term 25 year master lease for the facility. Immediately after executing that lease, the University of Hawaii won the award to continue operating the Maui HPCC. The structure of the lease allows UNM to ability to terminate in the event of funding loss. The structure of the lease provides for equity build up and a purchase agreement, so when the University of Hawaii won the contract, we entered into a sub-lease, which off-set the rent. The Bank of New York charged us about \$1M as annual

rent payment, which we passed on to the University of Hawaii. This continued through about 2013, until a major disruption. They lost the contract, it was awarded to a defense contractor, SAIC. That contract award was challenged, and the challenge was upheld. The federal government took over the lease obligation through the army corps of engineers on behalf of the air force research labs. At that point, we entered into a sub-lease, which expires in September 2018. According to the master lease agreement, we are required to get Regents' authorization to renew it on an annual basis.

Mr. Neale stated that many people question why we continue to renew the lease each year. There are two main reasons why UNM continues to renew the lease annually:

1. If UNM continues to successfully sub-lease the Maui HPCC, UNM will own it outright in June 2025 when the master lease expires.
2. The credit markets view this as an obligation on the University to continue making payments. Terminating earlier can potentially impact the University credit.

Mr. Neale made it clear that they are requesting to renew the Maui HPCC lease for another year on the same terms.

Regent Romero inquired about the asset. Mr. Neale stated that the Maui HPCC lease is a 31,000 square foot office building built in 1994.

Regent Romero inquired about the estimated value today. Mr. Neale stated that the value is around \$12M. An appraisal was done in 2007 and it was \$10.1M at that time. Mr. Neale will update the committee when a new appraisal is done.

Regent Clifford moved to approve and Regent Romero seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

7. **Approval of Real Property Disposition: Timberon Lots (2).** Tom Neale made the presentation. Regents' approval was requested for the Real Property Disposition: Timberon Lots (2).

Mr. Neale stated that Timberon is a 13,000 acre master planning community about 30 miles south of Cloudcroft, New Mexico. The Regents own 13 lots and from time to time, there are requests for a purchase. There is a request to dispose of two lots, which requires Regents' approval.

There were no questions from the Regents.

Regent Clifford moved to approve and Regent Romero seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

8. **Approval of Naming Request from the School of Medicine for Naming a Position in the Department of Dermatology.** Amy Wohlert made the presentation. Regents' approval was requested for the Naming Request from the School of Medicine for Naming a Position in the Department of Dermatology.

Ms. Wohlert stated that this naming request had already been presented to the ASAR committee and the HSC committee. Jim and Ellen King are well known community members who recently donated \$500,000 to endow the position of the “Jim and Ellen King Professor in Dermatology.” Dermatology program at HSC is in a rebuilding phase, so a gift like this is very timely.

There were no questions from the Regents.

Regent Clifford moved to approve and Regent Romero seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

- 9. Recommendations for Consent Agenda Items on Full Board of Regents’ Agenda.** Chairperson Marron Lee recommended action items 1, 2, 3, 6, 7, and 8 to be placed on the full Board of Regents’ consent agenda.

Regent Clifford moved to approve and Regent Romero seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

INFORMATION ITEMS:

- 10. Monthly Consolidated Financial Report for the Month of April 2017.** Liz Metzger made the presentation.

Ms. Metzger detailed the monthly financial report. The included summary information indicated that all the budget figures and columns are now the official revised budgets that were approved in the Budget Adjustment Request by the Board of Regents. The second piece of information piece of information explains what was included in the tuition and fee revenue for main campus. The entire balance in there is not the pooled tuition that gets distributed and allocated out to the colleges. It also includes smaller pieces of revenue which go directly to the entities that earned them, such as the differential tuition revenue, and course fees, which add up to about \$19M.

The larger portion, the pooled tuition, totaled \$129M at the end of April. The I&G portion of the mandatory student fees totaled \$1.3M. Both of these amounts get pooled and are about \$3.3M short of the budget, currently. However, summer tuition has not yet been recognized. Summer tuition will show up on the May and June reports. Summer tuition is currently being looked at and it is coming in as budgeted. There’s a chance that it could come in slightly above what was projected.

