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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)
February 7, 2017 – Meeting Summary

Committee Members Present: Regent Tom Clifford, Regent President Robert Doughty (participating as a voting member), and Regent Marron Lee.

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

Presenters in attendance: Duane Arruti, Interim CIO; Dorothy Anderson, VP Human Resources; Terry Babbitt, AVP Enrollment Management; Connie Beimer, Director Government Relations; Cinnamon Blair, UCAM Officer; Todd Burley, AON Analyst; Bruce Cherrin, Chief Procurement Office; Joey Evans, Human Resources; Brad Hutchins, Athletics Associate Director; Lisa Kuuttilla, CEO & CEDO STC; Liz Metzger, University Controller; Walt Miller, AVP Student Life; Matt Munoz, Government Relations Officer; Brian Pietrewicz, Interim Deputy CIO; Janice Ruggiero, Athletics; John C. Stormont, Civil Engineering Faculty Member; Chris Vallejos, AVP ISS.

ACTION ITEMS:

1. **Call to Order, Confirmation of a Quorum and Adoption of Agenda.** Chairperson Marron Lee called the meeting to order at 12:38 p.m. in Scholes Hall, Roberts Room and confirmed that a quorum was established. **Regent Doughty 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 January 10, 2017. Regent Doughty 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 Fiscal Watch Report and Monthly Consolidated Financial Report for Main Campus.** Liz Metzger made the presentation. Information was provided to the Committee on the Monthly Consolidated Financial Report for Main Campus as of December 31, 2016; six months into the fiscal year. The report was included in the eBook meeting materials. A summary sheet was prepared for the Committee to highlight key areas in the financials.

The first highlighted area spoke to the projected Instruction and General (I&G) tuition and fees. Spring tuition has hit the books and they knew that preliminary total tuition and fees based on the fall was going to be a shortfall of \$370K. Pre-registration for spring began in November and based on the actuals through January, a revised estimate will be necessary, which will project a shortfall of total tuition and fees for the fiscal year of almost \$1M. The adjustments of tuition and fee revenues will continue throughout the remainder of the year due to enrollment fluctuations. The projections will be finalized in the upcoming months; another BAR will be developed in the spring to match final tuition and fees. Main Campus is approximately 90% of tuition and fees, but it is on a consolidated basis. Enrollment was down 1%, which was half a percent lower than the initial projection.

The second highlighted area was regarding I&G other revenue, investment income. Due to unrealized gains that need to be posted in the general ledger each month, the bottom line was reduced by \$3M which occurred primarily in the month of November due to a rise in interest rates on the entire investment portfolio. It is a significant amount that affected the bottom line. It is unrealized which would only be realized if action were taken. Going forward, beginning in the month of December and through January, they see it rebounding. They run on an accrual basis. The loss is reported on the bond portfolio. Keith Mellor, University Treasurer, was in attendance to answer questions related to the item. Mr. Mellor stated the \$3M loss was on the global bond portfolio, which is invested primarily in investment grade corporates. There was a \$2M loss on the Treasurer agency in addition to unrealized losses which totaled the \$3M; it is about \$350M on both portfolios.

The third highlight was regarding Athletics financials. As of this report, their bottom line balance is in the red \$1.1M, included in that \$1.1M is the rollup of The Pit renovation, or debt service activity, which was at a \$519K deficit as of December 2016. Not all gifts for the year have been recorded yet. They are not accruing the pledged revenues. The status of that index currently is about \$500K in the hole. They do expect further revenues to come in so that is not all of the revenues that would be coming in during the fiscal year. There will be additional revenues, but at the same time, will have to pay the annual debt service. The deficit is not in regard to the pledged revenues.

Vahid Staples commented that total debt service on The WisePies Arena “The Pit” is \$2.8M for the full year. It is a 30% shortfall. A lot of the revenue that comes in is from the suites at The Pit and comes in throughout the season and at the end of the season.

Ms. Metzger spoke to Athletics projections for the year and they are projected to end the year with a \$415K deficit.

EVP Harris stated they thought the deficit was going to be \$2M before they started to generate the ESPN revenue during the football season. Half of the \$415K, roughly \$200K, is a commitment the University made to help with the full cost of attendance related to an NCAA rule for recruiting. The deficit is really \$215K as compared to the original projection of \$2M. The debt service net margin is currently projected at a \$1.3M deficit.

