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2018

April 10, 2018 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 10, 2018 – Meeting Summary

Committee Members Present: Regent Marron Lee, Regent Tom Clifford, Regent Rob Doughty

Committee Members joining via phone: Regent Suzanne Quillen, Regent Michael Brasher, and Regent Bradley Hosmer

Administration Present: Garnett Stokes, President and David W. Harris, EVP for Administration.

Presenters in Attendance: Chris Vallejos, AVP, ISS; Lisa Marbury, Executive Director, ISS; Elizabeth Metzger, University Controller; Norma Allen, Director, OPBA; Vahid Staples, Budget Officer, OPBA; Bruce Cherrin, Chief Procurement Officer, Purchasing; Rick Goshorn, CFO, UNM-Valencia Branch Campus; Robert Robinson, CFO, Athletics; Larry Ryan, VP of University Development, UNM Foundation; Kenny Stansbury, Controller, UNM Foundation; Rod Harder, CFO, UNM Foundation; Eddie Nuñez, Director, Athletics; Nicole Dopson, Director, Financial Operations.

ACTION ITEMS:

- 1. Call to Order, Confirmation of a Quorum, and Adoption of Agenda.** Regent Lee called the meeting to order at 12:31 p.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. Regent Lee asked Elsa Cole to verify that having Regents Quillen, Hosmer, and Brasher join by phone did not violate the Open Meeting Acts. Compliance with the Open Meetings Act is maintained by having only committee members voting. Regent Clifford requested that Agenda Item 5 be moved to after Agenda Item 8. Regent Lee agreed. **Regent Clifford moved to adopt the modified agenda and Regent Doughty 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 6, 2018.** Regent Clifford reiterated a request for additional information under Information Item 10, page 3, in the March 6, 2018 meeting summary. Regent Clifford had requested FY 18 projections including the projected level of reserves. Regent Clifford asked Norma Allen to present this updated information when Liz Metzger presented Information Item 7. **Regent Clifford moved to approve and Regent Doughty 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 March 2018.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for March 2018. All items listed in the E-Book are obsolete or beyond repair. **Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**
- 4. Construction Approval for UNM – Valencia Branch Campus Solar Power System Phase 2.** Chris Vallejos, Lisa Marbury, and Rick Goshorn made the presentation. Regents'

approval was requested for construction of UNM – Valencia Branch Campus Solar Power System Phase 2. This is a \$400K project with two funding sources: \$60K from PPD Utilities capital reserves and \$340K from UNM – Valencia local general obligation bonds. The installation completed on the Business and Technologies building over the last 30 days has produced 81% of its power needs. Phase 2 involves solar panel installation on the roof of the Arts and Sciences Building. An additional three phases are planned to add solar panels to nearly all buildings on campus with the intent to derive 50-60% of the entire campus's power needs from the panels. The local board approved the project. After Regents' approval, the project will be presented to HED, then construction will begin in June and be completed by September. **Regent Doughty 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 FY 18 Budget Adjustment Request (BAR) for Main Campus Athletics Exhibit 21 and FY 19 Main Campus Athletics Exhibit 21 Budget Proposal including overall elimination of deficit and satisfying the NM Higher Education Department (HED) Enhanced Fiscal Oversight Program.** Garnett Stokes, Eddie Nuñez, Rob Robinson, Norma Allen, Vahid Staples, Nicole Dopson, and Larry Ryan made the presentation. President Stokes began the presentation with a review of the financial challenges faced by the Athletics department, including the accumulated Athletics deficit which led to enhanced fiscal oversight from HED. President Stokes explained that resolving the deficit will require major cuts in Athletics' operations starting in FY 20. Athletics will support fewer sports, and student athletes will be given one year's notice before the elimination of their sport. The deficit reduction plan includes a request for funding derived from the sale of Mesa del Sol in 2006.

The presentation included a proposal for the FY 20 budget and its elimination of the recurring deficit. This included review of revenues and then expenses of the following:

- FY 18 revised budget and FY 18 projected actuals, with reasons for shortfalls,
- FY 19 proposed budget, with justification for projections,
- FY 20 proposed budget, with justification for projections.