Ms. Metzger continued to detail various graphs and narratives that were included in the financial report.

Regent Romero asked when the budget was revised. Ms. Metzger stated that the budget was revised in the previous month and was presented to the Board of Regents.

Regent Romero asked if budget revisions normally happen that late into the fiscal year. Ms. Metzger stated that it happens every year and that this year, it happened twice. The first revision was done in December and the second was in May.

Regent Clifford commented that the University has only saved less than 1% regarding the salary line item. Ms. Metzger emphasized page 14 of her report in order to illustrate the savings in comparison to the prior fiscal year, of about \$1.5M. Ms. Metzger stated that these savings are from the end of April, so there is potential for additional savings.

Ms. Metzger stated the \$2.3M is the difference between the current actuals and the actuals from this time last year. Anything less is a good savings.

Ms. Metzger clarified the reserves amount and explained that reserves are not typically used in the full amount. Ms. Metzger stated that due to space, they typically only illustrate the reserves per each quarter.

Norma Allen provided some clarification on the use of reserves. Ms. Allen stated that part of the budgeted use of balance is going to be our expenditure authority for each exhibit.

Regent Clifford asked where transfers come from. Ms. Allen stated that transfers go to plant exhibits. There are requirements in place that indicate where the money will be moved and spent. Positive figures indicate where money is coming in as a transfer.

11. UNM Foundation Regent Advisor Report. Henry Nemcik and Kenny Stansbury made the presentation.

Mr. Nemcik stated that the Foundation is on target to complete their goal for the year. The Foundation is currently at about \$75M, but hope to end the year at around \$83-84M. The Foundation is also on target to achieve their goal of \$1B in private support by the end of 2020, which is a significant milestone in higher education. Mr. Nemcik will keep the committee updated on their progress.

Mr. Stansbury furthered the report details. The total fundraising through March was \$60M. The sources of funds was included for the committee to review. There was a modification made to the report on the second page. The committed pledges amount was corrected to \$138,000.

Mr. Nemcik explained how campaign reporting is conducted nationally. Mr. Stansbury stated that UNM's endowment fund has a strong investment performance of 9% for the first nine months of the fiscal year. Mr. Stansbury stated that they are getting closer to 10%. The strong investment performance is due to strong equity returns, both nationally and internationally and the recovering the energy market. This brings the total endowment balance for UNM to \$419M. The five year long-term performance has been positive as well, at 6.8% for the past five years. This has helped to grow the endowment.

Regent Romero asked if there is an investment committee. Mr. Nemcik stated that the Foundation has a 25 member board and a Regent serves on it along with the President. The board has started to modernize the investment strategy in 2005-2006. Today, the Foundation has a diversified investment portfolio. It is professionally managed with the assistance of Aon Hewitt, a nationally recognized investment firm.

Regarding cash equivalents, Regent Romero asked what the policy is when receiving stock. Mr. Stansbury stated if it's an un-endowed gift, the stock is immediately sold and the proceed is transferred to UNM. If it's an endowed fund, the stock is sold and the money is sent to the endowment fund.

Regent Clifford stated that the custom benchmark is confusing and needs clarification. Mr. Stansbury stated the custom benchmark is based on the same allocations in like investments. Part of that is driven by the equity strategy, which is a passive approach. About 40% of the entire portfolio is in passive equity, with 20% in US equities and 20% in international equities. This mirrors the benchmark as index funds. This would bring them very close to the benchmark.

Regent Romero asked what constitutes 'in kind.' Mr. Nemcik stated that an in kind example is someone donating hotel rooms to Athletics, which saves them budget.

Regent Clifford asked why the gift commitment yearly goal amount is about 10% lower than last year. Mr. Nemcik stated that they finished the year with \$87M and that they currently anticipate finishing the year around \$83-84M. Mr. Stansbury added that they exceeded their goals last year and the previous year.

Regent Clifford wanted to see specific earmarks and see where gifts are going. Mr. Stansbury directed him to which pages would detail those items for him. Mr. Stansbury gave more details on certain endowments and where those amounts go.