Janice Ruggiero and Brad Hutchins were in attendance from Athletics to speak on the issue. Ms. Ruggiero stated ticket sales are an area they look at for revenues, specifically in Football and Basketball. When ticket sales are down it affects concessions, donations, parking, and suite sales. Suite sales are the biggest driving paying for the debt service. This season not all of the suites have been sold.

Regent Doughty inquired how UNM ticket prices compare to other Mountain West schools.

Mr. Hutchins stated UNM is on the higher end and have been for the past 7-10 years. They have done a number of things to help attract new buyers. They are running several promotions such as partnering with Pepsi and Sadie’s of NM for reduced tickets.

Ms. Ruggiero stated they are going to try and restructure ticket prices, in the club level and suites. However, ticket sales are related to the success of the program which is why it is unpredictable each year.

Regent Lee would like to see the natural fan base, collegiate students, engaged more. Ms. Ruggiero stated they will target that area heavily.

Regent Clifford inquired about the balances budgeted to cover the budget. Ms. Metzger stated that typically, there are a lot of balances budgeted. History has shown there are typically more balances budgeted than actually get spent.

EVP Harris stated that when they implemented the budget reduction strategy in October 2016, it was heavily dependent on use of balances and the hiring freeze. By the end of the fiscal year they hope not to heavily rely on balances to support the budget. The hiring freeze is having an impact and capturing savings.

Ms. Metzger briefly reviewed the Fiscal Watch Report required quarterly by the Higher Education Department. There were no anomalies or concerns in the report.

Regent Clifford moved to approve the Fiscal Watch Report and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

Regent Clifford asked for a background report from the University Treasurer on the investment performance on each part of the portfolio.

4. **Approval of Disposition of Surplus Property for Main Campus for January 2017.** Bruce Cherrin made the presentation. Regents' approval was requested for the disposition of surplus property for Main Campus for January 2017. There were 4 items on January's disposition, none with net book value. **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. **Capital Project Approval:**

- a. **Coronado Hall Renovations.** Chris Vallejos made the presentation. Regents' approval was requested for the Coronado Hall Renovations capital project in the amount of \$1.5M funded from Resident Life and Student Housing capital reserve. Coronado Hall is one of the oldest residence halls built in 1958 with a capacity of 432 residents and 252 rooms. This is one of the last residence halls that will be refreshed and updated over the course of a number of years. The project will include new paint, ceiling treatment, and florescent lighting. They are looking at a model to change the bathrooms to individual locked showers as a survey showed students prefer that to communal showers. Student Housing is an Auxiliary Unit and they are self-funded through the rates charged to residents. The renovations are needed due to the Resident Live-In Requirement for Fall 2018 that was approved by the Regents. They did outreach with the students and Residence Hall Student Association and they are in favor of the project. For transparency, they have taken the project to HED and it is contingent on

Regents' approval. It will be recommended to the State Board of Finance if approvals are granted. They would like to get the project completed over the summer. **Regent Doughty moved to approve and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 6. Approval of FY 16 STC.UNM Annual Report.** Lisa Kuuttilla made the presentation. Regents' approval was requested for FY 16 STC.UNM Annual Report. The report was included in the eBook meeting materials.

Ms. Kuuttilla briefly reviewed the summary of the audit. There were three misstatements relating to property transfer from STC.UNM to Innovate ABQ last year which adjusted both sets of books. Two material weaknesses were identified and have been corrected.

Regent Clifford inquired about a situation where they have turnover and if it would be appropriate to receive support in preparing financials from the University Controller's office or if there would be a concern about independence. Ms. Kuuttilla stated they do not have any concerns; they work closely with the University Controller's office.

Ms. Kuuttilla reviewed a presentation with several slides. She briefly reviewed the STC Board of Directors and their overarching goals for FY 16, which included supporting technology transfer and catalyzing economic development at UNM.