First, revenues were reviewed line-by-line with explanations for major shortfalls or changes in projections. FY 18 saw a decreased revenue of \$531K, presented in Attachment A. **Regent Clifford requested details on the contract with Learfield. Regent Doughty requested a legal review of the Learfield contract with regards to the audit finding and the \$800K difference between the FY 18 projected actuals and FY 19 proposed budget to determine if the FY 19 proposed budget is correctly forecasted.** Rob Robinson explained the projected decrease in ticket sales from FY 18 to FY 19. **Regent Doughty requested a ticket sale revenue analysis by sport for the proposed FY 19 budget.**

Lobo Club, which fundraises for grant-in-aid through priority seating ticket sales, had an \$800K revenue shortfall in FY 18. **Regent Clifford requested a copy of the Lobo Club's FY 17 and FY 18 budget. Regent Clifford also requested the FY 19 budget from all exhibits of Athletics.** Athletics and the Foundation have delayed hiring a director until policies and procedures have been revised, funding is determined, and a decision is made regarding whether the director is an employee of Lobo Club, the Foundation, or UNM. **Regent Doughty requested a proposed hire date for the Lobo Club Executive Director.**

Regent Lee requested to see the MOA between UNM and the Lobo Club. Regent Lee also requested that the department review whether Lobo Club membership and priority seating ticket sales can be streamlined. Priority seating ticket sales drive the fundraising for grant-in-aid. A \$3.1M grant-in-aid fundraising goal for projected FY 18 fell short by 30% to \$2.2M projected actual. **Regent Doughty and Regent Lee asked for the grant-in-aid fundraising budget for FY 17 to see how much of an increase existed between FY 17 actuals and FY 18 budgeted.** Eddie Nunez indicated that decreased donations are possibly due to a lack of trust in the Athletics Department to be fiscally responsible. Regent Clifford suggested that pessimistic and optimistic scenario projections may be more appropriate instead of a flat projection.

Revenues from facility rentals, merchandise, and miscellaneous went up over FY 18 due to more events such as high school basketball. All Athletics facilities are open for rental but may be under-utilized. Michael Haggerty, who has been in his position for three years, is in charge of renting facilities. **Regent Lee requested a complete list of the venue rentals and the increase or decrease in venue revenues over the past three years.** Chris Vallejos oversees the UNM Bookstore, which is responsible for Athletics merchandising. Half of the revenue margin from Lobo Game Day merchandise sold in the Lobo Den goes to Athletics, per the MOU agreement between the Bookstore and Athletics. The agreement that the Bookstore has for Game Day merchandising ends this coming year. **Regent Lee requested a list of the items that fall under Miscellaneous Revenue in Attachment A.**

The presentation moved on to expenses. In total, there is a \$288K increase in expenses from FY 18 revised budget to FY 19 projected budget. Regent Lee asked if the Pit debt, which is in the Public Service Exhibit, could be transferred away from Athletics to Main Campus Plant. Vahid Staples explained that transfer would require a new funding source. **Regent Doughty requested an in-depth analysis of the Pit debt. Regent Lee requested a discussion of how the Pit debt may relate to the Shared Services strategy.**

An increase in projected labor costs in FY 19 is due to filling 12 full-time positions, which accounts for \$500K in salaries. Of these 12 positions, two have been filled. Eddie Nuñez explained that over the last seven years, Athletics has cut over \$700K in personnel costs; for example, the Marketing department reduced its staff from five to three employees. Regent Clifford commented that a 5% vacancy is manageable and could save \$1M toward the deficit. **Regent Clifford commented that a discussion on Shared Services could address the staffing needs. Regent Clifford requested an analysis of a temporary hiring freeze on positions and the associated savings, along with an associated analysis of carrying a 5% vacancy. Regent Clifford also requested a comprehensive personnel schedule for FY 18 and FY 19.** President Stokes urged for recognition of the need for flexibility in examining current and needed personnel positions in Athletics.

Regent Clifford and Regent Doughty requested a reconciliation analysis of the change from the FY 18 budget presented at the Budget Summit to the FY 18 projected actuals to include: the \$2.016M deficit which changed to an \$818K deficit, explanation of the projected \$5.3M in grant-in-aid, and the \$360K increase in student cost/other expense category.

Norma Allen presented the recurring Athletics deficit and the cost containment plan. The recurring deficit plus inflation is \$2.9M. The cost containment plan includes cutting sports programs (\$1.9M), utilizing Shared Services (\$400K), and controlling expenditures (\$150K). The plan also includes reductions in grant-in-aid costs to Athletics through tuition waivers (\$725K) and room and board discounts (\$250K) for a total of \$3.4M in recurring reductions. **Regent Doughty requested a detailed report of revenue and expenses by sport. Regent Lee commented that, including Shared Services, the University needs to run more efficiently. Regent Lee requested an analysis of ticket sales revenue by sport and how and by whom their sales are managed.**

Norma Allen explained the 10-year deficit reduction plan on Attachment B. Revenue projections for the multiyear deficit reduction plan were conservatively flat, and projected expenses reflected anticipated increases in spending or inflation. Starting in FY 20, \$487K per year would go toward the accumulated deficit with complete resolution by FY 29. The land sale proceeds are the only reserves utilized in the debt reduction plan in FY 18 and FY 19. **Regent Clifford requested a list of all reserves and their respective purposes.**

Regent Doughty asked if any other source of funding could be used, aside from Mesa del Sol. President Stokes explained that other funding sources would require utilizing academic funding, which would result in raised fees. The alternative would be that Athletics would pay towards the deficit over a longer period of time. The current plan reflects a compromise from the original proposed 8-year plan in which Athletics would pay back a smaller proportion of the overall deficit. The current request of \$1.7M from Mesa del Sol is compared to other considerations of \$2.8M or \$4.6M.