Regarding Athletics, Regent Clifford asked if these funds are earmarked for specific uses or if they can be used to offset Athletics' operations deficit. Mr. Nemcik stated that the funds are open for use.

Regent Clifford asked about the cost of investment management. Mr. Nemcik stated that moving to a more passive investment strategy saved about \$500,000 in investment costs. Mr. Stansbury stated that the total weighted average is 7/10 of 1%, making it fairly efficient.

12. Branding Update and Proposed UNM Logo. Cinnamon Blair and Argy Maniatis made the presentation.

Ms. Blair stated they began the branding initiative in September 2016 and an external agency, 160/90, was hired to help them through the process. The new brand rollout was in January 2017. From there, foundational pieces were developed. Ms. Blair stated that they started off with about \$150,000 a year in advertising dollars. The Regents gave them a one-time infusion of \$1M last year to kick off the branding campaign.

Ms. Blair projected a video that highlighted their progress and the awards that they've received. The awards that UNM received were on the international, national, regional, and local levels.

Ms. Blair stated that their objective was to unite the campus under a common brand identity. They worked with a lot of people on and off campus to create the consistent brand

tone, visual design, increase pride, drive awareness and familiarity, and to increase enrollments.

The key objectives of the campaign were to create positive awareness of the University, increase traffic from perspective students and parents, and to define the UNM website.

The rationale of the campaign was to reintroduce UNM locally, nationally, and internationally in order to generate interest and excitement about being UNM lobos. During the branding process, people indicated that they wanted to hear the UNM story.

The current agency contract is \$500,000 within the UCAM operating budget. Ms. Blair projected a pie chart illustrating how and where the \$1M would be distributed. Areas of distribution include digital media, traditional media, and production. A flight plan was shown to illustrate their timeline for the entire year. UCAM is working with Enrollment Management to align with their heavy periods, such as when perspective students are applying to UNM.

Regent Clifford asked how they gauge the effectiveness of various types of outreach. Ms. Blair stated that

Regent Romero asked how they control the use of the brand since there are so many departments and branches. Regent Romero also asked if they approve requests for brand use. Ms. Maniatis stated that since starting the branding initiative, there is a Marketing and Communication Advisory Council and an RFP committee with representation from all over UNM. Meetings take place each month. These teams have conducted workshops where they discussed the newly purchased fonts and show different ways departments can utilize them. The teams periodically check in with departments to answer any branding questions and assist where needed.

Ms. Maniatis discussed the various types of advertising that is done. There was a commercial aired nine times during the Super Bowl that was well received. There are 14 billboards within the state that advertise UNM for New Mexico residents and out of state visitors. They plan to air advertisements on the radio for varying lengths of 30, 15, 10, and 5 second radio spots. They also have a mall advertisement in Las Cruces.

UNM currently advertises on seven different platforms. The top five cities for engagement were Albuquerque, Dallas, Chicago, Denver, and Phoenix. Other important areas to note were Seattle, Tacoma, Washington, D.C., Houston, Austin, and Los Angeles. UCAM is going to take this data and see where else they can focus for perspective students and parents. UCAM will also work with Alumni Association to coordinate with their out of state chapters in those particular areas.

Ms. Maniatis stated that in their focus on collaborations and next steps, they will continue to work with schools, colleges, and departments to implement the brand. They will continue to work with Alumni Association and Athletics on some of their contracts. They will continue to work on elevating their presence

Regent Clifford stated that he believes there are other opportunities to get UNM in front of people visiting Albuquerque. Regent Clifford commended Ms. Blair and Ms. Maniatis on the report.

Regent Romero asked how they measure how many of the applications are coming through the branding efforts. Ms. Blair stated that they can measure how people are coming in through the define.unm.edu website, but that they cannot identify the names of people who go on to apply.

Chairperson Lee asked Ms. Blair and Ms. Maniatis to explain why peoples' impression of UNM was the impetus behind the branding initiative. Ms. Blair stated that there was a vague awareness of UNM, which identified the need to better tell UNM's story.