Regarding technology transfer, in FY 16 they had 102 disclosures, 77 patent applications, 69 issued patents (a record), 54 options/license agreements, 12 start-ups (a record), and total combined income was approximately \$2.5M. Due to nature of issuing patents dependent on the patent office, they do not anticipate goals for those areas. They use a system called Flintbox to promote technology transfer; over 500 research institutions use the system. They have a social media presence, the highest on Twitter with 1,000 followers. STC was asked to do a seminar for the company that provides the database they utilize in April 2016, there were many attendees and STC.UNM is becoming one of the most recognized aggressive users of the database for marketing purposes. They held a technology showcase in a joint effort with Sandia Labs and highlighted jointed owned technology, there were 135 attendees. Their Cecchi Venture Lab provides space and assistance with smaller companies that are in the process of forming. They are successfully recruiting CEOs from out of state. They also have many student interns from various majors; they've had over 100 UNM student interns since 2002. A slide detailing jointly-owned inventions with Sandia and LANL was reviewed. They have many jointly-owned inventions with many organizations, but the most with the laboratories. STC has many requests for information and knowledge sharing, which prompted them to establish professional training programs they can charge other Universities to attend. Each year STC holds an innovation dinner to honor faculty and other inventors who have received patents and they select one innovation fellow who was Gabriel Lopez. They raised \$22K from their patent law firms for sponsorships to provide honorariums to inventors.

Regarding economic development, a list of goals was briefly discussed. They work closely with Innovation Academy to create new events to assist with student entrepreneurship. They have proposed new programs and will submit an NSF core proposal jointly. They initiated a student pitch competition and held a student internship fair. The Economic

Development Forum was briefly discussed and is chaired by Joe Cecchi, which allows members of the business community to network with the University regarding economic development. The Economic Development Council is another internal group they convene with Deans and Center Directors across UNM; there are 33 members and hold monthly meetings. They have held a Faculty Entrepreneurs Network to share information and engage faculty members. In 2016, STC was successful in securing an Association of Public Land-Grant Universities (APLU) 10-year designation for the University in Innovation and Economic Prosperity. They initiated a new program called *Innovate New Mexico* related to a concern in the decline venture capital in the State and lack of funding for startup companies. The program will allow STC to work collectively state-wide with laboratories and other research universities. They held two showcases and a reception with *Innovate New Mexico*. They were successful in recruiting several out of state companies. STC participated in the National Academy of Inventors, which is newer program comparable to the National Academy of Sciences. UNM was a top 100 worldwide university in U.S. Patents granted in 2015.

Regarding data, income analysis, and forecast, STC filed patent applications on 75% of their disclosures and generated \$1M of new license revenue. They had 23 first-time inventors, up 35%. The more revenue they can generate on earned royalties, sales of products from patents, the better opportunity for a long term stable platform for the organization. Several charts were presented which illustrated forecasted revenues for licenses, patent reimbursements, and licenses/options yielding. Historical goals were briefly reviewed, specifically the FY 04 goals, which included improving inventor communications and relations with STC, creating office efficiencies, strengthening STC marketing capabilities, increasing all activity levels, improving facilitating startup companies, improving STC visibility, and strengthening STC community relations. STC has achieved all of those goals and are a national leader in technology transfer. Their most successful deal in 2016 was IntelliCyt, which began in 2006 and was assisted through the Venture Lab. They achieved \$20M and had a successful exit for \$90M sold to a German Company which continues to operate in NM. They have 55 employees with an average salary of \$90K. They continue to build a successful technology transfer program.

Regent Clifford stated the history is interesting as they had a spike in license revenue during the recession.

Ms. Kuuttilla stated that was due to assertion licensing program they embarked on in 2008; the patent expired in 2010 and they brought in \$8M during that time. **Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

- 7. Approval of Appointment of John C. Stormont to the STC Board.** Lisa Kuuttilla made the presentation. Regents' approval was requested for the Appointment of Dr. John C. Stormont as the faculty representative on the STC Board of Directors. Dr. Stormont is a faculty member at UNM in Civil Engineering.

Dr. Stormont was in attendance and provided a brief biography; he came to UNM in 1995. He has been involved in research, including developing intellectual property which makes him familiar with STC.UNM. He has also been involved in the Administration within the

University serving as Department Chair of Civil Engineering for over five years as well as the other duties as a faculty member.

Regent Clifford inquired as a non-specialist how Civil Engineering would complement STC.

Dr. Stormont stated Civil Engineering is a broad field. There are innovative materials that are being developed for construction. In their department, they have developed technologies for materials for orbiting platforms. Within Civil Engineering, they are trained to be innovative and think about new applications of materials and ideas.

