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October 10, 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)
October 10, 2017 – Meeting Summary

Committee Members Present: Regent Marron Lee (arrived at 12:45 p.m.), Regent Tom Clifford, and Regent Alex Romero.

Administration Present: Chaouki Abdallah, Interim President, David W. Harris, EVP for Administration.

Presenters in Attendance: Ava Lovell, Sr. Exec. Officer, HSC Finance & Admin; Lisa Marbury, Executive Director, ISS; Liz Metzger, University Control, FSM; Nicole Dopson, Financial Officer, Office of the Provost; Norma Allen, Director; OPBA; Vahid Staples, Budget Officer; OPBA.

ACTION ITEMS:

1. **Call to Order, Confirmation of a Quorum, and Adoption of Agenda.** Regent Clifford called the meeting to order at 12:36 p.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. **Regent Romero moved to adopt the agenda and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of 2 committee members present and voting.**

2. **Finance Meeting Summary from September 5, 2017.** **Regent Romero moved to approve with the caveat that the following sentence be reworded and clarified from page 1, item number 2, “Chairperson Lee recommended condensed future meeting summaries with the understanding that all Regent requests be included.” Regent Romero moved to approve on the condition that the suggested revision be made to clarify Regent Lee’s initial intent. Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.** (The clarification is shown in Section 2 of the revised minutes for September 5, 2017.)

3. **Approval of Quarterly Financial Actions Report and Certification through June 30, 2017.** Liz Metzger made the presentation. The information presented is included in the agenda eBook. Regents’ approval was requested for the Quarterly Financial Certification Report, which is a one-page report including “yes” or “no” questions. The State asks the University to answer each quarter regarding various financial transaction situations; if they answered “yes” to any of the six questions, it would be a concern. As of the end of the fiscal year all the questions were answered, “no”.

Regent Clifford requested an interpretation of question six, regarding what constitutes "significant" financial changes not reflected in a Budget Adjustment Request (BAR). Regent Clifford inquired whether the Athletics budget had over-expenditures, noting a recent letter from HED regarding the Athletics budget.

Ms. Metzger and Norma Allen explained that the university has the authority to make adjustments overall, given fluctuations within departments. Ms. Allen stated there was no over-expenditure for Athletics; however, Athletics had a shortfall of revenue of \$300K. The

BAR includes all of UNM and therefore the changes in the Athletics budget did not meet the standard for answering "yes" to question.

Regent Clifford requested a follow up detailing the standard by which question six is determined, given the fiscal year ended different from the BAR, but was not deemed significantly different in question six.

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

- 4. Approval of FY17 Main, HSC and Branch Campus Categorization of Reserves Report pursuant to UAP 7000.** President Abdallah led the presentation with Norma Allen, Nicole Dopson and Ava Lovell present. The PowerPoint presentation covered the components of reserves and the university's current reserves. The university's reserves were described as committed, dedicated, or discretionary and separated out into hospital/clinical and academic. Reserves are nonrecurring and are used to mitigate unplanned costs. Reserves cannot be used for recurring costs such as salaries. Cash reserves are especially important for costs in research and clinical care.

University reserves also provide liquidity for bond rating. There is 74 days' cash on hand in reserves for the main operations at UNM, compared to the average for public universities of 146 days. A discussion followed regarding the recommended target for reserves: 3% is a guideline recommended by HED, the state targets a 5% reserve.

Regent Clifford inquired whether the University reserves within the plant funds offset the volatility of revenue, such as student fees.

Mr. Staples responded there is variance in the debt service throughout the year. A certain amount of reserves is required for bonds. Regent Clifford inquired about the typical coverage ratio. Mr. Harris responded the minimum coverage ratio is two times the debt service.

President Abdallah stated the UAP 7000 governs University budget management. Regent's Policy 720 requires all departments responsible for current unrestricted funds to categorize the reserves and report it to them at the end of each fiscal year. UAP 7000 describes 3 types of reserves; committed, which is legally bound; dedicated, which has a clear purpose and is approved by the Dean or above, and discretionary which is left after both committed and dedicated reserves are taken out. Hospital and branch reserves can only be spent respectively in the hospital or branches. The committed hospital operation reserves are \$221M and the capital initiative are \$202M. The \$221M in hospital operations reserves is about 64 days of operating expenses. Rating agencies have pointed out the thin liquidity of UNMH. The minimum is 75 days and a "Double-A" rated hospital is near 270 days; however, the latter includes many for-profit hospitals.

President Abdallah continued with University plant funds and operating funds divided into committed, dedicated, discretionary. There is \$161M in Campus Operations reserves including committed, dedicated, and discretionary. Discretionary reserves total \$19M, which is about 1.84% of the University's operating budget (excluding the hospital). President

Abdallah further broke down dedicated and discretionary reserves by Main, Branch Campuses, and HSC Academic Enterprise reserves.

Regent Clifford inquired if a branch received a certain amount dedicated funds what level approval would it go through.

Ms. Dopson responded the fund approval would go through the branch campus CEOs, then to the Provost, and then the budget office.

Regent Romero inquired whether when a contract is signed, the funds would move from dedicated to committed.

Ms. Dopson explained that once there is a legal obligation, the money moves to committed.

Regents Lee and Clifford requested a follow up regarding the return on investment and performance of UNM's branches. The legislature has also requested this information.

President Abdallah agreed that information should be provided in a follow-up regarding the performance of UNM branch campuses compared to other branch campuses in the state. Main Campus Plant and Operating discretionary reserves total \$11M. The reserves report included proposed use of Main Campus discretionary reserves for a list of unfunded initiatives, expenses and activities. The committee requested this use of reserves to be approved separately from Action Item 4, approval of the Categorization of Reserves Report. Action on the approval of use of discretionary reserves for the list of unfunded items was deferred.

Regent Clifford requested to see a comparison of the original budget with the current changes in tuition and fees.

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. Affirmation of UNM Five-Year Capital Plan.** Lisa Marbury made the presentation. In June, the revised capital outlay request was brought to committee without the five-year capital plan included. This plan was brought back for approval by the Committee so it can be placed on the full board 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.

- 6. Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairperson Marron Lee recommended items 2, 3, and 5 be placed on the full Board of Regents' consent agenda. Item 4 is recommended to be presented to the full board with a new action item.

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

COMMENTS:

No comments were made.

EXECUTIVE SESSION:

There was no executive session.

Regent Lee moved to adjourn at 1:30 p.m., and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.