Regent Romero asked how they will phase out the previous impressions of UNM. Ms. Blair stated that previously, there was no real brand in place. With the multi-month research project conducted, UNM was able to distill the brand. Chairperson Lee added that there was another agency that worked on the brand advertisement. Their work is now being consolidated under this umbrella.

John Benavidez, an ASM Marketing Professor, joined the presentation to discuss the new UNM logo. In March 2016, former UNM President Frank requested that a visual identity committee, chaired by Mr. Benavidez, to assess whether there was a need for a new UNM logo. Previous UNM logos were projected in order to show how they have evolved over time. The current logo has been used since 1989, although it was never made the official logo. In 2007, it was apparent that the logo was problematic due to poor visibility of the small letter size. Logos from other schools and universities were projected in order to show how the UNM logo compares. This comparison reiterated the need for a new and updated logo that produces well digitally across all platforms. Not having an official UNM logo is missed opportunity in terms of both revenue and school pride.

Mr. Benavidez discussed the survey results and stated that most people were not able to correctly identify what the primary institution logo was. Mr. Benavidez showed the proposed UNM logo and explained the design details within the new logo. So far, this proposed logo has been well received across many areas of UNM. A billboard and business card with the new logo were shown. Ms. Blair added that the new logo can be easily used for HSC marketing purposes, even with their dominant color being teal instead of red. Implementing the new logo on department websites and social media will take place over the summer. Implementing the new logo on department collateral will take place through attrition when they order new supplies as needed. No departments will be required to replace or discard anything. They will work with each of the departments to assist them as needed.

Regent Romero asked if the vendors involved will be informed when the proposed logo is approved. Ms. Blair stated that they will working with licensing out of Athletics; they'll work with all the vendors and Learfield, who will take care of the copyright process.

Chairperson Lee commented that the HSC's color is supposed to be turquoise, not teal. Teal is UNM's secondary color. Chairperson Lee asked if Ms. Blair is in charge of HSC's

marketing, or if they have their own budget. Ms. Blair stated that HSC has their own budget for marketing activities.

Chairperson Lee commented that she would like to see HSC's metrics for their branding and marketing purposes. Ms. Blair stated that she will facilitate that for an upcoming F&F meeting.

Regent Clifford commented that he received positive comments about the new logo.

COMMENTS:

Mark Narvaez provided comments on funding concerning the Project for New Mexico Graduates of Color (PNMGC). Mr. Narvaez provided documentation that emphasized support of the program. Mr. Narvaez kindly requested reconsideration for the PNMGC, an important and unique mentoring resource for UNM.

Regent Clifford asked how the funding is used. Mr. Narvaez stated that the operational funds are used primarily for scholarships for the students and mentors and academic and leadership workshops.

Regent Clifford requested to see list of last years' budget. Mr. Narvaez believes it was already submitted to the Provost's Office.

Regent Clifford asked if there was an explanation given by the Student Fee Review Board. Mr. Narvaez stated the principle rationale was a categorization of the department as an organization, as opposed to a department even though it had been funded as a department since 2003.

Regent Romero asked if there was any other origination like this on campus that would also be affected by the cut. Mr. Narvaez stated that during this cycle, they are the only organization who was cut that dramatically as well as Athletics.

Julie Coonrod, Graduate Studies Dean, added that this program is unique in the fact that it only focuses on graduate students and to make sure the program wasn't overlapping with other entities they really started focusing on their peer mentoring program. Because of the budget cuts they had to cut out the faculty of color awards which was a unique event for the University of New Mexico.

EXECUTIVE SESSION:

A. Vote to close the meeting and proceed into executive session.

Regent Lee moved to close the meeting at 2:41 p.m. and proceed into executive session and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

B. Discussion and determination where appropriate of matters subject to attorney-client privilege pertaining to threatened or pending litigation, *pursuant to Section 10-15-1 H (7), NMSA (1978)*.

C. Vote to re-open the meeting.

Regent Lee moved to re-open the meeting at 2:55 p.m. and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.

D. Certification that only those matters described in paragraph B above were discussed in executive session, and any matter discussed in executive session will, if necessary, be subsequently ratified in the open session of the public meeting.

Regent Lee moved to adjourn at 2:56 p.m., and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.