Regent Clifford inquired how Dr. Stormont came forward as the selected faculty member.

Ms. Kuuttilla stated the process for the academic Dean and two faculty appointments from Main Campus and HSC are selected by the President.

Regent Clifford would like some sense of assurance that the faculty is aware of the processes and have input in what they are doing. It is an important program for the faculty. They believe faculty support the direction, but he would like Dr. Stormont to assist in providing faculty awareness of STC. Dr. Stormont agreed to do that.

Ms. Kuuttilla stated she is an Ex-Officio member of the Research Policy Committee, which is a faculty committee that looks at that, and is designed to bring STC into those decisions and feedback from faculty. **Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

8. **Recommendations for Consent Agenda Items on Full Board of Regents' Agenda.** Chairperson Marron Lee recommended action items 2, 4, 5, 6, and 7 to be placed on the full Board of Regents' consent agenda. **Regent Clifford moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

INFORMATION ITEMS:

9. **Taproom Update.** Chris Vallejos and Walt Miller provided an update to the Committee on Taproom initiative. They have established a committee and continue to work with students on the project.

Mr. Miller briefly discussed peer institution information related to topic. They surveyed several western region schools and discovered four institutions that had a similar model. The top school with a Tap Room was Colorado State University in Fort Collins. They have linked with that institution and they are ready to help UNM on this project to learn from some of their experiences. They have brought both the academic and food service component together and it has added to the student life on their campus. That will be a model for UNM. Regarding the liquor license, currently the Student Union Building (SUB) has a State of New Mexico Governmental Liquor License that could be amended to add an area to it because it is site specific. They did this twice this past year for Football stadium

and Basketball Stadium because that type of license is the only one we can get on State property. The State will ask for blueprints and will make sure the outside/ inside areas are secure. Also, it would default back to the University to decide policies of operation, types of food, and such. Currently they are leasing the license to Chartwells in the SUB for closed catered and special meeting events.

President Abdallah inquired if the process would be to take back the license from Chartwells.

Mr. Miller stated that the institution does not give up the license, but holds it and leases it for a period of time. It is UNM's license.

Mr. Vallejos briefly provided some updates on stakeholder input. The Students have done a great job meeting with the Dean of Students, LoboRESPECT, and others. Students provided written comments which Mr. Vallejos read and indicated "they continue to receive overwhelming positive feedback about the Tap Room concept and the stakeholders are truly excited." They are excited to establish a curriculum, such as academic brewing courses. The students continue to work with the School of Architecture and Planning and they are going to help with potential design for construction in the two areas they are looking at. One area is in the lower level of SUB next to the Mercado, currently a gaming area, and the second area is behind WisePies as it has potential for outdoor access. The second area is preferred. Concepts are being done and Chartwells is providing pro-formas on what they could do. The project will require a capital investment to ready the space, and working with Chartwells could be a good partnership. They do not want to do the minimum for the project, but make it a quality space while providing a food option. The process is moving quickly but they need to identify where the capital investment will come from.

Regent Lee inquired about the timeline and Mr. Vallejos stated it is a capital project to ready the space and timeframe for completion would be January 2018. They have several capital projects on campus this summer and adding this project along with the others could be a risk. Finding the funds and obtaining approvals, if necessary, would also take time.

- 10. Overview of Media Impact for Athletics for Fall 2016.** Cinnamon Blair and Brad Hutchins provided to the Committee an overview of the media impact for Athletics for Fall 2016. The report was included in the eBook meeting materials.

Extensive discussions with Athletics and UCAM have been ongoing regarding how the comprehensive branding effort interfaces with Athletics. Related to the image and perception study completed in 2014 by Research & Polling, almost 40% of those polled knew about Athletics. They included Athletics in looking at advertising/marketing projects and benchmarks to best capitalize and leverage where they are demographically in the markets. Their focus for the presentation was the 2016 Football Season. They worked with CWA strategies on collecting data to see the earned media value on what Football achieved throughout the season. It covered earned and shared media including news reports, radio shows, print coverage, editorials, and blog posts; non-paid media. In researching the media coverage they reviewed dates, stories, mentions, source, and region of coverage, along with if it was positive, neutral, or negative. They also reviewed the advertising value equivalency and what it would cost if it were paid. The approximate reach was 10 million

people, and the approximate valuation was \$90M. The tone was 16% negative, 74% neutral, and 10% positive. There were 25,688 shared media mentions identified on Twitter, Facebook, YouTube, and various blogs. Neutral meant it was neither positive nor negative coverage, but rather a mention.