Regent Lee noted that other areas of UNM are running on a similar deficit. Nicole Dopson explained that Academic Affairs has units running on a deficit; however, all areas are made to report on their deficit reduction plans, per policy. **Regent Lee requested a list of all areas of the University that are carrying deficit balances and their associated deficit reduction plans.**

Regent Doughty requested that Athletics present at the Finance and Facilities Committee meetings every month with a detailed report by sport, starting May 8, 2018. Regent Lee also requested streamlined and simplified data to ensure data are comparable. Regent Doughty requested implementation of a new chart of accounts, so budgeting and analysis by sport will be easier to present at each F&F meeting. Regent Clifford added a request for budget accounting as well as detailed personnel expense reports.

Regent Doughty recapped the Regents' requests for information concerning this action item:

- More information on the FY 19 media rights revenue estimates from Learfield
- A line-by-line ticket sale analysis
- The Lobo Club budget and the FY 17 actuals for grant-in-aid fundraising
- Information on facilities rentals – What are facilities doing and what is their plan?
- Mike Haggarty's plan for facility rentals and how much he has brought in over the past three years
- Analysis of the Pit debt transfer

- Analysis of 5% vacancy and personnel expense
- Written explanation as to why Athletics went from a projected actual FY 18 deficit of \$2M to \$818K in 1 month
- Analysis of Athletics ticket sales and potential improvements to that system
- Analysis of revenues and expenditures by sport
- Analysis of temporarily freezing positions, critical positions versus those that can wait to provide labor expense savings for FY 19 projected budget.
- Complete personnel schedule for Athletics for 2018 and 2019
- List of all reserve funds and their purposes
- All exhibits specifically for Athletics
- Monthly Athletics updates presented at F&F meeting each month

Regent Doughty recommended that this measure be allowed to go forward without the committee making a recommendation until these requests and questions have been fulfilled and answered at the full Board of Regents meeting. This will allow time for feedback from the UNM and Albuquerque community. **Regent Doughty moved to allow the action to proceed to the full Board of Regents without recommendation and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

Regent Clifford requested as much information as possible regarding the requests made be brought to the Regents by Friday, April 13, 2018. Regent Doughty asked Mallory Reviere to notify Regents to have regular business conducted on April 17, 2018 and to schedule a separate meeting to discuss the Athletics FY 18 budget adjustment request, FY 19 projected budget, and deficit reduction plan.

6. **Recommendations for Consent Agenda Items on full Board of Regents' Agenda.** Regent Lee recommended action item 3 to be placed on the full Board of Regents consent agenda.

INFORMATION ITEMS

7. **Monthly Consolidated Financial Report through February 28, 2018.** Liz Metzger and Norma Allen made the presentation. Liz Metzger gave an overview of the report. The report includes current operations and does not include Plant funds. I&G funds are tracking as expected regarding the adjusted budget discussed at the Budget Summit. No changes have been made to the budget adjustment since the Budget Summit.

Norma Allen explained reserve balances and projections. For Main Campus I&G, the beginning reserve balance was \$31M and the projected year end is at \$28M. The unrestricted reserves were projected at \$84M at the beginning of the year, with draw down to \$66M for year end. Total unrestricted reserves are projected at \$66M. Some reserves are committed or dedicated over a five year period, which is reflected in the initial draw down. There is a \$45M surplus as of the end of February. Norma Allen explained these numbers will fluctuate over the coming months. **Regent Clifford requested an updated projection of reserves by category.**

8. **UNM Foundation, Inc., UNM Regents' Advisor Report.** Rod Harder and Kenny Stansbury made the presentation. A video was shown about Gus Foster and his gifts to the Harwood Museum, followed by a presentation of the UNM Foundation's quarterly report as of December 2017. Four members of the Foundation support Athletics through the Lobo Club. **Regent Lee requested that Cinnamon Blair, Chief Marketing Officer, coordinate with the Foundation to begin using the current UNM logo.**

COMMENTS:

No comments were made.

EXECUTIVE SESSION:

No executive session was held.

Regent Doughty moved to adjourn at 2:47 p.m. and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.