A U.S. map was presented that illustrated the coverage intensity; NM was less intense due to the smaller population and media market. Areas with highest intensity included Texas, Michigan, Wisconsin, and Illinois. There are also a lot of alumni in those areas and UNM draws applicants from those areas. The map may indicate where they want to increase exposure during games when they are aired in these areas to capitalize on existing advertising, especially on social media.

Mr. Hutchins stated they had a football game at the Cotton Bowl this year in Dallas, TX in which they worked with the UNM Foundation, Alumni Association, Lobo Club, and Letterman's Association to host events and cultivation with donors in that area. Next season they hope to play at Texas A&M.

Two charts presented illustrated the coverage frequency and post frequency; the highest areas were in December 2016 around the time of the NM Bowl. Another slide gave an overview of the 2016 Football Season broken down by game, and several games had valuations over \$1M. They are able to get the reach and awareness of the institution even if people were not happy with the outcome of the game. The institutional impact was briefly discussed and they looked at research on Douglas J. Chung, Harvard Business School Assistant Professor, which relates success of athletic teams to assisting with the overall branding and exposure of the institution in areas they previously wouldn't have exposure. The institution's ability to build awareness and brand identity among those audiences nationally increases with Athletic teams playing further out across the country. Increasing earned media and adding paid media to that as well as social media is what they are looking to do in the next season. UCAM is working with Athletics to cultivate a deeper relationship when it comes to branding, marketing, and outreach.

Regent Lee believes it is a natural partnership, Athletics is the "front porch" for the University and they should leverage the branding efforts.

Mr. Hutchins stated they are working closely with UCAM to incorporate the branding efforts.

President Abdallah inquired if the coverage map corresponds to areas UNM receives applications for enrollment.

Terry Babbitt stated that was correct, particularly in the north east near Chicago where there are a lot of UNM alumni. There are high yield numbers in that area.

Ms. Blair stated they ran several UNM commercials during the Super Bowl game which reached 1.5M people and had 99% positive feedback on social media.

Regent Clifford would like to see the Albuquerque Visitors Guide to include information and promotion on UNM. Ms. Blair stated they are working on improving that.

11. UNM IT Effectiveness and Efficiency Effort. Duane Arruti and Brian Pietrewicz made the presentation.

Information was presented to the Committee on the UNM IT Effectiveness and Efficiency effort. The report was included in the eBook meeting materials. EVP Harris stated they tried for a number of years to achieve a certain direction in IT that would lead to a more consolidated model. They had a consultant last summer that provided a good roadmap. They did an internal search for the IT management team and selected Duane Arruti and Brian Pietrewicz. They will provide a brief report on the efforts.

Mr. Arruti provided an update on the IT effectiveness and efficiency efforts. Their main focus was on Main Campus and the Branch Campuses. They are not looking at the services being delivered by the HSC but they do deliver services to the HSC so they are incorporating those services into the model. The goals of the efforts are to adapt the recommendations of the TIG report (the detailed TIG report was included in the eBook). The approach in leveraging the existing expertise across campus is to ensure they look holistically at all resources available in the delivery of services and streamline technology delivery services. They are working closely with technology managers in all schools, colleges, and departments. The goal is to ensure that common and differentiated service needs continue to be met. They also strive for transparency, open communication, and instilling accountability and responsibility from the community. They do not want to harm services that are working today. They will work with experts and streamline efficiencies to deliver effective results.

In 2014, there was a limited service engagement with Kurt Salmon and Associates (KSA) they did several stakeholder engagements, limited interviews with select groups on campus. They provided a report with a business model to move forward with. UNM formed a Strategic Advisory Committee and reviewed the recommendations of KSA to understand how to apply it to UNM. In 2016, TIG was brought in to come up with an operational approach focused on the campus, with more comprehensive engagement on the campus to see what was working and where they needed improvements. The result determined several recommendations included: centralizing core IT services, merging Extended Learning IT with UNM IT Classroom Technologies, centralizing helpdesk and ticketing systems, establishing campus representation in IT Governance, establishing service level agreements, instituting a new funding model, centralizing key IT expenses, reducing management layers, and evaluating outsourcing opportunities. TIG did a fiscal comparison on benchmarking; UNM has a \$2,200 spend per FTE, including faculty, staff, and students, other institutions are just under \$1,000. The representation was a little off as it included centralized spend and distributed spend; the comparative number from TIG only included central spend. With an addendum, UNM was closer to \$1,007 with central spend. A chart was presented on an analysis of UNM technology positions. Information Technology Officers (ITO) were briefly discussed and they will be a reporting line between UNM IT and the areas they represent. They are working on obtaining campus input with committees to review several areas. Several charts on management structure were presented and illustrated the reporting lines. The timeline was briefly discussed their goal is to have the FY 18 funding model and reporting structure in place by June 2018.

Mr. Pietrewicz provided an update on the technical initiatives and accomplishments. They worked with ITOs in various units and came up with focus areas including the operations and service desk, secure data solutions, end user device management, and data center consolidation. They focused on migrating all to a central service desk and allow for a single service desk to align operations and route tickets to all members of IT across the University. It will be a single point of contact for all end users. They have migrated the College of Fine Arts into the IT service desk, and are working on the rest of the IT units. They are also working on first contact resolution which is solving their problem immediately rather than forwarding to another unit. They identified processes that could quickly be resolved that have had the most call volume for support. They reduced the processes and removed 3,500 days of wait for end users. They will take that concept and apply it to areas that get the most calls. Secure data storage was area of concern around campus. Currently there is no secure data storage service that meets compliance. Working with Anderson School of Management, they completed a proof-of-concept for securing FERPA data and they will expand the service to implement university-wide. It will also be expanding in the future to include HIPAA and PII. End user device management is also an area of concern and they have completed a proof-of-concept for Windows management tools and remote Mac management tools. Financial Services is working on the inventory and procurement process to reduce overall costs of end user devices. They are working on datacenter and server/storage consolidation. Financial Services is consolidating server storage licensing to UNM IT which will save \$100K and the College of Fine Arts followed suit saving \$20K. They consistently look for outsourcing opportunities and UNM currently outsources \$3.3M in services to 37 vendors. They will continue that in the future to eliminate duplication and take advantage of economies of scale. There are several resources available online at cio.unm.edu related to the report.

Regent Clifford inquired if they have issues with software compatibility.

Mr. Arruti stated they do have some software compatibility issues they are consistently dealing working through and getting vendors to support newer operating systems.

12. **FY 18 Health Plan Premiums.** Dorothy Anderson, Joey Evans, and Todd Burley made the presentation. Information was presented to the Committee on the FY 18 Health Plan Premiums and changes were discussed. The first change is regarding an incentive based wellness program implemented last year which provided participants a \$200 premium incentive for having a wellness checkup on-site or through a primary care provider. They are exploring expanding the program to cover spouses and partners of employees to receive a \$100 premium incentive. The program is important as it provides aggregated data that will be used for the medical plan and inform on what the disease states are in the population, decide how to target individuals through medical and Rx plan design. They have not had an opportunity to discuss the program with the Faculty & Staff Benefits Committee (FSBC). They do not anticipate any resistance as it is an enhanced benefit.

Mr. Evans briefly discussed the program. In Fall 2015, they offered on site preventive health clinics as a voluntary program with no incentive; 78 employees participated. After offering the \$200 incentive in 2016, they had over 2,000 employees participate or 35% of the enrolled population. Through that process they identified 500 participants that had high cholesterol, 24 with hypertension, and 7 with diabetes who were previously undiagnosed.

Roughly 40% of the men and 17% of the women who participated voluntarily stated they did not have a primary care physician. Part of the goal of the program is for individuals to understand their status and meet with a primary care physician to manage their health.

Ms. Anderson briefly discussed the VEBA, which was a plan/trust developed in July 2013. The intent was the trust would fund post-retirement benefits for employees once they left the University. The first year, the intent was to have 0.5% off of their base salary and then 0.75% the following year, for it to go up to 1%. The employee contributes a portion and the University matches that portion. The contributions for FY 17 were \$6.3M; the earnings were an additional \$911K leaving the VEBA assets since the program began at \$23.7M. For FY 18, they are proposing for it to remain flat at 0.75% rather than increasing. If it remains flat the contributions would be \$6.35M and with expected earnings of \$1.2M. At the end of FY 18, the VEBA would be at \$31M. The post-retirement health benefits have been discontinued for new employees hired beginning July 2015. The return rate was approximately 4% last year.

For health premiums, they had initially projected a 7% increase. That information was presented to FSBC and Faculty Senate and their preference was to approve the 7% increase in premiums with no plan changes. Since then, the projection has decreased to 5.1% with no plan changes. This will be well received since it was less than initially expected. The impact of the 5.1% increase on employees on the lowest end will be a \$5 per month increase, and those on the higher end would see \$35 per month increase in premiums. The employer's portion is \$1.9M; the impact on I&G Main Campus would be \$615K and \$230K for I&G HSC.

Regent Clifford inquired if they experimented in recent years changing the design of the plan. Ms. Anderson stated they made significant changes last year to the plan relative to benchmarking and found UNM's plan is comparable to others. Regent Clifford stated they may need to think about more plan design changes due to the budget environment.

13. Financial Discussion and Planning of Following Items:

Liz Metzger provided background and stated the items listed below were requested to be put on the agenda to indicate areas brought up after Regent Clifford reviewed the Audit Report. They have been assigned to individuals to follow up, gather information on, and report back at a later date.

- a. Modification to the Monthly Budget Report to Compare Year to Date Results with a Seasonally Adjusted Baseline.** Liz Metzger has been assigned this item for further research and it will be presented at a later date. There was no further discussion.
- b. Review of the Audit MD&A.** Liz Metzger has been assigned this item for further research and it will be presented at a later date. There was no further discussion.
- c. Legal Review of ERA Liability and Analysis of Alternative Plans to Reduce Unfunded Liability.** This item was removed from discussion.

- d. Review of Student Loan Default Information.** Terry Babbitt has been assigned this item for further research and it will be presented at a later date. There was no further discussion.
- e. Review of Uncompensated Care Policies of HSC.** Ella Watt has been assigned this item for further research and it will be presented at a later date. There was no further discussion.
- f. Review of Options for Lottery Bills and Lottery Tuition Scholarship Options.** Matt Munoz and Connie Beimer reviewed options for Lottery Bills. The following bills introduced during the 2017 NM Legislative Session were reviewed by Mr. Munoz and were specifically related to the Legislative Lottery Tuition Scholarship.

HB194 recommended the Lottery Scholarship becoming a full need-based award adding the element of need to qualify for the Lottery Scholarship. It would only be available to students whose families' annual net household incomes do not exceed \$75K. All other qualifications would remain in place. It would have a large impact on UNM students.

HB237 recommended extension of a temporary distribution of liquor excise tax revenues from June 30, 2017 to June 30, 2020, but would lower the distribution percentage from 39 to 30; approximately \$14M annually.

HB250, vetoed last year by the Governor, recommended that any bonus or incentive compensation awarded to an employee of or vendor for the Lottery Authority be calculated based on the monthly amount transmitted to the State Treasurer for deposit into the Lottery Tuition Fund. It would also require payment of forfeited lottery prizes to the Lottery Tuition Fund rather than the prize fund.

SB192 recommended the New Mexico Lottery Authority transmit all net revenue to the State Treasurer for deposit in the Lottery Tuition Fund monthly and completed by August 1 for each fiscal year. It would also remove the 30% minimum deposit of all net revenues. The bill is to provide more flexibility in the Lottery Authority budget.

SB276 recommended the Lottery Scholarship Act be changed to provide an application process and a differentiated award based on the program semester of enrollment and type of institution. Students would only be awarded a certain percentage each year and it would work its way up to 100% for the last semester of school. Students at NMSU are in support of it. UNM will continue to express its concerns.

HED would be required to create an application and students would need to submit the request and file a FAFSA. HED would be required to maintain a minimum fund balance pursuant to law. The bill would restructure how the Lottery Scholarship would be awarded. This would award the students who stay in school.

Other legislative bills with an Administrative impact, not related to the Lottery Scholarship, were briefly reviewed by Mr. Munoz.

HB25/SB18 proposes to require every state agency to put 33% of their contracts or procurement funding into resident business. Bruce Cherrin reviewed this and stated UNM is currently above that percentage. They do take issue with having to direct where money needs to go. Regent Clifford stated that is a bill that has real administrative complexity. At some point they will need to establish if it is a “real resident.”

HB108/SB103 is a bill developed by HED that the Provost Office and Gregg Heileman assisted on the process. It comes from a bill introduced in 2015 requiring State to meet the common course numbering by 2017. This bill will allow for across the board college transfers for each institution and creating meta-majors within stature that we have to comply with. UNM has been engaged in the process in creating the tools to get students to transfer easily. The State has developed a common core for higher education institutions.

HB113 is a State-wide broadband bill to create giga-pop sites throughout NM as many places have limited data access. The sponsor’s idea was to have these sites at higher education institutions throughout the state. The question is who is going to pay for maintenance and upkeep.

HB198 is a procurement bill requiring the University to do procurement with historically underutilized businesses. These are businesses that don’t generally receive a lot of state procurement mainly related to their ethnicity and other issues.

HB225 is a bill that amends the Open Meetings Act to require all Boards in New Mexico that have administrative powers and policy making bodies have to actually film and archive all meetings. It has to be webcasted. There is an exemption for small municipalities and anything that is not a Class A county. It does not exempt small Boards, such as Finance and Facilities. This is being watched closely and will come with a cost. There is no appropriation allocated for this bill. NMSU currently films and archives all of their Board meetings. Regent Clifford believes it should be done. The cost could be several thousand per year, per committee to live-stream and record. Regent Lee stated when it was originally brought up it proved to be cost prohibitive. NMSU has a set room where all the meetings take place, which is not like the current set up for UNM’s Board meetings. They do not have a lot of maintenance and man power requirements for film and audio. Regent Clifford believes it should be a priority.

HB267 is a bill for an Inspection of Public Records Act (IPRA) exemption prompted by NMSU because they have issues working with businesses on research because they are fearful the research could be subject to IPRA and any proprietary information could be released prior to the patent. STC is aware of the bill and agree with it. CUP has been taking the lead on all the bills they agree on.

SB278 is a bill relating to hospital and health care exemptions from the procurement code. Mr. Munoz will need to further review to see if it will impact UNM.

SB149 is a bill that came out of the DOJ investigation and UNM is working on. They have to release the names of victims and witnesses of sexual assault through the IPRA

process because the law enforcement on campus is State Law Enforcement. Any documents collected by them brought to UNM would have to be released. The bill would add an exemption on IPRA so they do not have to release any identifying information for any crimes related to sexual assault. This will protect students on campus.

SB195 is a bill that would expand Legislative Education Study Committee (LESC) duties to higher education, they currently only have authority over the College of Education. This would expand the role and create an additional administrative burden for the University.

SB260 is a bill that related to Capital Project reversion dates. Using general language, it would void authorization granted prior to 2015 regular legislative session for the issuance of Severance Tax Bonds for any capital outlay project if no bonds have been issued for the project prior to January 1, 2017. It would require reversions.

Terry Babbitt briefly reviewed several slides involving the Lottery Scholarship. Specific things have been proposed. They have looked at what aligns with the University's priorities. They are planning on 60% awards. They are looking at the impact on that based on enrollment, and students with need. Students who are the most impacted, 3.0 to 3.49, do not get a lot of need aid and heavy merit aid, that is a large population and goes down by \$1,000 with that. It could impact the University losing 100 to 130 students. Enrollment Management is working on strategies to mitigate that with better promotion and offering smaller scholarships for students in those groups. They are also trying to align with goals of the Board such as Finish-in-Four, which is a back loaded effort to provide the final semester free for students.

Regent Clifford inquired if people are uncomfortable with the distribution of the funds and schools not on the receiving end.

Mr. Munoz stated that the Lottery Scholarship is designed for traditional students right out of high school; the largest complaint was from the two year schools as their students aren't typically traditional.

COMMENTS:

There were no comments.

EXECUTIVE SESSION:

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

Regent Doughty moved to close the meeting 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 potential purchase, acquisition or disposal of real property, *pursuant to Section 10-15-1 H (8), NMSA (1978).*

C. Vote to re-open the meeting.

Regent Lee moved to re-open the meeting 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 Doughty moved to adjourn at 3:45 p.m., and Regent Clifford seconded. The motion passed by unanimous vote with a quorum of Committee members present and voting.